

**Civil Society Response to the Government Paper on PRSP:
Comments made at the Consultative Group meeting, 7 July 2002**

Gregory Chikwanka, Acting Coordinator of CSPR

1. Comments by Civil Society

Mr. Gregory Chikwanka thanked the Chairman for according civil society an opportunity to respond to Poverty Reduction Strategy paper (PRSP) presentation. According to Mr. Chikwanka, civil society recognizes that the requirement for poverty reduction is not just spending resources of which Zambia undoubtedly has a serious shortfall but it is a question of conserving resources, both human and financial.

Civil society emphasized that Zambia faces serious problems on the latter front noting that the HIV/AIDS pandemic has been debilitating the human resources while corruption has been eating up the scarce financial resources. While assistance from cooperating partners can help mobilize additional resources to bridge shortfalls, this by itself would be ineffectual in reducing poverty and bringing about development if the twin scourges of HIV/AIDS and corruption were not addressed. Civil society reiterated that the PRSP should not be used as a tool for eliciting funds from donors but as a genuine agenda for Zambia's poverty reduction.

Civil society welcomed Government's recognition in the PRSP of the critical role of good governance and the imperative to bring down the high incidence of HIV/AIDS. Concern was however expressed on the concrete steps Government would take beyond the rhetoric of words (such as zero tolerance towards corruption) to achieve results on the ground. A call was made on Government to recover all resources corruptly obtained from the treasury and redirect them towards development.

In addition, civil society urged cooperating partners to place sufficient circumscribing conditionalities on Government that would ensure complete accountability and a meaningful match between objectives, programs, actions, plans and resource allocations within the PRSP with subsequent demonstration of achievements on the basis of monitorable indicators.

On macroeconomics, civil society agreed with Government on the importance of creating a sound macroeconomic environment. Civil society noted that considerable containment of expenditure is key to the creation of this environment and reemphasized the need to reduce the size of Government and abolishing of the unwanted office of District administrator. Further, Government was urged to take positive steps towards bringing

tariffs down on overheads (such as electricity) which lead to cost push inflation, making cost of production extremely high.

Overall, civil society agreed with the identification by Government of sectors of highest growth potential (Agriculture, Tourism, Mining and Industry) and noted that because of high poverty levels, a 3-4 % GDP growth on a per capita basis would be required for Zambia to move out of poverty.

On agriculture, civil society felt that in addition to strategies proposed in the PRSP, land issues needed to be addressed, as there is no adequate mention of land in the PRSP.

In conclusion, civil society contended that while donor funding was required, much more could be achieved in poverty reduction through right prioritization and better targeting of resources. Mr. Chikwanka explained that as civil society, they appreciate the consultative and participatory process in the formulation of the PRSP particularly that significant portions of civil society perspectives have been incorporated in the final PRSP. He noted that this not only demonstrate that Government can listen, but shows that Government has seen that civil society could contribute meaningfully to the economic development of Zambia. Government was urged to carry forward the recognition of civil society in implementation, monitoring and evaluation of the PRSP. Civil society expects even a greater role in these latter processes.

2. Opening Statement of the U.S. Delegation by Mr. Allan Reed, Mission Director, USAID

The Mission Director of USAID, Mr. Allan Reed, stated that Zambia was progressing relatively well on four conditions (as set out by the USAID Administrator) that should exist for poverty reduction to take place- political leadership, policy reform, people and partnerships.

He explained that Zambia had made significant progress in policy reform in its liberalization and privatization of the agricultural sector in the last ten years and that the country had transformed its negative growth rates to increasing positive growth rates in the past three years. He commended Government's efforts to integrate trade in its Interim National Development Plan, as this would increase exports and further accelerate its growth rate.

The U.S. Government called for an educated and healthy workforce, which needs basic medical care and protection from major infectious disease epidemics. The Government was commended for its efforts in producing a comprehensive proposal for the Global Fund support for HIV/AIDS, Malaria and TB as well as its multisectoral approach to HIV/AIDS. In the education sector, the U.S. Government commended Zambia for its efforts to address the Millennium Goal of Education for all and expressed happiness with the increased allocation to the sector in the 2002 national budget.

On the PRSP, the U.S. Government believed that if implemented as planned with well-articulated and participatory budget allocation, and measures taken to enhance good governance and accountability, positive effects of policy reform would be furthered. In addition, the Government's priority to develop a vibrant private sector working in partnership with Government to place Zambia in competitive as well as comparative advantage in regional and international markets was fully endorsed. The establishment of a Public/Private Sector Committee on the Integrated Framework for Trade Related Technical assistance was commended and Government urged to reinvigorate the committee as soon as possible.

The U.S. Government observed that significant constraints needed to be addressed to create an enabling environment for increasing private sector investment by providing better implementation of open market economic policies stabilizing the exchange rates, reducing inflation and interest rates, energy costs and addressing the tax system. The significance of Information and Communications Technology (ICT) was emphasized in transforming the economy and society of Zambia. Zambia was called upon to formulate and implement an effective policy and regulatory framework to enable the required development of ICT.

Additionally, the U.S. Government expressed willingness to support the Zambian Government in its effort to prevent the drought from becoming a famine by contributing to the relief effort. The U.S. Government however pointed out that a supportive environment for the private sector to import and cover the balance of the deficit through commercial channels must be created, and necessary investments to tap Zambia's vast agricultural potential to reduce vulnerability to drought exploited.

While Zambia's remarkable political progress was hailed, the U.S. government felt that greater democratization would require fundamental issues to be addressed. These issues relate to constitutional and parliamentary reforms. Government was urged to see the urgency of developing a medium term plan for systematic implementation of the above issues.

3. Pledging Statement of the U.S. Delegation by Mr. Allan Reed, Mission Director for USAID/Zambia

Mr. Allan Reed explained that the United States Government would continue to support the Government of Zambia in its efforts to successfully manage the country's continuing transition to a multiparty democratic society and liberalized market economy, by broadening participation in political life and economic growth through enhanced food security and improved health and education. These efforts would be pursued through the achievement of four strategic pillars of Economic Growth, Agriculture; Global Health; and Democracy, Conflict Prevention, and Humanitarian assistance. The table below shows the grant assistance pledged by the U.S. Government:

Proposed U.S. Development Finance to Zambia in U.S. Fiscal Year 2002

Objectives	\$
Increased Rural Income of Selected Groups	7,910,000
Improved Quality of Basic Education for More School Aged Children	4,700,000
Increased Use of Integrated Child and Reproductive Health, and HIV/AIDS Interventions	30,830,000
Expanded Opportunities for Effective Participation in Democratic Governance	1,212,000
Total	44,652,000

Mr. Reed further explained that Zambia would benefit from U.S. Government assistance activities channeled through Center for Disease Control and Prevention (\$300,000), Democracy and Human Rights (\$75,000). Special Self Help Program (\$68,700), Emergency Food Relief (\$10,109,454) to mitigate the current food crisis, and other resources through Peace Corps and other USG agencies.

4. Statement by the African Development Bank Group

The African Development Bank Group (ADB) noted their appreciation of the continued commitment of the Government of Zambia to the implementation of its reform programs and to addressing the problem of poverty. The Group commended Government for its efforts in preparing the PRSP and extended appreciation to the donors who have remained partners with the Group in supporting poverty reduction in Zambia.

The Group shared the view that the PRSP provides a good basis for addressing the problem of poverty in the medium term and urged Government to show the same level of commitment to its implementation as it did during the preparation of the document. They noted that the challenge of poverty reduction in Zambia was enormous as the provision of basic social services in the health, education, water and sanitation sectors still remained inadequate. This situation had been aggravated by the problem of food insecurity and the HIV/AIDS scourge and called on Zambia's cooperating partners compliment Government's effort in order to achieve accelerated poverty reduction.

The Meeting was informed that ADB's inclination for Zambia was to narrow down their interventions to one or two sectors where economies of scale and the development impact would be highest. The Bank Group would continue to provide policy based support to the Government and pledged to move away from their traditional policy based credits to support balance of payments to assistance through the budget.

The ADB expressed appreciation with the Government's good record of timely debt service to the Bank and, as an encouragement to the Government, approved and disbursed a supplementary Financing Mechanism (SFM) credit of UA4.97 million in 2000 in addition the Bank was supporting Zambia's HIPC debt relief with US\$146 million. In the medium term, the Bank would explore ways and means to assist the Government in addressing the problem of its domestic indebtedness.

5. Zambian government presentation on the PRSP

Government informed the CG that the Zambian PRSP has two key objectives. The first objective is to attain strong sustained economic growth of between 5 and 8 per cent per annum in the medium term so that per capita income can start to rise again. Secondly, the PRSP pays attention to investment in people through investment in health, water and sanitation and education. In addition to basic social services, sound safety nets would be put in place for people in need but without financial means. Governance would have to be strengthened further in order to achieve the social-economic aspirations outlined in the PRSP.

ECONOMIC GROWTH

Macroeconomic Issues

According to the PRSP, the main macroeconomic challenge for poverty reduction is to achieve strong and sustained economic growth led by rising exports. Therefore in the key economic sectors of mining, agriculture, tourism and manufacturing, priority would be on boosting exports.

Zambia would attract quality foreign investors particularly those with ready cash to invest in large projects that could generate substantial spin offs so as to complement domestic investors in expanding exports. To encourage domestic investments, the macroeconomic environment would have to improve further. Interest rates and inflation should decline to low levels in a sustainable fashion while exchange rates would also be stabilized. Fiscal consolidation including accessing debt relief and containing Government expenditure would be paramount in meeting this objective.

Tourism

The PRSP outline a plan for the tourism sector which envisages two broad interventions, national and zonal. National interventions include rehabilitation of roads in tourist areas, rehabilitation of museums, tourist marketing, wildlife management, and human resource development. Zonal development emphasizes development work in specific tourist areas to make them attractive to tourist investment. Formulas have been designed to benefit local people in the tourism expansion.

Agriculture and Rural Development

With the PRSP, emphasis in agriculture would shift towards producing for exports, to escape the limited domestic market that becomes inevitable when agricultural surpluses are produced. Both large and small-scale production would be encouraged. For subsistence farmers, the emphasis would be on meeting their food security needs while encouraging them to grow cash crops on the side.

To establish large estates, commercial farms and smallholder out grower schemes in traditionally owned land, new farming blocks under longer tenure would be needed. In establishing these blocks, sufficient land would be reserved for local communities in order to meet current and future requirements. Additionally, incentives such as revenue sharing with rural communities would be agreed upon for these communities to let land.

Industry

The strategies on industry focuses on promoting industries that have the best chances of export success taking into account comparative and existing trade opportunities. These industries are likely to be processors of primary goods like agricultural and forest products.

Mining

On mining, Government bemoaned the pull out by Anglo American Plc from Konkola Copper Mines (KCM) and pointed out that the pull out posed a strong risk to poverty reduction efforts and economic growth prospects. However, Government mentioned that it stood ready to put up infrastructure, in the medium to long term, to facilitate the opening up of new large mining projects in prospective areas and sought assistance for the promotion of small-scale mining.

Infrastructure

One of the key priorities under infrastructure is to rehabilitate and regularly maintain the key trunk and district roads to secure them from disintegrating. New roads would only be constructed where there is economic justification while rural feeder roads would also be rehabilitated and maintained regularly. Zambia railways would be concessioned to private operators.

On electrical energy infrastructure, Government said that plans were underway to rehabilitate the Kariba, Kafue and Victoria falls, which had not been rehabilitated since inception. New infrastructure would be constructed on Kafue River by private investors to raise power generation to meet the expected rise in domestic demand and for export while rural electrification would be accelerated. For majority of Zambians depending on

wood fuel, the objective would be to develop more efficient wood energy utilization in order to reduce on demand on this type of fuel thereby reducing de-forestation.

On water, Government disclosed that dams and delivery canals would be constructed on rivers by either the private sector or the Government to generate irrigation water for sale in farming blocks producing high value export crops.

SOCIAL INVESTMENT

Education and Training

Education in the PRSP focuses on improving the base by continuing the Basic Education Investment Program (BESSIP) while expanding it to grades eight and nine in a phased fashion. Pre-requisites for this like infrastructure development, teacher development and deployment, teacher compensation, materials production, procurement and distribution of learning and teaching material will be enhanced and continued. Others are equity and gender, school health and nutrition, upper basic school curriculum development, capacity building, decentralization and HIV/AIDS.

Health and HIV/AIDS

The highest priority in the health would be to institute the basic health care package to drastically reduce both the morbidity and mortality rate and contribute to poverty reduction followed by mechanisms to protect the poor.

Other measures would include continuation of Public welfare Assistance with improved management; working out new approaches by allocating resources to districts with high poverty levels; restructure the procurement system to ensure that purchasing of drugs is done more efficiently and on a needs basis; and strengthen the Community Health Innovation Fund to facilitate flexible action by communities on specific needs.

On the HIV/AIDS pandemic Government explained that the key goals would be to mobilize a multi sectoral response, reduction of high risk sexual behavior, increase and improve STD prevention, control and de-stigmatization of HIV/AIDS, among others.

RESOURCE REQUIREMENT

Government explained that a total of US\$1.1 billion (from US\$4 billion initially costed) was available for spending of which 67 per cent would come from external sources with the remainder coming from domestic resources.

IMPLEMENTATION MECHANISMS

Government disclosed that the annual budget would be the primary instrument for effecting expenditures for PRSP priorities during its program cycle. In this vein, the PRSP, MTEF, and PIP would all be synchronized to roll over every three years in view of their inter-linkage. All PRSP programs would therefore be translated into the national budget and no line ministry would be allowed to submit budget proposals without the due consideration of the PRSP programs.

Institutional Framework

The overall coordination of the implementation of the PRSP would rest with the Ministry of Finance and National Planning (MoFNP) with full participation of line ministries, other government institutions, civil society and international cooperating partners. The Planning and Economic Management Department (PEMD) in the MoFNP would be the focal point for PRSP coordination, monitoring and evaluation. The coordination aspect would also include harmonization of external financing for PRSP programs and other technical assistance. Appropriate mechanisms would be put in place to link the provincial administration system and line ministries with regard to planning, implementation, monitoring and evaluation of PRSP programs.