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## ACRONYMS

AAC	Anglo American Corporation
ABB	Activity Based Budgeting
ACC	Anti-Corruption Commission
ACF	Agriculture Consultative Forum
ADB	African Development Bank
ADF	Agriculture Development Fund
ADMADE	Administration and Management Design
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
ARV	Anti-Retroviral
ASIP	Agricultural Sector Investment Programme
BESSIP	Basic Education Sub-Sector Investment Programme
BOOT	Build, Own, Operate, Transfer
BOT	Build, Operate, Transfer
BOZ	Bank of Zambia
BTS	Blood Transfusion Services
CA	Communications Authority
CBNRM	Community Based Natural Resource Management
CBO	Community Based Organisation
CBoH	Central Board of Health
CBPP	Contagious Bovine Pleural Pneumonia
CBU	Copperbelt University
CEAP	Community Environmental Action Plan
CEMP	Community Environmental Management Plan
CHIF	Community Health Innovation Fund
CHW	Community Health Worker
CLUSA	Cooperative League of the United States of America
CO	Cabinet Office
COMESA	Common Market for Eastern and Southern Africa
CRB	Community Resource Board
CSO	Central Statistical Office
CSPR	Civil Society for Poverty Reduction
DBSA	Development Bank of Southern Africa
DBZ	Development Bank of Zambia
DCA	Department of Civil Aviation
DDCC	District Development Coordinating Committee
DfID	Department for International Development
DHMT	District Health Management Team
DHS	Demographic Health Survey
DISS	Department of Infrastructure Support Services
DMIW	Department of Maritime and Inland Waters
DTF	Devolution Trust Fund
DWA	Department of Water Affairs
D-WASHE	District Water, Sanitation, and Health Education
EBZ	Export Board of Zambia
ECCED	Early Childhood Care, Education, and Development
ECF	East Coast Fever
ECZ	Environmental Council of Zambia
EDF	Enterprise Development Fund
EFA	Education for All
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EPI	Expanded Programme of Immunisation
EPZ	Export Processing Zone
ERB	Energy Regulation Board
ESB	Energy Statistics Bulletin
ESCO	Energy Services Company
ESP	Environmental Support Programme
EU	European Union
FAO	Food and Agriculture Organisation
FBO	Faith Based Organisation

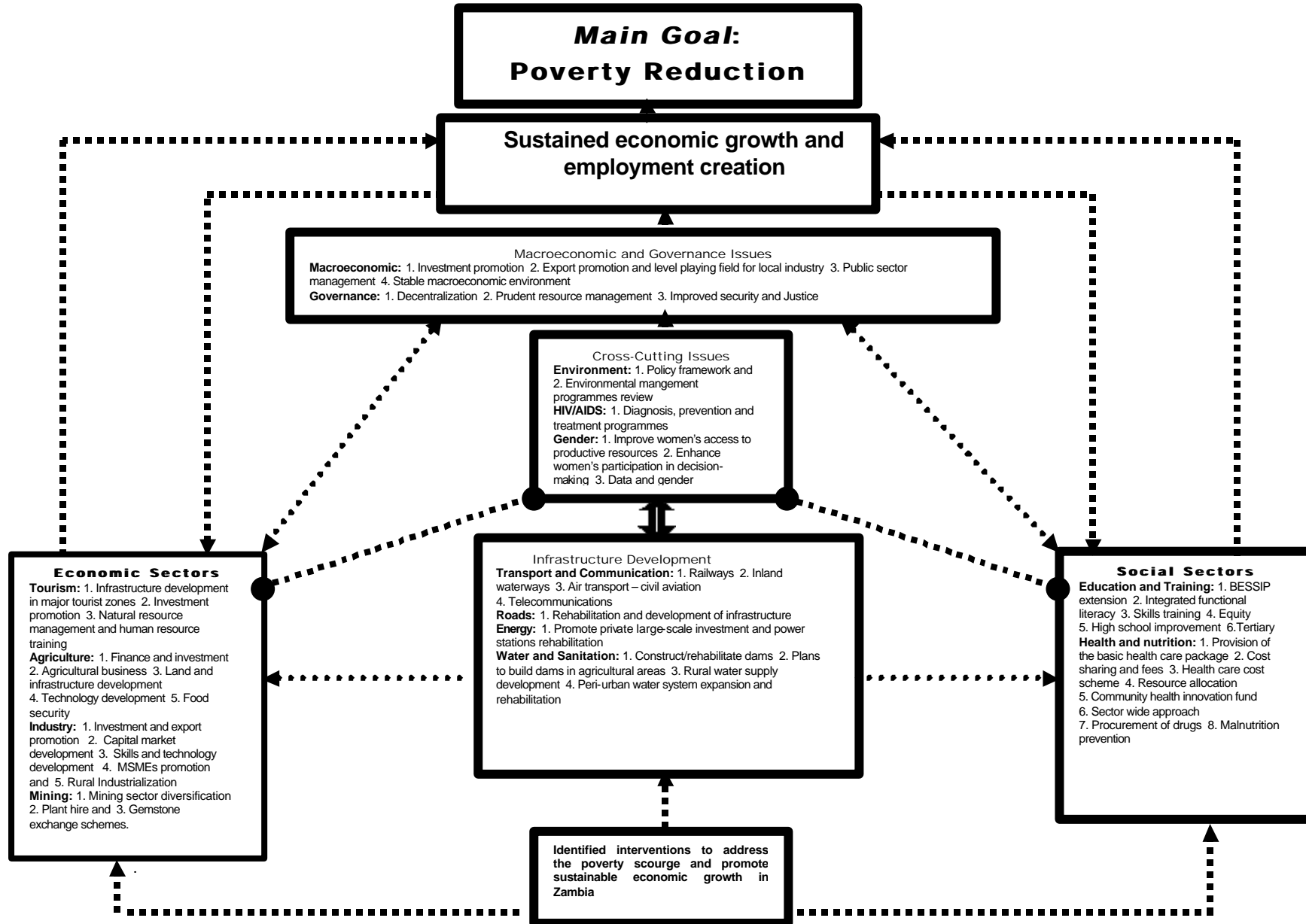
FDI	Foreign Direct Investment
FDLAB	Food and Drug Laboratory
FHH	Female Headed Household
FMD	Foot and Mouth Disease
FP	Family Planning
FRA	Food Reserve Agency
FTA	Free Trade Area
FTE	Full Time Equivalent
GART	Golden Valley Agricultural Research Trust
GDP	Gross Domestic Product
GIDD	Gender in Development Division
GMA	Game Management Area
GRZ	Government of the Republic of Zambia
GWh	Giga Watts per hour
HAART	Highly Active Anti-Retroviral Treatment
HC	Health Centre
HCC	Health Centre Committee
HFS	Health Facility Survey
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
HPI	Human Poverty Index
HRC	(Permanent) Human Rights Commission
HTTI	Hotel and Tourism Training Institute
ICT	Information and Communication Technology
IEC	Information, Education, and Communication
IFMIS	Integrated Financial Management and Information System
IMCI	Integrated Management of Childhood Illness
IMF	International Monetary Fund
IMR	Infant Mortality Rate
IMT	Intermediate Means of Transport
INESOR	Institute of Economic and Social Research
IPPP	Industrial Pollution Prevention Programme
ISI	Import Substitution Industrialisation
JICA	Japanese International Cooperation Agency
KCM	Konkola Copper Mines
KGL	Kafue Gorge Lower
LCMS	Living Conditions Monitoring Survey
LDC	Law Development Commission
LPG	Liquid Petroleum Gas
LUSE	Lusaka Stock Exchange
MAC	Ministry of Agriculture and Cooperatives
MAFF	Ministry of Agriculture, Food and Fisheries
MCDF	Mining Community Development Fund
MCDSS	Ministry of Community Development and Social Services
MCT	Ministry of Communications and Transport
MCTI	Ministry of Commerce, Trade and Industry
MEWD	Ministry of Energy and Water Development
MFA	Ministry of Foreign Affairs
MFNP	Ministry of Finance and National Planning
MGS	Matching Grant Scheme
MHA	Ministry of Home Affairs
MHH	Male Headed Household
MIBS	Ministry of Information and Broadcasting Services
MLGH	Ministry of Local Government and Housing
MLSS	Ministry of Labour and Social Security
MMMD	Ministry of Mines and Minerals Development
MMR	Maternal Mortality Rate
MMRS	Mount Makulu Research Station
MOE	Ministry of Education
MOFED	Ministry of Finance and Economic Development
MOH	Ministry of Health
MOL	Ministry of Lands
MOLA	Ministry of Legal Affairs

MPCF	Multipurpose Credit Facility
MSME	Micro, Small and Medium Enterprise
MSTVT	Ministry of Science, Technology and Vocational Training
MTCT	Mother to Child Transmission
MTEF	Medium Term Expenditure Framework
MTENR	Ministry of Tourism, Environment and Natural Resources
MW	Mega Watts
MWS	Ministry of Works and Supply
NA	National Accounts
NACL	National Airports Corporation Limited
NAPSA	National Pension Scheme Authority
NAZ	National Assembly of Zambia
NCBPGG	National Capacity Building Programme for Good Governance
NEAP	National Environmental Action Plan
NEP	National Energy Policy
NESA	National Education Sector Authority
NFNC	National Food and Nutrition Commission
NGO	Non-Governmental Organisation
NHC	Neighbourhood Health Committee
NHCC	National Heritage Conservation Commission
NISIR	National Institute for Scientific and Industrial Research
NMB	National Museums Board
NORAD	Norwegian Agency for Development
NPRAP	National Poverty Reduction Action Plan
NPS	National Pension Scheme
NRB	National Roads Board
NRDC	Natural Resources Development College
NRSC	National Road Safety Council
NRSE	New and Renewable Sources of Energy
NSTC	National Science and Technology Council
NWASCO	National Water Supply and Sanitation Council
O&M	Operation and Maintenance
OECD	Organisation for Economic Cooperation and Development
OPPII	Office for the Promotion of Private Power Investment
OVC	Orphans and Vulnerable Children
OVP	Office of the Vice-President
PAGE	Programme for the Advancement of Girls' Education
PAM	Programme Against Malnutrition
PDCC	Provincial Development Coordinating Committee
PEMD	Planning and Economic Management Department
PER	Public Expenditure Review
PFAP	Provincial Forestry Action Programme
PHC	Primary Health Care
PIP	Public Investment Programme
PPU	Provincial Planning Unit
PRA	Participatory Rural Appraisal
PRGF	Poverty Reduction and Growth Facility
PRP	Poverty Reduction Programme
PRSP	Poverty Reduction Strategy Paper
PSC	Public Service Commission
PSCAP	Public Sector Capacity Building Project
PSMD	Public Service Management Division
PSPF	Public Service Pension Fund
PSRP	Public Service Reform Programme
PWA	Person With AIDS
PWAS	Public Welfare Assistance Scheme
R&D	Research and Development
REMP	Rural Electrification Master Plan
RHC	Rural Health Centre
RoadSIP	Road Sector Investment Programme
RWSS	Rural Water Supply and Sanitation
SADC	Southern African Development Community
SAP	Structural Adjustment Programme

SBS	Sexual Behaviour Survey
SCAFE	Soil Conservation and Agro-Forestry Extension
SEC	Securities and Exchange Commission
SEDB	Small Enterprises Development Board
SHC	Solar Home System
SSIAZ	Small-Scale Industries Association of Zambia
STD	Sexually Transmitted Disease
STI	Sexually Transmitted Infection
SWAP	Sector Wide Approach
TASC	Tourism Area Steering Committee
TB	Tuberculosis
TBA	Traditional Birth Attendant
TCZ	Tourism Council of Zambia
TDAU	Technology Development and Advisory Unit
TDRC	Tropical Diseases Research Centre
TESF	Trade and Enterprise Support Facility
TEVET	Technical Education, Vocational and Entrepreneurship Training
TEVETA	Technical Education, Vocational and Entrepreneurship Training Authority
TOE	Tonnes Oil Equivalent
TTC	Teacher Training College
UN	United Nations
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNZA	University of Zambia
USTDA	United States Trade and Development Agency
VAD	Vitamin A Deficiency
VCT	Voluntary Counselling and Testing
V-WASHE	Village Water, Sanitation, and Health Education
WASHE	Water, Sanitation, and Health Education
WB	World Bank
WHO	World Health Organisation
WNB	Within Normal Budget
WRAP	Water Resources Action Programme
WSS	Water Supply and Sanitation
ZABS	Zambia Bureau of Standards
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAM	Zambia Association of Manufacturers
ZAMSIF	Zambia Social Investment Fund
ZAWA	Zambia Wildlife Authority
ZBCA	Zambia Business Coalition on AIDS
ZCCM	Zambia Consolidated Copper Mines
ZCTU	Zambia Congress of Trade Unions
ZESCO	Zambia Electricity Supply Corporation
ZFAP	Zambia Forestry Action Programme
ZFC	Zambia Forestry College
ZIC	Zambia Investment Centre
ZIMCO	Zambia Industrial and Mining Corporation
ZNFU	Zambia National Farmers' Union
ZNOC	Zambia National Oil Company
ZNTB	Zambia National Tourist Board
ZPA	Zambia Privatisation Agency
ZPAN	Zambia Plan of Action for Nutrition
ZRA	Zambia Revenue Authority
ZRL	Zambia Railways Limited



# SUMMARY OF THE ZAMBIAN PRSP



# Executive Summary

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Zambia presents her Poverty Reduction Strategy in this document. The document is divided into four parts. Part one is the overview and it contains background chapters like this executive summary, the macroeconomic background, the poverty profile of the country, and an outline of the central position of good governance in poverty reduction. Parts two and three outline the strategies for reducing poverty with the former focusing on the economic and social issues while the latter focuses on the required infrastructure support. Part four outlines the issues relating to the implementation and monitoring of the PRSP; this is followed by appendices. Appendix 1 describes the participatory process that was followed in preparing the Zambian PRSP. Appendix 2 is a summary of the priorities for poverty reduction expressed by the provincial delegates, while Appendices 3 and 4 respectively are policy matrix tables and tables on the indicators for measuring progress in the key policy areas.

Involving many stakeholders in the preparation of this document has enriched it and deeply grounded its ownership in the country. Stakeholders were involved at every stage of its preparation including at the level of conceptualising its roadmap through a national sensitisation workshop. This collaboration was extended into formation of sector working groups drawing participants from different interest groups to design sector specific programmes for poverty reduction, which became the main ingredients of this PRSP. The document has also benefited from wide consultations with rural areas, political leaders and from previous consultative processes. The full details of the consultative process are contained in Appendix 1.

Zambia, which until two decades ago was one of the most prosperous countries in Sub-Saharan Africa, now ranks as one of the Least Developed Countries. The majority of the people suffer from weak purchasing power, homelessness, and insufficient access to basic necessities such as education, health, food, and clean water. Poverty can be defined in the Zambian context as lack of access to income, employment opportunities, normal internal entitlements for the citizens to such things as freely determined consumption of goods and services, shelter and other basic needs of life. Currently, around 73 percent of Zambians are classified as poor. Poverty is more prevalent in rural areas compared to the urban areas (83 percent and 56 percent respectively) but it has risen faster in urban areas lately due to failing industries and rising unemployment. Most of the rural poor are small-scale farmers followed by medium-scale farmers.

Poverty in Zambia, like elsewhere, is multi-dimensional and it is due to complex factors, both personal and societal. Rural poverty is largely attributed to poorly functioning markets for agricultural output and to low agricultural productivity because of reliance on very basic implements as well as low utilisation of agricultural inputs. The majority of the rural and urban poor earn livelihoods from small-scale agriculture and a variety of informal income-generating activities that tend to be short-term, seasonal, and poorly rewarding, a phenomenon that has generally resulted in severe food insecurity and the attendant high prevalence levels of malnutrition among both children and adults.

Most fundamentally, however, the failure of Zambia's economy over the past thirty years, evidenced by a per capita GDP that is only a fraction of the level at independence, has had the most telling effect on poverty in the country. Mining, the driving force in the Zambian economy, declined for a long time, pulling down other sectors that depend on it. No major substitutes from other economic sectors came on stream. This has resulted in reduction in gainful employment and in failure by the state to provide basic services like education, health,

and water it provided so well in the past. In the 1990s, the HIV/AIDS pandemic and other diseases have worsened the poverty situation. At the time when resources were already low, HIV/AIDS has increased the disease burden beyond the individual level to adversely impact on the economics of the family, the health system, the working environment as well as human capital and many others.

Even with diminished resources, poverty would have been less in Zambia with better planning and, in particular, with superior prioritisation of resource use and better governance in general. This has not always been the case.

In summary, the worsening poverty trend in Zambia is primarily a product of:

- Lack of economic growth while the population has more than trebled since independence.
- Inadequate or inappropriate targeting of the poor and vulnerable people as evidenced by inappropriate budgetary locative patterns that have generally biased resources against pro-poor interventions.
- Weak integration of the poor, particularly small-scale farmers, into the market.
- Absence of well-conceived livelihood approaches that address rural and urban poverty.
- Poor people's weak access to real assets due to unfavourable land ownership laws and unsupportive land tenure systems that have worsened labour and land productivity.
- Weaknesses in governance in both its economic and political dimensions.

Little can be achieved to reduce poverty unless measures are taken to revive Zambia's economy. Accordingly, Zambia's PRSP focuses on measures to achieve strong sustained economic growth of between five to eight percent per annum. A growing economy that creates jobs and tax revenues for the state is a sustainable powerful tool for reducing poverty. This growth should as much as possible be broad-based, thereby promoting income-generation, linkages, and equity. In the short to medium term, uncertainty in the critical mining industry (details are provided below) will dampen Zambia's growth objectives and also threaten the viability of implementing this PRSP. However, this is considered to be a temporal setback, as the country remains endowed with great mining potential.

On several grounds, agriculture in Zambia combines the virtues of growth and equity and it is in this regard that enhanced agricultural productivity is being given the highest priority under this PRSP. Zambia has abundant arable agricultural land and supportive agro-ecological zones, which combined with abundant human resource base, can propel increase in output. On equity, it is noted that the poor in Zambia are predominantly in agriculture. If the sector grows and measures are put in place to include the poor in this growth, poverty will be reduced. The creation of conditions that enhance long-term innovative improvement of the productivity of agricultural resources, particularly smallholder farmers' land and labour is, therefore, considered crucial. A similar level of importance is being placed on the building and consolidation of the requisite credit markets for financing new investments in the sector as well as the improvement of marketing infrastructure for a more efficient flow of larger volumes of produce.

Given Zambia's vast unexploited land resources, she will also encourage large-scale agriculture farming. The efficiency and quick response of this sector is considered to be crucial as Zambia faces an uncertain economic future following the announcement by Anglo American Corporation to pull out of mining interests in Zambia. The case for successful diversification from copper mining has never been more urgent, and commercial agriculture is envisaged to play a major role in this.

Zambia plans to shift emphasis towards producing goods for export because the limited domestic market is a barrier to growth. The list of known agricultural products where Zambia has both comparative and competitive advantage includes coffee, cotton, groundnuts, flowers, paprika, and many others. These products will be grown where it is ecological suitable. Both large-scale and small-scale producers (under outgrower schemes) will be encouraged to produce these items.

The suitable ecological zones for some of the proposed export crops are in areas where the bulk of the land is under traditional title. If large estates, commercial farms and smallholder outgrower schemes are to be established there, it will require establishing new farming blocks under the 99-year leasehold. The availability of such land will be advertised to investors while providing outgrower farms for the local people. In this way, rural areas will attract investments, employment, and business opportunities. Formally establishing new farming blocks will also bring about a more open, transparent and systematic way of alienating land in rural areas with the interests of the local people secured, as opposed to the current situation where some people, sometimes without development capability, acquire large tracks of land freely for speculation.

To facilitate faster and diversified agricultural activity, the PRSP also places a high premium on infrastructure development, particularly rural roads, and this is well reflected in the resource allocation pattern during the PRSP period. To encourage rural-based agricultural processing and mechanisation, the energy sector is also receiving priority attention.

Although agriculture is the priority, Zambia also plans to see growth from other economic sectors. This is because, in fact, the surge in unemployment leading to increased urban poverty in the recent years emanated from non-agricultural sectors, especially mining and manufacturing. It follows, therefore, that reviving these sectors can have powerful impact on reducing urban poverty. For mining, Zambia had great hope that after privatising the industry copper exports would be revived, pulling the rest of the economy with it. The government, therefore, stood ready to invest into new public infrastructure, where justifiable, to facilitate the opening up of new large mining projects in prospective areas like Lumwana in the Northwestern Province. The pull out by Anglo American Corporation is, therefore, considered a setback. Nevertheless, Zambia will for a long time remain a mining country due to her mineral resources. She will, therefore, continue to work hard to interest private sector investors to tap into this enormous resource. For now her focus is on preventing the premature closure of the existing mines, as this will have devastating consequences on the economy and, in particular, on poverty.

For tourism, the plan envisages two broad interventions – national and zonal, both of which are expected to encourage investment in the sector. National interventions include rehabilitation of roads in tourist areas, rehabilitation of museums, tourist marketing, and human resource development. Zonal development refers to intense development work in identified tourist areas to make them attractive to tourist investment. It includes building or rehabilitating access roads, tourist roads, and airports where appropriate, and power (rural electrification).

Significantly, it also includes finding world-class investors (comparable in status to the Sun International) in the respective development zone, who will be the key engine in the area. Smaller lodges can feed off them. Within this framework, formulas have been designed regarding how the local people can participate in and benefit from the tourism expansion. The first priority zone is the Livingstone and Victoria Falls area because it promises the greatest impact with spillover effects to other parts of Zambia. It is followed by Kafue National Park (physically linking with Livingstone), the Lower Zambezi, and the Lusaka area. Other areas will follow in subsequent PRSPs.

Regarding industry, the strategy focuses on choosing winners or industries that have the best chances of export success after considering comparative advantage and existing trade agreements. These are likely to be processors of primary goods, such as agricultural and forest products. It is planned that some of the agricultural goods suggested for production above should have value added before being exported. Another area is manufactured items required by the mining industry. While exports increase the domestic market for local goods, unfair trade practices from abroad and smuggling reduce the opportunities for local industries. During this PRSP, efforts to have an even playing field will be intensified. Capacity building to this effect will be undertaken.

For growth to occur in the key sectors identified above, certain basics need to be in place. Functioning rail and road transport are among the key. Being landlocked, Zambia's export competitiveness depends on efficient transportation. Roads, including the rural feeders, will be rehabilitated and maintained regularly. Zambia Railways will be concessioned to private operators. In the petroleum sector, the products should come in at the lowest possible cost. There will be enhanced private sector participation in procurement and distribution to attain this objective.

In addition, plans are under way already, and will continue in the PRSP, to rehabilitate electrical energy infrastructure. Also, private investors will be encouraged to construct a new electrical generation plant on the Kafue River to increase power by 600 megawatts. This is expected to meet the rise in demand from both the domestic and the East African markets. Rural electrification will be accelerated. To ensure sustainability, the priority areas for rural electrification will be in farming blocks so as to create a link between energy and production. For the majority of poor Zambians depending on wood fuel, the objective is to develop more efficient wood energy utilisation in order to reduce demand on the forests, which provide this type of fuel.

Dams and delivery canals will be constructed on rivers, by either the private sector or the government, to generate irrigation water for sale in farming blocks producing high value crops. Another priority will be on providing clean and safe water in both urban and rural areas. This is a mammoth exercise that can only be completed gradually over a period of several years.

All interventions will have to be within the overall resource envelope in order to ensure fiscal and balance of payments sustainability. After some financial projections, it is estimated that a total of \$1,200 million will be spent on PRSP programmes between 2002 and 2004. This is made up of ongoing (pre-PRSP) and new programmes. Donors will finance 67 percent of the total cost while the rest will come from internal resources. The success of the first Zambian PRSP is, therefore, dependent on donor goodwill. However, Zambia will also work hard to reduce costs of general administration in the medium-term so as to free her own resources for the PRSP.

For the same reason of scarce financial resources, Zambia will strive hard to meet requirements to access debt relief from donors, and she hopes that they too will deliver. Zambia already operates on a very tight budget and the expected debt relief (HIPC and non-HIPC) amounting to \$1,300 million between 2002 and 2004 constitutes a significant portion of the expected budgetary resources that will assist to finance the PRSP.

Given the absence of sufficient domestic savings, Zambia will work hard to attract quality investors to complement her domestic investors in exploiting the export potential. In particular, credible foreign investors with ready cash to invest will be encouraged, especially on large projects that can generate substantial spin-offs.

The PRSP also focuses on the social sector activities with a view to enhancing their service delivery effectiveness. In this regard, the health and education sectors are among the top priorities in the next three years. To the extent that the HIV/AIDS pandemic is threatening all the developmental achievements of the past decades through human resource depletion, this field is also receiving PRSP priority.

Additionally, in recognition of the high level of poverty-induced destitution, particularly among the aged and disabled, and taking into account those affected by the collapsing 'traditional' social security system of the extended family (e.g. street children and the blind), the PRSP explores how best social security-related aspects pertaining to, *inter alia*, state-funded safety nets are to be managed and financially supported. A sizeable amount of resources has been earmarked for this, bearing in mind the existing absorptive capacity limitations vis-à-vis resource utilisation. This component, however, calls for better targeting of the core poor and the most vulnerable people. It is recognised that the broad-brush classifications of the poor does limit opportunities for better targeting. Thus, to facilitate a more informed basis for prioritisation and targeting, better tools for the identification of the extremely poor or destitute people, that evidently require special poverty alleviation attention, have to be developed during the course of PRSP implementation.

To realise the above priority goals and objectives, the issue of governance must be addressed and a sizeable amount of resources has been allocated for this. At the economic level, this entails making wise priorities for spending public resources and improving government's ability to implement programmes. There will be wide consultations with the citizens through their elected representatives to derive public priorities. Good governance also entails promoting accountability and efficient public expenditure management; participatory budgeting, greater transparency in public procurement and contracting procedures, including enhancement of government finance, accounting and internal audit systems and procedures; and improved financial management and expenditure tracking efforts. In the political realm this calls for, *inter alia*, separation of powers, legislative development, upholding the rule of law, improving oversight, and stamping out corruption (emphasising the need for a policy of 'zero tolerance' of corruption). Quickening the realisation of the Public Service Reform Programme and the accompanying policy of decentralisation (both political/administrative and fiscal decentralisation) is considered as an important prerequisite to the attainment of the above goals, objectives, and ideals of the PRSP.

With all these measures, Zambia is aiming to achieve an economic growth rate of 4 percent by the year 2004, and this should set the stage for higher growth in later years. Zambia aimed for higher economic growth in the next three years but the sudden uncertainty in the mining industry described above calls for caution until the future becomes clearer. This uncertainty, in fact, poses one of the greatest risks to the successful implementation of the PRSP and, to a large extent, explains Zambia's anxiety to ensure that economic diversification from mining does succeed as a matter of great priority. However, it is expected that even the modest growth rate projected will push headcount poverty back from 73 percent in 1998 to 65 percent by 2004, where it had been in 1996. At this stage, no detailed analysis has been made on the incidence of the proposed PRSP interventions beyond the assumption that strong economic growth and social sector spending are good for poverty reduction. While this is generally true, specific detailed incidence analysis will be made later on.

PART ONE  
OVERVIEW

# Macroeconomic Situation

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### 1. 1 Introduction

Macroeconomic policy addresses growth in real output, balance of payments, inflation, and the exchange rate. Within the context of a poverty reduction strategy, consideration is also given to structural, employment and incomes policy. The government seeks to influence these variables through fiscal, monetary and external sector policies.

Macroeconomic policies impact on growth in both direct and indirect ways. The former relate to measures that promote growth, such as public investments in physical and social infrastructure and the associated incomes they generate and support, while the latter relate to measures that promote an enabling stable macroeconomic environment characterised by low inflation, a sustainable external sector balance and hence a stable and competitive exchange rate. Sustained growth in real output is necessary, although not sufficient, to reduce poverty. Equity alongside growth is also important. In particular, direct interventions aimed at certain categories of poor people, particularly the core poor and vulnerable, are often needed even with a growing economy.

The success of macroeconomic policies in reducing poverty will ultimately depend on how well balanced the trade-offs are in the light of competing demands under resource constraints. The key choices that have to be made include the following:

- Spending more resources in critical areas while reducing on less important ones.
- Immediate investment in institutional reforms that may reduce, in the short-term, money available for capital and social expenditures.
- The balance between social and economic sector investments.
- Increased budget deficit and potentially higher interest rates in the short term, against higher growth rates in the medium to long term.
- A slower build up of reserves, and perhaps a higher level of external sector vulnerability, over the short to medium term that lays the foundation for strong growth and the build up of international reserves in the medium to long term.
- A significant slow down in inflation, potentially leading to a real exchange rate appreciation in the short term, that allows for the financing of private sector growth in a low inflation, low interest rate environment.

### 1. 2 Situation Analysis

#### 1.2.1 Economic Developments

At independence in 1964, Zambia inherited a strong mining-based economy. It deteriorated in the mid-1970s following a sharp decline in copper prices, compounded by the oil shock. The country's failure to make positive policy changes in response to the declining economic environment further worsened the situation. Instead, foreign borrowing was increased to minimise the decline in living standards. Zambia recognised during these early years the need to diversify her economy and reduce over-dependency on mining exports. The preferred strategy was import substitution industrialisation that was import-dependent. This encouraged firms to produce for the domestic market but did little to build the requisite capacity to export. With little foreign exchange being earned amidst the entry during the 1990s of highly



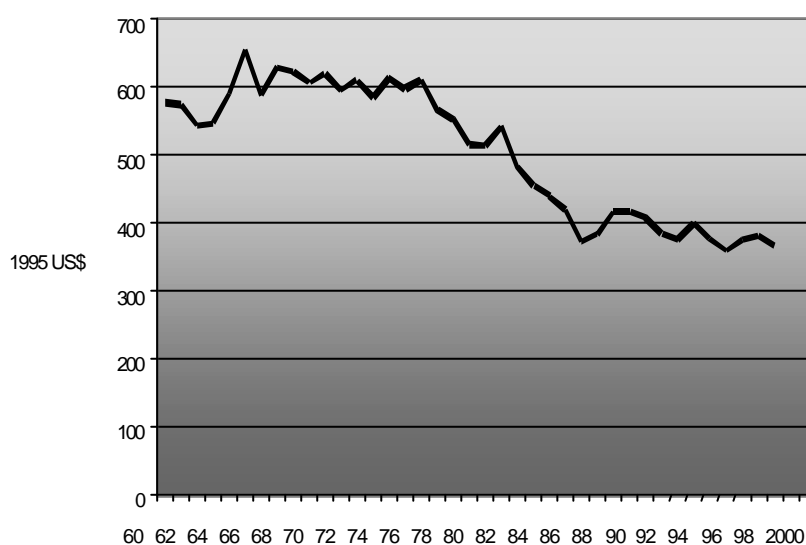
competitive consumer imports, the industrialisation strategy failed, leading to increasing unemployment.

The 1980s marked the first phases of implementing Structural Adjustment Programmes (SAPs) amidst a stagnating economy. The implementation was, however, often piecemeal and failed to fundamentally alter the economic structure. In particular, the design and implementation of SAP often failed to sufficiently address the poverty challenges that increasingly became evident as the structural changes took hold. The pace of reform accelerated in the 1990s after a new government took over and public enterprises that constituted a fiscal drain on state revenue were closed and/or privatised. The privatisation process moved faster while price controls were lifted and agricultural input and output markets opened up to private sector entry. In foreign exchange, the rate was freed and capital controls were totally removed. Import controls were also abolished except for a small number of dangerous materials.

Structurally, Zambia's economy has changed little in spite of the above changes and consistent high economic growth has been elusive. Over the period 1980 to 1990, the country's economic growth was the second lowest in the Southern African Development Community (SADC) after Mozambique. Over the period 1990 to 1999, it had the least average annual growth rate in the SADC region at one percent. This was also below the Sub-Saharan Africa rate of 2.4 percent. Consequently, per capita GNP has shown a downward decline over the years since independence (see Figure 1).

**Figure 1: Zambia GNP Per Capita**

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National savings that are so strategic to overall growth have fallen over the years to levels that are inadequate to fund desirable investment. The real gross fixed capital formation averaged 12 percent of real GDP and portrayed a steady but marginal increase from 8 percent in 1990 to 15 percent in 1999. While this is encouraging, the level is well below the 20 percent associated with sustainable growth. If Zambia were to depend entirely on its savings, investment would be low, resulting in a slow rate of capital formation, income generation, and employment creation. The country, thus, needs to attract credible foreign investments so as to augment its savings. Foreign investments, when carefully selected, can also assist to open doors in the export markets and transfer skills and technology.

The most serious structural challenge has been in the mining sector where a massive drop in output has complemented the negative impact of occasional price declines. Currently, copper output is only a third of the highest level ever attained. The contraction in mining drags the rest of the economy down as aggregate demand collapses.

In 2000, the government privatised its largest asset, the Zambia Consolidated Copper Mines. The step raised economic confidence due to the sector's expected catalytic role in reviving the general economy. However, the planned pull out of Anglo American Corporation, the major private shareholder in the largest mining company in the country (citing lack of viability due to low copper prices), brings with it great uncertainty. At present, it is expected that a major pull out would result in severe economic disruption of an already under-performing economy. Nevertheless, it is now imperative that economic diversification must quickly succeed if Zambia has to avoid getting deeper into economic adversity, generally, and worsening poverty, in particular.

### 1.2.2 Financial Developments

Monetary policy has two broad objectives, reducing inflation and sustaining financial system stability. Although inflation over the past decade has fallen, it has remained at unacceptably high levels. Some encouraging signs emerged in 2001 with the rate of inflation falling below 20 percent, which however is still too high. The crippling inflation level has largely been due to, *inter alia*, the high growth of money supply, the depreciating Kwacha, and occasional shocks such as the effects of drought and rising oil prices. With respect to monetary expansion, government borrowing from the Bank of Zambia (BOZ) has been important. This, in turn, is related to high external debt burden, inadequate donor budgetary support, and financial problems related to the ailing state enterprises. An undesirable situation that has prevailed for some time in Zambia is the high real interest rates, which make borrowing unaffordable. This is not supportive of stronger economic growth.

With regard to the financial system, the amendments in 2000 to the Banking and Financial Services Act of 1996 strengthened the ability of the central bank to respond promptly and comprehensively to any adverse developments in the financial sector. The key features of the amendments to the legislation included the following:

- Enhancing the supervisory and regulatory powers of the Bank of Zambia.
- Bringing existing law in line with best practice and internationally accepted standards for licensing, and prudential regulation and supervision.
- Establishing higher standards of responsibility, accountability and professional competence and integrity on the part of directors and senior officers of banks.

Zambia experienced severe financial distress during the past decade, which saw many banks closing, hence contributing to loss of confidence in the sector; the measures mentioned above were intended to help remedy the situation. However, Zambia suffers from another financial development shortcoming, namely the absence of reliable sources of long-term credit. Almost all economic sectors are adversely affected by this limitation.

### 1.2.3 External Sector Developments

Over the past decade, external sector developments in Zambia continued to be weak, characterised by falling metal exports due to declining production and occasional steep price declines such as the one prevailing now. Sharp rises in the price of petroleum oil and occasional maize imports due to drought in some years made the situation more difficult. To Zambia's credit, however, non-metal exports have risen sharply during the past ten years, mainly from agriculture and agro-processing.

There has been extensive reform of the trade regime in Zambia in the past decade and this has included lowering trade taxes, narrowing their dispersion, and collapsing the trade tax bands to three. Furthermore, most non-tariff barriers have been removed and import licences abolished. In October 2000, the Common Market for Eastern and Southern Africa (COMESA) Free Trade Area was launched and Zambia also signed up during the year to the SADC Trade Protocol that provides the country with duty free access to the regional market for specified products. These agreements are expected to expand Zambia's markets as well as expose local producers to competition. There have been complaints about unfair competition from imports, leading in some cases to companies closing or relocating outside Zambia. This has also happened at a time when the local industry faced high domestic interest rates and had little time to acquire competitive production technology. The problem has been compounded by expensive inputs, especially petroleum fuel, when compared to competitor countries.

In late 2000, Zambia obtained debt relief through the Enhanced Highly Indebted Poor Country (HIPC) Initiative. This is expected to help minimise the country's external debt commitments, standing at \$6.5 billion at the end of 1999. By having reached the HIPC decision point in December 2000, Zambia will reduce its debt servicing payments during 2001-2003 from roughly \$600 million to \$165 million per year. At completion point, which is targeted for 2003, Zambia's creditors would write off some \$3.8 billion of debt in nominal terms. 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.

#### 1.2.4 Employment and Incomes Policies

A limited number of initiatives, such as training and job search programmes associated with the privatisation programme and poverty alleviation, have been implemented to enhance employment and incomes. However, their thrust has been through the implied benefits of economic growth. Many formal sector jobs have been lost as described above and although some new jobs have been created, they have not been enough. Formal sector employment (which has not exceeded 20 percent of the labour force in a long time) went down from 12 percent to 11 percent between 1996 and 1999. However, unemployment also came down from 18.2 percent to 9.5 percent of the labour force, implying an increase in informal sector employment. This growth, however, has not contributed to a reduction in poverty for, between 1996 and 1998 while unemployment came down, poverty increased. This is because the average wage from informal sector jobs is insufficient to adequately meet livelihood demands.

#### 1.2.5 Cross-Cutting Issues

There are several issues relevant to growth and poverty reduction that cut across economic and social boundaries, such as the HIV/AIDS pandemic, environmental degradation, and governance. The challenges of HIV/AIDS on Zambia are obvious. Principally, AIDS threatens the country's capacity building efforts because it strikes the educated and skilled as well as the uneducated. Consequently, it reverses and impedes the country's capacity by shortening human productivity and life expectancy. The long periods of illness of the skilled personnel in employment has translated into severe loss in economic productivity, which leads to considerable loss to the employer in lost person-hours. The complex relationship between economic growth and HIV/AIDS is increasingly being recognised: the epidemic is as much likely to affect economic growth as it is affected by it.

Environmental protection and care, another cross-cutting issue, is also important as the exploitation of the country's natural resources in a sustainable manner provides great potential for economic growth and poverty reduction.



# Poverty Profile in Zambia

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### **2.1 The Concept and Measurement of Poverty**

Poverty is the negative analogue of human development. If human development signifies the process of enlarging people's choices and opportunities that are most basic to human development, poverty signifies their denial. Such deprivations include material deprivations in terms of food and nutrition, health, education and literacy, safe water and sanitation, and clothing and shelter. Added to this is deprivation of security on account of vulnerability to external events such as bad weather, natural disasters, illness, and economic shocks (e.g. sharp declines in terms of trade) that reinforce material deprivation. To all these must be added the deprivation of human rights through discrimination, disempowerment, and exclusion that leads to loss of human dignity. Poverty is, thus, multi-dimensional and can be captured only through a multi-dimensional measure.

In the past, poverty was measured from three perspectives:

- *Income perspective:* A person is poor if his/her income falls below a defined money-metric poverty line, e.g. \$1 a day.
- *Basic needs perspective:* A person is poor if he/she falls short of the material requirements for minimal acceptable fulfilment of human needs. This concept goes beyond the lack of income.
- *Capability perspective:* A person is poor if he/she lacks certain basic capabilities to function. Such 'functionings' include physical ones such as adequate food, clothing, and shelter to more complex social achievements such as participation in the life of the community. The merit of the capability approach lies in its ability to reconcile the notions of relative and absolute poverty. Relative deprivations in incomes and material requisites can lead to absolute deprivation in capabilities.

A truly holistic measure of poverty needs to encompass elements from all the three perspectives. The traditional measures, such as the headcount index, that capture only income deficiency are simply not adequate. One such holistic measure is the Human Poverty Index (HPI), developed by the United Nations Development Programme (UNDP) in its 1997 *Human Development Report*. The HPI that intends to gauge a broader notion of 'human poverty' as opposed to just income poverty, is a composite index that measures deprivation in three broad dimensions: deprivation of a long and healthy life measured by the percentage of newborns not expected to survive to 40 years of age; deprivation of knowledge measured by illiteracy; and deprivation in economic provisioning measured by the percentage of the population lacking access to health services and safe water as well as the number of children who are moderately or severely underweight.

The HPI too, however, does not measure all aspects of poverty. It excludes, for instance, lack of political freedom and personal security and inability to participate in decision-making and in the life of the community. These facets of poverty are of course not easy to measure.

In addition, even a composite measure such as the HPI is not a substitute but a complement to money-metric measures. This is because, unlike a headcount measure, it is not possible to associate the incidence of human poverty with a specific group of people or number of people. An HPI value of say 25 percent merely states that on an average 25 percent of the country's population is affected by the various forms of deprivation included in the index.

Empirical evidence in different countries and regions of the world reveals that there is no necessary correlation between the values of income poverty incidence and of HPI. There is little income poverty in the Arab States (less than 5 percent) but they have a high level of human poverty (well over 30 percent). On the other hand, human poverty is significantly lower than income poverty in Latin America and in the Caribbean. In Zambia, both income and human poverty levels are high but the former is very much higher than the latter. Within the SADC region, Zambia has the highest level of income poverty but the fourth largest level of human poverty (following Angola, Mozambique and Malawi).

In Zambia's quantification of poverty, the Central Statistical Office (CSO) determines the poverty line as the amount of monthly income required to purchase basic food to meet the minimum caloric requirement for a family of six. In 1991, while using this measure the percentage of population below the established poverty line stood at 69.7 percent, which later soared to 73 percent by 1997. Care is called for on how much value is placed on this form of quantification for, quite often, the full picture is not captured. In the Zambian case, the situation is, in reality, worse since the 'food basket' used to arrive at the poverty line is very modest and based on a predominantly minimal caloric requirement that is vegetarian and excludes meat, chicken, and fish. The Zambian measurement has also not fully factored in such basic needs of the people as shelter, education, health care, lighting, clothing, footwear, and transport. Human freedoms are also remotely linked to the current definition of poverty.

## **2.2 The Evolution of Poverty in Zambia During the 1990s**

### **2.2.1 Broad Trends**

A series of national surveys – the Social Dimensions of Adjustment Priority Surveys of 1991 and 1993 and the Living Conditions Monitoring Surveys of 1996 and 1998 in particular – provide trends in the various dimensions of poverty in Zambia through the decade of the 1990s. These data show that, in general, poverty levels in most of the critical dimensions increased during this decade.

Table 2.1 portrays the changes in selected major indicators of money-metric poverty. The statistics are based on poverty datum lines determined by the CSO. They were fixed at K32,861 and K47,188 for extreme poverty and moderate poverty respectively, per adult equivalent unit per month, for assessing poverty based on the data from the 1998 Living Conditions Survey. In order to ensure comparability of results over time, these poverty lines were the same as those adopted in previous surveys in 1991, 1993 and 1996. The same basket of food has been used throughout, but the poverty lines were adjusted to 1998 prices from the 1991 prices. Similar adjustments were made for the poverty lines in 1993 and 1996, as well from the 1991 prices.

**Table 2.1: Overall and extreme poverty in Zambia, in rural and urban areas, 1991-1998**

Year	Zambia		Rural		Urban	
	Overall poverty	Extreme poverty	Overall poverty	Extreme poverty	Overall poverty	Extreme poverty
1991	69.7	58.2	88.0	80.6	48.6	32.3
1993	73.8	60.6	92.2	83.5	44.9	24.4
1996	69.2	53.2	82.8	68.4	46.0	27.3
1998	72.9	57.9	83.1	70.9	56.0	36.2

**Source:** CSO: *Living Conditions in Zambia 1998; The Evolution of Poverty in Zambia 1990-1996.*

Table 2.1 shows that:

- Between 1991 and 1998, there has been an increase in overall poverty and a very marginal decline in extreme poverty.

- In the rural areas, there has been a notable decline in both overall and extreme poverty, but in the urban areas, there has been a notable increase.
- Although rural-urban disparity persists with both overall and extreme poverty being higher in the rural areas, the disparity has narrowed down between 1991 and 1998. This is on account of the growth in urban poverty exceeding the reduction in rural poverty.
- There was in fact a positive change in the poverty status of the population in the rural areas and in the country as a whole between 1993 and 1996, but this was compensated by the change that occurred between 1996 and 1998. In particular, there was a 10 percent increase in overall poverty in the urban areas.

### 2.2.2 Recent Changes in Other Poverty Measures and Dimensions

Table 2.2 provides the statistics from which one can gauge the recent changes in a number of poverty indicators. The statistics clearly demonstrate that poverty has increased not only in income terms but in terms of practically all major non-income dimensions as well.

**Table 2.2: Changes in selected poverty indicators/measures in Zambia, 1996-1998**

POVERTY INDICATORS/MEASURES	1996	1998
<b>INCOME POVERTY</b>		
Overall poverty (percent) (national poverty line)	69.2	72.9
Extreme poverty (percent) (national poverty line)	53.2	57.9
Overall poverty (percent) (less than \$1 a day)	72.6	n.a.
<b>HEALTH AND NUTRITION POVERTY</b>		
Life expectancy at birth (years)	45.5	40.5
Infant mortality rate (per 1000 live births)	112	112
Under-5 mortality rate (per 1000 live births)	202	202
Maternal mortality rate (per 100,000 live births)	649*	n.a.
Stunted children (percent)	46	53
<b>KNOWLEDGE POVERTY</b>		
Population 5 years and above with no education (%)	18	27
Primary age (7-13 years) Attendance rates (percent)	69	68
Primary grade (1-7) net attendance rates (percent)	69	66
<b>SECURITY POVERTY/VULNERABILITY</b>		
Percentage of households who engaged in the following coping strategies:		
Received relief food	6	7
Ate wild foods only	10	18
Substituted ordinary meals with less nutritious meals	40	51
Reduced food intake	46	64
Reduced other household items	46	62
Borrowed informally	23	29
Borrowed formally	6	5
Lived on church charity	4	5
Lived on NGO charity	2	-
Pulled children out of school	4	9
Sold assets	11	15
Begged from friends, neighbours and relatives	29	58
Begged from streets	1	1
<b>HUMAN POVERTY</b>		
Human Poverty Index (HPI) (percent)	36.9**	37.9

\* The general conjecture is that maternal mortality rate has increased since 1996.

\*\* Figure is for 1995; n.a. : data not available

**Source:** CSO: *Living Conditions Monitoring Survey 1996; Living Conditions in Zambia 1998; Zambia Demographic and Health Survey 1996; World Bank: World Development Report 2000/2001; UNDP: Human Development Report 1997, 1998, 2000; UNICEF: State of the World's Children 1999, 2001.*

### 2.2.3 Who Are the Poor?

Although poverty is pervasive in Zambia, certain categories of the population bear its brunt. However, the identification of the different categories is not simple because poverty signifies deprivation in a host of factors. Although no statistics are readily available to depict the different configurations of multiple deprivations, certain sections of the Zambian population are visibly poorer than others. This can be seen from Table 2.3:

**Table 2.3: Incidence of overall poverty and of extreme poverty and percentage change between 1996 and 1998 for different socio-economic strata**

Stratum	Overall poverty 1996	Overall poverty 1998	% change 1996-98	Extreme poverty 1996	Extreme poverty 1998	% change 1996-98
Small-scale farmers	84.4	84.0	-0.4	70.5	72.1	1.6
Medium-scale farmers	65.1	71.9	6.8	49.7	56.4	6.7
Large-scale farmers	34.9	15.6	-19.3	15.0	13.3	-1.7
Non-agricultural households	72	79.3	7.3	52.1	66.6	14.5
Low cost areas	51.1	61.2	10.1	31.4	40.8	9.4
Medium cost areas	32.4	49.4	17.0	15.7	27.7	12.0
High cost areas	23.8	33.5	9.7	10.8	19.4	8.6

Source: CSO: *Living Conditions in Zambia 1998*

Between 1996 and 1998, poverty levels rose for all groups except the large-scale farmers for whom there was a major decline. The small-scale farmers remain one of the poorest groups in Zambia. There has been little change in their condition of poverty. The population living in the high cost areas experienced a significant increase in their poverty level between 1996 and 1998, but they continued to have the second smallest incidence of poverty next to the large-scale farmers. A perusal of the shift in the incidence of poverty for the different strata suggests that inequality among the strata must have increased.

Household size, gender, and child status are among the other determinants of poverty levels.

- Household size: The incidence of poverty varies directly with the size of the household. According to the 1996 Living Conditions Monitoring Survey, the incidence of poverty in one-person households was 60 percent. This rose to 71 percent in 2-3 person households, 77 percent in 4-5 person households, 80 percent in 6-9 person households, and 84 percent in households with 10 persons or more.
- Gender: Statistics show that female headed households are in fact poorer than male headed households. This can be seen from Table 2.4:

**Table 2.4: Incidence of poverty in male headed and female headed households in Zambia**

Household	Non-poor	Moderately poor	Extremely poor
Male headed	31.8%	16.8%	51.5%
Female headed	26.8%	12.9%	60.4%

Source: *NGO Shadow Report 1999*



- In general, women are more vulnerable to poverty than men for several reasons. *First*, women have lower levels of education than men. While 29 percent of the female population had no education at all in 1998, the corresponding figure for males was 24 percent. In addition, while 15.6 percent of the male population had completed grade 10 or higher, the corresponding percentage for females was only 8.5 percent. *Second*, women have a very small share in formal employment, which is generally more rewarding than informal employment. Only 12 percent of the formal employment in 1996 accrued to females; the remaining 88 percent accrued to males. Further, 39 percent of women as opposed to only 16 percent of the men were employed as unpaid family workers in 1998. *Third*, women are at a much higher risk than men of contracting HIV/AIDS and other opportunistic infections due to factors relating to gender differences with respect to biology, roles, resources, and cultural norms.
- Children: Child poverty is a conspicuous and growing phenomenon in Zambia. It takes a variety of forms: orphans, street children, working children, and children who head households. 16 percent of the children in Zambia are orphans. In addition, the number of orphans is higher in the rural areas, in small-scale-farming households, and in low cost areas where the incidence of poverty is the highest. Some 20 years ago, street children were unheard of but today they are a visible lot. Current estimates are not available. In 1996, they were estimated at 75,000 and the numbers have probably grown since then. Child headed households and child labour are also phenomena indicative of children in distress. Child headed households are the results of the death of both parents, leaving a trail of children and the responsibility on the eldest child, often a teenager, to look after the younger siblings. The conditions in child headed households are worse than those obtaining in female headed households. Child labour is an offshoot of the declining economic conditions. In 1998, 28 percent of the persons in the age group 12-19 years were part of the labour force. These are children one would have expected to be in upper primary and secondary schools in normal circumstances.

#### 2.2.4 Where Do Poor People Live?

Just as all socio-economic groups do not uniformly experience poverty, it is also not uniformly spread across the country. There is greater concentration of poverty in various forms in the rural areas than in the urban areas, and in the provinces outside the country's main line of rail than in the provinces along the line of rail. There are also intra-provincial disparities. Table 2.5 indicates where the poor are located.

**Table 2.5: Overall and extreme poverty in Zambia in rural and urban areas, 1998 (percentage of population)**

LOCATION	OVERALL POVERTY	EXTREME POVERTY
Rural areas	83	70
Urban areas	56	36
Central Province	77	63
Copperbelt Province	65	47
Eastern Province	80	66
Luapula Province	81	69
Lusaka Province	52	34
Northern Province	81	67
Northwestern Province	76	63
Southern Province	76	60
Western Province	89	78

Source: CSO: *Living Conditions in Zambia 1998*

Table 2.5 shows that the poorest provinces are Western, Luapula, Northern, Eastern, and Northwestern. However, a crucial point from the perspective of resource allocation, is that, on account of their relatively smaller population sizes, they do not have the greatest share of the country's poor. In other words, these provinces have the greatest density of poverty but not the greatest concentration of poverty. This is clearly brought out by Table 2.6.

**Table 2.6: Distribution of Zambia's poor by province, 1998 (percent population)**

PROVINCE	TOTAL POOR	EXTREMELY POOR
Central	10	11
Copperbelt	18	15
Eastern	13	15
Luapula	7	8
Lusaka	15	9
Northern	12	14
Northwestern	5	6
Southern	13	13
Western	7	10

Source: CSO: *Living Conditions in Zambia 1998*

Table 2.6 shows that the five poorest provinces together account for only 44 percent of the country's poor. On the other hand, Lusaka, which has the lowest density of poverty, has the second largest concentration of the poor. In addition, the Copperbelt, which has the second lowest density of poverty, has the highest concentration of the country's poor. Table 2.7 shows the top five districts in the country in respect of some of the major dimensions of poverty.

**Table 2.7: Five highest ranking districts in Zambia on some major components of poverty, 1998**

POVERTY COMPONENT	DISTRICT (PROVINCE)	COMPONENT VALUE
Overall money-metric poverty (percent)	Lukulu (Western Province)	98.7
	Chavuma (Northwestern)	95.2
	Milengi (Luapula)	94.7
	Shang'ombo (Western)	94.0
	Luangwa (Lusaka)	94.0
Extreme money-metric poverty (%)	Lukulu (Western)	97.0
	Shang'ombo (Western)	89.6
	Chavuma (Northwestern)	84.3
	Luangwa (Lusaka)	84.0
	Samfya (Luapula)	83.1
Child stunting (%)	Luangwa (Lusaka)	94.0
	Mpulungu (Northern)	79.0
	Kaoma (Western)	77.0
	Mkushi (Central)	75.0
	Samfya (Luapula)	75.0
Population with no education (%)	Shang'ombo (Western)	68.1
	Mwinilunga (Northwestern)	53.8
	Katete (Eastern)	49.4
	Petauke (Eastern)	49.2
	Chadiza (Eastern)	48.1
Population without access to safe water (%)	Chilubi (Northern)	97.0
	Milengi (Luapula)	97.0
	Chinsali (Northern)	87.0
	Kaputa (Northern)	87.0
	Kazungula (Southern)	86.0

	Shang'ombo (Western)	89.0
Population without	Lukulu (Western)	86.0
access to sanitation	Sesheke (Western)	85.0
facilities (%)	Kalabo (Western)	83.0
	Namwala (Southern)	83.0
	Kazungula (Southern)	31.0
Adult population that is	Lusaka (Lusaka)	29.5
HIV positive (%)	Luangwa (Lusaka)	28.7
	Kitwe (Copperbelt)	28.7
	Ndola (Copperbelt)	28.4

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**Source:** Seshamani (2000); Direct source: CSO: *Living Conditions in Zambia 1998*

## **2.3 Main Barriers to Moving Out of Poverty**

### **2.3.1 Lack of Economic Growth**

The foremost barrier to moving out of poverty in Zambia is the lack of sustained levels of positive growth. This has been exacerbated by increased income inequality, the persistence of discrimination against women and the girl child, insufficient investment in economic and social infrastructure to keep pace with requirements for rapid growth, and the HIV/AIDS pandemic.

Significant poverty reduction requires a substantial injection of resources into poverty reduction activities and that is not possible without growth. In its absence, there can be little increase in domestic resources either through savings or tax revenues. Despite the comprehensive macroeconomic reforms that have been implemented in Zambia in the past ten years, there has not been any significant growth in the economy. This issue is developed further, where the overall objectives and strategies are discussed.

### **2.3.2 High Inequality**

The prospects for growth as well as the as the subsequent impact of any growth on poverty reduction are stymied by a high level of inequality. There is ample research that shows that where initial inequality in respect of income, education, and assets is high, growth does not easily occur.

Income inequality has been very high in Zambia as shown by the value of the Gini Coefficient (a commonly used measure of inequality) of 0.5 or more. Rural-urban, inter-provincial, and inter-social strata disparities are already evident from the tables presented so far. Another crucial conclusion of empirical research is that a historically unequal situation might perpetuate itself unless changed by government policy, such as asset redistribution.

A main reason why inequality tends to beget more inequality is the unequal access to credit. The poor cannot easily access credit, owing to little or no wealth to provide as collateral and hence continue to languish in near- or below-subsistence state. The rich, on the other hand, have easy access to credit and hence are able to build up further on their already substantial wealth. This is one of the reasons why small-scale farmers constitute the poorest social stratum in Zambia, and why perhaps poverty has substantially come down among large-scale farming households. Another group that is also poor for a similar reason is that of female headed households.

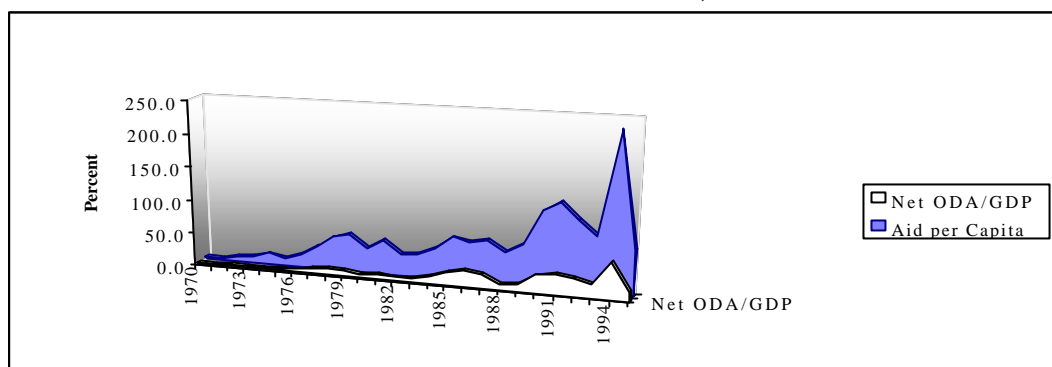
### **2.3.3 Debt Burden**

Another major factor that has reduced resources for poverty reduction is the heavy debt burden, which has exerted a significant crowding out effect on social expenditures. Over the years, debt service has on average accounted for 10 percent of the GDP, while all the social sectors together have accounted for only 5 percent. The inadequate expenditures on economic and social services have contributed to the debilitation of the country's stock of human and economic capital and this in turn has constrained growth. Zambia needs debt relief.

### **2.3.4 Excessive External Dependence**

The absence of growth and the huge debt burden have made external funding a necessity. External funding constituted, for instance, 89 percent and 84 percent respectively of the total spending in the water and sanitation sector in 1995 and 1996, compared to 31 percent in 1990. In 2001, 53 percent of the national budget was expected to be funded from outside. Chart 2.1 shows some macro measure of the extent to which Zambia is dependent on aid, reaching a peak in 1995 but falling thereafter as donors reduced support.

**CHART 2.1: External Aid Flows, 1970-1994**



External funding, however, has tended to create a paradoxical situation in Zambia. Funds from international cooperating partners would be forthcoming only if the country is current on debt servicing. As a result, nearly half the inflow of external assistance has tended to flow out again in the form of debt service payments.

External funding also depends on the donors and the Zambian Government being congruent in their views on economic and political governance. The lack of such congruence has led to a drastic reduction in donor assistance since the latter half of the 1990s. In any case, Zambia is today dangerously dependent on aid, but still cannot finance all her needs. Should donor sentiments err towards reducing aid further then poverty levels will rise sharply.

### 2.3.5 Unsatisfactory Prioritisation

Even within the limited resources, poverty reduction may not get its due share with wrong prioritisation, misdirection of resources, and lack of transparency in their utilisation. For instance, to date Zambia has severely fallen short of fulfilling the benchmarks for allocation to areas of priority human concerns prescribed by the Human Development Ratio and the 20:20 Initiative.

### 2.3.6 Inadequate Social Safety Nets

Vis-à-vis the pervasive poverty situation, the provision of social safety nets has been relatively limited. Social safety net expenditures over the years have been declining in real terms. Between 1998 and 1999 for instance, the community, social and personal services sector that includes activities in the area of community development and social services registered a decline in real value added from K178.8 billion to K 175.8 billion.

The main avenue through which social safety net activities are undertaken is the Public Welfare Assistance Scheme (PWAS). While the PWAS does cover a broad canvas of activities, the financial allocations made are meagre. In 1999, only K2.8 billion out of a K4 trillion budget was allocated. Of this only 54 percent was actually released by mid-December 1999 (Republic of Zambia: *Economic Report 1999*). Again, the number of applicants for assistance has been growing over the years rendering, the PWAS increasingly inadequate. Of the 228,558 applicants who sought assistance in 1999, only 29 percent received assistance. Table 2.8 shows some recent trends.

**Table 2.8: Applicants, beneficiaries, and disbursements under the Public Assistance Welfare Scheme**

	1996	1997	1998	1999
Applicants	124,802	139,238	128,077	228,558
Beneficiaries		38,506	15,088	66,210
Amount released (K' billion)		0.68	1.13	1.52

**Source:** Republic of Zambia: *Economic Report 1999*

One safety net measure that was introduced in the health sector is a policy of exemptions from payment of user fees that were introduced in 1993. There are four groups of exemptions based on age, disease, and income. Children under the age of 5 and those aged 65 years and above are exempted. All antenatal and postnatal episodes as well as chronic illnesses such as TB, STD, and HIV/AIDS are exempted. Those who are unable to pay can seek exemption under the Health Care Cost Scheme operated through the PWAS. In addition, all those affected by disaster or involved in accidents are also exempted from payment of user charges. However, there have been inequities in the manner in which the exemption policy has operated. Research has shown that there have been very high errors of exclusion and inclusion. Those who can afford to pay or are ineligible under the criteria have been included while many that were eligible have been excluded.

Exemption mechanisms, even if they worked as intended, could contribute to service provision but would not necessarily address inequalities in the use of services related to income or distance to health facility. The poorest sections of the population are found in remote areas that are not easily accessible. For example, households in several districts in Central, Northern, and Western Provinces have an average of more than 60 kilometres to the nearest health facility and an average of more than 50 kilometres to the nearest transport facility. Exemption schemes can barely benefit them.

The government has set up the Zambia Social Investment Fund (ZAMSIF) in the Ministry of Finance and Economic Development with World Bank support. One of its main objectives is to achieve sustainable improved availability and use of quality basic social services by beneficiary communities and specific vulnerable groups.

### 2.3.7 HIV/AIDS and the Tripod of Barriers

Human capital formation that is necessary to generate sustained growth is impeded not only by lack of adequate social sector expenditures but also by another major factor, namely the high incidence of HIV/AIDS. 20 percent of the adult population is stricken by this disease and related opportunistic infections.

In essence, the high levels of poverty, the high debt burden and the high incidence of HIV/AIDS are mutually reinforcing and together constitute a tripod of formidable barriers to the country's development. Hence, efforts at poverty reduction cannot bear sufficient fruit unless complemented by simultaneous efforts to address the problems of debt and HIV/AIDS.

## 2.4 Views of the Poor on Causes of Poverty

In analysing the causes of poverty, it is also important to look at the phenomenon through the eyes of the targeted communities themselves, particularly at the household level. The PRSP process has emphasised the importance of this aspect. How do households define the poverty situation and their felt needs/priorities; what do families adopt as coping strategies in the light of limited access to resource; are there major differences in perceptions between the government and the poor regarding the causes of poverty and how they should be tackled? These and related questions form the basis of the poor's definition of their condition.

A number of studies have been undertaken in Zambia that included participatory poverty assessments, whereby the poor have been able to express their own conception of poverty and how it could be addressed. The first comprehensive analysis was the 1994 World Bank report, *Zambia Poverty Assessment*. Moreover, under the periodic sector performance analysis by the Institute of Economic and Social Research that monitored the operations of the Agricultural Sector Investment Programme (ASIP), participatory assessments also revealed the ‘voices of the poor’ regarding poverty as it relates to agriculture. Similarly, under the Ministry of Finance and National Planning and in the context of the Study Fund, several phases of *Beneficiary Assessments* have been financed and undertaken to bring out the views of the poor. In addition to this, the PRSP preparatory process also involved countrywide consultations regarding the poor people’s views on the causes of poverty and how they should be addressed.

Generally, the poor, particularly those in rural areas, see failures of agricultural sector policies as having contributed significantly to their poverty conditions. The late arrival of agricultural inputs; inadequate infrastructure support; absence of agricultural finance/credit; weak extension services; expensive agricultural inputs; and absence of protection from scrupulous buyers of agricultural products are among the highlighted concerns in most of these studies. Other major concerns include livestock diseases in some rural areas, poor road infrastructure, lack of jobs, poor access to health due to distance to health centres, long distance to safe and clean water sources, and poor but expensive education. In urban areas, the greatest expressed concern is lack of gainful employment opportunities, and poor and expensive health and education facilities. Late payments of retirement benefits are also often cited.

A recent study<sup>1</sup> that included a focus on Luapula Province (representing the typical rural poor regions) and two slums in Lusaka (for urban areas) sheds light on the poor’s concepts and perceptions of poverty. For Luapula, the results of the study revealed that the concept of a ‘good life’ among the households revolved primarily around farming. Farming, thus, constituted the perceived source of livelihood that would meet the household’s basic needs and requirements. Working hard on one’s own land is generally associated with the facilitation of a good life. Income from sources other than farming is also perceived to be an important add-on to the ingredients that facilitate a good life. Ability to *access* sufficient food and better health, safe water, and educational facilities is also a measure of a ‘good life’ and has ranked highest next to farming in the rural households’ responses. The community often associated the state of being poor to the physical and social condition of those affected. Laziness, being old, orphans, the chronically ill, and the disabled have frequently been associated with the state of being poor. The responses from Luapula are given in Table 2.9.

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<sup>1</sup> Saasa, O.S. (2002), *Aid and Poverty Reduction in Zambia: Mission Unaccomplished*, Uppsala, Nordic Africa Institute (forthcoming).

**Table 2.9: Perceptions of a ‘good life’ by the poor: Luapula Province**

<b>Characteristics of a ‘good life’</b>	<b>%</b>
Farming (for food and a surplus to sell)	60.0
Plenty/enough food available	47.5
Ability to send children to school	27.5
Good clothing	27.5
Income from business or employment	17.5
Good health and health care	15.0
Happiness in family and relations	12.5
Hard work; to work for oneself	10.0
Safe water	7.5
Good road	7.5
Development activities in community group	7.5
To be able to assist others	7.5
Keeping livestock	5.0
Going to church	5.0
Being clean	5.0
Good house	5.0
Electricity	2.5
Toilet and rubbish pit	2.5

For urban areas, Chipata and George compounds in Lusaka were covered in the same study. In the urban areas, having food, money and employment were the top three perceived attributes of a good life that defined the poverty condition (see Table 2.10). The perceptions seem to correlate quite closely to what obtains in current literature on poverty. Food ranking highest in this study suggests that the CSO food-basket approach is, to some extent, quite relevant to measuring poverty in Zambia. It is equally noteworthy that the difference between the responses in Lusaka and those in Luapula are marginal. For example, whereas the respondents in Luapula ranked farming as the highest sign of a ‘good life’ (and put food as second ranking), there really is no major difference with what the rural dwellers are saying. Moreover, while both rural and urban responses rank having money as being among their top categories of a ‘good life,’ differences of perceptions emerge regarding how it could best be earned. Whereas the rural people see agriculture as the source of a ‘good life,’ urban-based poor people see this as coming from ‘having enough money’ through ‘employment’ and ‘being in business’.

**Table 2.10: Perceptions of a ‘good life’ by the poor: Lusaka**

<b>Characteristics of a ‘good life’</b>	<b>%</b>
Having enough food	65.0
Having enough money	40.0
Being in employment	35.0
Running a business	27.5
Having good clothes	27.5
Being able to send children to school	25.0
Ownership of a house (shelter)	22.5
Ability to pay for health services (health)	15.0
Leading a generally happy life	12.5
Having all essentials in the household	12.5
Living in a clean environment	10.0
Leading a good spiritual life	7.5
Ownership of a vehicle	2.5



While some factors are given prominence as poverty indicators in existing literature, the poor seem to place little or no weight on them. For example, it appears that good sanitation is not perceived to be as important to the community interviewed as it is presented in existing literature. Good sanitation is perceived to be a defining variable for a 'good life' by only 10 percent of the respondents in the two compounds in Lusaka and even lower, at 7.5 percent, among the rural poor.<sup>2</sup> On the other hand, existing literature on poverty is generally mute on some indicators of poverty that are given prominence by the respondents. For example, although clothing is not mentioned in most literature, it ranked highly (at 27.5 percent) among the urban poor community and, phenomenally coincidental, at the exact percentage in rural areas. 'Unhappiness' in a home is another factor that 12.5 percent of the urban poor households recognised as an indicator of poverty, although it is scantily mentioned in most literature sources on poverty. Respondents argued that in a poor home, peace was rare as quarrelling between husband and wife was very common. The important message here is that, for the poor, emotional well-being is important and, thus, to define the poor using primarily material possessions misses a lot from the perspective of the poor themselves.

### ***2.5 Relating the Poverty Analysis to the Poverty Reduction Strategy***

The causes of poverty in Zambia identified above are all important. However, special attention is being placed on the lack of tangible economic growth in the last thirty years while population continued to grow. The consequences for this on poverty were already outlined. It has, therefore, been considered appropriate that Zambia's first PRSP should place high premium on strategies for reviving broad-based economic growth. These strategies are elaborated in both macroeconomic and sectoral issues in their relevant chapters. However, issues of human capital development as reflected in education, health, HIV/AIDS, water and sanitation are also widely covered and, in fact, are together accorded around a third of the PRSP budget.

In both the productive and the human development initiatives, this PRSP has inbuilt safety net measures. In agriculture, industry, mining, and tourism for example, the PRSP has designed programmes targeted at small-scale informal operators even as it encourages medium- and large-scale operators. These initiatives recognise that they just touch a small fraction of the income poor but, at the same time, it is difficult to do more at once in a situation where 73 percent of the people are poor: it is impossible to target nearly three-quarters of the country. On health and education, the policy of supplying free basic services to all goes a long way towards providing safety nets for human development. This is augmented by additional targeted support (for example education bursary schemes) to those who need but cannot afford services that are not free. Again, not every need can be covered but Zambia recognises that unlike after independence when she had the money, she can no longer afford to provide universal free education and health. However, she recognises that through better governance and enhanced efficiency in the administration of her resources, including those specifically meant for safety nets, she would reach more needy people. Improved governance and good implementation of the PRSP are, therefore, important objectives.

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<sup>2</sup> This may explain less the non-importance of sanitation and more the need to educate the poor on the importance of better sanitation.

# Governance and Poverty Reduction

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### **3.1 Introduction**

From the governance perspective, poverty is not only little or lack of access to income through employment, entitlement, or other means that determine consumption but also exclusion from participation in institutions and processes that govern one's life, leading to voicelessness and powerlessness in these processes and institutions. It manifests itself in low educational opportunities, inadequate access to resources, and lack of freedom to exercise choice and participate fully in national development. Governance, on the other hand, refers to processes by which society manages its economic, social, and political resources and institutions, not only for development, but also for cohesion, integration, and well-being of its people. Essential components for good governance transcend matters such as elections, corruption, independence of the judiciary and upholding of the rule of law, the public service, institutional linkages, capacity building, and involvement of civil society in the decision-making process. Transparency and accountability are also identified key tenets of good governance.

Bad governance imposes a particular burden on the poor and throws them into deeper poverty. Equally, poverty constrains the poor from participating in national development, leading to weak or poor governance of institutions. Good governance, on the other hand, is associated with larger growth rates and incomes for the poor. Government, through greater involvement of civil society and private business sector in development, harnesses this. It follows that any strategy for economic growth and sustainable human development must encompass good governance in both its technical and representational forms of which the latter involves participation, transparency, and accountability.

An equally important aspect of governance vis-à-vis poverty reduction is the sharing of the limited resources among the citizenry. It is here where resource planning/allocation structures that respond to the poverty profile ought to be emphasised. There is emerging evidence that confirms that income poverty is reduced faster where equality is greater. One important issue that has to be addressed in this regard concerns the degree to which the country possesses the political will to address the social service delivery systems and the importance of targeting the most needy and vulnerable people by geographical location, by gender, and by socio-economic category. The test of good governance for poverty reduction will be how equipped and politically prepared the government and civil society are to bias resources, once economic growth has generated these, towards those social services that are fundamental to poverty reduction and alleviation (e.g. education, health, and social infrastructure like roads, water supply and sanitation); those categories of people that are more vulnerable (women, children, disabled, retrenched workers, and small-scale peasant farmers) and those rural regions/districts that, according to current statistics, accommodate the country's core poor, bearing in mind, nevertheless, that urban poverty is fast catching up with rural poverty.

### **3.2 Situation Analysis**

Although the Republican Constitution and its provisions aim at promoting and protecting citizens' welfare, widespread poverty has continued to compromise this. In Zambia, good governance entails genuine participation of citizens in the choice of their leadership, programmes, and the pattern of resource utilisation. It also means judicious application of scarce resources towards the reduction of poverty. Similarly, poverty reduction in the area of governance must be guided by a vision of a Zambian society in which all citizens have equal

opportunities to fulfil their potential and co-exist in dignity and harmony. The goal is to transform all private and public institutions into instruments for good governance. Without good norms and practices at all levels and in all institutions, poverty reduction will remain elusive even with the ideal endowment of resources. Public finances will remain porous and citizens' participation in poverty reduction efforts, particularly the poor, will be unattainable.

Although fundamental rights are guaranteed in the Constitution, the PRSP consultative process has revealed several concerns of the citizens regarding the manner the country has so far been managed in the area of governance. Firstly, the non-domestication of several international instruments and conventions Zambia has ratified has continued to check the speed at which the needed internal reforms are effected regarding the rights enjoyed by the citizens. Secondly, the accessibility to courts of law is limited by the inadequacy of courtrooms and judges as well as prosecutors, a phenomenon that delays the execution of justice. The inadequate legal, human resource, and financial support to institutions such as the Zambia Law Development Commission has implied that laws are not revised in time to keep up with the aspirations of the citizens.

Zambia's National Capacity Building Programme for Good Governance (NCBPGG) outlines in great detail the required steps for improving governance in these and related areas. The NCBPGG policy document has posed several challenges that the country has to address, and the government is re-dedicating itself to these ideals. They include the following:

- The consolidation of the requisite political will to implement the National Capacity Building Programme for Good Governance.
- The promotion of regular consultation between the government and its citizens to promote and protect the rule of law. Political commitment to inter-party talks and rational, non-discriminatory and judicious application of the Public Order Act, for example, will be part of the new vision towards the enhancement of the rule of law.
- Development and adoption by Cabinet of a decentralisation policy. Complementary to this is the resolve to develop pieces of legislation to bring into effect the policy and procedures to guide the expected inter-governmental relations. The development and strengthening of planning and financial management systems at the different levels of government will also be pursued.
- Prudent application of state resources in a manner that assures self-reliance, sustainable livelihoods, and adequate means of employment. In this regard, the budgeting process will be reformed to allow for broader participation of citizens.

### **3.3 Governance Programmes for Poverty Reduction**

Given the limited resources, it will not be possible for the country in the short and medium term to implement most of the programmes contained in the NCBPGG policy document. Therefore, Zambia has decided to focus on three key objectives, apart from those concerning corporate governance, which will be implemented as part of the overall strategy for poverty reduction. These are:

- The need to have regular and wider consultations between government and citizenry.
- The need to ensure efficient, equitable, and transparent management of scarce public resources.
- Guaranteed justice.

Given the identified problems relating to poverty, as indicated above the new vision for governance will focus primarily on creating in Zambia a society in which all citizens have opportunities to realise their full potential and co-exist in dignity and harmony. The goal for governance will be to promote good governance in the management of private and public affairs as a mechanism for poverty reduction. To this end, three objectives, apart from corporate governance, with their attendant poverty reduction programmes, will be pursued:

***Objective 1: Democratise decision-making through wider use of the consultative process***

To enhance the legitimacy of government leadership, decisions, programmes, and resource utilisation for effectiveness of poverty reduction programmes, the PRSP will facilitate the enhancement of the principles of separation of power and the strengthening of legislative and law enforcement institutions, highlighting weaknesses in oversight and addressing the weaknesses introduced by vices such as corruption. A policy of ‘zero tolerance’ against corruption will become one of the major pillars of good governance in the country. At the operational level, regular and wide consultation between government and citizenry will be undertaken. To this end, a decentralisation policy will be developed and implemented *as a matter of top priority* to ensure that citizens, particularly women, disabled persons, and other disadvantaged groups, actively participate in their own affairs. The Decentralisation Policy will specifically define, in operational terms, the extent and limits of actions by central government; provincial administrations; local government authorities/councils; and other stakeholders at the provincial, district, and sub-district levels. This will also empower local government systems and traditional authorities to assume their rightful place in the country’s poverty reduction agenda. In this vein and to minimise undue conflict of interest, the office of the District Administrator will be abolished and its functions taken to local authorities. Mayors and their equivalents, the various education and health boards as well as committees controlling various funds at district and sub-district-level will be directly elected by the people to increase citizens’ control of leadership, programmes, and resources. Institutional linkages between the local authority, on one hand, and the community and all district- and sub-district level structures, on the other hand, will be established and their capacities will be enhanced to operate on non-partisan, professional, accountable, and transparent lines. The needed legislation to legitimise these changes will be enacted.

***Objective 2: Ensure efficient, equitable, and transparent management of public resources***

Under this objective, the country’s focus will be on accountability and efficient public expenditure management; participatory budgeting, greater transparency in public procurement and contracting procedures, including the strengthening of government finance, accounting and internal audit systems and procedures; and improved financial management and expenditure tracking efforts. To achieve these objectives, the budgeting process under the PRSP will be decentralised to allow for greater involvement of all the stakeholders in resource planning. For the severely poor and vulnerable people, safety nets will be provided to alleviate their transitory level of suffering while bearing in mind, though, that a more sustainable approach to the improvement of their livelihood lies not in free handouts but in their being enabled to materially sustain themselves through, *inter alia*, their direct engagement in sustainable income-generating activities.

To sensitise citizens on the disadvantages of corruption, the political leadership will denounce publicly and at regular intervals corruption, in general, and all identified corrupt practices and abuses of public resources. To complement this ‘zero tolerance’ policy against corruption, the capacity of the Anti-Corruption Commission will be enhanced. Moreover, to improve the efficiency of the public service, all civil servants, including Permanent Secretaries, will be appointed by the Public Service Commission, which will provide them with good conditions of service in accordance with the Public Service Reform Programme (PSRP). The government is committed to ensuring that civil servants and professionals serving in public offices are appointed on merit and under a competitive, transparent, and accountable recruitment structure.

***Objective 3: Guaranteed justice for all***

Guaranteed justice for all aims at empowering citizens through firmly protecting and enhancing their rights as stipulated in the Constitution. This will involve the domestication of international conventions Zambia has ratified, particularly the social and economic ones; the improvement of the efficiency of the legal system through increased number of court rooms, judges, magistrates and prosecutors; retraining of these personnel under improved conditions

of service; and simplified legal procedures for speedy justice. The government will also put in place alternative dispute resolution mechanisms, including a small claims court, to decongest the courts. All constitutional and legal reforms will need the fair and consistent application of the law, and the government will facilitate this. Similarly, the Police Complaints Authority and the SADC protocol on corruption will be operationalised as a matter of urgency. The requisite elements for attaining the three objectives are summarised in the log frame of this document (Appendix 2-1).

**PART TWO**

**STRATEGY FOR POVERTY  
REDUCTION**

# PRSP National Goals and Objectives

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### 4.1 Introduction

To reverse Zambia's deteriorated socio-economic conditions, a balanced and multi-pronged approach will be used based on three broad assumptions. *Firstly*, the PRSP is not a substitute to the much needed macroeconomic stability and structural reforms that are so pivotal to both growth and poverty reduction. Alongside this, growth-stimulating interventions are being placed at the centre of the PRSP together with pro-poor interventions that have been carefully chosen. In this regard, the PRSP is putting in place effective and monitorable poverty reducing projects in general, and in particular projects that are properly targeted at the vulnerable and disadvantaged groups and will ensure that project selection criteria are clearly specified. Better targeting of interventions is considered to be of utmost importance in an environment with considerable competing interests for the limited resources available.

*Secondly*, the PRSP plans to carefully channel the scarce national resources only to meet those goals and objectives that have been agreed upon through the consultative process that characterised the preparation of the PRSP. Although a good number of the interventions that have been included are already ongoing (for the PRSP does not intend to re-invent the wheel), such interventions are to be streamlined into the overall planning framework. Moreover, while some of these ongoing projects are being undertaken through an over-centralised structure, the PRSP does place a high premium on the need to move decisively on decentralisation that would allow levels lower than central government to take an upper hand in project/programme implementation, monitoring, and evaluation.

*Lastly*, the PRSP primarily, though not exclusively, targets agricultural development as the engine of income expansion for the poor and is thus perceived to possess the best opportunities of enhancing the poor's livelihood. In this regard, to the extent that income poverty has been singled out through the PRSP process as one of the major constraints to improved social welfare, particular effort will be directed towards agricultural growth stimulation that is sensitive to equity in resource access and use. Other economic sectors that complement this effort either directly or indirectly through inter-linkages are tourism, manufacturing, mining, and energy. The issues dealing with the growth of the Zambian economy are appropriately termed the "economic theme of the PRSP".

Zambia recognises that the approach through growth stimulation should be complemented by measures that target the poor against the adverse impacts of economic reforms and other internal and external factors. In particular, basic education and basic health are powerful instruments for assisting the poor; therefore, substantial resources are earmarked for both sectors. However, the PRSP plans to go beyond these to reinforce other existing measures which include the poverty-focused social safety nets like the Public Welfare Assistance Schemes (PWAS); the Social Recovery Fund; Project Urban Self-Help (PUSH), the Food-For-Work Programme; and entrepreneurial development and training for retrenched employees. All these areas constitute the "social theme" of the PRSP. Higher budgetary allocations to these poverty-oriented interventions are seen as important prerequisites under a multi-prong approach to poverty reduction. On top of this, Zambia's PRSP has incorporated the fight against HIV/AIDS, which is a critical intervention against poverty.

Understandably, the ideal approach to reducing poverty might require many varied interventions. In reality, our interventions are limited by the available financial and human resources and the former is dealt with in detail later. Zambia has, therefore, chosen to focus initially on a few things that have maximum impact. In subsequent PRSPs, the sphere of interventions will be re-examined and modified according to the circumstances that will prevail then.

## **4.2 PRSP Macroeconomic Framework (2002-2004)**

### **4.2.1 Broad Assumptions**

Under Zambia's PRSP, improved economic growth will constitute the most important defining variable of government intervention for poverty reduction. Without economic growth, it is almost impossible to reduce income poverty, and even advances against other aspects of human poverty, such as illiteracy or child mortality, cannot be sustained without it. Zambia's PRSP sees economic growth as a powerful means to reduce and, ultimately, eradicate poverty as it can raise the productivity and incomes of poor people, expanding opportunities and choices in a number of ways. During the past 30 years, Zambia's economic growth has stagnated, thereby failing to meet this important prerequisite for poverty reduction. It is important, therefore, that this is reversed. It is for this reason that in this PRSP growth strategies sensitive to equity issues have been developed in the economic sectors of tourism, mining, industry, and agriculture, with the latter taking the lead position. These strategies are articulated in their respective chapters in this document.

However, the importance of growth in poverty reduction ought to be appreciated in the correct context. Although sustained growth is imperative for poverty reduction, rising inequality has serious adverse effects that dampen the efficacy of growth in realising the desired goal of poverty reduction. There are losers from the adjustments that growth requires, and policies need to be put in place to target them so that the benefits of growth do not bypass them. It is in this context that the concept of *broad-based growth* has emerged as an alternative way of recognising the importance of *growth* with *redistribution* in any meaningful approach towards poverty reduction.

### **4.2.2 The Envisaged Macroeconomic Indicators**

Zambia's current macroeconomic framework covers the period 2001 to 2003 and is supported by the World Bank, the IMF, and other multilateral and bilateral cooperating partners. The country now plans to enter into a new programme for the period 2002-2004 with the following envisaged macroeconomic indicators against which the PRSP assumptions are being made (see Table 4.1 for more details):

- An annual average growth rate of 4.3 percent in 2002 and 4.0 percent each in the years 2003 and 2004.
- The external current account and the overall balance of payments to improve to minus \$597 million and minus \$99 million, in 2004 from an estimated minus \$665 and minus \$420 million in 2002, respectively.
- A financing gap of \$95 million and \$72 million is forecast for the years 2003 and 2004, respectively, and will have to be financed from external support or closed through demand management measures.
- By 2004, end year inflation is planned to drop to 5 percent.



**Table 4.1: Macroeconomic framework and assumptions: 1999-2004**

To achieve the poverty reduction targets set for 2015, it is estimated that Zambia needs to

	1999	2000	2001	2002	2003	2004
				Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise)						
<b>National income and Prices</b>						
Real GDP	2.4	3.6	5.2	4.3	4.0	4.0
CPI inflation (end period)	20.6	30.1	18.7	13.0	8.0	5.0
CPI inflation (annual average)	26.8	26.1	21.7	16.4	10.9	6.3
Terms of trade	-5.7	1.9	-3.8	-1.8	6.4	3.6
GDP deflator	21.1	27.9	23.4	17.2	10.9	6.3
Nominal GDP (change expressed as a	1.24	1.33	1.30	1.22	1.15	1.11
Nominal GDP (K'billions)	7,480	10,075	13,079	15,988	18,440	20,385
Nominal GDP (US \$'billions)	3.132	3.239	3.625	3.876	4.076	4.359
<b>Balance of payments (in US\$ million)</b>						
Current account	(533)	(608)	(743)	(665)	(621)	(597)
Exports, f.o.b.	755	746	871	883	972	1,078
Metal sector	467	497	590	580	644	720
Non-metal sector	288	249	281	303	328	358
Imports, f.o.b.	(922)	(978)	(1,253)	(1,190)	(1,230)	(1,308)
Overall balance	(335)	(373)	(428)	(420)	(406)	(299)
<b>External debt and support (in US\$ million)</b>						
External debt service 1/	-328	-456	-265	-148	-151	-211
Amortisation	-162	-290	-232	-115	-117	-168
Interest	-166	-166	-33	-33	-34	-43
External programme assistance	539	432	376	439	431	434
Project support - loans	165	93	121	112	113	114
Project support - grants	196	153	180	183	188	190
Balance of payment support -	61	32	31	31	30	30
Balance of payment support -	117	154	44	113	100	100
<b>Central Government Budget (in Kwacha)</b>						
Revenue and grants	1,921.0	2,528.0	3,454.7	3,746.0	4,337.0	4,799.8
Domestic tax and non-tax revenues	1,324.0	1,952.0	2,509.0	2,940.0	3,420.0	3,782.0
Programme and project grants	597.0	576.0	754.0	891.0	986.0	1,043.0
Domestic Budget balance(cash basis)(= - is	31.0	-336.0	-609.0	-487.0	-403.0	-410.0
Overall balance, cash basis	-297.0	-708.0	-1,057.0	-1,168.0	-1,138.0	-1,301.0
Resource Envelope	2,218.0	3,236.0	4,511.7	4,914.0	5,475.0	6,100.8
Expenditure and Net Lending	2,195.0	3,122.0	4,212.0	4,999.0	5,545.0	6,125.0
Resource Difference	23.0	114.0	299.7	-85.0	-70.0	-24.2
<b>Central Government Budget (in percent of</b>						
Revenue and grants	25.7	25.1	26.4	23.4	23.5	23.5
Domestic tax and non-tax revenues	17.7	19.4	19.2	18.4	18.5	18.6
Programme and project grants	8.0	5.7	5.8	5.6	5.3	5.1
Domestic balance, cash basis	0.4	-3.3	-4.7	-3.0	-2.2	-2.0
Overall balance, cash basis	-4.0	-7.0	-8.1	-7.3	-6.2	-6.4
Resource Envelope	29.7	32.1	34.5	30.7	29.7	29.9
Expenditure and Net Lending	29.3	31.0	32.2	31.3	30.1	30.0
Resource Difference	0.3	1.1	2.3	-0.5	-0.4	-0.1

Source: Ministry of Finance and National

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1/ After enhanced HIPC Initiative assistance, with completion point assumed to be reached at end-

grow by 6 to 8 percent annually over the intervening period. Viewed in this light, the projected growth rates of 4.3 percent in 2002 and 4 percent in 2003 and 2004, respectively, (Table 4.1) seem too modest. However, higher growth rates are possible only after significant

improvements are realised through public sector institutional and structural reforms that enhance better decentralised modes of service delivery and improved financial planning, management, and accountability. In addition, the withdrawal of Anglo American Corporation from the mining industry in Zambia casts doubt on the wisdom of planning for higher economic growth even though it is hoped that the measures adopted in the other economic sectors such as tourism, mining, industry, and agriculture will eventually bear fruit. Table 4.2 gives PRSP projected GDP by kind of economic activity.

**Table 4.2: GDP by kind of activity (at constant 1994 prices in K million)**

KIND OF ECONOMIC ACTIVITY	1999	2000	2001 1/	2002 Proj.	2003 Proj.	2004 Proj.
Agriculture, Forestry and Fishing	423.2	429.8	418.9	427.3	442.2	459.9
Mining and Quarrying	160.2	160.4	182.9	189.5	195.2	200.1
Metal Mining	155.7	155.2	178.5	184.7	190.3	196.0
Other Mining and Quarrying	4.5	5.2	4.4	4.8	5.1	5.3
Manufacturing	254.2	263.2	278.6	292.5	304.2	316.4
Electricity, Gas and Water	72.1	72.9	82.1	87.4	90.9	94.6
Construction	116.0	123.6	137.8	148.1	154.1	161.0
Wholesale and Retail trade	446.2	456.6	484.2	503.6	523.7	549.9
Restaurants, Bars and Hotels	43.0	48.2	59.9	65.9	72.5	76.8
Transport, Storage and communications	154.1	157.6	162.1	167.0	173.6	182.3
Financial Intermediaries and Insurance	206.7	205.4	205.6	209.7	218.1	224.6
Real Estate and Business Services	203.7	238.2	246.6	263.9	274.4	282.6
Community, Social and Personal Services	193.8	192.8	204.0	208.7	212.9	216.1
Less: FISIM	-118.8	-121.8	-124.9	-128.0	-131.2	-134.5
Total Gross Value Added	2,154.4	2,227.3	2,337.5	2,435.5	2,530.6	2,629.8
Taxes on Products	258.9	272.4	291.4	306.0	321.3	337.3
Total GDP (at market prices)	2413.3	2,499.7	2,628.9	2,741.5	2,851.9	2,967.2
Real growth rates (in percent)	2.2	3.6	5.2	4.3	4.0	4.0
Population of Zambia (in millions) 2/	.....	10.3	10.6	10.9	11.2	11.5
Real GDP per capita (1994 prices) (in Kwacha)	236,596	242,680	248,013	251,368	254,120	256,941
Nominal GDP (K'billion)	7,480	10,075	13,079	15,987	18,439	20,386

Source: Central Statistical Office

1/ Preliminary: based on partially available data, likely to undergo revision

2/ Population growth rate of 2.9 percent per year, the average for the period 1990-2000 is used for projection, 2002-2004.

Table 2.1B: Gross Domestic Product by kind of Economic Activity (in Percent of previous year's value)

KIND OF ECONOMIC ACTIVITY	1999	2000	2001 1/	2002 Proj.	2003 Proj.	2004 Proj.	Ave. for proj.
Agriculture, Forestry and Fishing	10.1	1.6	-2.6	2.0	3.5	4.0	3.2
Mining and Quarrying	-24.8	0.1	14.0	3.0	3.0	2.5	2.8
Metal Mining	-25.3	-0.3	15.0	3.5	3.0	3.0	3.2
Other Mining and Quarrying	-2.2	15.6	-15.0	8.0	6.5	5.0	6.5
Manufacturing	2.8	3.5	5.8	5.0	4.0	4.0	4.3
Electricity, Gas and Water	2.6	1.1	12.6	6.5	4.0	4.0	4.8
Construction	3.2	6.6	11.5	7.5	4.0	4.5	5.3
Wholesale and Retail trade	4.4	2.3	6.0	4.0	4.0	5.0	4.3
Restaurants, Bars and Hotels	-6.1	12.1	24.3	10.0	10.0	6.0	8.7
Transport, Storage and communications	5.8	2.3	2.9	3.0	4.0	5.0	4.0
Financial Intermediaries and Insurance	2.5	-0.6	0.1	2.0	4.0	3.0	3.0
Real Estate and Business Services	13.7	16.9	3.5	7.0	4.0	3.0	4.7
Community, Social and Personal Services	8.4	-0.5	5.8	2.3	2.0	1.5	1.9
Less: FISIM	2.6	2.5	2.5	2.5	2.5	2.5	2.5
Total Gross Value Added	3.1	3.4	4.9	4.2	3.9	5.5	4.5
Taxes on Products	-4.5	5.2	7.0	5.0	5.0	5.0	5.0
Total GDP (at market prices)	2.23	3.6	5.2	4.3	4.0	4.0	4.1
Real GDP per capita (1994 prices) (in Kwacha)	1.2	2.6	2.2	1.4	1.1	1.1	1.2
Consumer price inflation (annual average)	26.8	25.9	21.7	16.4	10.9	6.3	11.2
Terms of trade (annual percent change)	-5.7	2.1	-3.8	-1.8	6.4	3.6	1.0
GDP deflator (expressed as a factor change)	1.3	1.28	1.30	1.22	1.15	1.11	1.2
Nominal GDP (in kwacha billion)	7,480	10,075	13,079	15,987	18,439	20,386	18,271

Source: Central Statistical Office and MoFED for projections

1/ Preliminary: based on partially available data, likely to undergo revision

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### 4.3 Key PRSP Issues for Reviving Growth

#### 4.3.1 Investment and Role of the Private Sector

Both the level and quality of investment are important for economic growth. During the 1970s and 1980s, the quality of investment was undermined by factors such as over-involvement by the state in commercial operations, and it is generally accepted that this played an important role in Zambia's economic stagnation. In response, government undertook rapid privatisation to remedy the situation.

Over the past decade, government went beyond privatisation to encourage more investment. Other supportive measures have included encouraging the development of capital markets by facilitating the growth of the banking sector so as to allow for a diversified system of financial intermediation that is so important to private sector growth, together with related support policies for enhanced financial sector supervision. The Lusaka Stock Exchange (LUSE) was launched in February 1994 and following this, the Securities and Exchange Commission (SEC) was established. Other related institutional support measures included support to the Investment Centre and revisions to the investment legislation.

Despite these supportive measures, investors still face many obstacles in Zambia. Key among these is the absence of a reliable source of long-term capital. This is compounded by a host of unfavourable macroeconomic factors such as occasional exchange rate instability, and very expensive short-term working capital. Although a number of institutions exist in Zambia that attempt to provide a variety of support services in the form of training, financial assistance, technology, export assistance, and business information, most of them have capacity problems due to a host of problems that include financial scarcity. As a result, producers, particularly small-scale ones, have not sufficiently benefited from their services.

At the broad macroeconomic level, Zambia's economic stagnation has led to low national savings levels that are inadequate to fund desirable investment. If the country were to depend entirely on its savings, investment would be low, resulting in a slow rate of capital formation, income generation, and employment creation. Zambia will, therefore, strive hard to attract credible foreign investments so as to augment her savings. Foreign investments, when carefully selected, can also assist to open doors in the export markets and transfer skills and technology. This is crucial early on as the bulk of Zambians – save for the mining industry – must learn to do more export-based business. In encouraging foreign investment, due attention will be paid to the quality of this investment; evidence of the success of other investments they have made elsewhere; experience in the relevant field they wish to enter; and evidence on previous ability to work harmoniously with local investors, more especially the surrounding communities.

Local investment will be strongly encouraged in general but also through smart partnership with foreign investors where possible. The government will be on the look out for business opportunities including those arising from the presence of large-scale foreign investments (such as in mining and tourism) and it will assist Zambians to tap into them. She will use tax and other incentives including favourable credit packages such as those provided by both bilateral and multilateral bodies.

Investors, particularly foreigners, are averse to bad governance, perceived or real. Zambia in this respect starts from the disadvantage of the negative perception about Africa. Zambia will, therefore, strive hard to attain a good reputation, appreciating fully that without investment, this PRSP will achieve little now and in future. The good governance programme for the PRSP is contained in this document.

Because of the centrality of investment, the highest authorities in the country will make it their business to ensure that reputable investors are facilitated in their intentions promptly, while remaining within the law. In particular, performance standards will be established for all institutions involved in facilitating investments (Investment Centre, Lusaka Stock Exchange, Ministry of Lands, Ministry of Tourism, local councils, etc.) and this will be monitored publicly. They will be accorded appropriate resources to enable them facilitate. Further, the Zambia Investment Centre, the Export Board of Zambia and similar institutions will be more focused in their promotional work, narrowing their scope of interventions to areas where the chances of success are highest.

In encouraging investment, the mix of scale of operator sizes will come into focus. All the different sizes of economic actors have important roles in increasing growth and reducing poverty. The risk in focusing exclusively on small-scale operators is that they may not be efficient enough to provide timely response to the efficiency-enhancing market signals at a time when high poverty levels demand faster reaction. Large-scale producers, similarly, could delay the pro-poor responses by opting for capital-intensive, labour-saving operations, resulting in reduced employment opportunities. Under the PRSP, all scales of producers will be encouraged and synergy between them will be supported. For example, large-scale producers will be encouraged in agriculture, tourism, mining, and industry and synergies will be established for small-scale and medium producers to feed off the large-scale operators.

#### 4.3.2 Promoting the Productivity of the Poor's Assets

The main challenge for poverty reduction is how best to create and expand the poor's opportunities to earn a decent income in a sustainable way so that they are able to meet the basic necessities of life. This is in addition to short-term government-sponsored poverty alleviation programmes. While for the rural poor, their preoccupation is largely agricultural, those in the urban areas are principally engaged in the informal sector. The informal sector in Zambia, as in many developing countries, remains the most dynamic in terms of employment generation and currently absorbs more than 70 percent of the Zambian labour force. Unfortunately, earning levels in this sector on average tend to be much lower than those in the formal sector. This will probably continue to be the case as long as the formal sector stays stagnant. This is why it is important to encourage strong formal sector revival through economic growth so as to relieve the burden on the informal sector.

For the foreseeable future, however, many people will continue to depend on the informal sector for livelihood and, therefore, there should be measures to support them. The required support includes the facilitation of credit schemes; provision of marketing and technological information related to improved productivity and product marketing; and the provision of infrastructure through, for example, the building of industrial estates. The PRSP, therefore, recognises the need to take into consideration the locational and sectoral concentration of poverty (both rural and urban) and work towards sustainable improvement of productivity in these two critical sectors.

The poor's main productive asset in Zambia is land. Their *access* to physical assets that enable them improve their productivity is, thus, an important prerequisite to their involvement in income-generating activities and the PRSP does recognise this important consideration. To the extent that agriculture is dominant in livelihood security for the poor, their access to land is, therefore, considered pivotal. As of now, close to 97 percent of farmers in Zambia have no title to the land that they cultivate.<sup>3</sup> This considerably reduced the motivation to invest substantial amounts of money in land improvements and agriculture-related physical infrastructure on such land. It also prevented the average farmer access to loanable capital for large-scale commercial farming, as major financial lending institutions are generally unwilling to extend loans for investments on land without title. Considering that smallholders account for about 60 percent of agricultural output, this restriction has had an adverse effect on land productivity and, indeed, on any serious poverty reduction strategy for the rural poor.

Moreover, the lack of productive assets such as oxen, storage facilities and mechanised farm implements severely constrains the poor's productivity and under the PRSP, these are being added to the list of the poor's assets that require urgent support. For urban areas, residents in deprived areas have limited access to productive assets. The illegality of many of the slum

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<sup>3</sup> This is explained by a number of factors. Principally, the 1975 Land (Conversion of Title) Act declared that all land has no commercial value and cannot be sold in itself unless there are developments/improvements on it. The immediate consequence of this state policy was that there was no security of tenure for the majority of farmers. This was reversed in 1995.

areas means that the poor do not have formal title to their dwellings. Lack of title and restrictive regulations have precluded the poor from capitalising on income-generating activities.

In recognition of the above realities, the PRSP will address the issue of strengthening credit markets for financing investment. The role of micro- financing is perceived to be crucial in this regard and both the government and the private sector will have a role to play at this level. The government will also create a hospitable environment for the adoption (and diffusion) of technological innovations that raise labour productivity.

#### 4.3.3 The External Sector

Worldwide experience indicates that success in economic expansion in small countries hinges on export growth. Exports not only create a vent for domestic surplus but also expand domestic incomes and, therefore, enhance purchasing power, leading to expanded markets for domestic produce. This is also true for Zambia with a small population with insufficient purchasing power to absorb expanded domestic output. The implication is that in agriculture, tourism, mining, and manufacturing, production for exports will receive greater emphasis. Under the PRSP, the relevant sector ministries and trade promotion institutions will be given appropriate support. In future, these institutions will be more focused on the key elements in their operations. For example, the Export Board of Zambia will primarily focus on a few export commodities that enjoy a comparative advantage in external markets. Similarly, the Zambia Investment Centre will as much as possible focus on attracting investors in areas known to have the best potential for Zambia.

As export expansion is a fundamental assumption behind the planned economic growth under the PRSP, the government will give high priority to these efforts. Complementary efforts in this regard will include (a) the re-orientation of the Zambian diplomatic service in a way that enables it to assume a greater role in identifying and negotiating market preference for Zambia; (b) the improvement of national capacity for expeditiously handling cases of unfair trading disadvantage against local businesses; (c) the elimination of barriers to trade and fair competition; and (d) the resisting of discretionary tariff/duty concessions.

The introduction of external trade liberalisation with little consideration of the speed and degree to which the country's main regional trading partners are doing the same calls for further reflection. Many producers in the country today complain that they are being unduly exposed to an *'unlevelled playing field'* in their intra-regional trade interaction, particularly with South Africa and Zimbabwe that have not yet opened up their trade regimes (including exchange controls) to the same degree. Under the PRSP, the government is going to examine carefully these concerns with a view to arriving at what is best for the country in the light of the country's membership to regional trade-enhancing protocols under COMESA and SADC to which Zambia is a party.

#### 4.3.4 Fiscal Policy

The focus of fiscal policy over the period 2002 to 2004 is to provide public services and infrastructure (both physical and institutional) in support of the targeted average real GDP growth target of 4.1 percent. In this regard, the following assumptions are being made:

- Capital expenditures are projected to rise from 11.9 percent of GDP in 2000 to 12.7 percent in 2004. However, much of this remains foreign-financed (67 percent of total capital expenditure, or 8.5 percent of GDP average) representing a sustainability risk.
- Government projects to run a deficit over the period, but this is expected to fall from around 7.3 percent of GDP in 2002 to a balanced budget in 2003 and 2004, provided a financial gap for \$95 million and \$72 million can be filled in 2003 and 2004 respectively. This is important for freeing credit to the private sector in support of economic growth.

Considering the high degree of dependency on donor funding for the PRSP, Zambia intends to continue with the programme of rationalising the public sector so that it costs the state less and thereby free money for poverty reduction programmes.

#### 4.3.5 Monetary and Financial Policy

The main objective for monetary policy under this PRSP is to attain single digit inflation by 2004. Inflation has been high because of inability to arrest monetary growth. Given the large size of the monetary shocks and the small money market, the open market operations that the Bank of Zambia depended on for monetary control could not cope, hence, the increase in the statutory reserve ratios. However, this has the undesirable effects of raising interest rates and widening the spread between deposits and lending rates. To address these issues, the following will be undertaken:

- Bring down interest rates to support economic growth. Lower inflation is a pre-requisite for this.
- A credit institution for organised small-scale farmers and businesses will be established since banks have refocused mainly towards corporate clients.
- Ensure that debt relief and pledged donor support will be accessed, thus reducing the need to borrow from the central bank.
- Strengthen monetary control and refrain from borrowing from the Bank of Zambia. When this is required, borrowing from commercial banks or the non-bank public will be preferred.
- Make open market operations more transparent, efficient, and better understood by commercial banks and other stakeholders.
- Encourage the use of other money market instruments such as commercial paper and certificates of deposit – particularly those that unlock long-term credit.

In the past a major source of pressure to borrow from the Bank of Zambia, thereby increasing quasi-fiscal deficits, high inflation, and high interest rates has been losses incurred by major parastatal companies like Zambia Consolidated Copper Mines, Zambia National Oil Company and others. The government wishes to end these losses and hence quasi-fiscal deficits through privatisation of services provided by the concerned parastatals. Obviously, the losses from the mining companies had been detached from government after the privatisation of the industry in 2000. The possibility of the government acquiring the mining assets back from Anglo American Corporation, even on a temporal basis until another buyer is found, will entail state financial commitments, but should such an eventuality materialise the government will provide the support through non-quasi-deficit financing.

In the next three years of the PRSP, the following issues regarding credit and financial arrangements will be pursued:

- Government (together with private investors) will facilitate the re-capitalisation of the Development Bank of Zambia (DBZ) in order to strengthen the medium- and long-term capital market. This measure is in response to the widespread complaints on the lack of long-term capital in the country.
- An enabling environment will be created for the establishment of merchant banks, investment funds, and other long-term sources of capital.
- The Depositors Insurance Scheme will be implemented.
- Efforts will be made to build on the success of the Zambia Electronic Clearing House and the recently introduced direct debit and credit facilities at banks in payment systems. Online approvals for credit card-based payments and automated teller machines will also be encouraged. This will better support the planned expansion in tourism.
- The Bank of Zambia will address other structural constraints that include the promotion of competition in the banking sector and encouragement of competition between non-bank financial institutions and commercial banks in the credit market.

- Government will repay its huge debts to pension schemes and privatise their management.
- Institutional capacities of the Securities and Exchange Commission and the Lusaka Stock Exchange will be strengthened.
- Greater legal and operational autonomy will be granted to the Bank of Zambia. In the same vein, the supervisory autonomy of the Bank of Zambia will be strengthened since commercial banks' contribution to poverty reduction is maximised only when their financial integrity is unquestionable.
- The government will minimise its borrowing to unlock credit for the private sector.
- Legislation relating to commercial debt management and recovery will be strengthened.
- Priority will be given to the improvement of post office-based savings and payment systems.

#### 4.3.6 Structural Reform, Infrastructure, and Economic Growth

##### *4.3.6.1 Reducing the Quasi-fiscal Deficit*

The objective of Zambia's structural reforms is to restore economic growth and macro-stability through: a) reducing the overall public sector quasi-fiscal deficit caused by losses from parastatals and other extra-budgetary funds as explained in 4.3.5; and b) improving fiscal management. Reducing the quasi-fiscal deficit will help ensure adequate funding to help the poor and other vulnerable groups, in addition to mobilising domestic savings to finance higher investment and growth. Because the high quasi-fiscal deficit (over 13 percent of GDP in 1997) has been a structural cause for high inflation and macroeconomic instability in Zambia, progress in this area will have a long and lasting impact on economic growth and poverty reduction. Reforming budget management will ensure that the government's budget priorities on social development and poverty reduction will be faithfully reflected in actual cash releases.

##### *4.3.6.2 Improving Fiscal Management:*

In the area of budget preparation, measures have been taken to help improve transparency and the strategic allocation of public spending. In budget execution, efforts have been made to improve the accountability and predictability of public expenditures. To address the weak budget control and the persistent arrears build-up, efforts have been made to improve the predictability of cash releases, automate commitment monitoring, and enforce hard budget constraints on over-spending ministries. During the PRSP period, the above ongoing efforts will be sustained and strengthened and the key recommendations of the Public Expenditure Review (PER), which has been prepared, will be implemented. For these measures to work, it is essential that the Public Service Reform Programme, including adequate salaries and working conditions to attract, retain, and motivate skilled staff will be implemented as soon as possible. The government is preparing, jointly with the World Bank, a report on Public Expenditure Management and Financial Accountability, which will lay out a programme of reforms in all areas related to fiscal management.

##### *4.3.6.3 Strengthening Structural Reforms*

In addition to the benefits on growth and poverty mentioned above, structural reforms in the energy sector will have a positive impact on the cost of production and, therefore, export competitiveness. In the oil sector, the government will continue to take actions to ensure the competitive and transparent procurement of feed stocks and to keep the petroleum product market competitive. The sale/concessioning of the TAZAMA Pipeline, INDENI Refinery, and Ndola storage facility should further reduce the cost of energy in Zambia. Currently, it is estimated that petroleum prices in Zambia are nearly three times those obtaining in South Africa, and this is a serious blow to Zambia's economic competitiveness compared to the latter.



In electricity, the concessioning and other reforms of ZESCO should help reduce the cost of electricity to the copper mines, thereby allowing the country some additional time for export diversification. In the area of pension reforms, important measures have been taken with the help of the World Bank's Fiscal Sustainability Credit to establish a transparent governance structure and prudential investment guidelines for the National Pension Scheme (NPS) and to reduce the National Pension Scheme Authority's (NAPSA) administrative costs. Further measures will be taken to restore the financial solvency of the Public Service Pension Fund (PSPF), to implement NAPSA's investment guidelines, and to improve the existing legal framework on the private pension industry that are necessary to reduce the drain on the budget and improve domestic savings.

Rehabilitation of existing infrastructure in roads, railways, electricity, and petroleum oil (as opposed to the creation of new ones) will receive priority under the PRSP. The construction of new infrastructure will be justifiable only in areas where it becomes a component of an overall plan to increase output, say in the opening of a new mine or in facilitating the creation of a farming block. Equally important for the poor is the PRSP plan to expand such infrastructure as rural feeder road networks, rural electrification, and other forms of energy, and communications infrastructure.

#### **4.4 Public Sector Management**

The strengthening of state capacity for poverty reduction programmes is important for without it, very little will be achieved. This does not mean that the involvement of the state in poverty-reducing programmes is limited to public expenditure programmes or provision of public services. To a large extent, the effectiveness of the state's contribution hinges on creating an enabling environment for other actors (the private sector, NGOs, CBOs, and beneficiaries themselves) and promoting a sense of urgency in dealing with the problem of poverty. The government's own commitment to raising the welfare of the poor is an important signal to the rest of the society and will be reflected partly by the amount of budgetary resources earmarked for poverty reduction and how efficiently these will be applied.

All this calls for capacity building for social and economic management and, in this respect, the restructuring of the Ministry of Finance and National Planning, including the establishment of a Department for Planning and Economic Management, is timely. In particular, the PRSP recognises the need to strengthen the capacity of social sector ministries such as the Ministry of Community Development and Social Services, Ministry of Education, and Ministry of Health to enable them become more effective in reducing poverty and alleviating it.

The PRSP also recognises the need to strengthen the link between plans and budgets. In this regard, special efforts are under way to ensure that budgeting is purposeful and that it is not at variance with what is finally mobilised and later expended. Activity Based Budgeting (ABB) is being extended to all government ministries as an instrument for linking the budget with development goals. The Integrated Financial Management Information System (IFMIS) that is being developed now will in a timely manner provide information that can be utilised for judging whether budgetary resources are being used in accordance with the plan.

To achieve the above, the PRSP will place priority on capacity strengthening in planning and budgeting. The planning units and the budgeting and audit capacities in the line ministries will be strengthened in line with the mandate of the Public Service Reform Programme. To improve upon this aspect of 'economic governance,' the government will facilitate a more direct and participatory input by Parliament in the budget preparation and approval process. In this way, the current dominance of the Ministry of Finance and National Planning in the

budgeting process *vis-à-vis* the definition of the country's priority areas at the level of resource allocation will be purposefully checked.

One of the major impediments to the design and execution of poverty-reducing programmes has been a lack of supportive analytical capacity and good data in easily usable form at the country level. The PRSP will address three broad areas of needed action:

- Strengthening local capacity for research and policy analysis in support of formulation of appropriate interventions and policies for reducing poverty.
- Rationalising the operations of state institutions responsible for collecting information pertinent to analysing and monitoring poverty; and setting up mechanisms for the effective transfer of knowledge from experts availed through technical assistance to local experts.

Regarding public debt, the authority to borrow is provided by the Loans and Guarantees (Authorisation) Act 366. This provision has not always been observed in the past. Over the PRSP execution, Zambia will tighten regulations governing public borrowing to bring about greater openness and accountability. In this regard, proposed new public debt will have to be formally justified and parliamentary authority sought for amounts above a certain threshold. The government will also implement a time-bound programme to clear its payment arrears to domestic suppliers and to retrenched/retired workers in both the state and parastatal sectors.

In the light of the foregoing, the key measures that will be taken to improve the impact of public spending on economic growth and poverty reduction are as follows:

- Guarantee social spending and capital expenditure against expenditure compression.
- Extend activity-based budgeting to all ministries as a rational mechanism for linking public expenditure with clear policy objectives and goals.
- In line with the recommendations of the Public Expenditure Review, remove the uncertainty introduced by the cash budget between authorised expenditure and actual releases.
- Ensure timely release of capital funds to enable effective execution of projects.
- Merge government departments to tighten operations.
- Resolve the local government debts on wages and salaries and transparently reflect the true cost of local government operations on the Treasury.
- Improve public service pay and remove employee allowances that are not related to performance.
- Strengthen the legislature to hold the executive to account for discrepancies between authorised and actual expenditures.
- Disburse funds directly to local government authorities in line with the policy of decentralisation. The requisite capacity for effective resource management and accountability at the sub-national level will be developed in line with this measure.
- Expunge District Administrators from the budget.
- In general, implement the recommendations of the Public Expenditure Review, which Zambia prepared together with other stakeholders.

Fiscal policy also affects the economy through the revenue side of the budget, via the impact of taxation. The key issues that will be dealt with are the following:

- Continue to improve tax compliance so that the tax/GDP ratio reaches 20 percent.
- Remove leakages in customs duty collections.
- Transform collection and utilisation system governing levies.
- Regularly raise minimum monthly taxable income to levels that are in line with the cost of living.
- Broaden tax bands to ensure that taxation is progressive.

- Create a Poverty Action Fund for direct support to the poorest and most vulnerable in society.

## **4.5 Rural Development**

### **4.5.1 Situation Analysis**

Poverty is most prevalent in the rural areas although according to the Living Conditions and Monitoring Survey of 1998, some provinces have marginally reduced it. It is suspected that this may be due to the shift towards cash crops.

The causes for the high poverty in rural areas are varied. For example, small-scale farming connected with cattle rearing in the Southern, Western, and Central Provinces attribute cattle disease as one of the major causes of poverty. For most rural areas generally, the failure of agriculture is considered a major contribution to poverty. Most livelihoods in rural areas are agriculture-based. Drought outbreaks in the early 1990s followed by sudden state withdrawal of support to agriculture without adequate private sector response to fill the gap in many instances led to loss in income. On top of that, rural areas suffer many deprivations such as poor access to amenities like health services, safer water, quality education, and infrastructure.

In addition, few rural areas adequately contribute to the generation of resources needed to finance their access to amenities. This is because they lack serious investment and productivity. In the 1970s, a policy of taking investment to rural areas was embarked upon which saw factories in places like Chipata (bicycles), Mansa (batteries), Mwinilunga (pineapple canning) and so forth. This contributed to income generation and employment creation and, in some instances provided social amenities. With economic liberalisation and withdrawal of subsidies in certain cases, many of these state-owned enterprises folded up.

The 1970s and 1980s witnessed some important gains in rural Zambia. Amenities like primary and secondary schools expanded. Various colleges were established in many provinces and the same was done for roads and other economic infrastructure such as power and communications. By the beginning of the 1990s, many of these needed rehabilitation but lack of resources prevented this.

### **4.5.2 PRSP Interventions for Rural Development**

The general PRSP interventions in rural development are roads (and canals), education, health, water, sanitation, and HIV/AIDS as well as economic empowerment. On top of this, there are area-specific interventions as defined by stakeholders. For example, livestock disease monitoring, and eradication in the Central, Southern, and Western Provinces is important, as is security in areas bordering Angola and the Democratic Republic of Congo.

Roads infrastructure is important for linking outlying areas with the rest of the country. This involves not just the rehabilitation of the major trunk roads but also that of feeder roads. The mechanisms for this intervention will be as set out in RoadSIP. The interventions in education, health, sanitation, and HIV/AIDS are as outlined in the respective sections of this document.

Regarding economic empowerment, it is recognised that many parts of rural Zambia are well endowed with resources like land, water, wildlife, and forests – often better endowed than some urban areas. They remained underdeveloped because they have lacked quality investments to exploit the resources. Where there have been investments such as the Kariba and Kafue hydroelectric schemes in Southern Province there has been negligible social and economic linkages within their vicinity.

The immediate potential in most places is in agriculture due to the abundance of land. This does not preclude other areas like tourism, forestry, fishing, and mining. In the past Zambia's

focus on rural agriculture assumed every rural dweller is a farmer and must be assisted to farm better. In actual fact, many take farming as a way of life rather than business and can be equally happy in a job.

The PRSP strategy continues with efforts to assist rural farmers directly as described in the chapter on agriculture in this document. In addition to this, government will facilitate employment opportunities on commercial farms, large-scale corporate agricultural estates or in agro-processing industries in rural areas. On these schemes, outgrower schemes involving local people will also be encouraged as an extra option. In this way, rural agriculture will become a viable economic activity and rural areas will generate resources that will contribute to their social and economic development.

With only 16 percent of Zambian arable land being utilised (with an even lower percentage when consideration is made of land that could be turned arable through technology) Zambia can afford to encourage rural large-scale agriculture without creating land problems although it will require shifting some people. In most rural Zambia, close to 100 percent of land is under traditional authority and in many provinces there is hardly any commercial farm. The result is that the major formal employer is government with the land contributing little. Such areas are condemned to poverty until such a time when there will have been sufficient social transformation to raise rural agricultural productivity. Moreover, leaving this issue unattended to now means that it will be much harder to do it later as the density of human settlement increases. Facilitation of large-scale agriculture with outgrower schemes will be particularly targeted in rural provinces where poverty is also highest.

To facilitate investment, all rural areas, especially those with abundant land, will be encouraged to demarcate farm blocks for commercial exploitation, outgrower schemes and tourism development. In some of the areas, water resources for irrigation are plenty and prosperous farm blocks can be established. It is preferable that the blocks are in clusters – meaning several districts or indeed even adjoining provinces can have a common block. This will minimise new required investments in infrastructure. Further, the blocks must wherever possible be near existing infrastructure for the same reasons. It is desirable for the farm blocks to be near rivers and lakes where serious investments in irrigation can be made cost-effectively.

Each community will determine the mode of land alienation, i.e. whether to lease or to sell, etc. and if the latter, how the sales proceeds of the land will be utilised. The government will be available to advise and supervise. Out of desperation for development, some chiefs are reportedly giving away large tracks of land in non-transparent ways to investors some of whom are doubtful in terms of development capability. Zambia encourages investment in her rural areas but this must be done in an orderly and transparent manner, and the interests of wider communities protected. The interests include ensuring that the size of farm blocks will not create landlessness in the foreseeable future, the quality of the investor is verified, the communities' participation through outgrower schemes and other arrangements are defined and so on.

The government will work out detailed guidelines on how rural farm blocks and investments will be established before the scheme comes into force. Although most land is currently unproductive, it is the key asset rural communities have. If part of it has to be sold it must be made more productive and benefit them and, therefore, speculators must be prevented. Already there is a lot of land on title, which is presently grossly under-utilised.

For its part the government will, as part of meaningful decentralisation, let communities benefit from the commercial exploitation of their land. This will include schemes like shareholding arrangements with investors where possible, outgrower schemes, and tax sharing arrangements. Through this strategy, rural people will be empowered to develop themselves.

In summary, the following opportunities will be created in rural Zambia:

- Employment opportunities on part-time and full-time through large-scale agriculture, agro-processing and tourist ventures.
- Self-employment through outgrower schemes.
- Small-scale businesses in farming, fishing, carpentry, and others resulting from rising purchasing power in rural and urban areas.
- Better food security in subsistence farming through the appropriate interventions that were outlined for agriculture.
- Social interventions in education, health, sanitation, and road infrastructure as was already mentioned.

#### **4.6 Risks in Implementing Zambia's PRSP**

As for any other plan, there are significant risks in implementing this plan successfully. The most immediate serious risk is the withdrawal by Anglo American Corporation from the Zambian mining industry due to poor copper prices. In doing so, one of the options was to bring the mines to an orderly closure, a situation which would have led to severe economic compression and rising poverty. However, even the more desirable option of keeping the mines open until another investor is found still poses a risk to the PRSP because public resources will in the interim be shifted from objectives that directly enhance economic growth and poverty reduction to preventing a worse poverty situation emerging as a direct consequence of the developments in the mines. In the light of the foregoing, strong efforts will be made to find alternative investors in the existing and potentially new mines in the shortest time possible.

The mining crisis aside, Zambia faces a serious resource constraint, which may render it difficult to implement the PRSP successfully. As Chapter 15 demonstrates, Zambia will in the short term be almost entirely dependent on continued aid at existing or even higher levels to be able to implement the PRSP. This is due to a combination of factors, which include low financial resource levels in line with stagnated economic performance over several decades. Another cause is major portions of financial resources being locked up in the financing of the existing administrative and social apparatus, which were established when Zambia was rich. These resources will only be unlocked gradually as administrative reforms progress.

The dependency on donors implies that Zambia will be exposed to changing moods in the donor community. She can minimise this risk by as much as possible only agreeing to conditionalities that she can fulfil. On the side of donors, they can be more helpful if they designed realistic and implementable conditionalities. Moreover, serious attention is required to review how aid is managed. Aid is most useful only when it helps the recipient country to attain its poverty reduction goals in the manner defined through the participatory process. The risk faced by aid recipients is that donors may not always pull in the same direction. In particular, there will be need to re-direct some of the aid programmes towards PRSP priorities and the success or failure of this will impact substantially on the implementation of the PRSP.

A major risk hinges on the organisational and administrative capacity of Zambia to implement the PRSP because a plan that is satisfactory on paper may not be successful unless there is capacity to implement it. In this regard, Chapter 16 of this document outlines the institutional mechanisms that will be employed to implement and monitor the PRSP. Substantial support will be required to build capacity for this.

## Chapter 5

# Agriculture

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### **5.1 Introduction**

Agriculture in Zambia has the potential to enhance economic growth and reduce poverty. Good performance in the sector translates into overall improvement of the country's GDP, creates jobs, and expands the tax base. This is mainly because the majority of Zambians depend on agricultural-related activities for livelihood. Thus, the PRSP sees the sector as one of the driving engines for the anticipated economic growth that is required to reduce poverty. In view of the potential multiplier effects that the agricultural sector has on the economy, the PRSP sees the restoration of its high and sustained growth as constituting a critical step for reducing poverty in Zambia.

The failure of agriculture to provide for secure livelihoods is considered as a major factor contributing to rural poverty. In addition, rural areas suffer from deficiencies in access to basic amenities such as health services, safe water, quality education, and infrastructure that worsen the poverty situation. Significantly and related to the foregoing, rural areas have attracted very little investment except in isolated pockets. It is, therefore, not surprising that few rural households are contributing to the full utilisation and generation of the resources required to finance their access to basic amenities.

Agricultural production and productivity is very low in Zambia because most farmers lack markets and support services and incur high production costs. Attracting investment, expanding markets, providing adequate support services, and making agriculture competitive should be a means to improve rural livelihoods. Zambia needs to improve agricultural production, productivity, and market competitiveness in order to come out of the poverty trap. The strategy should be to exploit forward and backward linkages in the production chain within a rural development context. Poverty is multi-faceted and needs multi-pronged approaches to its eradication.

### **5.2 Situation Analysis**

#### **5.2.1 Resource Base**

Zambia is abundantly endowed with resources that are required to stimulate agricultural and rural development, in general, and poverty reduction in particular. The country has a landmass area of approximately 752,000 square kilometres of which 12 percent is suitable for arable use. However, only about 14 percent of the arable land is presently cultivated. The country has a good climate, abundant arable land, labour, and plenty of water resources. The rainfall pattern defines the country's three agro-ecological regions<sup>4</sup>. Each region has defined characteristics and is suited for the production of a diversity of crops, livestock, and fish enterprises. Moreover, Zambia's ground water resources are abundant, estimated at 1,740,380 million cubic metres with the ground water recharge estimated at 160,080 million cubic meters per annum. Irrigable land is estimated at 423,000 hectares but less than 40,000 hectares (or 9 percent) is currently irrigated, mostly by commercial farmers cultivating sugar, wheat, and plantation crops (Table 5.1).

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<sup>4</sup> Region I is low rainfall region (less than 800mm annually) in the valley areas. Region II has moderate rainfall (800-1200mm annually) on the central and eastern plateau, while Region III covers the northern areas with annual rainfall above 1200 mm.

There are three main categories of farmers in Zambian agriculture: small-scale, medium-, and large-scale. Their main features are summarised in Table 5.2. Small-scale farmers are mostly subsistence producers of staple foods with an occasional surplus for sale on local markets. Medium-scale farmers produce surplus maize and other cash crops mainly for the local market, while large-scale farmers produce for both the domestic and international markets.

**Table 5.1: 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
<b>Total</b>	<b>25,000</b>	<b>398,000</b>	<b>423,000</b>	<b>100</b>

Source: World Bank: *Agricultural Sector Strategy: Issues and Options* (Quoted by Zambia Investment Centre, undated.)

**Table 5.2: Characteristics of Zambian agriculture**

Characteristics	Small-Scale	Emergent	Medium-Scale	Large-Scale
Number (1999)	459,000	119,200	25,230	>40
Total Ha <sup>5</sup>	0.5 – 9.0	10 - 20	20 - 60	>60
Crops Grown	Food Crops	Food/Cash Crops	Food/Cash Crops	Cash Crops
Production Focus	Subsistence	Commercial/Subsistence	Commercial/ Subsistence	Commercial

Source: Ministry of Agriculture and Cooperatives: *Agriculture Bulletin 2000*

### 5.2.2 Land Tenure

Zambia's land tenure is categorised into two main systems: customary and leasehold; 94 percent of the total land in Zambia falls under the customary land tenure system that is controlled and allocated by traditional authorities. The leasehold tenure, accounting for 6 percent of the total landmass, provides for title deeds for a renewable period of 99 years. This tenure system provides a sense of security and places value on land for commercial transactions. The government has made efforts to mainstream gender in land policies and has, in this regard, reserved 30 percent of all allocations of land for women applicants.

### 5.2.3 Current Agricultural Policy

There is little disagreement within Zambia presently that the policy of liberalisation is correct for revitalising agriculture. There is consensus that the government's pricing and marketing policies in the agricultural sector during the pre-reforms period failed to provide sufficient incentives for increased output by farmers, and also discouraged private sector-led agricultural development especially in the input and output markets. Moreover, because of the policy bias in favour of maize, infrastructure and service support to the agricultural sector discriminated against other equally rewarding activities in this sector targeted at both the

<sup>5</sup> Classification on the basis of farm size may be misleading because some farm lots are operated as intensive high technology enterprises on relatively small lots of land. This is common in peri-urban areas where intensive livestock and high value irrigated crops are grown.

domestic and external markets. Consequently, a badly distorted and lop-sided agricultural sector emerged that was dominated by a single crop, maize, which was encouraged even in areas that were not suited for its production.

Increasingly from 1983, the government decided to eliminate subsidies on maize and fertiliser, partly for the purpose of fiscal consolidation and partly to remove the distortions caused by the maize sub-sector. By 1994, all consumer subsidies on maize and maize products were completely eliminated and the prices were totally freed. Exports of all agricultural commodities, as long as they adhered to health regulations, became free and permissible and in order to expose Zambia to the competitive external market, imports of agricultural commodities and inputs (e.g. fertiliser and seed) were allowed and opened up to the private sector as well. At the same time tariffs were cut. Additionally, all parastatals that were involved in marketing activities have been either abolished (e.g., the National Agricultural Marketing Board) or are earmarked for privatisation.

The government has attempted to create a positive policy environment within which agricultural market liberalisation could be consolidated. The policy and institutional improvements have focused in the last five years on outstanding reforms in the key areas of (a) consolidating the liberalisation of agricultural marketing (primarily the elimination of subsidies to marketing parastatals and, subsequently, their privatisation); (b) strengthening the liberalisation of trade and pricing policy; and (c) streamlining the land tenure system to make it receptive to the policy of liberalisation. Against these goals and principally in response to the past poor performance of the agricultural sector, the Agricultural Sector Investment Programme (ASIP) was launched in January 1996 in the context of the following five broad objectives for agricultural sector development:

- To ensure national and regional food security through dependable annual production of adequate supplies of basic foodstuffs at competitive costs.
- To generate income and employment to maximum feasible levels in all regions through full utilisation of local resources and realisation of both domestic and export market potential.
- To ensure that the existing agricultural resource base (land, water, and air) is maintained and improved upon.
- To contribute to sustainable industrial development.
- To significantly expand the sector's contribution to the national balance of payments by, among other things, expanding agricultural exports in line with international comparative advantage.

In order to operationalise the objectives stated above, ten strategies were adopted for ASIP, namely, liberalisation of agricultural markets; diversification of crop production; development of the livestock sector; emphasising services to smallholders; expanding economic opportunities for outlying areas; improving the economic status of women; improving the use of the available water resources; full utilisation of land suitable for agriculture; helping farmers deal with natural disasters; and emphasising sustainable agriculture.

In spite of the achievements discussed above and progress made so far, the process of policy and institutional reform is far from complete. Lack of clarity in agricultural policy has weakened private/public sector partnership and created uncertainty in agricultural production and marketing. Specifically, agricultural input and output marketing, rural/micro-finance, and agribusiness development policy framework (processing, agro-service provision such as mechanisation, etc.) need to be improved. Weak capacity of public sector institutions to respond to the challenges of the agricultural sector and the ability to guide the sector's transformation into a competitive and productive sector has been a major drawback, thus requiring the development of effective institutions that are transparent, accountable, and responsive to the needs of the agricultural sector and agribusiness clients. Moreover, the legal

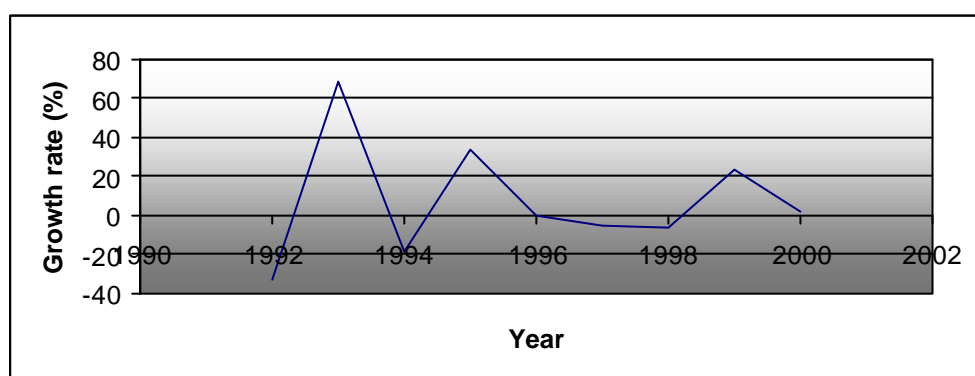


and regulatory environment has to be improved to attract and encourage private sector participation, to ensure safety, and meet standards acceptable to local and international markets, to define contract sanctity (including loan repayment) and establish capacity to adjudicate contract disputes.

#### 5.2.4 Agricultural Performance

The real growth rate in the agricultural sector has fluctuated significantly (Figure 5.1), mainly due to the sector's high dependence on seasonal rainfall, reduced investments and the failure to strategically position the sector according to its comparative advantage. Because agriculture is predominately rain-fed, its performance has been highly variable and inadequate. The sector's contribution to GDP averaged 18 percent over the past decade. Non-traditional, mainly agriculture-based exports increased from \$46.5 million in 1995 to \$133.9 million in 1999, thus demonstrating the enormous export potential the sector possesses. The contribution of agriculture to non-traditional exports did increase from 23 percent in 1990 to 47 percent in 1999. However, this growth is seriously threatened by the lowered competitiveness of the sector due to high production costs arising from the high prices of inputs, especially energy and fertilizer.

**Figure 5.1: Agriculture Real Growth Rates, 1992-2001**



Trends over the years indicate that the agricultural sector has somewhat accelerated its diversification mainly due to the increasing number of outgrower schemes in the country. The value and variety of export commodities have also increased, thanks to improving stakeholder consultations and partnerships. However, the ability of the sector to tap the resource endowment to improve the livelihoods of the poor has been constrained by both micro and macro factors. Private sector activities have been limited to a few areas, thus exposing the long-standing duality of agriculture. High interest rates, escalating inflation, decreasing purchasing power, volatile exchange rates, liquidity constraints, and limited credit facilities have combined to limit the impact of the liberalisation policies.

The most significant recent developments that have constrained growth in agriculture include unfair trade practices with the country's regional neighbours; low competitiveness; and an overall reduction in investment inflows to the sector. In particular, the signing of the COMESA FTA implies that products entering Zambia from other member states will not attract customs duty, thus making such products cheaper on the domestic markets and heightening competition from cheap imports. The sector has also over the years suffered from a reduced level of investment and resource allocation inflows from the state budget and donor contributions. While the four-year budget for ASIP was \$350 million, the actual total disbursement over the period was only 53 percent at \$184 million. Meanwhile, the average government budgetary allocation to the sector was 4 percent of the total national budget.

Unfavourable weather conditions (flooding and dry spells); increasing outbreaks of livestock diseases; and overall decline in access to agro-services have all contributed to the slow progress of the sector. Furthermore, inconsistency between policy pronouncements and implementation; poor infrastructure; gender inequality; and HIV/AIDS have also depressed the sector's growth. Low utilisation of land because of cumbersome procedures in obtaining title deeds and lack of incentives for utilisation of idle land and unsustainable agricultural practices also continue to inhibit the sector's growth potential.

While Zambia is said to enjoy comparative advantage in the production and export of various commodities, inherent constraints such as high energy and transport costs, driven by high internal taxes and charges, continue to hinder agricultural producers' competitiveness. Other factors reducing competitiveness are the high crime rate that has increased the cost of farm security.

It is against this background of a stagnating agricultural sector growth rate, reduced inflow of investment resources, and reduced competitiveness due to policy constraints that a paradigm change is being advocated for the agricultural sector to become one of the key components driving economic growth and poverty reduction in Zambia. This entails increasing the efficiency, competitiveness, and sustainability of production while ensuring food security and increased income. Notwithstanding the uniqueness of the requirements of different farmer interest groups, sustainable and broad-based agricultural growth with forward and backward linkages to other sectors relevant to sustainable rural development will form the thrust of the new approach to agricultural development as one of the key components leading poverty reduction

### ***5.3 PRSP Interventions in Agriculture***

Zambia recognises that future growth potential will be based on increased market competitiveness and that the liberalisation process embarked on earlier is virtually irreversible if market players have to respond to the emerging structure and requirements of the global economy. In this regard, agricultural producers, processors, and merchandisers will be enabled to rapidly reposition themselves in the face of increasing competition, changing customer preferences, and new distribution channel designs. Both agricultural producers and agri-business players will be encouraged to produce competitively and reach out to emerging markets more proactively.

In this regard, one of the priorities will be to complete the policy reform agenda set at the beginning of the 1990s, and to ensure that institutions in the agricultural sector attain a capacity level that makes them responsive to their clients. To provide policy clarity that appears to have been lacking in the last few years and avoid confusion regarding some aspects of the sector, government will issue within a year after the adoption of the PRSP clear policies and guidelines regarding agricultural input and output markets, mainly fertilizer and maize, as these appear to be areas where policy inconsistencies have been observed.

Another priority area is legal reform pertaining to contract enforcement and adjudication. An enabling legal and policy environment that is conducive to investment is necessary, including a commercial code that defines contract sanctity, capacity to adjudicate contract disputes, and a clear definition of property rights, together with the ability to pledge them as collateral against loans. The legal and policy environment will be set within a framework that operates effectively at both the local and national level.

Zambia will also review the Land Act of 1995 and assess the implementation progress. The Land Act of 1995 was aimed at attaching value to land and enhancing security of tenure,

thereby creating land markets and initiating major economic activities. It removed two obstacles to land markets: it allowed state land to be sold and customary land to be leased, with the consent of the chiefs. However, very little progress has been made in market development for land, titling both customary as well as state lands, and setting up a land administration system and procedure to meet the demands of such a complex task. It is, therefore, important to find out what the real issues are and start addressing them. The starting point will be a review of the situation to identify appropriate interventions and instruments, and this task will be launched immediately after the adoption of the PRSP and will be completed within six months. Some key objectives in this process include finding more effective measures against unproductive holding of state land and, for rural areas, discussing with traditional communities incentives for opening unutilised land for investment.

A major objective in agriculture will be to build its capacity to expand production, productivity, and competitiveness in the agricultural sector to meet both the challenges of local and international demands. This requires the mitigation of constraints that currently play to directly or indirectly inhibit agricultural sector players to meet their full productive potential. This will be achieved through interventions such as identification and promotion of products with competitive advantage, provision of affordable credit, development of export infrastructure, and identification of viable markets. In addition, lowering costs of production that constrain agricultural expansion will do this.

Zambia will need to build on her recent successes in agricultural exports by investing more resources to build extra capacity and incentives among all the categories of farmers and increase export more. The expanded export base will earn more foreign exchange, which will further expand the economy, create jobs, and subsequently reduce poverty.

In addition, the country will encourage the expansion of output at competitive prices, which is expected to increase through expansion of population and increased incomes. Higher demand for domestic foodstuffs creates markets for rural farmers and reduces poverty. Further, the vulnerable groups of farmers will be assisted to grow more food to meet the household food security needs as well as surpluses for the domestic markets. This will involve specific interventions designed to enhance production and productivity on a sustainable basis. In particular, government will take advantage of the emerging markets created by the expanding tourist and supermarket enterprises (for example, the Livingstone area) to assist farmers to access them. Cross-sector linkages between farmers and processors of farm produce (e.g. cotton ginneries) will be strongly encouraged.

Agriculture is a sector where the large-scale/small-scale mix will be strongly encouraged with synergies between them, where applicable, exploited. Credible large-scale producers generally respond quickly in raising output and this contributes to a rising GDP, industrial expansion through greater raw material provision, enhanced employment, and higher tax revenues. However, it may be capital intensive and thereby falter on maximising employment creation. Successful smallholder agriculture, on the other hand, impacts on a higher number of people but the risk it carries is that it may be slow to expand at a time when threatened by the adverse developments in the mining industry, Zambia needs to quickly find a new economic base.

Synergy between large- and small-scale producers will be encouraged primarily through outgrower schemes (essentially for export crops) since this directly promotes private sector provision of input and output marketing arrangements as well as agricultural credit. In this connection, large farm blocks will be encouraged in all parts of the country, more especially the most poverty stricken as a way of targeting encouragement of investments and job creation in those areas. Small-scale farmers will thereby have the additional option of working on large farms as seasonal labour during their off-peak season.

The PRSP recognises that the initial impact of liberalisation on Zambia's smallholder farmers has been negative due to limited opportunities to access both agricultural inputs and credit. Under such conditions, a major national challenge under the PRSP is to work out how best to help smallholders, particularly those in the outlying areas, to benefit from inputs and credit under uncertain conditions regarding how market forces alone could correct this imbalance in delivery. While the outgrower schemes mentioned above will generally assist, mechanisms going beyond and targeting certain farmers will be required. This is particularly so with respect to the facilitation of rural finance. In this respect, the PRSP will invest effort in understanding how best to bring in the private sector and community-based organisations/associations in the provision of the needed financial services that are so strategic to empowering the poor's productivity.

The integration into the market of outlying areas is considered by the PRSP as an important step towards enhancing the productivity of the poor. For the PRSP initiatives in the agricultural sector to succeed in integrating smallholders into the market, an additional effort will be made in the facilitation of timely, reliable, and relevant information flowing to all the main stakeholders as well as from the stakeholder to the major implementation/coordinating agencies. Generally, the agricultural delivery systems will provide the outlying areas with, *inter alia*, appropriate and affordable yield-enhancing technologies; key inputs, particularly improved seed and fertiliser; efficient systems of disposing of outputs; and affordable finance. In this regard, the government will continue to encourage the development of an effective farm input supply system by promoting public-private-partnership (PPP) in the input supply sectors.

Zambia also maintains that the creation of a market economy does not necessarily entail that the state must have no interest or involvement in commodity, input, or resource markets. However, such involvement is being perceived under the PRSP to be indirect and supportive rather than direct and competitive. This implies government's preparedness under the PRSP to be involved in some transitional functions such as those related to the provision of support services and guaranteeing of national food security.

In the light of the above, the following will constitute the principal interventions in the three years of PRSP implementation.

*Output 1: Finance and Investment Climate Improved*

- Establish an Agriculture Development Fund (ADF) with innovative management.
- Improve access to credit and insurance services.
- Increase volume of credit at affordable rates.
- Increase private sector investment.
- Establish financial infrastructure for rural credit, especially for outgrower schemes.
- Enact and enforce legislation and regulations for sustainable management of financial systems.

*Output 2: Marketing, Trade, and Agricultural-business Climate Improved*

- Identify and promote products with comparative advantage.
- Develop Agriculture Export Zones.
- Identify and develop Export-oriented Livestock Disease-Free Zones.
- Orient extension staff and public support services towards market-based agriculture.
- Develop entrepreneurship skills and capacity among extension workers.
- Maintain sustainable non-market-distorting strategic food reserves.
- Promote production of a diversity of food crops among smallholder farmers.
- Promote production of a diversity of high value crops.
- Improve agro-processing and in-situ value-adding activities.
- Strengthen rural business groups.
- Strengthen efficient private sector input supply and output marketing agencies.

- Strengthen public-private sector partnerships.
- Strengthen market information systems.
- Improve the enactment and enforcement of legislation and regulations.

*Output 3: Land and Infrastructure Development Improved*

- Establish a Land Information Centre.
- Establish functioning stakeholder task forces.
- Identify and demarcate suitable land by stakeholder task forces.
- Identify and develop resettlement and farm blocks.
- Develop trunk and feeder roads in high potential areas.
- Rehabilitate and maintain new trunk and feeder roads in high potential areas.
- Develop telecommunications in high potential areas.
- Provide electricity in high potential areas.
- Construct and rehabilitate rural dams and irrigation facilities.
- Establish an incentive and monitoring system to encourage utilisation of land.

*Output 4: Technology Development and Dissemination Improved*

- Establish a Technology Development and Transfer Fund.
- Adapt demand-driven technology for increased production of products with competitive advantage.
- Package and disseminate improved technology.
- Introduce sustainable measures to control outbreaks of major diseases.
- Improve livestock disease monitoring and eradication.
- Improve the enactment and enforcement of legislation and regulations.
- Disseminate messages on improved irrigation technology.
- Promote labour-saving techniques in farming and other rural livelihoods.
- Improve technical skills for farmers, farmer groups, extension staff, and NGOs.

*Output 5: Targeted Support System for Food Security Established*

- Promote the use of low-input and conservation farming technologies.
- Select target farmers who meet criteria.
- Distribute required enterprise inputs on time.
- Provide extension messages to support the enterprises.

## Chapter 6

# Industry

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### **6.1 Introduction**

In the context of this chapter, manufacturing and industry are considered synonymous. This is done with full recognition of the broadness of the economic conception of the term “industry” that includes agriculture, mining and other activities as industrial. The manufacturing sector has been and continues to be pivotal to Zambia’s economic development. The sector has averaged 10 percent of GDP and employs about 11 percent of formal sector labour. The manufacturing sector is a key linkage with the primary sectors like agriculture as its processes are seen as adding value to locally produced primary products.

The manufacturing sector has various linkages for growth and poverty reduction in Zambia. 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 increased incomes for the rural poor and, thus, reduce poverty levels. Similar linkages exist in various degrees with other primary sectors such as mining. Therefore, the key linkage between manufacturing and poverty reduction 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 also for export, increased foreign exchange earnings.

### **6.2 Situation Analysis**

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 utilisation 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 the local manufacturing industry under an import substitution industrialisation strategy. 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.

The decline in the mining industry, combined with the liberalisation of the economy leading to a 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 have contributed to rising poverty as many household heads have lost their jobs especially in urban areas. In absolute terms, out of 55,700 jobs in the sector in 1995, 7,900 had by 2000 been lost due to firm closures and reduced capacity utilisation. The sector’s contribution to formal sector employment has, however, been recovering.

The lack of competitiveness and slackened productivity in manufacturing is due to a number of constraints. These include a narrow export base, unfair competition arising from smuggling and export subsidies in some trading partner economies. Other constraints are 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 have 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 has decreased with a smaller mining industry.

Export-based manufacturing has performed better. In addition, the sub-sectors of food, beverages, and tobacco, accounting for over 60 percent of total output in manufacturing, have also done well. Other key sub-sectors are textile and leather products, wood and wood products and chemicals, rubber, and plastics. On average, these sub-sectors account for over 90 percent of output in the manufacturing sector.

The slow growth has also diminished business opportunities for urban and rural micro, small, and medium size 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, have equally been affected negatively.

### **6.3 Industrial Development Programmes for Poverty Reduction**

#### **6.3.1 Basic Principles and Goals**

The current policy thrust in the manufacturing sector is outlined in the 1994 Industrial, Commercial and Trade Policy document. The policy, however, lacks programmes targeted at poverty reduction and does not give concrete indications as to how to involve the poor and the disadvantaged in manufacturing activities aimed at stimulating growth and reducing poverty. The policy also lacks strategies for encouraging new investments, establishing competitiveness in industry, and economic diversification. Efforts to establish strategic export niches also need strengthening. Cross-cutting issues of gender, the youth, HIV/AIDS, environment, and energy will form a critical pillar to attaining industrial development.

In order to focus manufacturing growth towards poverty reduction, it is necessary to ensure that a strategic response is given both in the medium and long term. The following vision will guide Zambia's industrial development over the next twenty-five years.

*“To attain a dynamic, competitive, and environmentally sustainable industrial sector in both urban and rural areas as a means to reducing poverty through sustained economic growth and employment creation.”*

In order to attain this vision, the specific objectives for manufacturing development are as follows:

- Promote investments in both urban and rural areas that primarily utilise local raw materials.
- Encourage output and employment expansion in the sector by promoting growth in manufactured exports especially in areas where Zambia has comparative advantage.
- Promote growth in small- and medium-scale enterprises.
- Promote an enabling environment and even the playing field with respect to competing imports, efficient utilities in energy, transport and telecommunications, skills training, science and technology development, and legal and regulatory framework that is conducive to the growth of manufacturing.

It is expected that by the end of the visionary period, Zambia will have developed a sustainable export-led manufacturing sector. This will lead to an increase in job opportunities, sustainable export earnings, and the growth of manufacturing, GDP and employment.

Manufacturing exports are also expected to increase. In devising an industrial strategy for economic growth and poverty reduction, Zambia will primarily support ‘winners’ or those industries that have the best chance of success. Ever since local manufacturing faced foreign competition, firms using locally available raw materials have fared better than those that were over-dependent on imported inputs. Firms using locally available farm output will, therefore, receive priority. Within this, export processing for items like cotton, coffee, cashew nuts, groundnuts, paprika, sugar, and fruits will receive special attention in addition to manufacturing linked to mining. The intention here is to create a link between primary extraction and industrialisation through addition of value to primary goods especially those for export. Exports of both primary and processed primary goods will contribute towards raising purchasing power in Zambia for manufactured goods intended for the domestic market. However, this also requires that proven cases of unfair advantage for imported competing goods be dealt with effectively.

Under the PRSP, the programmes in manufacturing for stimulating economic growth and reducing poverty will include investment promotion; trade and export promotion; capital market development; skills development; science, technology, research and development; micro, small, medium enterprise development; and rural industrialisation. These programmes will be supported by more effective legal and regulatory frameworks that will ensure the protection of industrial and commercial property rights.

### 6.3.2 Investment Promotion

Private domestic and foreign investment is key to the growth of the manufacturing sector in Zambia. As a support measure to private investment, public investments especially in infrastructure will be made in addition to the maintenance of a stable macroeconomic environment. The key measures to boost investment in manufacturing will be as follows:

- Produce geographically segregated resource endowment maps to assist potential investors to easily identify available resources.
- In the new farming blocks to be established with large estates, commercial farms and outgrower schemes, encourage investors to add value to the agricultural goods being produced in the vicinity. Potential commodities include sugar, coffee, paprika, fruits, cashew nuts, cotton, rice, and maize for both domestic and export markets.
- Promote supplier consolidation in identified bulk supply needs for the mining sector.
- Facilitate both domestic and foreign private investors with capacities for investments in schemes such as build, operate, transfer (BOT) and build, own, operate, transfer (BOOT) and establish linkages of how expertise and business opportunities can be better accessed by local investors.
- Ensure adherence to investment licensing conditions by local and foreign investors.
- Encourage the rehabilitation and expansion of energy, road, transport, and communications infrastructure to support investment in manufacturing.
- Facilitate the establishment of more industrial estates to address the needs of the small- and medium-scale enterprises as well as those in the informal sector.
- Encourage local authorities to designate land for the development of industrial parks and ‘industrial shells’ for leasing to local and foreign investors.
- Mainstream environmental and natural resource management in Zambia’s industrial development programmes and activities.



### 6.3.3 Trade Policy and Export Promotion

Trade policy and export promotion are key to the expansion of markets for domestically manufactured goods and ensuring international competitiveness in local production. The key issues here include the establishment of a fair domestic and foreign trade regime that facilitates trading to take place on a common set of agreed rules as opposed to discretion, and one that does not stifle domestic production and employment. The government will deal with matters of asymmetric access to markets, dumping, or export subsidies from major trading partners. In order to further encourage exports, bilateral, regional, and multilateral trade regimes will be used to ensure that reciprocity is observed in levelling the playing field. Diversification of exports, especially manufactured tradables, will be encouraged and modern commercial trading methods will be applied where feasible. The following measures will be taken to boost exports of manufactures during the PRSP implementation period:

- Train trade attachés and other staff involved in trade matters in market identification techniques and trade negotiation skills to ensure that Zambia extracts the optimum benefits from trade agreements and protocols.
- Identify export opportunities in markets that give Zambia preferential treatment for its exports such as the European Union under the Cotonou Agreement, and the USA market through the African Growth and Opportunity Act (AGOA). Export opportunities under COMESA, SADC, and similar regional bodies will also be pursued with added vigour.
- Establish Export Processing Zones (EPZs.)
- Establish modern testing and calibration facilities at the Zambia Bureau of Standards. The use of other private sector testing facilities that meet the required legal and technical standards will also be encouraged.
- Encourage establishment of private sector testing and calibration facilities.
- Create an enabling environment for quality assurance for goods meant for both domestic and export markets.

### 6.3.4 Capital Market Development

A sustainable manufacturing sector needs a viable medium- and long-term capital market. In this regard, measures will be put in place to ease access to development financing, including venture capital for small-scale enterprises.

### 6.3.5 Skills Development

Skills development is key for the growth of manufacturing especially with respect to productivity growth. High-level technical skills, including those at the artisan level, will be developed. Key interventions in this area during the PRSP implementation period will include the following:

- Develop an incentive package to attract back into the country skilled human resources that have been lost to other countries.
- Re-introduce the apprenticeship scheme and advanced crafts training.
- Re-introduce and formally recognise Master Craftsman schemes with a view to tapping accumulated skills.
- Give special tax and non-tax incentives to manufacturers that invest in short- and long-term human resources training and skills development. The private sector will particularly be encouraged to set up management and technical training institutions.
- Encourage and promote pre-employment training schemes and in-service training.
- Work out a system of identifying industry-specific skills requirements in collaboration with the business community.

### 6.3.6 Science, Technology, Research, and Development

In order for industries to effectively adopt and adapt new technologies to the Zambian situation, public and private sector initiatives that aim to establish a viable local stock of scientific and technological know-how will be encouraged. The following areas will receive attention:

- Rehabilitate scientific and technological development institutions such as schools of engineering and technology at the University of Zambia (UNZA) and the Copperbelt University (CBU), respectively; the Technology Development and Advisory Unit (TDAU) at the University of Zambia; the National Institute for Scientific and Industrial Research (NISIR); and technical colleges.
- Offer special tax and non-tax incentives to private sector firms that fund the development of science and technology through, for instance, sponsorship of Chairs in Research and Development institutions.
- Strengthen the scientific and technological coordinating role of the National Science and Technology Council (NSTC), the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA) and other institutions with similar mandates through well-targeted institutional capacity building programmes and allocation of adequate public resources.

### 6.3.7 Micro, Small, and Medium Enterprise Development

Micro, small, and medium enterprises (MSMEs) form the basic linkage between manufacturing and poverty reduction. Strategies for developing them will include the establishment of private sector micro credit schemes, a central buying agency for MSMEs, and a revolving fund to be administered by an appropriately identified institution. Moreover, training of MSMEs in business management and technical skills will also be supported. The linkage between the MSMEs and larger manufacturing firms will be strengthened, especially for intermediate raw material supplies and labour intensive production processes. Appropriate institutional and legal instruments will further support the MSMEs, including the informal sector. In this respect, the following are the measures to support MSME-level manufacturing under the PRSP:

- Facilitate training and re-training in entrepreneurship skills for those falling out of formal employment.
- Support the construction of industrial estates by the private sector for leasing to MSMEs; each municipality will mark out land and advertise it to developers for this purpose.
- Encourage development of intermediate input supply linkages between MSMEs and large-scale enterprises.
- Encourage procurement of goods and services, especially in the health and education sectors, from MSMEs.
- Review and harmonise the existing legal and regulatory framework with a view to removing impediments to MSME operations.
- Encourage the repeal or amendment of any statutes or regulations that hinder women and youth access to, and control of productive resources such as land, credit, trade information, and technology.
- Encourage the participation of women and youth in private and public credit schemes.
- Provide business and trade information to MSMEs and informal sector entrepreneurs.
- Design and implement measures that will facilitate expeditious acquisition of titles to land to ensure improved access to investment finance.

### 6.3.8 Rural Industrialisation

Past attempts at rural industrialisation focused on setting up rural enterprises to reduce the imbalances arising from urban bias. Most of them failed due to, *inter alia*, misconceived viability, wrong siting resulting in expensive logistics, and burdensome political influence in the management of parastatals. In order to ensure that more manufacturing entities are established in rural areas, matters of economic viability, and correct physical siting to reduce on the set-up costs will be addressed. It is also important to ensure a linkage between agricultural farming blocks, industrial estates, and outgrower schemes in order to establish industries close to the raw material source. Labour intensive approaches will be encouraged for employment creation. To achieve these goals, the following measures will be put in place:

- Promotion of private sector investments that emphasise rural-based manufacturing, especially agro-processing, within the existing and the new farming blocks that will be established under the PRSP.
- Rehabilitation of existing farm-to-market roads and, in exceptional cases, building new ones to facilitate access to markets.
- Facilitating the provision of appropriate energy sources for small and medium-scale entrepreneurs, especially rural-based ones.
- Encouraging the use of alternative and renewable sources of energy such as solar power.

### 6.3.9 Legal and Regulatory Framework

It is recognised that for the PRSP strategies in the industrial sector to work, there will be need for compliance with existing laws and regulations as well as the enactment of new legislation. In this regard, the government will ensure that there is compliance by businesses to laws and regulations such as those relating to company tax and returns; stock exchange listing rules; accounting and auditing standards; and environmental standards. With regard to corruption, Zambia is committed to being an active member of the global coalition against corruption and corrupt practices, especially in corporate affairs.

Similarly, the existence of an effective legal and regulatory framework for the protection of industrial and commercial property rights and ensuring free and fair competition is a pre-condition for inventive and innovative business activities. In this regard, the government will harmonise existing industrial property rights with those of other countries with a view to, among other things, allow investors the opportunity to benefit from the international industrial and commercial property rights regime. This will also ensure that local and international investors are free from the risk of unfair expropriation.

## 6.4 Prioritising of Industrial Programmes

In terms of the prioritisation of the above programmes, the recommended order of priority is as follows:

- Investment promotion
- Trade policy and export promotion
- MSME promotion
- Rural industrialisation
- Capital market development
- Skills, science, and technology development.

# Chapter 7

## Tourism

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### **7.1 Introduction**

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, which contributes to sustainable economic growth and poverty reduction". For tourism to contribute effectively to the national GDP, foreign exchange earnings and poverty reduction, there is need to have a conducive environment for private sector participation, environmentally sustainable growth, and good governance. This will require policy improvements, institutional and legal framework adjustments, and cross-cutting issues to be addressed.

The tourism sector plays a vital role in economic growth and government policy is aimed at promoting tourism sector performance in economic growth, which is the main thrust of the PRSP. This can be achieved through employment creation, rural and infrastructure development, community development, increased foreign exchange earnings, and entrepreneurial development. The tourism industry is a labour intensive industry and provides jobs for local people in urban and rural areas where most of the poor people live. In addition, it stimulates entrepreneurship and creates opportunities. The benefits of these additional resources can be channelled towards improved nutrition and food security, housing, health and education and, consequently, improve the communities' standard of living.

Given that much of the tourism resources are in rural areas, the sector plays an important role in rural development. Large-scale investments have economic linkages, which stimulate and strengthen the creation of small- and medium-scale enterprises. For example, construction of hotels and lodges stimulates the agribusiness/food supply sub-sectors, the service provision industry, construction industry, handicraft industry, etc. Similarly, as tourism expands, it encourages the development of infrastructure such as airports, accommodation facilities, roads, and telecommunications. This in the long run would attract investment in other sectors of the economy. In addition, increased tourism activity encourages entrepreneurial skills development aimed at supplying goods and services to the investment areas. Above all, through increased revenues as a result of the growth of the tourism sector, government revenue is enhanced.

### **7.2 Situation Analysis**

#### **7.2.1 Growth Trends**

Zambia has considerable untapped natural resources for tourism development. They include abundant wildlife, rich cultural and natural heritage sites, abundant water resources, peace, and tranquillity. The country has 19 National Parks and 34 Game Management Areas (GMAs) covering 33 percent of the country, but only 5 percent of this has been developed for tourism. 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 world famous Victoria Falls. Table 7.1 gives performance figures for the tourism sector.

**Table 7.1: Selected performance indicators in the Tourism Sector**

<b>Year</b>	<b>International Visitor Arrivals</b>	<b>Tourism Earnings (\$ million)</b>	<b>Jobs</b>
1995	163,000	46.7	5,909
1996	263,986	59.8	6,792
1997	340,896	75.5	7,902
1998	362,025	74.4	8,991
1999	404,503	85.2	10,340
2000	457,419	91.2	11,892

**Source:** Ministry of Tourism, Environment and Natural Resources

The table above reveals that tourism has experienced some positive 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.

### 7.2.2 Constraints

The rapid growth of tourism in Zambia has been constrained by several factors. These include the following:

- *Inadequate infrastructure:* The underdeveloped road and rail network, airports/airstrips, telecommunications facilities and transportation, both land and air, as well as other inadequate tourist facilities have hampered the rapid growth of tourism in Zambia. The lack of all-weather roads continues to hinder year round access to Zambia's major tourist areas.
- *Inadequate marketing of Zambia as a major tourist destination:* The marketing of Zambia as a tourism destination has been inadequate due to limited resources.
- *Poor programme implementation due to lack of funds and 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.
- *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.
- *Human resources and low level of skills:* There is a lack of 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.
- *Lack of institutional incentives:* The private sector is often faced with 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 should be put in place to strengthen local participation in the airline industry.

- *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.
- *Land tenure:* The process of acquiring land for infrastructure development is slow, thus, inhibiting investment in the sector.

The current tourism policy framework has three key elements. Firstly, the emphasis is private sector-driven development. The private sector will take the lead in the development of tourism initiatives and the implementation of investment plans with the assistance of the Ministry of Tourism, Environment and Natural Resources and the Zambia Investment Centre. Secondly, the sector encourages environmentally sustainable growth. The development of the sector will be undertaken in a manner which protects natural resources to ensure long-term sustainability of key tourist attractions (e.g., wild life, forests, water falls) that are required to attract tourists to Zambia. Lastly, the government's policy in the tourism sector is to create an enabling environment for private sector participation; provide adequate infrastructure and legislation for the growth of the sector; and encourage balanced community involvement aimed at poverty reduction in rural areas.

Within the existing tourism policy framework, government's focus on poverty reduction is the enhancement of the role of rural Zambians and their participation and ability to benefit from growth in the tourism sector. For instance, through the Zambia Wildlife Authority (ZAWA) Act number 12 of 1998, the government has, within the broader framework of managing the country's wildlife resource, set the objective of improving conservation and utilisation of wildlife and other resources in national parks and Game Management Areas (GMAs). The Wildlife Act envisages improving the quality of life in the communities living in GMAs through Community Resource Boards that are registered with ZAWA and permitted to access the revenues from licenses issued and hunting concessions granted by ZAWA. Apart from the revenues that are ploughed back, the communities also derive benefits from employment as scouts and also working in the safaris.

### **7.3 PRSP Planned Programmes in Tourism**

The government's role in the growth of the tourism sector is to facilitate private sector involvement through investment promotion, marketing, and provision of infrastructure and supportive legislation. In facilitating the development of the tourism sector, resources will be directed towards high growth areas. These areas have been prioritised into development zones and national programmes.

#### **7.3.1 Development Zones**

High growth areas that contribute to national income expansion will receive priority during the implementation of the PRSP. These are areas that will assist to create resources for other areas to be developed over time. Zambia will rehabilitate and maintain basic infrastructure, especially access roads, in all the tourist areas. In the first cycle of the PRSP, five zones have been identified through a consultative process in the following order of priority: Livingstone, Kafue National Park and surrounding Game Management Areas, Lower Zambezi (Siavonga through to Feira), Lusaka, and Luangwa. Other areas will be developed in subsequent PRSPs as prioritised in the Tourism Development Master plan.

Given their endowment like the falls, wild life prevalence, and close proximity to one another, the chosen zones create the possibility of an extended loop for visitors and are judged to have the best chance of responding quickly to tourist demands. Hence, for example, tourists primarily coming to see the Victoria Falls will have the opportunity of travelling to nearby Kafue National Park if they wish to see large game in an extensive wilderness setting.

### ***Livingstone, Victoria Falls, and the Surrounding Area***

Given its endowments, the Livingstone region and its surrounding areas will remain the prime tourist attraction for Zambia. In enhancing this, priority interventions in terms of infrastructure development will include the following: the rehabilitation of access roads to and within the Musi-o-Tunya park and extension of the park; rehabilitation of the airport runway and upgrading to C4 category; and rehabilitation of the airport and city roads. Other activities will include the establishing of a visitor centre; rehabilitation of the water and sanitation facilities; enhancing personal security for tourists; and signage.

### ***Kafue National Park and Surrounding Game Management Areas***

The Kafue National Park is an excellent extension for visitors who have seen the Victoria Falls and would like to stay longer in Zambia to see wildlife in a large park. The two are adjacent and not too far apart. The planned interventions for the area are initially limited in view of the scarce resources. The priority activities in Kafue will be the construction of the road linking Kalomo with Itezhi-Tezhi in the Kafue National Park, rehabilitation of the Mumbwa-Itezhi-Tezhi road, and signage. Other activities will include attracting and encouraging large investment by credible investors to put up resorts in the Kafue National Park and surrounding areas and designing and implementing a programme for farmers in the vicinity to produce food that is required for the planned new and existing resorts.

### ***Lower Zambezi (Siavonga to Feira)***

In the Lower Zambezi, which stretches from Siavonga to Feira, priority interventions will be in the following order: rehabilitation and construction of access roads; construction of an airstrip in Siavonga; rehabilitation and upgrading of Jeki and Feira airstrips; construction of a bridge on the Kafue River; and installation of a pontoon on the Zambezi River. Other interventions will include the setting up water and sanitation facilities; creation of a visitor centre; tarring the road from Luangwa Bridge to Feira; and rehabilitation of the road from Feira to the Lower Zambezi National Park and from the National Park to Chirundu and Lusaka.

### ***Lusaka City and Surrounding Areas***

In Lusaka City and surrounding areas, priority interventions will be the rehabilitation of infrastructure such as city roads, street lighting, airport terminal, landscaping, and signage. Further, being the capital that can capture business-related tourism such as conferences and seminars, Lusaka will be provided with conference facilities and the rehabilitation of existing ones. Other areas of priority will be the improvement of the feeder road network in the surrounding areas of Lusaka and urging farming communities to set up agro-tourist and recreation centres.

### ***Luangwa Regional Programme***

In Luangwa National Park, access roads rehabilitation and upgrading will be the first priority because of their importance in game viewing and hunting safaris. This will be followed by the rehabilitation of Mfuwe Airport, construction of a visitor centre, setting up water and sanitation facilities, and the installation of communication facilities and signage.

## **7.3.2 National Programmes**

These are programmes that have a national characteristic as opposed to zonal development ones. They will run concurrently with zonal programmes. These include the following, in their order of priority:

- *Investment promotion:* Efforts will be made to attract big investors in all the designated development zones with good international marketing skills. Local investors will be encouraged to make partnerships with foreign investors to ensure that the local people have a stake in the development of the tourism industry. A policy

will be put in place to ensure that local people have a minimum of 40 percent shareholding in incoming investment into the tourism sector.

- *Marketing and promotion:* A strategy for marketing of Zambia both locally and abroad will be in partnership with the private sector. Zambian embassies abroad will serve as windows for the sector.
- *Tourism database:* Setting up a tourism satellite accounting system to monitor the performance and contribution of the tourism industry to the economy.
- *Tourism development credit facility:* This programme aims at promoting indigenous and local entrepreneurs' participation in the tourism industry.
- *Private sector capacity building:* This will strengthen private sector capacity through the Tourism Council of Zambia.
- *Routine maintenance of all infrastructure:* Infrastructure in all tourist areas will be regularly maintained and upgraded.
- *Human resource development:* Human resources in the tourism industry will be developed in all relevant fields.
- *Natural resource conservation:* This programme targets the broader aim of maintaining Zambia's rich biodiversity and enhancing economic development of the wildlife sub-sector. In this area, eco-tourism projects will be encouraged.
- *Rehabilitation of museums and heritage sites:* These are located throughout the country and the programme to rehabilitate and improve the museums and heritage sites will be effected as an integral part of the diversification of tourism products.

#### **7.4 Monitoring and Evaluation Guidelines**

A Tourism Area Steering Committee is to be established, which will be tasked with establishing guidelines for baseline data and monitoring and evaluation of programme implementation within the tourism sector. This committee will be under the supervision of the Ministry of Tourism, Environment and Natural Resources. The committee will require that each programme has an internal and external evaluation performed against agreed baseline benchmarks. Measurable indicators will include statistics on employment created, investment flows per annum, tourist arrivals, park entrance figures, room and bed occupancy rates, the number of skilled human resource at all levels, foreign exchange earnings, and contribution to GDP.



### **8.1 Introduction**

The mining sector has been a prime mover of economic development in Zambia for over 70 years, with exports of mineral products contributing about 70 percent of total foreign exchange earnings. Over the last two decades, however, copper production has declined largely because of declining copper ores, poor re-investment into new and existing mines, and unsupportive management practices. In order to boost and make the mining sector viable, the government decided to implement a comprehensive economic restructuring programme aimed at promoting private sector-led development. The privatisation of the industry was completed in the year 2000. With a private sector-driven mining industry, it is hoped that the sector will be better leveraged to spearhead economic growth and poverty reduction efforts.

Over the years, the national economy has developed a comparative advantage in copper and cobalt mining. Deposits of gold, diamonds, 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 while small-scale mining is active in a variety of gemstones that include emeralds, amethyst, aquamarine, tourmaline, garnets, and citrine. Emeralds are by far the most dominant. 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 leads to the development of access roads, telecommunications, and other physical and social infrastructure such as schools and clinics. It is recognised that there are numerous interventions that could be made in the mining sector to make it viable and contribute positively to economic growth and poverty reduction. However, due to limited resources, the first three-year rolling PRSP will mostly focus on targeting resources to the small-scale mining sub-sector.

The mining sector is critical in poverty reduction and in the economic development of the Zambian economy. Lately, mining has been generating between six percent and nine percent of GDP, and contributes about 40,000 jobs to total formal sector employment that currently stands at about 470,000. 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 superstructure 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 on the general uplift of the country through employment creation, income generation, and stimulation of industrialisation and infrastructure development.

Furthermore, mining has the capacity to condition an increase in 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 are related 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.

## 8.2 Situation Analysis

A number of factors influence the performance of the Zambian mining industry, some of which are outside the country's control. To begin with, it is noteworthy that demand for copper is sensitive to the levels of industrial production in the major industrialised consumers and as such, prospects in demand for this mineral depend, to a considerable degree, upon the strength and duration of world recovery. Table 8.1 shows the fall in demand for copper, zinc, lead, nickel, and tin in two major world recent recessions.

**Table 8.1: Metal consumption in recent recessions (percentage change)**

	1973-1975	1979-1982
OECD industrial production	-8.3	-4.0
Consumption of:		
Copper	-21.2	-8.8
Zinc	-27.0	-10.9
Lead	-14.4	-9.7
Nickel	-20.4	-17.8
Tin	-18.8	-12.1

*Source: Financial Times, January 1991*

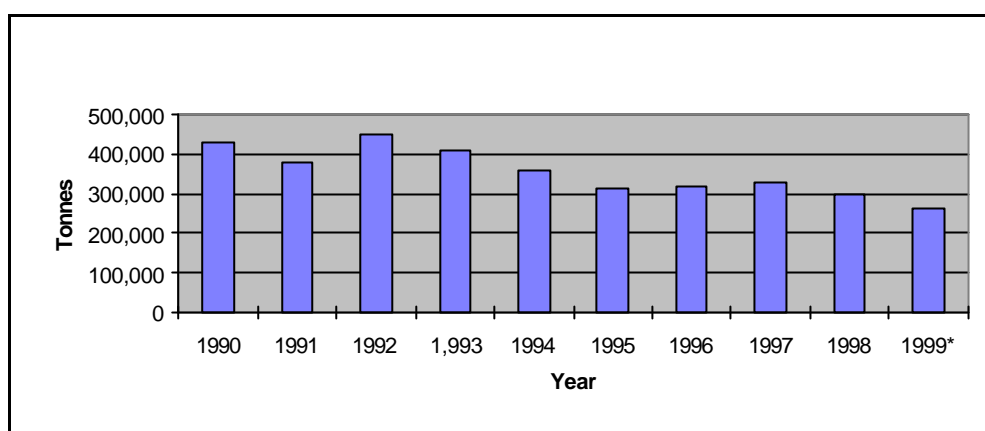
In general terms, production costs worldwide are likely to be significantly lower than they have been in recent years due to technological innovations. Zambia, however, remains amongst the highest cost producers as a result of large indirect costs and high debt service payments.

In terms of performance, a worsening trend is apparent in Zambia's mining sector, particularly at the level of copper production. With the sector under threat of insolvency following the recent decision by Anglo American Corporation (AAC) to consider withdrawing from active involvement in Konkola Copper Mines Limited (KCM), the largest post-privatisation mining company in which it is the majority shareholder, there remain many uncertainties for the sector. Besides, copper output has registered a downward trend for several years now. Production in 1997 was 322,100 tonnes – a slight improvement on the low levels of 315,000 tonnes experienced in 1995/96. This will result in severe consequences for the country's balance-of-payments; the exchange rate; and the economic survival of mining suppliers that are dependent on the copper sector. Figure 8.1 gives the mining sector's copper production trends in Zambia over the 1990-1999 period and clearly shows the declining trend.

Trends in world prices for refined copper, apart from production volumes, have accounted significantly for the country's declining revenue. Copper prices declined by as much as 44 percent since mid-1997 at the onset of the Asian crisis. Although the first quarter of 1999 registered some slight price recovery, it is projected that the subsequent average price would be 40 percent lower than the 1997 figure, a phenomenon that is explained principally by the western commercial stocks which have doubled over the 1997-98 period to 1.2 million tonnes. Current forecasts predict that it will take several years for world copper prices to recover to the 1997 average of 100 cents per pound. In January 1999, the World Bank actually warned that, as a result of excessive supply of metals on the world market, "...it may take several years of rapid economic growth to wear off existing surpluses [of copper] and to

provide conditions for a rise in prices". Figure 8.2 shows the world market prices for refined copper prices.

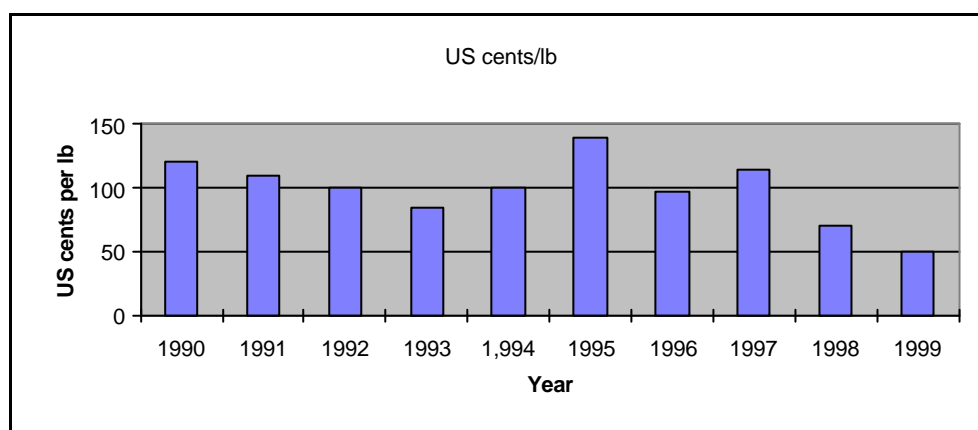
**Figure 8.1: Volume of Copper Production in Zambia: 1990-1999 (tonnes)**



\* Projected

Source: Standard Chartered Bank: *Business Trends Zambia* (several issues)

**Figure 8.2: World Market Prices for Refined Copper**  
(in US cents per lb)



Source: Economic Intelligence Unit

From the above scenario, it is clear that copper production levels are set to continue to fall in the currently operating copper mines and unless more efficient methods of extracting lower grade ores are developed, current reserves in these mines are not expected to last much longer. To develop the large reserves of unexploited ore at the Konkola mine (Konkola Deep), for example, would require major investments that are presently under threat following the uncertainty still surrounding the AAC mining interests in the country.

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-capitalised, production could be sustained at least at current levels in the short run and assume upward trends in the long run. The undeveloped ore body at Lumwana in Northwestern Province holds promise with about one billion tonnes of ore grading about 0.7 percent copper. 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, Mining at depth at Mindolo, Chambishi, Bwana Mkubwa, Chibuluma South, and Kansanshi.

On the other hand, while 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 organised market.

### **8.3 Sector Programmes/Strategies**

#### **8.3.1 Small-Scale Mining**

Under small-scale mining, the following programmes, in order of priority, will be undertaken:

##### **8.3.1.1 The Sysmin (Mining Diversification) Programme**

Diversification under small-scale mining will entail the broadening of the focus of production from gemstones to include agro and industrial minerals. In order for the programme to be focussed, small-scale mining will be identified. This will also minimise large and developed mines crowding out the small and emerging mines. The programme aims to make available adequate geographical data to small-scale miners and prospectors; enable small-scale miners and processors better able to manage their businesses; improve access to adequate capital and equipment for small-scale miners; equip small-scale miners with adequate mining safety, valuation, and processing skills; enable small-scale miners and processors obtain fair market prices for their products; ensure that effective and fair mining regulations and taxation policies are in place; and facilitate the improvement of the road access to the mining areas. The programme is comprehensive and will complement the efforts of other programmes in enhancing the exploitation of the small-scale mining potential. Financing mechanisms will entail the introduction and implementation of the following, in addition to other alternative options:

- Enterprise Development Fund (EDF): Through its components, the multi-purpose credit facility (MPCF) with two lines of credit, namely, the investment credit and the export pre-shipment facility, the other being the matching grant scheme.
- Trade and Enterprise Support Facility (TESF): Intended to support feasibility and market studies; business re-engineering and corporate recovery; act as guarantor to banks that provide working capital finance; and support preparatory activities for companies seeking to list on the Lusaka Stock Exchange.
- Creation of a revolving fund for provision of working capital.
- Joint ventures/partnership.

##### **8.3.1.2 Re-introduction of the Gemstone Exchange Scheme**

There is a lot of tax revenue lost in illicit trafficking of gemstones. The marketing methods of the gemstones have been unsatisfactory and intermediaries have taken advantage of the marketing situation, thereby obtaining gemstones directly from the workers at the expense of the mine owners. Even in cases where the intermediaries get the gemstones from the mine owners themselves, there is lack of skills in valuation of the products and this greatly disadvantages the producer who has no other immediate market for the product except the intermediaries. This affects the returns as well as the capacity to reinvest in the sub-sector. Therefore, the re-introduction of the Gemstone Exchange Scheme will serve as a forum for the producers and the buyers of rough and processed gemstones and jewellery to conduct auctions and routine transactions. The gemstone exchange will also encourage the participation of traceable gemstone trading and marketing companies rather than individuals, in order to promote transparency and accountability. This will revitalise the sector and increase the incomes of the communities around the mining operations. There will be more production because of the availability of, and accessibility to, the market for the products.

### **8.3.1.3 Introduction of Plant Hire Scheme**

Apart from finances, capital equipment is required. Most small-scale mines apart from Kagem and Kariba Minerals use basic tools such as picks, hoes, and shovels which are not effective, resulting in low production levels. The introduction of the Plant Hire Scheme will encourage efficiency and promote the development of new mines. The scheme will target mainly the new operators as well as those that may not be able to access the facility under the diversification programme. The scheme will make use of the newly acquired Zambia National Service equipment. This should boost the operations of small-scale miners.

### **8.3.1.4 Creation of a Mining Community Development Fund (MCDF)**

This is a programme that is intended to ensure that owners of productive mines contribute directly to the development of communities in areas where they operate. This programme will be financed and sustained from contributions made by mine owners. Local communities themselves will manage it, with appropriate participation of chiefs/traditional rulers, to ensure that these resources are applied towards development and poverty reduction efforts.

### **8.3.2 Large-Scale Mining**

There are two major programmes in the large-scale mining sub-sector that could be implemented if funds were available. However, due to limited financial resources, they will be considered in the second PRSP phase. One of them is *infrastructure development* that entails the rehabilitation of the dilapidated rail and road networks, particularly the rail network on the Copperbelt and the Chingola-Chililabombwe-Kasumbalesa and the Chingola-Solwezi-Mwinilunga roads. Export routes to the southern ports also need urgent rehabilitation. The second one is the *Lumwana Copper Project*. The Lumwana copper resource being promoted for private sector involvement represents the largest undeveloped resource outside the Zambian Copperbelt, with significant potential to be increased with further exploration. Development of the mine at Lumwana would have a positive impact on economic growth and social benefits in terms of improvements in infrastructure and employment opportunities in Northwestern Province. There is also good potential to develop commercial agriculture and related downstream processing. The main infrastructure required for the development of the Lumwana copper project includes electric power, a highway upgrade, a rail link, and a planned town site. The roads connecting the Copperbelt to Lumwana exist but require upgrading. The power requirement of the proposed Lumwana mine design is estimated at 27MW. It is envisaged that the plant will be supplied with electric power from the Zambian national grid with a 330kv tie-in at Luano, 330kv overhead to Solwezi and then 132kv overhead line from Solwezi to Lumwana. The extension of the Zambia rail network from Chingola to Mwinilunga would also be a beneficial new infrastructure development for Northwestern Province. This would allow the provincial agricultural potential to be better realised and would assist the potential mining project in the area. Furthermore, a town site occupying approximately 50ha. is proposed to accommodate the total project workforce of about 1,000. A total of approximately 900 houses are planned, along with a municipal office, recreation centre, medical clinic, fire service station, crèche, and convenient stores. A potable water supply and sewage treatment plant is also proposed to service the designed Lumwana Township.

## Chapter 9

# Education

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### **9.1 Introduction**

Poverty in the education sector manifests itself in several ways, including the following: low enrolments, low progression, and high dropout rates; poor performance; poor attendance because children are engaged in income-generating activities to supplement family income, tending to sick family members, and long distances to school; poor learning environments and lack of opportunities for appropriate skills training; malnourished learners who are unable to achieve their full learning potential; de-motivated and ill-qualified teachers, especially in rural areas; high illiteracy levels; ill health among teachers, pupils, and others in the education system; lack of motivation for parents to send their children to school; and wide gender gaps because of choices parents have to make on who goes to school.

### **9.2 Situation Analysis**

All citizens of a country have a right to education. Article 26 of the United Nations Universal Declaration of Human Rights states that education is a human right, and that elementary education in particular should be free and compulsory. In Zambia, the education system is characterised by inadequate places at all levels due to a wide range of factors, such as cost and insufficient numbers of teachers and tuition materials, particularly in rural areas. In addition, there is inadequate provision of appropriate educational opportunities for the differently abled children. This is compounded by low levels of retention, with children beginning to drop out of school as early as Grade 2 due mostly to the high cost of education. Other reasons for dropping out are long distances to school, opportunity labour costs, early marriages, and pregnancies.

In line with the Education for All (EFA) commitments Zambia has made under this theme, activities for young children, 0-5 years old, were to be expanded, with emphasis on community-based interventions. Enrolments were to increase from 2 percent in 1990 to 25 percent in the year 2000. By 1998, only 8.4 percent of children going into Grade 1 had had access to Early Childhood Care, Education, and Development (ECCED). Rural areas had received little attention with only 2.7 percent of children having ECCED experience, compared with 23.6 percent in urban areas.

Although the Basic Education Sub-Sector Investment Programme has been accorded priority, the programme caters for only Grades 1 to 7. This means that the average Zambian pupil is denied a comprehensive education that can form a firm foundation for the future. Enrolments at primary level, particularly from 1996, have increased marginally. In 1996, there were 1,547,389 pupils enrolled from Grade 1 to 7, and by 1998 this had increased to 1,557,257. The 1999 figures dropped slightly to 1,555,707. Consequently, universal basic education has not been achieved. Dropout rates have also increased, and by 1996 they ranged between 4.5 percent and 10.3 percent for Grades 1 and 6.

The poor quality of education as exemplified by the figures above has been worsened by inadequate number of teachers. The goal for teacher supply during the 1990-2000 decade was to provide 4,400 per year, but only 2,226 were produced. Statistics from the Ministry of Education show that the number of teachers has been decreasing. In 1996, there were 40,488 teachers in public schools, in 1998 there were 38,840, and by 1999 there were 37,117. This has been mainly due to a decision by the Ministry of Education to stop recruiting untrained

teachers. In addition, there is a high attrition rate of teachers due to HIV/AIDS, poor conditions of service, and lack of housing, particularly in rural areas and for single female teachers. The pupil/teacher ratio in recent years has worsened, starting with 37 in 1996, 45 in 1998, and 47 in 1999. Urban provinces have worse ratios than rural ones due to overcrowding. In rural areas, teachers have the additional problem of a single teacher teaching all the grades in some schools.

The secondary school level has not received adequate attention either in terms of expansion, rehabilitation, educational material support, and curriculum review. As a consequence, the quality of teaching and learning has been adversely affected. Currently, less than 50 percent of primary school leavers are absorbed by secondary schools. Similarly, progression from Grade 9 to 10 has fluctuated between 16.5 percent and 20.5 percent in the 1990s. Very few students graduating from secondary school find places in tertiary institutions due to a severely limited number of institutions. The University of Zambia, for example, has on average only about 4,500 students registered at any one time. Similarly, very few of the students who graduate from secondary school go into teacher training colleges. There are a total of 350 skills training institutions of various sizes registered with the Technical Education, Vocational, and Entrepreneurship Authority (TEVETA). Of these, the Trades Training Institutes, which total 23, are large while the rest are small, most of which have obsolete equipment, inadequate staffing, and inappropriate curriculum. Most of the institutions are urban-based, located mainly in Lusaka and Copperbelt Provinces. The rest are spread out across the other provinces, at an average of two per province. In comparison to the demand for skills training, the colleges are able to absorb only a small proportion of the growing demand. Currently, a total of 22,000 youths are engaged in some kind of skills training; this number is desperately small compared to over 600,000 young people who are not receiving any skills training.

With respect to distance education, the opportunities that this can provide have not been fully realised. For example, the distance education programme at the University of Zambia caters for about 600 students only and the Department of Continuing Education of the Ministry of Education caters for less than 5,000 for the whole country. There are not many providers of distance education and where it is provided, it is only in a few restricted disciplines, mainly the social sciences. Distance education can be expanded through more utilisation of Information and Communication Technology (ICT) in the education system, but this too has remained under-exploited. Two exceptions are the University of Zambia, which has recently embarked on a programme of expanding its distance education programme using the internet to connect the main campus with the provincial centres, and the interactive radio programmes of the Educational Broadcasting Services.

The literacy level for the population aged 15 years and above increased from 54.8 percent in 1990 to 67.9 percent in 1996. Female literacy increased from 46.7 percent in 1990 to 59.9 percent in 1996. Literacy in rural areas increased from 37.9 percent in 1990 to 50 percent in 1996 for the age group 15 years and above, while urban literacy increased from 68.5 percent in 1990 to 83.1 percent in 1996. Although there have been some improvements, the rural/urban and female/male gaps in literacy are still wide and the literacy levels generally are still low.

With respect to gender, the education system is characterised by disparities between men and women at all levels with regard to enrolment figures, progression rates, ratios among teachers/lecturers, and learning achievement. At the basic education level, for instance, in 1998 there were 810,873 boys enrolled, compared to 747,151 girls, with a concentration of girls between Grades 1 to 4. This gap widens from Grade 5 upwards, and gets even worse at secondary and tertiary levels.

The HIV/AIDS pandemic in Zambia has posed a serious problem in human development. Education is particularly adversely affected because teachers are said to be among the four most infected groups in Zambia. Teachers dying from the pandemic each year are estimated at about one thousand. In addition, due to HIV/AIDS, about 600,000 children have become orphans, and this contributes to the high dropout rate in schools.

### **9.3 Planned Interventions**

Under the PRSP, six programmes will be targeted to contribute to economic growth and poverty reduction. Three of these already exist.

#### **9.3.1 Existing Programmes**

##### **9.3.1.1 BESSIP Extension**

Basic education in Zambia is planned to cover Grades 1 to 9 although the Basic Education Sub-sector Investment Programme (BESSIP) is currently catering only for Grades 1 to 7. Under the PRSP, all BESSIP activities will be extended to Grades 8 and 9 to ensure that graduates acquire more basic knowledge and have the opportunity to refine skills gained from practical subjects. It also means all primary schools will be turned into full basic schools. Learners leaving school after completing Grade 9 will have matured and will be better able to engage in gainful employment at the age of 15 years.

The management of BESSIP will fall under the restructured Planning Department of the Ministry of Education. The BESSIP components that will be extended are infrastructure development; educational materials; teacher development, deployment, and compensation; equity and gender; school health and nutrition; upper basic school curriculum development; capacity building and decentralisation; and HIV/AIDS. Distance learning strategies and other modes of delivery such as evening classes and ICT will be applied in order to increase access for out-of-school youths and adults. ECCED will be made part of basic education. Early childhood programmes provide a head start for schooling, making them part of basic education will make it easier for basic schools to host programmes in this sub-sector and, hence, increase access for many rural children. The Ministry of Education already contributes to this sub-sector by training teachers. Mainstreaming ECCED in basic education will also make it possible for the Ministry of Education to provide quality assurance.

##### **9.3.1.2 Integrated Functional Literacy Programme**

This programme will revamp the national literacy programme whose performance has deteriorated. Access to functional literacy for all marginalized groups will be increased. The quality of the programmes will be improved too, and the capacity of providers will be enhanced. Lastly, communities will be sensitised to demand access to literacy programmes. Opportunities will be created for literacy graduates to continue education through distance learning, night school, and other modes of provision.

##### **9.3.1.3 Skills Training**

TEVETA has developed a comprehensive skills training programme to improve the skills of the human resources produced for both the formal and non-formal sectors, using a demand-driven TEVET system that is sustainable and promotes equity. The TEVET Development Programme has identified seven priority areas, namely, organisation and management of TEVETA; training systems; trade testing and examinations; entrepreneurship development and informal sector training; human resource development; management information systems; infrastructure and equipment; TEVET financing system; and a number of cross-cutting issues. Since there are a variety of skills providers, TEVET needs a structure to facilitate effective planning and coordination of interventions. This will call for the strengthening of TEVET management at policy formulation and evaluation level, regular and support services level, and TEVET providers' level.



TEVET also addresses other activities including curriculum review and retraining of curriculum developers and providers of skills training to meet changing demands, such as entrepreneurship training to prepare trainees for both wage and self-employment. It also deals with developing the capacity of teaching staff, planners, managers, and other support staff; the development of an effective TEVET management information system; rehabilitation of facilities and providing new equipment for institutions; and the incorporation of cross-cutting-issues such as HIV/AIDS, environmental protection, occupational health, gender, poverty reduction, child labour, and disabilities. Under the TEVET policy, apprenticeship will be re-introduced to improve the quality of crafts training. Distance vocational training will also be introduced to increase access to skills training in trades, technical, and commercial fields.

TEVET financing will be based on cost sharing. A TEVET fund will be established with contributions from government, industry, and donors. In addition to the existing TEVET Development Programme, there will be an extension which will include a bursary scheme, re-equipping of more training centres, increasing the participation of women, introducing short courses in business skills, sensitising people about the value of skills training, establishing a data base, and disseminating information on available programmes and credit facilities.

### **9.3.2 New Programmes**

#### ***9.3.2.1 Equity Programme***

Some equity activities, particularly the Programme for the Advancement of Girls' Education (PAGE) and bursary scheme at basic school level, have been taking place for several years but in an uncoordinated manner. This programme will address issues inhibiting access to all levels and programmes in the sector. Activities under this new programme will include a study to review bursary schemes currently in place; expansion of the bursary schemes to all levels – based on the findings of the above study, including continuing education and skills training; and abolition of school uniforms at basic level. Other measures are the abolition of all fees at basic level; sensitisation of communities about the importance of educating girls, women, orphans, the differently abled, and the vulnerable; distribution of resources to all districts based on unit cost and learner population; development of guidelines for cost sharing for levels other than basic education; provision of appropriate physical facilities and learning materials for vulnerable groups; provision of counselling for students; and strengthening and enforcement of laws, regulations, penalties, and sanctions governing safety and security of learners. There will also be more funding for schools with children with special needs, and provision of bursaries to such children. The equity programme includes support to community schools. In addition, guidelines will be prepared on the maintenance of standards in the community schools, and community assistance to community schools will be promoted.

#### ***9.3.2.2 High School Improvement Programme***

In line with the education policy document of 1996, Grades 10 to 12 will be referred to as high school. This programme is planned to improve quality and increase access to high school education. The curriculum will be reviewed to make it more relevant and responsive, and will, *inter alia*, include advanced skills training to enable graduates acquire higher-level skills. Other components will include infrastructure development; materials production, procurement, and distribution; teacher development, deployment, and compensation; equity and gender; school health, nutrition, water and sanitation; capacity building and decentralisation; and HIV/AIDS education. Distance education and other modes of provision such as night school will also be provided for.

#### ***9.3.2.3 Tertiary Education Programme***

A tertiary level programme that will increase access, improve quality of education, and review curricula to make graduates more relevant and responsive to the changing labour market will be introduced. Programmes will be diversified using various modes of teaching. This is because tertiary level programmes should lead to acquisition and generation of

knowledge that will contribute to economic growth and poverty reduction. In order to attract funding, tertiary institutions will do the following:

- Apply appropriate management principles to administration and financial management.
- Analyse the cost-effectiveness of the workforce, especially academic staff.
- Conduct thorough human resource reviews to determine actual labour needs and, therefore, ascertain the job opportunities for graduates.
- Expand distance education programmes to increase access.

### 9.3.3 Cross-Cutting Interventions

#### 9.3.3.1 *HIV/AIDS*

The Ministry of Education has developed a comprehensive HIV/AIDS programme under BESSIP. A similar programme will be developed to cater for the whole sector to include learners, instructors, managers, and policy makers. Activities under this programme will include the development and implementation of a sector-wide strategic plan, mounting an advocacy and sensitisation campaign, and developing materials and human resources for the programme.

#### 9.3.3.2 *Education Administration*

The provision of education is currently fragmented among several providers. To counter the problem of poor coordination in the sector, several steps will be undertaken. Firstly, a National Education Sector Authority (NESA) will be established to coordinate the activities of all education providers and be the supreme body in the sector. Membership will come from all stakeholders. As part of the first phase towards its formation, a feasibility study will be undertaken and a steering committee of key stakeholders will be set up. In order to be effective, NESA will be given legal status and will fall under the Ministry of Education. Secondly, efforts will be directed towards the strengthening of partnerships among providers of education and increased service supply. In this regard, the government will provide the private sector with tax and other incentives to enhance this cause. Thirdly, an education sector-wide strategic plan will be developed that will, among other things, help in effective coordination.

## 9.4 *PRSP Strategies in Education*

The following strategies will be applied to implement the above new and old programmes and activities during the PRSP implementation period:

- Increased funding for the educational sector.
- Provision of quality and innovative training for teachers.
- Provision of competent and well-motivated teachers.
- Improvements in the conditions of service for teachers, in particular provision of a living wage, and housing – especially in rural areas, and for single female teachers.
- Provision of free and compulsory basic education for all.
- Passing of legislation to compel parents/guardians to send children to school.
- Development of a relevant, flexible, and innovative curriculum that will accommodate evolving development priorities, such as technology advancement, HIV/AIDS prevention, life skills, gender, environment, use of local languages for initial literacy, and topics relevant to local communities.
- Development of a national policy on the education of orphans.
- Ensuring special learning opportunities for out-of-school children and illiterate adults.
- Eliminating sources of educational disadvantage to enhance equity and equality of access, participation, and benefit for all, in accordance with individual abilities.
- Creating a conducive and enabling environment in all institutions to enhance standards of teaching and learning.

- Promoting and integrating the use of ICT at all levels and in all modes of the educational system.
- Development of an ECCED system, recognising its critical role in the development of mental, physical, and emotional capacities of children, thereby compensating for disadvantages.
- Improvements in the progression rates to high school – particularly for the poor and the girl child, and provision of quality and relevant high school education, which prepares students for further education or employment through skills and entrepreneurship training.
- Building a responsive and effective planning and management system that can provide accurate data, and development of appropriate policies and strategies.
- Enhancing the capacity of tertiary institutions in generating and disseminating new knowledge.
- Increasing access of the poor and vulnerable to all educational institutions.
- Recognising the new image and role of the school as a centre for the dissemination of messages about HIV/AIDS, the environment, and civic issues, not only to its own students but also to the wider community.

All the programmes identified above are important for economic growth and poverty reduction; hence, they will all be implemented. The following is the order of implementation; all the six programmes should, however, be allocated some resources, in proportion to their priority:

- BESSIP Extension
- Integrated Functional Literacy
- Skills Training
- Equity
- High School Improvement
- Tertiary Education.

### **10.1 Introduction**

The wealth of poor people lies in their capabilities and their assets. Of these, health is the most important. Health allows poor people to work. A sick, weak, and disabled body is a liability both to the persons affected and to those who must support them. Thus, if health is an asset and ill health a liability, protecting and promoting health care is central to the entire process of poverty reduction and human development. In the recognition of the link between poverty and ill health, it is important to note that for Zambia, ill health is more likely to lead to further impoverishment amongst the poor than among the wealthy. For the country, meeting the health needs of the poor is an important means to prevent the increase of poverty as they suffer a heavier burden of disease.

Meeting the health needs of the poor is important for preventing the increase in poverty. However, because often the lost income as a result of seeking care or caring for the sick can amount to approximately 70 percent of total costs, utilisation rates for the poor are lower because of the opportunity cost of time spent on seeking care. In Zambia where services are poor and incomes low, taking time off on medical grounds jeopardises the future economic situation for the poor. Poverty can also be linked to poor health in that the poor lack basic needs such as social and health services. The poor have worse health outcomes than other economic and social groups. Additionally, infant, child and maternal mortality rates and malnutrition are higher in poor communities and countries. Given these relationships, it is clear that health care is an investment good, i.e. improving human capital results into higher productivity. In Zambia, economic growth has not been sufficient to allow for significant allocations to social programmes such as health, education, and other interventions that reduce poverty.

Additionally, good nutrition is essential for healthy and productive lives and has a direct bearing on the economic performance of a country. The high level of poverty in Zambia has largely contributed to malnutrition especially among young children. The vicious cycle of malnutrition exacerbated by poverty has negative effects on human and socio-economic development for the country. The consequences of poor nutrition are stunted mental and physical growth and development, poor health, poor reproductive performance, reduced productivity and potential, and increased risk of poverty.

In general, poor people have poor nutritional status. The productivity of any society depends on its nutritional status. A link between good nutrition and economic growth of a given population has been widely documented. The economic rationale of investing in nutrition cuts across the major sectors of the economy.

### **10.2 Situation Analysis**

Zambia has been implementing health reforms since 1992 under the framework of the Sector Wide Approach (SWAP), which takes a holistic development view of the sector. In the SWAP, resources from government and other stakeholders are pooled so as to utilise resources efficiently. The health sector, however, has several threats that have to be taken into consideration especially when planning and programming. To begin with, there is a growing recognition in Zambia of the two-way link between HIV/AIDS and poverty. HIV/AIDS is inexorably consuming more resources, which means that less is available for other life-

threatening diseases such as malaria and cholera. Another threat in some districts is refugee arrivals from neighbouring countries. It is estimated that in one of the country's provinces, around 127,000 refugees from a neighbouring country have spontaneously settled in various districts. Where the base populations are quite small, such an influx can have a significant impact on the resources available and the demands generated.

Few, if any, of the general health indicators have improved in Zambia over the last ten years and some have even deteriorated. For instance, life expectancy at birth has dropped to 37 years; the infant mortality rate has increased to 109 per 1000; and the under-five mortality rate has gone up to 197 per 1000.<sup>6</sup> While the maternal mortality rate (MMR) is officially recorded as 649 per 100,000 live births, figures even higher than 1,000 are being reported in some surveys. Nationally, HIV sero-prevalence seems to have stabilised over the past 3-4 years: 29 percent in urban and 14 percent in rural settings, with a national average of 20 percent in the 15-45 age group. Further, there are some indications that the HIV infection rate among young adults is decreasing. With an official annual population growth rate of 2.9 percent, Zambia's population increase is about equal to the average rate for Sub-Saharan Africa.

AIDS and AIDS-related diseases have become prominent, with the number of households experiencing chronic illness and death rising. In 1998, 17 percent of rural and 12 percent of urban households had experienced an HIV/AIDS-related death. TB-related cases have risen, and other diseases continue to have a negative impact on the health status, including malaria, diarrhoea, and respiratory tract infections that place a heavy burden on the health sector. Moreover, the country has suffered in recent years from epidemics of cholera and measles. The high MMR has been caused by prenatal complications (26 percent), complicated deliveries (25 percent), and postnatal causes such as post-partum haemorrhage sepsis (26 percent). Equally, the health situation of children has not improved, with acute respiratory infections and malnutrition remaining serious problems; according to the 2001 UNICEF Report on the *State of the World's Children*, 42 percent of children under-five in Zambia are stunted.

Access to basic health services shows a wide spatial variation, with provinces around the line of rail having better access to services. In urban areas, 99 percent of households are within 5 kilometres of a health facility compared to 50 percent in rural areas. In Zambia, household expenditures on health vary according to location, though most poor households spend the highest proportion of their income on health – up to 10 percent of total expenditure when 'in kind' costs are included.

The Zambian health sector is facing numerous problems principally caused by the double burden of declining resources in real terms and an escalating disease burden. Management of resources is also of concern. The sector, however, has some strengths and in-built opportunities which can be utilised to make it more efficient and equitable. The country has a basic health package of service being implemented. Following the decentralisation of planning and budgeting in the public health sector, an objective and transparent resource allocation criteria has been developed for allocating funds to districts and hospitals and further improvements to the criteria are under way. In addition, a mechanism for pooling financial resources has been developed beginning with district funds (district basket), which will be extended to the whole sector at a later date. The main levels for financial allocation are the following:

- *District level:* An allocation of resources on a per capita basis and weighted for population density, price of fuel, proneness to epidemics, and the presence of a bank is used. This mechanism allows for management of funds at district level to meet specific

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<sup>6</sup> GRZ (1996), *Demographic and Health Survey* (DHS)

districts needs. It is suggested, however, that social indicators such as poverty also be included in the criteria.

- *Hospital services:* Allocation to hospitals is based on cost per bed-day. Standard bed/population ratios are used to determine the number of beds per given population for 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> level hospitals.
- *Other levels:* Allocations to other institutions and levels are based on estimates presented, subject to availability of resources; this includes the Ministry of Health Headquarters, the Central Board of Health, and statutory boards and bodies.

Structures for community participation in decision-making have also been established at neighbourhood, health centre, and district levels. There are Neighbourhood Health Committees (NHCs) which are composed of about 5 to 15 members, of which at least half should be women, and Health Centre Committees (HCC). Activities carried out by these committees include collecting and maintaining community-based health management information system data, providing a link between the community and the health post, health centre and other development agents, mobilising communities, selection of community health workers (CHWs), and contributing to strategic plans.

Despite having the above-mentioned strengths, the health sector has several weaknesses. These include lack of a hospital policy, outdated and obsolete legislation, distance to health facilities, and lack of transport. There are also problems of access for under-served groups, poor physical infrastructure and equipment, poor participation and empowerment, inadequate resource allocation, and the poor performance of the health system, in general. At the start of the implementation of the Health Reforms in 1992, it was erroneously assumed that the hospital sub-sector with high-level management personnel did not require re-orientation and capacity building. In addition, there has been the assumption that hospitals are high consumption areas without discernable impact on the health of the people, hence, the prior reluctance to invest in the hospitals.

Before the introduction of user fees in 1993, there was a significant decrease in the utilisation of health services. Several studies in the mid-1990s concluded that user fees play a big role in this. Antenatal and family planning attendance dropped, and there was a marked drop in new attendees at the under-five clinics than for re-attendees. Most alarming was that attendances for Sexually Transmitted Diseases (STDs) treatment dropped by 76 percent. Although government policy calls for free referrals from the first level care, the resource gap has resulted in hospitals charging even for those who have been referred. The lack of proper referral and cost sharing guidelines exacerbates the problem, as does the lack of information about cost sharing and medical fees, including “high cost” wards.

Long distances and lack of transport in a large but sparsely populated country like Zambia is a key determinant of health seeking behaviour. The distance to the nearest health facilities is the most significant variable determining access to health services as well as to exemption schemes. These costs, as well as user fees and the attitude of service providers, are also major deterrents for seeking care. While there has been no definitive analysis on specific groups who are not served well by health services, MMR data indicate that there seems to be a significant problem in meeting the needs of pregnant women and the provision of safe motherhood. Districts are unable to undertake outreach activities for maternal and child health interventions largely due to lack of transport and other logistics. Another group whose needs, such as for sexual and reproductive health services, are probably not being met, are the adolescents, whose primary concerns in accessing services include privacy and confidentiality. Orphans are another group that is under-served.

Health service outcomes are used to assess the performance of the sector and with these too, the picture is still bad especially for the poor. While the basic health care package at first point of referral level has been identified and costed at \$11.5 per capita, the health sector has

available only \$10.5 per capita for the whole system. As such, the sector performance has been poor and needs improvement.

In the light of the weaknesses above, there is need to identify existing opportunities and to use them to improve health. With regard to cost sharing, the overall health policy states that, “every able-bodied Zambian with an income will contribute towards his or her health”. However, systems are in place to make the cost-sharing scheme more equitable, utilising the following two mechanisms:

- *Exemptions:* Demographic (children under 5 and adults over 65); disease-based (TB, HIV/AIDS, STDS, cholera, and dysentery); safe motherhood and family planning services; immunisation; and treatment of chronic hypertension and diabetes. While the disease-based exemptions have been difficult to implement, the vulnerable groups’ exemption is most difficult and the scheme linked to identification and payment by the Ministry of Community Development and Social Services (MCDSS) is largely non-functional.
- *Safety Net/Health Care Cost Scheme:* The Public Welfare Assistance Scheme (PWAS) introduced in 1995 was intended to address inequalities in access. Chronic patients who cannot pay are supposed to be referred to the District Social Welfare Office for assessment, and approved fees are paid to the District Health Management board by PWAS. However, the referral system has not functioned well and those who cannot pay fail to access services.

Physical infrastructure has been given some attention but more needs to be done. Apart from the three hospital levels and health centres, the Ministry of Health has introduced health posts as a level of service below the health centres and brings the service closer to people. In line with the principle of targeting and being pro-poor, for every 3,000 people in the rural areas and for a population of between 10,000 and 50,000 in urban areas, a health post is to be established. This, however, has raised issues of affordability, human resource requirements, and the redefinition of roles and responsibilities.

The government has also been promoting community-based health care, as an alternative or a complement to extending physical infrastructure, since it strengthens partnerships. Among the principles of the Health Reforms is partnership at various levels, i.e. community participation, inter-sectoral collaboration, and international cooperation. In this regard, community involvement is fostered through the creation of a board. Recent initiatives spur communities to be involved in health matters through community-initiated programmes beyond those implemented by the health workers. This activity is funded through a Central Community Health Innovation Fund. The objective of the fund is to catalyse innovative health activities that are not part of the Basic Health Package; most of the activities funded so far are water- and sanitation-related and minor construction, particularly mothers’ shelters.

The nutrition situation in Zambia has continued to deteriorate. The prevalence of stunting, which currently stands at 42 percent has varied between 38 percent and 60 percent in rural areas and 33 percent to 45 percent in urban areas, with a national average of between 41 percent and 53 percent since the early 1970s. Disturbingly, urban areas have been experiencing a faster rate of increase in severe forms of stunting in the 1990s. This situation reflects the economic deterioration experienced in the country over the same period. In both urban and rural areas, the poor are the most nutritionally affected. According to the World Health Organisation (WHO) severity index for stunting, Zambia’s rating is ‘critical’ and ‘very high’. The underweight prevalence has remained between 23 percent and 27 percent since the 1970s, a rating of ‘serious’ and ‘high’ on the WHO severity index for underweight.

Vitamin A deficiency (VAD) is mainly due to poor dietary intake. This results in lowered immunity, which leads to increased morbidity and mortality. A recent (1997) national survey showed a prevalence of vitamin A deficiency of 65.7 percent and 21.5 percent in children and

women respectively. A national baseline study on the prevalence and aetiology of anaemia conducted in 1998 showed that 65 percent of children, 39 percent of women, and 23 percent of men were anaemic. The goitre prevalence in school children ranged from 9 percent to 82 percent with a national average of 32 percent, largely attributed to inadequate intake of iodine. The only source for iodine for Zambians is iodated salt. Though legislation is in place stipulating that all salt consumed in the country should be iodated, enforcement of this legislation is poor.

The increase in child malnutrition is partly responsible for the corresponding increase in child mortality and decreased life expectancy observed over the same period. The HIV/AIDS pandemic with a prevalence of 1 in every 5 adults (20 percent) further compounds the situation, worsening the poverty levels. This is further worsened with over 70 percent of the Zambian population being food insecure. This means they do not have access to meet the individual daily nutrient requirements for an active and healthy life.

Policies and programmes regarding government commitment to reducing malnutrition in Zambia dates back to 1967, when the National Food and Nutrition Commission (NFNC) was established through an Act of Parliament. This Act mandates the National Food and Nutrition Commission to promote food and nutrition activities and to advise the government accordingly. In pursuance of this mandate, the NFNC has undertaken several activities aimed at nutritional improvement with varying degrees of success and failure.

Among the major interventions are those integrated in the Primary Health Care (PHC). These include a National Breast Feeding programme (supported by the Code of Marketing Breast Milk Substitutes); Growth Monitoring and Promotion, and Participatory Community Based Nutrition activities; Universal Child Immunisation; Micronutrient Control (including Vitamin A supplementation programme, sugar fortification, and promotion of consumption of micronutrient rich foods). Other programmes include supplementary feeding for malnourished children and Integrated Management of Childhood Illness (IMCI), but are not inclusive.

The appropriate national nutrition programme should encompass the labour force, the school going age group, special needs, and vulnerable groups. The main nutritionally vulnerable groups include the elderly, the physically and mentally handicapped, street children, the chronically ill, young children, and women of child bearing age. In Zambia, caregivers are usually mothers and other women and girls. Unfortunately, Zambian women (including girls) are a more disadvantaged group than men in terms of all these care-giving resources, including food. Planning and implementation of nutrition activities in Zambia has been constrained by lack of a national food and nutrition policy, inadequately trained human resources, and inadequate funding.

It is important to note that nutrition and health are interrelated. High reported prevalence of malnutrition in the country has been attributed to high infection load with malaria, tuberculosis, acute respiratory infections, diarrhoea, and other infectious diseases contributing to the perpetuation of malnutrition through the 'malnutrition infection complex' (MIC). The HIV/AIDS pandemic has made the situation even worse. The changing lifestyles and eating habits have contributed to the disease burden through the emergence of new non-infectious diseases such as heart disease, diabetes, and lung cancer, previously uncommon in Zambia. Therefore, putting in place effective nutrition interventions will generally improve the body's immune response against infections, thereby lowering the health care costs because of fewer health complications and illness.

Nutrition issues are cross-cutting and cover many sectors, both public and private, and have a gender bias. Therefore, their effective planning and implementation requires to be well



coordinated by an independent professional and mandated body in order to realise meaningful improvements.

### **10.3 Programme Priorities**

In line with existing programmes and the National Health Strategic plan, the PRSP will have the following pro-poor programmatic priorities.

#### **10.3.1 Basic Health Package**

As a priority, financing of the basic health care package would drastically reduce both the morbidity and mortality rates in the country and contribute to poverty reduction. For the PRSP, specific attention will be paid to components of the Basic Health Package that are pro-poor in impact. Important among these will include cost sharing through fee paying. The policy of “Every able-bodied Zambian with an income should contribute to his or her health” will be upheld. However, current mechanisms to protect and target interventions to the poor will be reviewed and refined to ensure that user fees are not a barrier to the poor accessing public health services. Improvements in the current exemption schemes will be all embracing and specific improvements will include the following:

- Demographic exemptions: Persons over 65 years with means but currently exempted will be made to contribute to the cost sharing schemes.
- Disease-based exemptions: The list will include malaria and product exemptions.
- The Safety Net: The implementation of this policy through PWAS will be continued. The management of the initiative will be improved through enhanced funding and better management and targeting of the poor.
- Operational research will be carried out to determine how best to ensure that users contribute to, and participate in, health care services while avoiding barriers to access.
- Exemption modalities for vulnerable groups such as street kids, orphans, and the differently abled will be developed.

#### **10.3.2 Resource Allocation**

The Ministry of Health/Central Board of Health will expedite the working out of new approaches to allocation of financial and human resources to districts to give more weight to poverty issues than is currently done. Moreover, mechanisms in the health system will be developed to ensure that community participation and accountability of resources to the community are promoted. Beds and cots will be rationalised so as to enhance equity in accessibility to health facilities. The Sector Wide Approach will be retained.

#### **10.3.3 Governance Issues (Procurement Systems)**

There is an immediate need to restructure the procurement system so as to ensure that purchasing of drugs is done more efficiently and on a need basis as well as improving the relationship amongst participatory structures, health management teams, and other stakeholders. Concerted efforts will also be made towards the development and enforcement of health-relevant laws.

#### **10.3.4 Improving Access to Health Care**

Focus will be to improve access to health care in hard to reach areas and under-served areas as well as vulnerable groups.

#### **10.3.5 Public Health Priorities**

Within the framework of an integrated approach to health care, the following will be given priority:

- Malaria – within the framework of the Roll Back Malaria initiative.
- HIV/AIDS, TB, and STI – through the National HIV/AIDS Strategic Framework.

- Integrated Reproductive Health – which includes family planning, safe motherhood, adolescent health, abortion and post-abortion care, infertility, and (sexual) violence against women.
- Child health – which will aim at reducing morbidity and mortality due to childhood diseases.
- Epidemics – improved public health surveillance and control of epidemics.
- Hygiene, sanitation, and safe water.

All the services above are included in the basic health care package.

### 10.3.6 Support Services

Support services will be an integral part of the focus in the sector. This will ensure quality and efficiency in the provision of services. The areas of focus will be the following.

- *Development of physical infrastructure and provision of medical equipment:* The focus will be on rehabilitation of existing infrastructure and construction of new facilities especially in areas where access to health care is a problem. More health posts will be established to enhance health care access. Obsolete medical equipment will be replaced in health facilities in order to improve the quality of service.
- *Human resource development:* This will involve training of staff, redistribution of staff according to the defined package of care, and strengthening the capacity of training institutions.
- *Support systems:* Focus will be on the development of new policies and legislation, including the revision of existing ones so that these are in line with the current reform environment. The implementation of existing management systems will also be strengthened, including the provision of support supervision to various health boards.

### 10.3.7 Interventions in Nutrition

Although many institutions are involved in nutrition activities, there is little or no coordination between them. Further, there are no explicit sectoral guidelines for developing and implementing nutrition interventions as a result of which there is little or no effort to incorporate nutrition considerations in sectoral policies and programmes. The NFNC's mandate to oversee all nutrition activities in the country has not had adequate support and resources for effective operationalisation. For NFNC to carry out its mandate of advising government on issues of nutrition, back-stopping on technical issues, and coordination of nutrition activities in the country, there is need to strengthen its institutional capacity.

#### 10.3.7.1 Overall Goal

The overall goal is to achieve sustainable food and nutrition security among the poor and to eliminate all forms of malnutrition in order to have a well-nourished and healthy population that can contribute to national economic development. To redress the constraints outlined in the situation analysis, the overall objective will be: To strengthen the institutional capacity of NFNC in the coordination, facilitation, advocacy, and provision of IEC in the prevention of malnutrition and promotion of appropriate diets in the life cycle.

The strategies will be:

- To incorporate nutrition objectives into development policies and programmes; improve human resources and institutional finance; and establish strong nutritional networks.
- To strengthen nutrition care practices for the poor, the HIV/AIDS infected, and vulnerable groups
- To prevent and control specific macro and micronutrient deficiencies and promote appropriate diets and lifestyles throughout the life cycle.

#### **10.3.7.2 Strengthening Institutional Capacity of NFNC**

This strategy proposes finalising and implementation of the national food and nutrition policy, which provides NFNC with the mandate to coordinate and facilitate all nutrition activities in the country. To be able to do this, human resource and financial capacity will need to be improved. This will enable NFNC to coordinate nutrition programmes of sectoral line ministries and those of the private sector, NGOs, community, bilateral, and multilateral agencies.

#### **10.3.7.3 Strengthening Nutrition Care Practices**

This strategy will ensure that nutrition safety nets are provided, and that the nutritional needs of infants, young children, vulnerable groups, and the HIV /AIDS infected are met.

#### **10.3.7.4 Prevention and Control of Macro and Micronutrient Deficiencies and Promotion of Appropriate Diets**

In this strategy, emphasis will be placed on improving the physiological and growth state of nutritional vulnerable groups. The programme components that will be promoted include dietary diversification, supplementation, fortification, and control of worms and other parasitic infections. In addition, this strategy will advocate for improved household food security through improved availability, access, and diversity. Food security will be emphasised in terms of own and household food production in order to have a reliable food base.

# Water and Sanitation

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### **11.1 Introduction**

Zambia is endowed with relatively abundant water resources. The annual rainfall averages between 700 mm in the south and 1,400 mm in the north. There is an extensive river network consisting of the Zambezi, Kafue, Luangwa, Chambeshi, and Luapula Rivers. In addition, there are several large lakes, many small lakes, and a number of relatively productive aquifers in various parts of the country. Taken as a sum total for the whole country, the available water resources far exceed the consumptive use (including domestic and industrial water supplies, irrigation, and livestock) even in a drought year. However, there are significant variations across the country, and there is a strong seasonal distribution leading to water deficits in certain localities. Competition for available water resources is expected to increase with the economic development in the country.

Rural and urban households and communities with access to sustainable safe water supplies and sanitation have greater potential for engaging in economic activities to reduce poverty and improve their quality of life. Sustainable access and use of safe water supply and sanitation lead to improvements in health and releases scarce economic resources from curative health support to more productive activities. Time and energy savings from the drudgery of water fetching release women and children to participate in educational and socio-cultural activities.

A number of feasibility studies and surveys in rural and low income urban areas have revealed that safe water supply is a priority issue in many areas. It is also a priority need for agriculture and livestock especially in the drought prone southern and western parts of Zambia. Reliable access to water supply would be an important factor in improving agricultural production through irrigation as it reduces complete reliance on rain-fed agriculture, which is seasonal. Zambia has a favourable climate, which could support at least two crop harvests a year if water was made available throughout the year by both small- and large-scale irrigation schemes. This would not only improve food security and reduce the cost of food, but would also help reduce poverty particularly in rural communities.

Small-scale hydropower generation targeting rural growth centres would not only provide power for rural agricultural industries, enhancing employment for rural communities, but would also support educational and cultural activities to improve the quality of life in the presently deprived rural areas. Water is also important for sustaining natural eco-systems (such as wetlands), which are the basis of the tourism industry. It is also important for fishing (providing nutrition and livelihood for rural communities) and for rural transport on lakes and rivers.

### **11.2 Situation Analysis**

#### **11.2.1 Existing Policy Framework**

During the 1993-1994 period, government established a more comprehensive policy framework for the water sector. Firstly, in 1993 seven policy principles were adopted as a basis for restructuring the sector. These principles were:

- Separation of water resource management from water supply and sanitation provision.
- Separation of the functions of regulation and service provision.
- Devolution of authority to local authorities and private enterprises.
- Full cost recovery in the long run (with lifeline tariff and cross-subsidy).
- Human resource development resulting in more effective institutions.
- Technology appropriate to local conditions.
- Increased government priority and budget to the sector.

This was followed in 1994 by the adoption of the National Water Policy which covers water resources management, water use, and water quality aspects. The National Water Policy aims at promoting sustainable water resources development with a view to facilitating adequate, equitable, and good quality water for all users at acceptable costs and ensuring security of supply under varying conditions. The policy framework includes the following key policy strategies:

- Recognising the important role of the water sector in the overall socio-economic development of the country.
- Vesting control of water resources in the country under state control.
- Promoting water resources development through an integrated management approach.
- Providing adequate, safe, and cost-effective water supply and sanitation services with due regard to environmental protection.
- Defining clear institutional responsibilities of all stakeholders in the water sector for effective management and coordination.
- Recognising water as an economic good.

Within this policy framework, government successfully implemented a broad-based, collaborative, and consultative approach to elaborate strategies sufficiently specific to different sub-sectors with respect to water supply and sanitation (WSS). The existing WSS sector strategies include Strategy and Institutional Framework for the Water and Sanitation Sector, Environmental Sanitation Strategy, Peri-Urban Water Supply and Sanitation Strategy (which targets urban low income communities), and the Community Water Supply and Sanitation Strategy (targeting rural areas). The Community Water Supply and Sanitation Strategy is not yet formally adopted. The strategies and institutional arrangements for WSS service provision to urban areas, in particular, are elaborated in the Strategy and Institutional Framework for the Water and Sanitation Sector adopted in 1994. It establishes the framework for devolution of authority for service provision from central government to local authorities and private enterprises, and it has so far been the basis of the ongoing institutional reform of the WSS sector.

For rural areas, in 1996 the government adopted the WASHE (Water, Sanitation, and Health Education) concept as a national strategy for the improvement of WSS services. This strategy facilitates the involvement of the rural population in assessing priorities; determining affordable and sustainable technology; management, operation and maintenance; and improving the health and hygiene practices in rural communities. The strategy is being implemented through district level committees (D-WASHEs), which are part of the formal district level planning process. Communities are encouraged to establish lower level WASHE committees to ensure effective community planning and management of WSS facilities. D-WASHE committees have been established in almost all the districts.

The thrust of WSS strategies has a strong pro-poor focus, and if effectively implemented would significantly address the basic needs of poor communities in urban and rural areas and release their energies for productive socio-economic activities. Strategies for water resources management have not yet been formulated. The elaboration of strategies for water resources management will be carried out through the Water Resources Action Programme (WRAP)

whose implementation commenced in the second half of 2001. The overall goal of WRAP is to contribute to reduction of poverty, increased food security, and enhanced social and economic development by establishing a comprehensive framework that will promote effective development and management of the nation's water resources in an equitable and sustainable manner with strong stakeholder participation.

### 11.2.2 Legal and Institutional Framework

The primary legislation prescribing the development and management of water resources is the Water Act, Cap. 198, which was originally enacted in 1948. Other related statutes are the Environmental Protection and Pollution Control Act, Cap. 204, which is primarily concerned with control of water pollution; and the Zambezi River Authority Act (1986), which is concerned with the management of the water resources in the main stem of the Zambezi River for shared power generation at Kariba for Zambia and Zimbabwe. The Water Act is outdated, it does not adequately address the development and control of groundwater and international rivers, it does not also make sufficient provision for water quality control, or for institutional framework for regulating development of water resources, and it does not have provision for facilitating decentralised (sub-catchment) water resources management and stakeholder participation. The Water Act establishes the Water Board as the organisational unit responsible for administering water rights in the country. The Department of Water Affairs (DWA) in the Ministry of Energy and Water Development provides technical support to the Water Board. The DWA is responsible for water resources planning and management.

With respect to water supply and sanitation, the Water Supply and Sanitation Act number 28 of 1997, anchors the legal framework. According to the Act, local authorities (under the Ministry of Local Government and Housing (MLGH)), acting by themselves or through commercial utilities, or the private sector, are responsible for provision of water and sanitation services to all areas in the jurisdiction of the local authority. The Department of Infrastructure Support Services (DISS) in the Ministry of Local Government and Housing provides technical support to local authorities and assists in the mobilisation and coordination of financial resources for all infrastructure development in local authorities. The Act also establishes the National Water Supply and Sanitation Council (NWASCO) as the regulator for provision of WSS services throughout the country. NWASCO, which became operational in 2001, is responsible for developing policies, setting standards and guidelines, licensing water and sanitation utilities and monitoring their performance, and taking any necessary actions to ensure efficient and sustainable provision of WSS services.

### 11.2.3 Water Supply and Sanitation Coverage

Based on constructed water and sanitation facilities, access to safe water supplies in Zambia is estimated at 89 percent of the population in urban areas and 37 percent of the population in rural areas. For sanitation, the estimated coverage is 73 percent for urban areas and 68 percent for rural areas. Real coverage is much lower and varies considerably from one place to another due to non-functioning facilities (broken down, abandoned, seasonal), and poor usage (especially with respect to sanitation facilities). In the peri-urban areas, where 50-70 percent of the urban population live, water supply and sanitation services are poor, inadequate, and unreliable; at least 56 percent of the population do not have access to safe water supply, and as much as 90 percent do not have access to satisfactory sanitation facilities.

The *Living Conditions in Zambia 1998* report indicates that in most of the districts in Western Province, more than 80 percent of the population have no access to satisfactory sanitation facilities, and, in at least four districts in Northern Province, more than 86 percent of the population have no access to safe water supply. Thus, there is still a large unserved population, particularly in rural areas and low income urban communities. Any programmes for poverty reduction should target these segments of the population.

#### 11.2.4 Existing Programmes and Projects

In recent years, both urban and rural water supply have benefited from significant donor assistance. Bilateral and multilateral agencies have financed capital development and institutional strengthening projects all over the country. In addition, a number of NGOs have implemented projects with their own funds or resources from bilateral and multilateral agencies. Major ongoing rural water supply and sanitation projects include the Eastern Province Rural Water Supply Project; the Rural Water Development to Drought Prone Areas in Southern, Western, and Central Provinces; the Northern Province Rural Water Supply and Sanitation Programme; and the Central Province Water Supply and Sanitation Project.

There are also several donor-funded urban water supply projects mainly involving rehabilitation and improvement of water supply systems in a number of urban centres including Lusaka, Kitwe, Livingstone, Solwezi, several mine townships, and a number of townships in Northern Province. Most major urban projects deal with water supply, few or none deal with sanitation, and they target the conventional urban areas and not low income communities where the majority of the urban poor live. However, there are a small number of projects, mainly executed by NGOs, which are concentrating on service provision to low income communities in urban areas along the line of rail.

The government has been implementing water sector reforms since 1994. The management of WSS has been commercialised in urban areas (including peri-urban), and nine commercial utilities are currently operational. A study is currently under way for commercialisation of WSS services in Central Province; but funding is yet to be secured for the commercialisation process in Luapula, Northern, Eastern, and Lusaka Provinces. A Devolution Trust Fund (DTF) has been established through NWASCO to support the extension of WSS services to peri-urban areas and establishment of commercial utilities.

With respect to water resources development and management, WRAP is the largest programme being implemented by the government through the Department of Water Affairs. The 3-year programme, at an estimated cost of approximately \$1,400,000, is designed to address issues related to weak legal and institutional framework, limited human resource capacity, inadequate hydrological data and information systems, inadequate stakeholder participation, and weak provisions for addressing international waters. Besides WRAP, the ongoing water resources management activities are financed from the regular government budget and they have limited scope, and suffer from inadequate funding.

#### 11.2.5 Sector Issues and Constraints

The issues constraining effective development and management of the water sector in Zambia consist of:

- Weak or inadequate legal and institutional framework especially for water resources development and management, and for rural and low income urban WSS.
- Inadequate water resources and WSS data and information systems.
- Limited human resource capacity.
- Inadequate stakeholder participation particularly in water resources management.
- Lack of integrated water resources management.
- Inadequate and unpredictable sector funding, and relatively lower and declining share in budgetary allocation.
- Large population without WSS services in poor urban communities and rural areas.

The effect of a combination of these factors is most severe on the poor. Poor water supply and sanitation services in poor urban areas have been the cause of annual outbreaks of waterborne diseases during the rain season, which not only puts a heavy economic burden on the already impoverished communities, but also strains the public health services. Poor operation and maintenance of urban and rural water supply facilities not only restricts services

to a small number of consumers, but also leads to relatively high water charges for the urban poor. In the rural areas where communities rely on rain-fed agriculture, failure of the rain season is invariably followed by crop failures and decrease in livestock herds, and results in unaffordable food prices and starvation. Thus, any interventions which address these factors would significantly contribute to poverty reduction.

To the extent that unserved areas (including peri-urban areas) are within the service areas of commercial water utilities, the constraints and challenges facing the utilities as commercialised entities contribute to their inability to expand their services to these areas. Many water utilities are faced with operational difficulties caused by issues such as lack of working capital, organisational difficulties to achieve operational efficiencies, and billing and collection difficulties. Thus, they are not able to sustainably expand their service into unserved areas. Efforts will be made to ensure that necessary support is accorded to enable emerging water utilities to expand service to under-served areas especially in rural areas.

### **11.3 Water Sector Strategies for Poverty Reduction**

#### **11.3.1 Underlying Principles**

PRSP strategies will draw upon existing WSS strategies and any new strategies to be formulated for water resources development and management under the ongoing Water Resources Action Programme. However, the implementation of PRSP interventions will be guided by the following principles:

- Sustainability or continuous functioning and utilisation of facilities and services.
- Pro-poor focus (proposed interventions will target the rural and urban poor in the specific geographical areas with high incidences of poverty as revealed by latest CSO surveys and census data).
- Gender equity since the majority of the poor are female, and the improvement of their status has a much wider impact on the quality of life of the community as a whole.
- Stakeholder participation is an important step in planning pro-poor interventions.
- Emphasis on capacity building for planning, execution, and management of services.
- Continued emphasis on broad-based stakeholder collaboration so as to build linkages for addressing multi-facets of poverty, enhance economic growth, minimise mistrust and wastage of resources, and maximise learning and feedback.
- Facilitating the participation of private actors (businesses and NGOs) to complement government efforts.

#### **11.3.2 Summary of Strategies**

The National Water Policy, with its related strategies with respect to water resources management and water supply and sanitation (WSS), the WASHE concept, and the WSS strategies on Environmental Sanitation, Peri-Urban Water Supply and Sanitation, and Community Water Supply and Sanitation, will continue to anchor water sector activities. However, operational guidelines need to be elaborated taking into account the experiences so far obtained from ongoing programmes. In particular, the following strategies will be the cornerstone of PRSP activities in the water sector:

- Development and sustaining of human resource capacity within the sector (within government, the private sector, civil society, communities and community-based organisations) in parallel with infrastructure development, to facilitate or directly plan, design, implement, monitor, operate, maintain, and evaluate water projects.
- Strengthen the institutional capacity for addressing the water development needs of the poor in the two water sector ministries (MLGH and Ministry of Energy and Water Development).
- Promote effective community participation and stakeholder involvement, particularly women and children, in the design, execution, and management of water programmes and projects.



- Establish inter-ministerial, inter-sectoral, broad-based collaboration coordination and consultative mechanisms for the implementation of PRSP water sector activities.
- Develop water resources projects in coordination with other sectors, particularly agriculture, energy, and tourism.
- Extend provision of WSS services to approximately 2.5 million peri-urban residents and 2.5 million rural population who are currently not supplied with the minimum standards as defined in the Peri-Urban Water and Sanitation Strategy and Community Water Supply and Sanitation Draft Strategy.
- Promote low-cost, appropriate, and sustainable WSS technologies as alternatives to higher technologies with proven operation and maintenance shortcomings. In this respect, rainwater harvesting should be considered as an option for provision of water supplies in rural and poor urban areas.
- Provide ongoing maintenance and management support systems, auditing, monitoring, and evaluation services, in order to reinforce existing WSS services.
- PRSP interventions to be complemented and closely coordinated with interventions in environmental sanitation and health education.

#### **11.4 PRSP Water Sector Interventions**

The overall objective of the PRSP in the water sector is to ensure that Zambia's water resources are effectively developed to contribute to poverty reduction through increased access to safe water and sanitation and increased food security for low income rural and urban people. In the light of this, the PRSP water sector interventions are summarised below. A programme approach has been adopted in which the interventions are broadly defined and detailed projects will be elaborated as part of the annual planning cycle within the PRSP period. Cost estimates are given for new interventions only.

##### **11.4.1 Water Resources Management**

*Water Resources Action Programme:* Continued support and implementation of the ongoing WRAP through the Department of Water Affairs. The objective of WRAP is to establish a comprehensive framework for effective development and management of the nation's water resources in an equitable and sustainable manner with strong stakeholder participation, particularly poor rural communities. Outputs from this programme include an effective institutional and legal framework, stronger human resource capacity, models for planning and integrated water resources management, and improved data and information systems.

*Kafue River Basin Pilot Project:* To Formulate and implement a pilot project to facilitate the introduction of catchment-based management of water resources as a model for integrated water resources management in other river basins in Zambia.

*Dam Construction and Rehabilitation Programme:* Construction and rehabilitation of conservation dams and weirs especially in drought prone areas to support the development of new or old irrigation schemes. This intervention is to be carried out in close collaboration with the Ministry of Agriculture and Cooperatives, and should, to the extent possible, be a multi-purpose development of water resources for other uses, including tourism and domestic water supply.

*Groundwater Exploration and Mapping:* The Ministry of Energy and Water Development will undertake groundwater exploration and mapping in order to provide an objective basis for assessing groundwater potential and for monitoring its utilisation.

##### **11.4.2 Water Supply and Sanitation**

The proposed interventions should be seen as parts of a concerted effort over a period longer than the PRSP to provide access to WSS services to the large population currently without

services in rural and urban areas. These interventions will focus on institutional strengthening and infrastructure development. The interventions are summarised below.

*Rural Water Supply and Sanitation Interventions:* Establish effective institutional structures and strengthen human resource capacity at MLGH, at provincial and district levels to support planning, execution, management, and Operation and Maintenance (O&M) of rural water supply and sanitation. Complementary D-WASHE Support Programme for ongoing projects in Eastern, Southern, Western, Central, and Northern Provinces will support sanitation, hygiene and health education and community management components, which need strengthening in the ongoing projects. A new rural water supply and sanitation programme for poor rural areas without ongoing or committed rural water supply and sanitation projects will be established, such as southwestern parts of Western Province, and the axis from Kaputa District in Northern Province to Milengi District in Luapula Province. This will target rural population of half a million people.

*Urban Water Supply and Sanitation Interventions:* The commercialisation of WSS services under the ongoing water sector reforms, will continue in Central, Eastern, Luapula, Northern, and Lusaka Provinces to help establish institutional mechanisms which will in the long term support WSS service provision to the urban poor. There will be continuous support of the DTF through NWASCO to support commercial utilities with re-capitalisation and staff retrenchment programmes. Any potential conflict between NWASCO's role as the regulator for the provision of WSS services and its activity in the allocation of investment funds through the DTF will be addressed. Ongoing rehabilitation and improvement of water supply and sewerage services in urban centres will continue under the committed funding from bilateral and multilateral agencies. There will also be a WSS programme for the extension of services to more than 2.5 million people in peri-urban areas. These interventions will include complementary and integrated activities in environmental sanitation and health education, and will be implemented under a variety of schemes by NGOs and the private sector.

### **11.5 Implementation Arrangements**

Implementation arrangements with respect to the institutional responsibilities will be as presently defined by the policy and legal framework. For this purpose, and unless prior loan/grant agreements do not permit, the implementing institutions will be as follows:

- Ministry of Local Government and Housing, through the Department of Infrastructure Support Services will plan, design, and oversee the implementation of all WSS programmes and projects.
- Ministry of Energy and Water Development, through the Department of Water Affairs will carry out all projects for water resources development and management.
- The respective ministries, MLGH and MEWD, will carry out inter-sectoral consultation, collaboration, and coordination as well as monitoring performance of the water sector, and the PRSP in particular.

### **12.1 Introduction**

A major issue directly related to poverty reduction, sustained economic growth, and environmental protection is the availability of modern energy services. 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. Energy and poverty are directly related. Low income households, for example, tend to rely on basic forms of energy such as firewood and charcoal while high income households use higher forms of energy such as electricity. The use of low forms of energy such as wood, dung, and other biomass lead to indoor air pollution, which is a major by-product of traditional energy sources, further diminishing the quality of life of poor households. If patterns of energy use result in adverse effects on nutrition, health, productivity, and the environment, for example, benefits in economic growth are likely to be absorbed only very slowly by poor households. In contrast, programmes that focus directly on creating opportunities for poor people to improve their energy services by increasing the use of energy carriers can enable poor households to enjoy both short-term and self-reinforcing long-term improvements in their living standards.

### **12.2 Situation Analysis**

While measures can be taken to specifically target the poor, an equally important goal is to ensure that the provision of energy is done in a sustainable manner to generate resources for re-investment in energy and other sectors. Apart from being a critical input in many sectors, energy is an industry in its own right with the capacity of earning foreign exchange and employing many people; these employment figures currently stand at 6,000 and 60,000 respectively for electricity and charcoal.

#### **12.2.1 Energy Resource Base, Supply and Demand**

Except for petroleum, which 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. Woodland and forests cover about 66 percent of the total land area with the growing stock being equivalent to 4.3 million tonnes of wood that provides about 70 percent of the nation's energy needs. The hydropower resource potential is estimated at 6,000 MW although the installed capacity is only 1,715.5 MW, which 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). Important international connections include two 330 kV lines to Zimbabwe and a 220 kV line connecting the Copperbelt to the Democratic Republic of Congo. 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 while the remaining 7 percent is taken up by government services.

Proven coal reserves are estimated at 30 million tonnes with several hundred million tonnes of probable reserves. 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 has 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 tonnes of spiked crude. Thus, with the exception of oil, 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). At a sectoral level, wood fuel is mostly consumed by households while commerce and industry, particularly the mines, are the dominant consumers of petroleum, electricity, and coal.

### 12.2.2 Energy Sector Policy Framework

In 1994, the Zambian Government formulated a National Energy Policy (NEP). Its main objective is “to promote optimum supply and utilisation of energy, especially indigenous forms, to facilitate the socio-economic development of the country and maintenance of a safe and healthy environment”. Broadly, the policies in the energy sub-sectors are defined as follows:

- *Electricity*: Increase accessibility in its use as well as develop the most cost-effective generating sites for domestic and export markets.
- *Petroleum*: Supply and utilise petroleum in the most efficient and cost-effective manner.
- *Coal*: Promote its use with due regard to environmental protection.
- *Wood fuel*: Promote efficient production and utilisation of wood fuel.
- *New and Renewable Sources of Energy (NRSE)*: Promote wider application of proven NRSE technologies in meeting the energy needs particularly for remote areas.

Programmes in the energy sector to contribute to poverty reduction will aim at the following:

- Increasing the electricity access rate from the current 20 percent to 35 percent by the year 2010. In rural and urban areas, this will translate to access rates of 15 percent and 50 percent respectively. Increased access to electricity will enhance social and economic development by supporting agricultural activities such as irrigation and food processing, land preservation, etc.
- Reducing the production of charcoal by about 400,000 tonnes by 2010. To do this, the PRSP will promote efficient production and utilisation as well as encouraging the use of other fuels such as electricity, millennium gel fuel, and liquid petroleum gas by low and medium income groups instead of charcoal.
- Increasing of electricity exports to neighbouring countries by 300 percent by the year 2010 from the current levels.

### 12.3 PRSP Strategies for Poverty Reduction in the Energy Sector

Three strategies are identified for the energy sector as follows:

- Enhancing the capacity of current energy delivery infrastructure through rehabilitation and/or refurbishment to ensure reliable and efficient supplies, and to ensure access by more people.
- Creating new energy delivery infrastructure through, for example, building new power stations, transmission lines, etc. to cater for increased domestic demand and export.
- Targeted interventions aimed at achieving particular results such as increased access and promotion of alternative technology.

The three strategies are translated into specific activities presented below.

#### 12.3.1 Enhancing the Capacity of Current Energy Delivery Infrastructure

The two main ongoing projects under this programme are the power rehabilitation and the petroleum rehabilitation projects. The objective of the projects under this programme is to achieve particular results such as expanded electricity coverage; promotion of alternative technology; and steering energy use in a particular direction, for example energy substitution

to uplift the living standards of low income households. The projects are aimed at rehabilitating the power and petroleum infrastructure, which has been in use for more than thirty years without any major maintenance works.

*Power Rehabilitation Project:* Studies to establish the scope of works for rehabilitating the power infrastructure started in 1995/1996. Technical audits of the major infrastructure such as hydropower plants, the transmission network, and the distribution system concluded that major rehabilitation work would be needed to bring them to design operation levels and extend the economic life of the assets. The main components of the power rehabilitation project were Victoria Falls, Kafue Gorge and Kariba North Bank; ZESCO Power Transmission System; Lusaka distribution network; the distribution networks of Ndola and Kitwe on the Copperbelt; loss reduction in the Lusaka West Area; Gwembe-Tonga Rehabilitation and Development Programme; ZESCO Institutional Strengthening; and Hydropower Development and Transmission Line Policy. A consortium lead by the International Development Agency (IDA) funds the project whose total cost is estimated at \$235 million. The financing is split between credits from IDA, European Investment Bank, and Development Bank of Southern Africa (DBSA). In addition, other funds are in the form of grants from cooperating partners, funding from ZESCO and the government budget especially for certain components of the Gwembe-Tonga Development project. The project has been in operation since 1998.

*Petroleum Rehabilitation Project:* The main components of this project, which was funded by IDA and the European Investment Bank, are the rehabilitation of the TAZAMA pipeline from Dar es Salaam to Ndola including the tank farm in Dar es Salaam; cathodic protection of the pipeline, refurbishment of pumps on the pipeline, improvement of pumps on the pipeline and improvement of telecommunications; rehabilitation of the fuel terminal at Ndola; construction of a 40,000-tonne capacity crude oil tank at Ndola; and creation of a technical cell on petroleum in the Ministry of Energy and Water Development.

In parallel with the rehabilitation of petroleum infrastructure, government is pursuing other reforms in the sub-sector that include exploring modalities for setting up strategic reserves of petroleum products; and facilitating private sector participation in the procurement of petroleum feedstock for refining at the refinery. The overriding goal of the rehabilitations is to ensure that petroleum products are supplied to the country at the least cost and are utilised in the most efficient manner.

### 12.3.2 Creating New Energy Delivery Infrastructure

According to projections of power demand, it is anticipated that the current installed capacity may be outstripped by projected demand in the year 2005. In order to forestall a power shortage, two power generation projects and two inter-connector projects are planned:

- *Kafue Gorge Lower Hydro Electric Scheme (KGL):* The project is located two kilometres downstream from the existing 900 MW Kafue Gorge Upper power station. The project will be rated at 600MW and is estimated to cost \$ 430 million. This will be a private sector-led investment.
- *Itezhi-Tezhi Hydro Electric Project:* This project is located on the Itezhi-Tezhi Dam, some 230 kilometres upstream of the Kafue Gorge power station. The estimated capacity of the project is 120 MW at an estimated cost of \$100 million. An additional cost of \$28 million will be required for the construction of a 200-kilometre 220 kV transmission line from Itezhi-Tezhi to Muzuma, which is the nearest point of inter-connection to the national grid.

### 12.3.3 Zambia-Tanzania Interconnector

The project involves the construction of a total of 700 km of 330 kV transmission line, 600 km on the Zambian side and about 100 km on the Tanzanian side. The proposed line will be able to supply an estimated load of up to 200 MW of power. The project cost is about \$153 million. Its

scope has since changed to include reinforcement within the Tanzanian system and exports to Kenya and beyond. Private investors will develop the project.

#### 12.3.4 Zambia-Democratic Republic of Congo Interconnector

This project involves the construction of a 387 kV transmission line from Kolwezi in Democratic Republic of Congo to Luano (Zambia) via Solwezi. It is part of the priority projects within the SADC region master plan to transfer 1,000 MW of power from Democratic Republic of Congo to South Africa and vice-versa. This hydroelectric line also opens up the possibility of connecting Northwestern Province to the grid. Costs are estimated at \$120 million. About 70 kilometres of towers belonging to ZESCO were constructed between Luano and Kansanshi in the 1970s. The World Bank has been approached regarding financing of the feasibility study of the Kolwezi-Luano Interconnector. Furthermore, the United States Trade and Development Agency (USTDA) has provided funds for a feasibility study on the Luano-Kansanshi portion of the line.

#### 12.3.5 Electrification of Mkushi Farm Block

This project, which has been outstanding since the early 1970s, is meant to unlock the tremendous agricultural potential in the block, which has not been fully exploited. Although the southwest part of the block was partly electrified by government, ZESCO, and the farmers in 1997 through a 33 kV line, the supply is not sufficient for the whole area. It is in this context that plans are under way to promote the electrification of the farm block through a private or public-private partnership. The indicative cost of the project at current prices is \$ 40 million inclusive of financing costs.

#### 12.3.6 Promoting Efficient Production and Utilisation of Wood Fuel

Activities under this programme have so far involved studies of the various aspects of the charcoal industry, starting with the resource base (forests), charcoal production, transportation, marketing, and distribution of charcoal. The aim is to minimise the use of wood fuel because of its adverse effects on the environment. When fully operational, the programme will result in annual wood savings of about 10 percent of total wood consumption, which is equivalent to 400,000 tonnes per annum. Projects under this programme include the following:

- *Efficient production and use of charcoal:* Zambia has produced a charcoal production manual that can assist rural communities increase their production efficiency in earth kiln. In addition, efforts to improve end-use efficiency through adoption of an appropriate improved stove will continue.
- *Substitution of charcoal in urban households with millennium gel-fuel:* The government is considering the introduction of the use of millennium gel fuel in urban households. The millennium gel fuel currently on trial use in Zimbabwe and soon to be introduced in Malawi provides an opportunity for replacing charcoal use in urban households. The gel fuel will either be imported from Zimbabwe/Malawi or produced in Zambia at Nakambala Sugar Estate (where molasses for production of ethanol already exist).

Efforts will also be made to look at other alternative fuels that can replace charcoal in households. Other fuels such as Liquid Petroleum Gas (LPG) will be used to undertake the necessary studies first before determining the way forward. Much of the future growth in the energy sector will depend on the energy requirements of other sectors. Zambia offers a great opportunity for investors in that its principal energy resource base is composed of renewable sources. The programmes that have been identified in this chapter will be monitored through the Department of Energy, which already collaborates with other institutions in the various energy sub-sectors.

### 12.3.7 Rural Electrification Programme

Although the rural electrification programme has been implemented over a long time, less than 20 percent of the population has access to electricity power supply. To improve the funding of the programme, the government created a rural electrification fund in 1994. The money for this fund is raised from a levy on all electricity consumption. To make the programme even more effective, the government will create a conducive environment for the development of a national Rural Electrification Master Plan (REMP), which will identify all options for electrification at least cost; review and improve the administration of the rural electrification fund as well as the actual implementation of rural electrification; and work towards the integration of the use of new and renewable sources of energy in the provision of energy services to rural communities.

Under the REMP, projects will be identified based on the least cost energy source option. In this regard, the Plan will rank all projects in a priority order with an indication of each project's budget and the time frame for implementation; define modalities for including other potential financiers for rural electrification projects as well as private sector involvement in project implementation; explore opportunities for designing appropriate incentives for encouraging supply of energy services to rural areas; and work jointly with economic and social sectors to take electricity where it is critically needed such as the proposed new farming blocks. The methodology for preparing the REMP will be through a broad-based consultative process.

Grid extension is another important aspect under the Rural Electrification Programme. It is recognised that current efforts will continue until such time that the REMP has been finalised and launched. In this regard, the projects that involve extension of the grid will continue under PRSP implementation. Solar energy is another important addition. Despite the abundance of sunlight, the utilisation of solar photovoltaic (PV) technology has been very low in Zambia. The problem in this respect is the high upfront cost of installation. In this context, this project will target rural institutions that may not be connected to the grid in the short and medium term. The installations will be implemented as demonstration units of this technology by providing solar energy for educational purposes (computers/television), small-scale lighting and water pumping to rural schools, and providing solar energy for small-scale lighting, medical, refrigeration, and water pumping to Rural Health Centres (RHCs). The Department of Energy is currently implementing a pilot project in which Solar Home Systems (SHSs) are being provided to households that pay monthly service fees to a locally-based Energy Services Company (ESCO).

One way of increasing options for energy supply to rural areas is that of promoting the construction of small power stations (mini/micro power stations) for small towns, villages, businesses, and households where the potential exists. These programmes, coupled with urban electrification, are expected to increase electricity access rate from the current 20 percent to 35 percent by 2010. In rural and urban areas, this will translate into access rates of 15 percent and 50 percent respectively. The following will be initially implemented:

*Mini-hydro:* These will be developed in the northern part of the country where small waterfalls already exist for electrification of rural communities. Some of these projects will replace existing diesel generators while in some cases hybrid systems will be considered. It is estimated that about \$10 million will be required over three years.

*Micro-hydro:* Micro-hydro schemes will target individual households. Micro generating schemes for households can be installed at a cost of about \$200 per household; with a target of 500 households a budget of \$100,000 will be required.

# Transport and Communication

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### **13.1 Introduction**

Transport and communications play a critical role in the growth and development of the Zambian economy. Over the period 1994 and 2001, its contribution to GDP growth has averaged 3.2 percent in real terms. It facilitates growth in value added of agriculture, trade and commerce, mining, tourism and in the delivery of social services such as education and health. In Zambia, transportation costs account for 60 to 70 percent of the cost of production of goods and commodities. This proportion is too high in comparison to sub-regional levels, and this has worked against the competitiveness of Zambian exports. Locally, this has contributed to high prices of goods and services and, in turn, has worsened the existing poverty levels. As an essential input, lower transport and communication costs literally translate into the competitiveness of all final goods produced in the country and, therefore, has a significant bearing on the welfare of the people.

Transport and communication are critical to poverty reduction but if inappropriately designed, transport strategies and programmes result in networks and services that worsen the conditions of the poor, harm the environment, ignore the changing needs of users, and exceed the capacity of public finances. Transport is capable of generating growth by facilitating trade both nationally and internationally, and by increasing access to social services like health and education. At the macroeconomic level, investment in transport raises growth by increasing the social return to private investment. Similarly, at the microeconomic level, improvements in transport often lower agricultural input prices and, hence, the costs of production. In addition, access to markets generally improves and, hence, facilitates the development of the non-agricultural rural economy and tourism. In urban areas, the quality of transport service influences the location of firms and individuals. The cost of labour and the efficiency of the labour market are also influenced by transport. Without an efficient transport and communication system, it is harder and more costly to move goods, resulting in loss of market competitiveness and lower economic growth. Further, Zambia can benefit from its central location by serving as a hub of economic development in the region as a transit route. In the rural areas where poverty is more widespread, inadequate transport is one of the factors that deepen the poor's deprivation.

### **13.2 Situation Analysis**

The main modes of transport in Zambia are rail, road, air, and inland waterways. The rail network comprises the Zambia Railways, running from the Zimbabwean border in the south to the Congolese border in the north and branch line system, covering a total distance of 1,100 kilometres. The Tanzania Zambia Railways (TAZARA), jointly owned by Zambia and Tanzania, links the former 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. 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 poor state of the rail network and attendant 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 do not operate. 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 ungazetted community road network comprising tracks, trails, and footpaths. A large part of the main road network was constructed between 1965 and 1975. 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, which relate 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.

The inadequate institutional framework to coordinate management and financing of roads, as well as overlapping responsibilities, are manifested in the present arrangement. The responsibilities for planning, preparing design standards, construction, and maintenance of roads are fragmented among the various government institutions. These are the Ministry of Communications and Transport; the Roads Department in the Ministry of Works and Supply; the Department of Infrastructure and Support Services in the Ministry of Local Government and Housing; Zambia Wildlife Authority in the Ministry of Tourism, Environment and Natural Resources and to some extent the Ministry of Agriculture and Cooperatives; and the Ministry of Finance and National Planning for the Zambia Social Investment Fund (dealing with rehabilitation of community roads).

The poor state of rural feeder roads inhibits mobility and accessibility. As a result, access to farm inputs and other social amenities and marketing of farm produce are also made very difficult and, thus, deepen poverty in rural areas where the only form of access is by road. Due to lack of transport, a considerable part of the rural population walks long distances to the health centres, schools, and other social amenities.

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 have been 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. This has particularly adversely affected the development of the tourism industry. A number of local tourist destinations have experienced reduced numbers of tourists owing to lack of a national carrier that plies rural tourist destinations. Rural areas that are dependent on tourism have generally experienced higher levels of poverty than before, where no diversification has taken place.

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 is providing air navigation services throughout the country.

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 has been inhibited 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. Development of harbours will lead to increased volume of exports.

Communication facilitates access to information through various forms of information communication technologies (ICT) and postal services. Low income households tend to have lower access to ICT than high income households and, therefore, access to information. Communications systems in Zambia still remain largely underdeveloped. With an installed capacity of 92,000 telephones on the Public Switched Telephone Network, and 90,000 mobile phone subscribers, Zambia's 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. 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 propped up if it is to contribute effectively to economic growth and poverty reduction.

### **13.3 PRSP Interventions in Transport and Communications**

#### **13.3.1 Basic Principles**

The primary goal for the PRSP interventions on transport are, first and foremost, to support the economy to grow, thereby enabling more resources to be generated for more public interventions in all areas, including transport. For sustainable national development, there is need for a national transport policy that requires the development of a comprehensive transport programme, divided into four priority categories:

- Preserving investment already made in infrastructure (e.g. roads) through maintenance.
- Establishing infrastructure which aids economic recovery and poverty reduction.
- Establishing infrastructure which brings environmental and social benefits.
- Instituting effective management systems.

These issues are looked at below under each transport mode.

#### **13.3.2 Railways**

A well functioning railway system is important for enhancing export competitiveness, economic growth, and poverty reduction since railway haulage tends to be cheaper than other modes where speed is not a major consideration. In this regard, the government will focus on the following issues:

- Ensuring the rehabilitation and preservation of investment and the continuous improvement of the rail infrastructure.
- Improving railway efficiency through concessioning to the private sector.
- Making arrangements for new railway connections to areas that will come into new economic production, especially large-scale mining.
- Levelling the playing field between roads and rail so that it is not economic for very heavy cargo to be transported by roads in order to reduce pressure on roads.
- Expanding and strengthening government capacity to develop supportive regulatory and investor-friendly legislation, and monitor compliance with policies and legislation.
- Evaluating and implementing extension of the railway network like the Chipata-Mchinji rail link and the Kasama-Mpulungu rail link as part of a railway network development strategy.

#### **13.3.3 Road Transport**

##### **13.3.3.1 Road Infrastructure**

Being a large but poor country, Zambia will continue to depend on road transport. There are two major challenges associated with this, however. Firstly, the country's extensive road infrastructure is in need of rehabilitation and maintenance. A stagnant economy and heavy debt burden have contributed to road deterioration. The second challenge is linking this important transport mode with increased overall productivity for the economy. Over the next three years of the PRSP, Zambia intends to continue putting greatest priority on rehabilitating

and maintaining its entire road network from feeder to trunk roads. This is important for the following reasons:

- Delay in maintenance and rehabilitation increases costs eventually.
- Economic growth and poverty reduction require that the roads and other transport systems are efficient and cost-effective.
- Efficient delivery of services including emergency relief requires good roads.
- Road rehabilitation creates jobs and business opportunities, often at the lower end of the labour market and this has direct impact on reducing income poverty.

Zambia has been undertaking road repairs under Road Sector Investment Programme (RoadSIP), which is a partnership between road users, the government, and donors to promote development through roads. The first phase was launched in 1998. RoadSIP's objective has been to bring a core network of the road to maintainable condition, and already positive impact has been registered with the percentage of paved roads in good condition having risen from 20 in 1995 to 44 in 1999, and the paved roads in poor conditions falling from 51 percent in 1995 to 29 percent in 1999. Over the first PRSP period, RoadSIP II will be launched and it will continue with the objectives set out in Phase I.

For the size of her economy and the population parameters, Zambia's paved road network is quite extensive, exceeding that of the average for Sub-Saharan Africa and even that for Zimbabwe and South Africa. This partly explains the difficulty in keeping abreast with maintenance and rehabilitation requirements. The implication is that Zambia will minimise construction of new paved roads and pay more attention to looking after what she already has, including rural feeder roads. Further, economic and social rates of return will be applied for trunk, main, urban, and feeder roads in the selection of roads for improvement.

Many of Zambia's paved and other roads were not necessarily constructed as part of an organised package to enhance national productivity or capitalise on her central location for trade. With the emphasis now being placed on growth, the roads must be integrated into the overall plan to make this happen. This will be done as follows:

- Rehabilitation and maintenance of all roads to enhance efficiency.
- Where new mining areas are to be opened up as anticipated in the Lumwana area in the Northwestern Province, appropriate road connections will be made to complement the railway connection.
- In agriculture, new farming blocks will be established in rural Zambia to take advantage of the land and water resources to produce high value products. Farm blocks must be near existing roads but where this is not feasible, new roads, not necessarily paved, will be constructed.
- A similar approach will be taken for tourism. In all tourist zones, the minimum intervention will be to ensure continued accessibility through good roads.

### ***13.3.3.2 Rural Travel and Transport***

Poverty is said to be highest in most of the Zambian rural areas because of the lack of access to market for agricultural produce as well as productive inputs. This has been worsened by the poor transport systems that exist in rural areas. Therefore, if the poverty situation in rural areas is to be addressed, the issue of transport has to be of paramount importance. In order to improve rural travel and transport, the following measures have been proposed:

- Establish an institutional framework for the development and management of rural transport and travel in the country.
- Improve the planning, management, and financing of rural road transport as well as upgrading the road infrastructure such as community roads, paths, tracks, trails, and footbridges through community participation.
- Facilitate the rural communities with the establishment of sustainable approaches to the construction and maintenance of rural transport infrastructure.

- Facilitate the introduction and promotion of appropriate motorised and non-motorised means of transport aimed at improved mobility in rural areas.
- Encourage the development of industries for the design, manufacture, repair, and maintenance of intermediate motorised and non-motorised means of transport for rural areas.
- Ensure that gender issues and the interests of the differently abled persons are considered in rural travel and transport.

#### ***13.3.3.3 Institutional and Management Issues in Roads***

For the goals outlined above to be realised, the government is aware that a number of institutional and management issues will need to be dealt with. The key issues are as follows:

- The multiplicity of authorities in the management of roads causes difficulties.
- Within a rationalised framework for management of roads, government's role will primarily be to plan, facilitate, coordinate, implement, regulate, and monitor developments in the infrastructure and industry. The private sector will do the rest.
- Create a more credible and sustainable domestic system for financing and managing the road network to gradually reduce dependence on external financing.
- Institutional reform and human resources development will be undertaken.
- Promote road transport growth in the region, by levelling the playing field with other countries and improving traffic handling at border points.

#### ***13.3.3.4 Road Safety***

Zambia loses an average of 1,000 lives through road accidents per year and it is estimated that road accidents cost the country about 2.3 percent of the GDP annually. Costs include direct costs such as damage to vehicles, policing and administration costs, medical expenses and insurance costs. In order to reverse this trend, government will focus on the development of appropriate legislation to ensure satisfactory safety levels, and the implementation of efficient and effective law enforcement procedures in line with regional norms. These issues will be tackled through pursuance of the goal of protecting the lives of road users and property through the introduction of appropriate road safety measures and enforcement of regulations. To achieve this goal government will put in place the following policy actions:

- Make road safety engineering aspects compulsory in the construction, rehabilitation, and maintenance of roads.
- Improve the awareness of the need for better road safety behaviour among road users through publicity and training.
- Improve the enforcement of traffic laws and regulations.

Based on the above, the government will do the following:

- Institute safety engineering within the present and future institutional arrangements in the road sector.
- Collaborate with relevant agencies in the management of road transport for motor vehicle examination and testing in accordance with regionally accepted standards.
- Integrate the National Road Safety Council into a national road transport authority for efficient management of road safety.
- Improve the reporting and analysis of road accident data in order to better target actions towards priority road safety measures.
- Ensure that the lives of all road users are protected through the introduction of appropriate road safety measures with strict enforcement of road traffic laws and regulations.
- Improve the coordination between institutions involved in road safety activities at national and regional level.
- Institute arrangements for a more efficient and effective enforcement of traffic regulations.
- Introduce an insurance safety levy to finance road safety programmes.

#### 13.3.4 Civil Aviation

Liberalisation of air transport since 1991 has resulted in the formation of private local airlines. The reasons behind the slow growth in the industry can be attributed to factors such as unattractiveness of the Zambian market caused by small passenger loads, and lack of properly managed tourist destinations. Expansion in the mining and tourism industries should revive air transport demand and the government will ensure safe and efficient air navigation services in accordance with international civil aviation standards. It will also create a competitive environment so that private companies continue to provide transport services. Further, Zambia will ensure that those airports that are critical for commerce and tourism (e.g. the Lusaka, Ndola, Livingstone, and Mfuwe Airports) are always in good serviceable condition. In the efforts to achieve this, the government will address the following issues:

- Developing and upgrading selected airstrips and aerodromes in selected areas with economic growth potential into airports of regional and internationally acceptable standards.
- Pursuing legal and institutional reforms aimed at revamping the industry to meet the challenges of a liberalised environment.
- Promoting civil aviation in accordance with the Convention on International Civil Aviation.
- Educating, training, and professionally developing human resources in the aviation industry.
- Attracting international carriers to stimulate tourism and trade.

#### 13.3.5 Maritime and Inland Waterways

Inland waterways are needed especially in areas that are inaccessible by other modes of transport but are accessible by water transport. Water transport has the inherent advantage that the services can be operated wherever navigable waters are available without requiring huge investments. Sustainable investments would be required for the improvement and maintenance of navigable rivers, canals, and channels and development of terminal facilities at harbours. The government will ensure that water transport operators adhere to communications regulations on lakes and rivers. In order to achieve these goals, the government will do the following during the PRSP implementation period:

- Prepare a comprehensive plan for ensuring proper navigability on all designated waterways in the country, including canals.
- Improve the safety and efficiency of inland water transport system and shipping, including promotion of regional cooperation.
- Promote a safe and clean marine and inland waterways environment.
- Encourage private sector participation in the operation of water transport services.
- Develop and improve the infrastructure at the existing ports to the standards of regional ports.

#### 13.3.6 Communications

Government efforts in reducing poverty will focus on improving operational efficiency in the provision of ICT and postal services and putting in place the requisite incentives and infrastructure where needed. Specifically, the following policy actions will be pursued:

- Facilitating the setting up of communication facilities in tourist attraction areas.
- Improving access to communications in rural areas through the rural telephony project.
- Encouraging private sector participation in the provision of postal and courier services in rural areas.

# Cross-Cutting Issues

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### **14.1 Introduction**

This chapter covers three main cross-cutting issues that are quite strategic to development in general, and poverty reduction, in particular. These are (a) HIV/AIDS, (b) Gender, and (c) Environment.

### **14.2 HIV/AIDS**

#### **14.2.1 Situation Analysis**

The prevalence and incidence of HIV/AIDS has reached alarming levels in Zambia. The human toll of AIDS is a tragic reality being experienced by families, communities, and the nation at large. There is no aspect of life that has not directly or indirectly been negatively influenced by the AIDS epidemic. AIDS has become the major cause of illness and death among the young and middle aged adults, depriving households and society of a critical human resource base and thereby reversing the social and economic gains made since independence.

The inter-relationship between HIV/AIDS and poverty is complex. The manifestations of HIV/AIDS lead to poverty, and the state of poverty directly or indirectly creates vulnerability to HIV/AIDS. HIV/AIDS leads to poverty by eliminating the productive sector of society, the 15-45 year age group. Its effect on society is primarily through the premature loss of human capital. It is estimated that with HIV prevalence of 20 percent (the current rate in Zambia) mortality in the 30-35 year age group goes up by approximately 40 deaths per 1,000 population. Economic growth and prosperity hinge on a healthy human resource base and this is currently threatened by the HIV/AIDS epidemic. Investment in strategies that fight the HIV/AIDS epidemic will, therefore, have a major impact on poverty reduction.

At the individual level, poor people tend to have low education and this makes them less able to communicate with other people. They are, therefore, disadvantaged in getting information about the cause, transmission, and preventive measures of AIDS. At the family level, the loss of a parent usually means the loss of a breadwinner and high medical expenses before death decrease expenditure on other family needs. The loss of one parent is often followed by the loss of the other, resulting in the increase of the orphans-burden on society. In some cases, a surviving widow or even children may be forced into prostitution to support the family. Poor grandparents are often burdened with the responsibility of raising many orphans.

The decline, in real terms, in government expenditure on health and education has an indirect effect on HIV/AIDS. The decline in health expenditure means that the quality of sexually transmitted infections (STIs) management is compromised. With the shortage of medication, STIs are either inadequately managed, or not managed at all. STIs being co-factors for HIV means sub-standard management of infections results in increased transmission of HIV.

Limited resources impede the acceleration of HIV/AIDS education in schools. The Ministry of Education has less than two full-time equivalent staff addressing the sector's response to AIDS, although over 1,600 teachers died from causes related to it in 1999 alone. Zambia must now plan to train 2 teachers for each one who will actually teach. Regarding agriculture and food security, the rising prevalence in rural areas poses a serious threat. Labour time is

reduced by sickness or the need to care for sick family members. Moreover, assets such as land, equipment, and livestock are sold to raise funds to look after the sick.

Since the first diagnosed case in Zambia in 1984, HIV/AIDS has become increasingly widespread with an estimated adult HIV prevalence of 14 percent in rural areas and 28 percent in urban areas in the 15-49 year old age group. Although the epidemic is showing signs of stabilisation in urban areas, the rates continue to rise in some rural areas. Currently, about 20 percent of the adult population aged 15 to 49 are living with HIV. The studies in Ndola revealed a prevalence rate of 32 percent among females and 25 percent among males. About 8 percent of boys and 17 percent of girls aged 15-24 are living with HIV and the prevalence rate is up to 40 percent among teachers. In June 2000, there were 830,000 people over the age of 15 years living with AIDS. Of these 450,000 were women while 380,000 were men. The peak ages for HIV among females is 20 to 29 years while that for males is 30 to 39 years. Young women aged 15 to 19 are five times more likely to be infected compared to males in the same age group.

AIDS disproportionately affects women. It is estimated that 1.2 times as many women are afflicted with AIDS as are men. Women are thought to be 2 to 4 times as susceptible to infection with HIV during unprotected intercourse, and more vulnerable to other STDs. Furthermore, women are culturally relatively weaker to protect themselves against a spouse suspected to be infected. It is estimated that 25 percent of pregnant women are HIV positive. Approximately 39.5 percent of babies born to HIV positive mothers are infected with the virus. Five percent of rural and seven percent of urban population have taken an HIV test. Life expectancy at birth has dropped by nearly 14 years to 37 years.

Since the advent of the HIV/AIDS epidemic, the TB case rate increased nearly five-fold to over 500 per 100,000 population in 1996. There are now in excess of 40,000 new tuberculosis cases reported every year. This figure is expected to rise by 10 percent annually in the next few years. The tuberculosis co-infection has also resulted in an increased mortality rate of TB patients on treatment by over 15 percent.

The HIV pandemic has left an estimated 600,000 orphans (2000), projected to reach 974,000 in 2014, most of whom will have no hope of obtaining formal education. This, in turn, will affect the quality of the labour force. Of these orphans, six percent become street children, with less than 1 percent living in orphanages.

The impact of HIV/AIDS on the health care system itself has been profound. It is projected that AIDS patients will utilise 45 percent of all hospital beds by 2014, crowding out other patients. It is estimated that about \$200 per AIDS patient per day is needed for hospitalisation. This is against the current per capita expenditure on health by the government of approximately \$3 per year. With AIDS expenditures rising, HIV/AIDS will inexorably consume more resources at the expense of other diseases. There are, however, some hopeful indications. The prevalence of HIV positive tests in 15-19 year-old youths has dropped over most of the country between 1994 and 1998. In Lusaka, for example, while the rate was 28 percent in 1993, it had dropped to 15 percent in 1998. At the same time, the overall prevalence of positive tests in the whole population appears to be stable and is not increasing. This has been attributed to behaviour changes. The recent Sexual Behaviour Survey has documented further evidence of behaviour changes. Although the current burden of infection will continue to affect Zambia for many years, it is hoped that the tide may be turning.

From the time that the first AIDS case was diagnosed in Zambia, four national plans have been developed in response to the epidemic by the government. The first and second plans were implemented by the Ministry of Health while the third one involved all ministries since a multi-sectoral response is perceived to be more effective. After an extensive consultative process, a National Strategic Framework has been developed, validated, and costed. The

current framework is being coordinated by the National HIV/AIDS Council, which follows a multi-sectoral approach in the fight against the epidemic.

## 14.2.2 Interventions under PRSP

### 14.2.2.1 First level Priority Programmes

The objectives and prioritised interventions at this level are as follows:

*Reduce New HIV/AIDS Infections:* In order to reduce the number of new HIV cases, the programme will aim to promote safe sex practices among the high-risk groups such as youths, men, sex workers, and prisoners. This will be achieved through several means:

Firstly, the implementation of multi-sectoral behaviour change communication campaigns will be effected. Behavioural research in Zambia shows that awareness and knowledge levels about HIV/AIDS are quite high among most target groups. Key issues related to behaviour change in Zambia remain, however, and prevent the adoption of safer behaviours. These include low levels of knowledge and awareness of existing low levels of personal risk perception for HIV (especially among youth); low levels of belief in the efficacy of condoms to prevent HIV transmission; low levels of knowledge about the links between STIs and HIV transmission; and gender equity issues that prevent girls and women from negotiating safer sex or refusing sex. These issues will be tackled with proven communication techniques implemented by NGOs and CBOs working in Zambia. Mass media, peer education, drama, outdoor media, and working with community leaders will be used to change these key attitudes and beliefs that remain barriers to safer behaviours. Although the programmes are expected to reach all sectors of Zambian society, the priority target groups for these interventions will include youths in the 15-24 age group, and high-risk groups including sex workers, military and uniformed personnel, anglers and fish traders, truckers, prisoners, and refugees.

Secondly, there will be efforts to improve free condom distribution by the government. Although there is an extensive and successful condom social marketing programme nationwide, the Ministry of Health also contributes to condom supply by distributing approximately 18,000,000 free condoms annually in government health clinics and to partner NGOs and CBOs. While government-supplied condoms are adequate, there is need for improved distribution and monitoring systems to ensure that they reach rural areas where they are most needed. Funds will be used to develop an improved monitoring information system and to improve regular distribution mechanisms of condoms throughout the country.

*Reduce Socio-Economic Impact of HIV/AIDS:* The main focus here will be individuals and families at the workplace, in homes, and on the whole Zambian society. The government will promote positive and healthy living among the asymptomatic HIV positive people. This will be achieved through the following:

*Expansion of Access to Quality VCT Plus Services:* Voluntary Counselling and Testing (VCT) will be enhanced as this has been proved to be effective both as a prevention measure and as a link to follow on care and support services. Funding will be used to expand access to, and improve the quality of, VCT services through both public and private sectors and in urban and rural areas nationwide. The funding will be used for improving access and/or referral to post-test services, train VCT counsellors, personnel costs, training of laboratory technicians, improved or expanded facilities, and integration of TB prophylaxis and/or treatment into VCT services. At present, both the government and civil society are involved in institution and community-based VCT services in 52 major centres. The intention is to promote the



service and increase VCT uptake in all the 72 districts in Zambia. The programme will be implemented under the coordination of Zambia VCT services and will include the government, NGOs, and private sector partners.

*Community Home Based Care:* This will inevitably improve the quality of life of people living with AIDS. The funding for this activity will be used to expand sustainable home-based care for PWAs, support for their caregivers and children, and strengthening linkages between home-based care-givers and private and public health facilities. 80 percent of urban patients and 70 percent of rural patients need to be reached by 2005. Currently, it is estimated that 60 percent of urban patients and 30 percent of rural patients have access to community-based home care. Thus, a 20 percent increase in capacity will be needed in urban areas and 40 percent increase in rural areas. Implementers will be NGOs, CBOs, faith-based organisations, and civil society.

*Anti-Retroviral Viral Treatment (ARV):* Since the 1990s, treatment has included anti-retrovirals (ARVs) mainly in the private sector with the public sector providing laboratory support. Funds for this activity are meant to introduce a pilot guided scheme on the use of ARVs in the public sector beginning with 3 districts and later expanding to all provincial centres. The scheme is going to be subsidised and a revolving fund will be established for this. The roles of the various NGO networks in the delivery mechanism will be defined. Monitoring of patients on drugs will also be carried out.

*Improve the Quality of Life of Orphans and Vulnerable Children (OVC):* The focus will be the expansion of existing programmes, targeting the high-risk groups with peer education, drama, condom promotion/distribution, and other interpersonal outreach activities. There is need to scale up existing programmes that work with high-risk groups, including military and uniformed personnel, prisoners, sex workers, truckers, refugees, and fishermen and fish traders. Support to these projects will be through modest grants of financial assistance to CBOs, FBOs, and other community groups, and assistance that strengthens the capacity of these groups to care for the most vulnerable community members. These groups will be linked with one another through networks, exchange visits, and other approaches that facilitate collaboration and mutual learning. The National Aids Council and relevant ministries will work with civil society organisations to develop the criteria for the catalytic projects and monitor them.

#### **14.2.2.2 Second Level Priority Programmes**

The second level priority programmes will aim to reduce new HIV/STD infections. These mainly focus on children, youth, women, and situations providing risk for HIV transmission. The programmes will concentrate on the following:

*Improving STI Management and Treatment in Zambia to Reduce Sexually Transmitted Infections:* Sexually Transmitted Infection (STI) management is a proven intervention to reduce the risk of HIV transmission. Funding will be provided to strengthen the STI management capacity of both public and private organisations. Funds will be used to procure STI drugs and commodities, train health workers on syndromic management of STIs, develop and implement a system for monitoring drug resistance, and create a management and information system for monitoring the distribution and procurement of STI drugs. Traditional healers will also be trained on early identification/management and referrals as well as partner notification.

*Expansion of Access to Quality Prevention of Mother to Child Transmission:* There are currently 10 health centres in 3 out of 72 districts implementing the full package

of prevention of mother to child transmission programmes (AZT or Nevarapine drugs). These sites are reaching 10,000 women. These sites will be scaled up so that 100,000 women are reached in the second year, 250,000 in the third year, 350,000 in the fourth, and 450,000 in the fifth year. The Ministry of Health and Central Board of Health will implement this initiative, through health centre staff, in collaboration with NGOs and other private health institutions.

*Prophylaxis against TB:* The programme will promote positive and healthy living among the asymptomatic HIV positive people. This is especially so because since the advent of the HIV/AIDS epidemic, the TB case rate increased nearly five-fold. Prophylaxis against TB will be useful.

*Drugs for Opportunistic Infections:* Drugs for TB and HIV-related diarrhoeas are part of the basic health care package as indicated in the Health chapter. However, drugs for other conditions not covered under the basic health care will be needed separately. The supply of these drugs will improve the quality of life of people living with AIDS.

### 14.2.3 Evaluation

A number of clinical, epidemiological, behavioural, and impact studies related to HIV/AIDS will be carried out. A sentinel surveillance system for HIV and population-based studies will continue to be used to monitor the trend of the HIV epidemic. A system of collecting information from health facilities that is already in place to capture cases of AIDS, TB, and other STDs will be used. Lastly, data from various programmes and ministries will have to be collated and analysed at the national level.

## 14.3 Gender

### 14.3.1 Situation Analysis

Issues of gender play a very important role in developing a sustainable strategy for poverty reduction. The National Gender Policy defines gender as an analytical concept, which focuses on women's roles and responsibilities in relation to those of men. In economic development, these roles and responsibilities explain existing income disparities between women and men. This is also related to the differential impact on women and men. All denials in the definition of poverty are experienced more by women than men because women have limited access to, and control of, productive resources, thus, making them more vulnerable to poverty. In addition to economic factors, the socially and culturally ascribed gender roles have contributed to high poverty levels among women. Women are usually not part of decisions made on resource allocation at household and other levels.

According to the CSO 1998 Living Conditions Survey, 83 percent of the people in rural areas were poor compared to 56 percent in urban areas. Additionally, the incidence of poverty by sex of household head showed that persons in female headed households (FHHs) were more likely to be extremely poor than those in male headed households (MHHs). 77 percent of all persons in FHHs were poor compared to 72 percent in MHHs. This situation has worsened from the mid-1980s due to the deteriorating economic situation in the country. This is a confirmation that poverty affects women and men differently, hence the terminology 'feminisation of poverty'.

In terms of food poverty, 61 percent of FHHs faced food shortage compared to 52 percent of MHHs. Moreover, FHHs more often have longer spells of food shortage. This has a differential impact on child malnutrition in FHHs compared to MHHs. The proportions of stunting and underweight are higher in FHHs (54 percent and 29 percent) than in MHHs (49 percent and 29 percent).

Zambia has recognised that the full participation of women and men in the development process is cardinal to achieving sustainable development. To remove gender imbalances, the government has set up an institutional structure to facilitate the mainstreaming of gender in national planning and programming. It consists of the Gender in Development Division at Cabinet Office and Gender Focal Points in all ministries, specialised agencies, and provincial administration. The National Gender Policy addresses, among others, problems of poverty, coordination among various implementing actors, and harmonisation and streamlining of gender and development activities.

In spite of the initiatives above, there is still absence of in-depth gender analysis and adequate resources, including human, equipment and financial. Measures to alleviate and reduce poverty have not fully addressed the differential impact of poverty on men and women. Lack of gender specific targeting in poverty reduction programmes influences women and men's lives and opportunities. Programmes may not be male biased by design, but could well be male biased by omission of a gender-differentiated assessment of the programmes. This could be related to the lack of gender disaggregated data required for such assessment and the lack of recognition of women's role and skills in the poverty alleviation programmes.

#### 14.3.2 Policy Measures and Strategies

The National Gender Policy outlines specific measures to address the problems associated with poverty and particularly women and men's poor access to various productive resources. In the National Gender Policy, the goal is to eliminate the gender imbalance that places a heavier burden of poverty on women at the household, community, and national levels. The following objectives have been identified to redress the constraints outlined earlier.

- Enhance access to, and control of, opportunities in economic structures, policies, and means of production.
- Develop specific strategies regarding women's and men's access to, and control over, land.
- Promote and facilitate women's and men's access to information and economic resources,
- Eliminate gender imbalances in access to, and opportunities for, financial resources.
- Enhance women's and men's participation in employment and income-generating activities.
- Enhance women's and men's participation in decision-making processes.

To enhance equitable access to productive resources for both women and men, the programme proposes, by way of strategy, to remove barriers to their economic participation, design special economic schemes, and reduce women's workloads through the provision of appropriate technologies. Emphasis will be placed on the combination of access to assets and increasing of returns from the various activities. In order to ensure access to productive resources, the following strategies are proposed:

- Enact and enforce laws that will remove barriers to the economic participation of women, particularly relating to property rights, asset holdings, inheritance laws, and credit policies.
- Provide women with the necessary means to participate in the process of economic growth by ensuring access to assets and increasing returns on those assets through land reforms and enforcement of related legislation.
- Design special economic schemes for poor women and men taking into account the multiple responsibilities of women.
- Analyse from a gender perspective policies, programmes, and plans with respect to their impact on poverty and equality between women and men and adjusting them as appropriate.
- Formulate and implement policies and programmes that enhance women's access to financial, technical, extension, and marketing services.

- Provide access to land, appropriate infrastructure, and technologies that enhance women's income and promote household food security.
- Design and promote environmentally sound technologies.

Access to land is seen as being an important aspect of gender equity. There are benefits resulting from women's access to land in terms of family and national food security. In this regard, the following actions will be undertaken during PRSP implementation:

- Provide land rights on an equitable basis for women.
- Introduce legal reforms that protect women's rights and that ensure women's access to natural resources.
- Guarantee the right of all women to buy, sell, own, inherit, and administer property and absolute right to work.
- Enable women to obtain affordable housing, focusing mainly on the poor and female headed households.
- Undertake legislative and administrative reforms to give women full and equal access to economic resources, including the right to inheritance and to ownership of land and other property, credit, natural resources, and appropriate technologies.

Access to information is considered to be equally important. In the National Gender Policy, the government acknowledges the potential value of knowledge systems, including the understanding of the environment as well as their traditional production techniques. In addition, the government recognises the need to diversify training, to improve the attendance of girls and women in education and vocational training, to develop training programmes in environmental management, to empower women as producers and consumers and to develop methodologies for training, research, and resource centres. In this regard, the following actions will be taken:

- Promote the training and recruitment of female teaching, administrative, and technical staff to achieve gender equity.
- Promote women's understanding and knowledge systems on the environment as well as their traditional techniques for better resource utilisation in support of their productive and reproductive functions.
- Promote women's role in food and agricultural research, extension, and education programmes.
- Make available basic, civic functional literacy and life skill programmes for women and girls.
- Integrate women's traditional knowledge and practices of sustainable resource use and management in the development of environmental management and extension programmes.

Financial resources available to women, to a large extent, determine the productive opportunities they can potentially undertake. In this regard, the following strategies will be implemented:

- Strengthening and/or establishing appropriate institutional frameworks on financial schemes to support programmes for the poor, especially women.
- Enhance access of the disadvantaged (especially women in rural areas) to financial services through strengthening linkages between lending institutions.
- Promote and strengthen women's and men's micro-enterprises and expand markets and other opportunities.
- Support credit networks and innovative ventures, including traditional saving schemes.

The government recognises the importance of the informal sector for income-generating opportunities. It also recognises the importance of training for agricultural, industrial, and arts sectors and trade as a means to increase women's income as well as their economic

decision-making. Emphasis will be placed on the recognition of women's needs when promoting income-generating activities. Therefore, the following strategies will be adopted:

- Recognise the importance of the informal sector.
- Promote and strengthen micro-enterprises and expand markets and other employment activities and facilitate, where appropriate, the transition from informal to formal sector.
- Provide public infrastructure to facilitate equal market access for women and men entrepreneurs.
- Provide outreach programmes to inform low income and poor women of opportunities for market and technology access.
- Create non-discriminatory support services, including investment funds, and target poor women in trade promotion programmes.

The government is committed to promoting women's and men's participation in the decision-making process at all levels. In this regard, measures will be taken to enhance the full participation of women and men at all levels of decision-making. The government will stress the importance of generating gender-disaggregated information for well-targeted programmes and activities. There is need for strengthening the data gathering capacities of national gender machinery and the gender focal points in line ministries, provinces, and other government institutions. Vital statistical systems will be strengthened so as to improve the quality of gender sensitive data. Training in gender analysis and gender planning will also be pursued.

#### **14.3.2 Institutional and Legal Framework**

There already exists an integrated institutional framework for policy formulation; coordination; resource mobilisation and utilisation; implementation; and monitoring and evaluation. At the national level, there are various actors involved in gender mainstreaming activities. These include the national gender machinery namely, the Gender in Development Division (GIDD), the Gender Consultative Forum, sector ministries, Parliament and civil society organisations. GIDD is responsible for coordinating the implementation of the National Gender Policy, and facilitate research and resource mobilisation for implementation of gender and poverty programmes. The division also liaises and networks with national, regional, and international organisations. It also monitors and evaluates the implementation of poverty policies, programmes, and projects to ensure that they are gender responsive. The Gender Consultative Forum advises GIDD on gender issues while sector ministries mainstream gender into their respective programmes and budgets. The Gender Focal Points facilitate this process. At provincial level, the Provincial Development Coordinating Committees (PDCCs) facilitate the implementation of gender responsive poverty reduction programmes and projects. At district level, the District Development Coordinating Committees (DDCCs) facilitate the implementation of gender responsive poverty reduction programmes, projects, and activities.

In order to implement the measures described above, the government will review and harmonise laws and practices with international, regional, and sub-regional conventions and instruments dealing with gender. It will also review and amend laws that hinder women's access to, and control over, factors of production such as land, credit, technology, and information.

### **14.4 Environment**

#### **14.4.1 Situation Analysis**

Through the 1994 National Environmental Action Plan (NEAP), the government recognised the need for adopting sustainable policies aimed at maintaining ecosystems, essential ecological processes, and the biological resources of the country. The NEAP has provided an overview of Zambia's environmental problems, existing legislation and institutions, and strategy options for improving environmental quality. It has also provided the basis for the

development of a detailed Environmental Investment Plan, which supports implementation of its recommendations.

The relationship between poverty and environment is characterised as a 'vicious circle' or a 'downward spiral'. The poor often rely on the environment for their livelihood. At the same time, they are affected by the way others use environmental resources. Hence, the involvement of the affected people in environmental management is crucial to the success of poverty reduction. While exploitation of natural resources contributes to economic growth, the needs and opportunities for the surrounding people should not be ignored. Rapid increases in the population combined with over-exploitation of resources threaten the lives of people.

The urban poor are especially affected by poor environmental services, such as sub-standard housing, inadequate or polluted water, lack of sanitation and solid waste systems, outdoor air pollution, and indoor air pollution from low-quality cooking fuels. Urban poverty, therefore, needs to be dealt with by improving the environment. In rural areas, the poor are heavily dependent upon natural resources (forests, land, water, animals, etc). Attacking poverty in rural areas is, therefore, necessarily a matter of improving poor people's ability to derive livelihoods from more productively and sustainable natural resources.

The past economic reforms have not done much to break the poverty-environment vicious circle. Central planning policies during the Second Republic made it difficult for local people to exploit natural resources and became alienated from them. State control of prices for services such as water supply and waste disposal discouraged new investment in the sectors and led to the deterioration of plant and machinery resulting in outbreaks of diseases such as cholera.

The change to a market economy opened up an opportunity for re-examining the country's environmental policy and strategies. Ideally, it was supposed to bring positive signals to environmental management given that the government would rely on economic and legal instruments to achieve sustainable development. It also pre-supposed greater involvement of local communities and the private sector in the management of the economy and environment.

Furthermore, privatisation of the parastatals would generate private investment to revitalise the economy and for the industries to invest in pollution control technology. In reality, this has not been the case. Instead, rising unemployment has forced many people to increasingly exploit natural resources as a means of survival. The most affected by poverty and environmental degradation are women and youths as they have limited access to land, other productive resources, as well as limited employment in the formal sector.

Another side effect of poverty and higher unemployment is that due to lack of an alternative to wood fuel used in heating and cooking, there has been increased deforestation. Equally, low staffing levels in the relevant government departments have led to unsupervised logging and poor forest revenue collection. The PRSP provides an opportunity for reversing the downward trend, building on the policy framework provided by the NEAP in the previous years.

The NEAP identified five problems as imposing the greatest social costs on the Zambian people, namely, water pollution and inadequate sanitation; soil degradation; air pollution especially on the Copperbelt; wildlife depletion (fish and game); and deforestation. The greatest costs, both environmental and social, of these problems are borne by the poor who have less capacity to adapt to environmental changes, which are basically consequences of development.

#### 14.4.2 Programmes on the Poverty/Environment Linkages

A number of programmes have been drawn from the above pro-poor/pro-environment principles in the formulation and implementation of the PRSP. These include:

- The Environmental Support Programme (ESP) whose main objective is to reduce poverty through economic growth, protection of the environment and natural resources, and to mainstream environment and natural resources management in Zambia's national development process at all levels of governance. Within the NEAP's long-term perspective, one objective is to help the government to initiate a capacity building effort to finance projects and programmes, which have been generated by, or are in line with the NEAP priorities and recommendations.
- The Community Based Natural Resource Management (CBNRM) Programme provides for the involvement of local communities in the management of their natural resources such as forests, wildlife, fisheries, water, and arable land. The programme emphasises an integrated management approach of natural resources, with the involvement of all gender groups and children.
- The Zambia Forestry Action Programme (ZFAP) is a national initiative to assess Zambia's forestry resources and the nation's capability to manage them. The process involves extensive consultations and active participation of major stakeholders
- The Provincial Forestry Action Programme (PFAP) is being implemented in four provinces namely, Central, Copperbelt, Luapula, and Southern Provinces. This project focuses on promoting community participation for sustainable forestry management and building capacities for forestry planning at provincial and district levels.
- The strengthening of revenue collection in the forestry sector is a pilot project being implemented in Masaiti and Chibombo Districts in the Copperbelt and Central Provinces, respectively, supported by FAO. The project aims to develop and test mechanisms, which ensure co-management of forest resources with the local communities in the collection and sharing of revenues from the forest resources.
- The Cooperative League of the United States of America (CLUSA) is a community-based programme of natural resources management. Apart from agriculture, the programme has initiated pilot forest management sites to demonstrate its approach to community-based forest management. The programme targets forest areas that are under pressure from the surrounding rural communities and it is implemented in Eastern Province.
- The Administration and Management Design (ADMADe) programme for wildlife management in Game Management Areas (GMAs) seeks to build capacity for community-based natural resource management by, among other things, decentralised decision-making and wildlife revenue sharing
- The Industrial Pollution Prevention Programme (IPPP) has arisen from the regulations and standards set under the Environmental Protection and Pollution Control Act, and is aimed at ensuring pollution prevention and attaining sustainable development. This programme aims at developing capacity for the Environmental Council of Zambia (ECZ) to enforce regulations through stringent monitoring and licensing of industrial operations in Zambia and also has a component of Cleaner Production under the Zambia Association of Chambers of Commerce and Industry (ZACCI).
- The ECZ has also been given the mandate to negotiate, on behalf of the government, Environmental Management Plans (EMPs) for each mine as per terms of the sale agreements, within the privatisation process. These EMPs will define the commitments of owners regarding adherence to environmental regulations according to Zambian law. Monitoring adherence to these regulations will become a major task of ECZ once the EMPs are concluded.
- To ensure sustainable utilisation of natural resources, the ECZ with the assistance of the Dutch Government has established a programme aimed at assuring sustainable

use of wildlife resources based on real existing population of wildlife. This programme will be extended to other natural resources such as forestry (timber exploitation).

- The Soil Conservation and Agro-Forestry Extension (SCAFE) programme is combating soil degradation and undertaking integrated (agriculture and forestry) extension efforts with communities in four provinces of Zambia namely Southern, Central, Lusaka, and Eastern.
- The Zambia Social Investment Fund (ZAMSIF) is supporting communities to rehabilitate infrastructure through implementation of micro-projects by provision of matching grants. The expansion of the Fund has included environmental projects apart from ensuring that all projects supported by the fund undergo environmental assessment.

It is envisaged that under the PRSP, these programmes will be strengthened in order to mainstream environmental issues in enhancing growth and poverty reduction.

#### 14.4.3 Programme Interventions

After assessing the environmental impacts of sector development strategies, the NEAP recommends a number of specific strategic interventions. For the sake of compatibility with known strategies for pro-poor policies, the NEAP recommendations are classified in the following six widely applied strategies for poverty reduction, namely, protecting the current asset base of the poor; expanding the asset base of the poor; co-managing and co-investing resources with the poor; promoting infrastructure and technology development; prioritising poor areas and compensating the poor; and reforming markets and planning. Other specific interventions include the following:

*Research Procedures:* Research is part of the process and should be based and focused on the problems that the local people face in trying to enhance forest sustainability and poverty reduction. If all the community-related environmental factors are properly understood, it may give a positive impact on maintaining biodiversity and expansion of the resource base. A closer look at the indigenous knowledge will drive the process of research a step ahead and boost confidence in the local communities towards conservation and poverty elimination.

*Human Resource Development:* People's participation, reorientation, empowerment, and confidence building in local institutions through participatory micro planning, equitable benefit sharing, and gender-sensitive programmes will be an imperative aspect of poverty reduction.

*Support Institution Capacity:* The organising institutions will have to identify stakeholders that require capacities to deal with environmental degradation.

*Effective Communication Procedures:* Awareness campaigns will be conducted, where necessary, to ensure that communities are involved at policy level. Information flow will be on going and multi-dimensional, making it possible to see whether the socio-economic status of the people is improving through the poverty reduction interventions.

*Recognition of Gender Aspects:* Women's participation in environmental/forestry programmes is crucial to the survival of households and will be promoted. Women's interests in securing the subsistence needs of their families lead them to be protective of the natural resources.

*Land Tenure:* Land tenure rights will be observed in the efforts to reduce poverty. One can only invest in environmental management if he/she is assured of long-term stay in the locality.



*Formation of Cooperatives:* The other way of combating environmental destruction through charcoal burning is by forming organised groups, which can easily be supervised and made to adhere to laid down conservation guidelines. These organised groups can have access to loans and be able to adopt the advanced techniques of producing charcoal such as the use of steel kilns.

All development efforts in all sectors will be considered through district development committees.

#### 14.4.4 Programmes on Environment and Poverty Linkages

As a way forward, the document has the following actions as means of integrating environmental concerns within the PRSP, bearing in mind the NEAP recommendations:

- Review the policy framework for integrating environmental management and poverty reduction within the ongoing process of preparing a National Environmental Policy. This would provide an update of the NEAP, with special emphasis on poverty reduction.
- Review ongoing programmes in environmental management with a view of strengthening the addressing of the environment/poverty nexus.
- Expand, possibly to national level, pilot programmes that have proved successful in improving the environment while at the same time enhancing the sustainable livelihood of the poor.
- Develop complementary pro-poor/pro-environment programmes within the existing and future policy framework.
- Develop a framework for assessing the environmental impacts of sector-specific poverty reduction strategic policies, programmes, and action plans. While maintaining the integrity of the current Environmental Impact Assessment (EIA) regulations, a simple and user-friendly (thematic group-friendly) framework will be adopted to facilitate the integration of environmental considerations at the early stage of the work of the thematic groups. This, in turn, will help in improving people's health and the promotion of small-scale forest-based ventures.

# Financing of the Poverty Reduction Programme

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### **15.1 Underlying Considerations**

Several underlying considerations are noteworthy when looking at the financial resource requirements for poverty reduction programmes in the three-year period of this PRSP. *First*, while recognising that there are several projects for which external resources have already been committed and their implementation still ongoing (particularly in the roads and transport sector), the estimations of expenditures presented in this PRSP will be monitored and reviewed periodically with a view to updating them based on the impact of the funded interventions. *Second*, the volume of the resource envelope targeted towards a particular sector need not necessarily define the level of importance given to it. This is in recognition of the fact that some priority sectors/interventions may require a relatively smaller initial level of resources during the next three years mainly for the building of the requisite capacity before full-scale implementation of the needed actions. This is an important consideration given the evident institutional capacity constraints that generally characterise many state and non-state agencies and structures.

*Third*, while every effort will be made to increase the proportion of internally-generated resources for financing the PRSP, the current fiscal difficulties facing the country, not least the uncertainties coming from the mining sector, necessitate significant dependence on external resource flow to fund the PRSP. This is clearly an unsustainable way of assuring success in the light of the numerous pre-disbursement conditionalities Zambia's cooperating partners often attach to the financial support that is pledged. This state of affairs underlines not only the importance of adopting conservative estimates of the needed resources during the PRSP implementation period, but also the strategic importance of economic growth as the primary catalyst of sustainable poverty reduction in the medium term since it is only through positive growth that the availability of the required resources could be assured.

*Fourth*, it is the government's policy to encourage the full participation of the private sector, NGOs, CBOs, and communities themselves in the financing of the many interventions contained in this PRSP. In this regard, the government would seek the formation of a national alliance with all the stakeholders concerned with poverty reduction and economic growth. In this respect, cost-sharing, co-financing, and similar financing arrangements will constitute one of the main pillars for the enhancement of the PRSP resource envelope.

*Last*, considering the high premium that this PRSP has placed on fiscal decentralisation as part of the proposed Decentralisation Policy, it is expected that the role of local government authorities (municipalities and councils) will be more clearly defined during the course of PRSP implementation. The clarity of their actual contribution to the overall PRSP resource envelope would become known only then. This means that any new changes in both the *modus operandi* and resource flow will be incorporated more explicitly into the annual PRSP financial plans following the planned periodic reviews.

## **15.2 Defining the Resource Envelope**

The proposed measures in this PRSP demand substantial resource input. Zambia, however, faces a severe resource constraint caused primarily by economic stagnation. Consequently, the country has carefully prioritised PRSP interventions so that only those that are crucial for poverty reduction, including economic growth, are adopted. This chapter sets out the framework for financing Zambia's PRSP. This is done by defining a resource envelope for the period 2002-2004 and outlining how this envelope will be distributed between PRSP and non-PRSP expenditures.

### **15.2.1 Revenues and Grants**

The overall resource envelope is the sum of tax and non-tax revenues, a domestic budget deficit financing of about 3 percent of GDP, plus external support in the form of programme and project grants. Also to be added are external financing in the form of programme and project loans (Table 15.1). Total revenues and grants are projected to increase from K3,263 billion in 2001 to K3,831 billion in 2002 and then rise modestly to K4,824 billion in 2004. As a ratio of GDP, revenues and grants are projected to slightly decline from 24.9 percent in 2001 to 24.0 percent in 2002, and then to 23.7 percent by 2004. This decline is because revenues in 2001 included collection of tax arrears of K23 billion from ZESCO, which has become current on its payment of tax liabilities.

Tax revenues are projected to average 18.5 percent of GDP over the period 2002-2004. This is based on the anticipation of tax relief and other fiscal incentives to be provided to industry to stimulate industrial activity. These incentives could include the Export Processing Zones, relief on imported raw materials, the declaration of a number of cities and towns as tax-free areas, levelling of the playing field for investors in the mining sector, as well as tax relief on Pay As You Earn to partially compensate for inflation. Non-tax revenues are projected to remain flat at around 0.4 percent of GDP. This essentially implies that this component will grow in line with average annual inflation and real economic activity.

External financial assistance to the budget in the form of programme and project grants is projected to average 5.3 percent of GDP during 2002-2004, slightly below the average for the past five years. This is on the basis that external support will roughly be close to the same level as in the recent past. On the other hand, external financing in the form of programme and project loans are projected to drop from 6.1 percent of GDP in 2002 to 4.3 percent and 4.1 percent in 2003 and 2004, respectively (see Table 15.1). External financial support in the form of the interim HIPC Initiative will range between 7.2 percent and 5.1 percent of GDP over the projection period.

### **15.2.2 Domestic Deficit Financing**

In order to maintain macroeconomic stability, and thus bring down the inflation rate to a single digit by 2003, the domestic financing of the budget deficit will gradually be reduced from 4.5 percent of GDP in 2001 to a balanced budget from 2003 and 2004. It is vital to establish this fiscal balance outcome in order to bring down inflation levels as mentioned above from the current high levels of around 20 percent, which have been persistent for some time. This will be a strong prerequisite for bringing interest rates down to manageable levels, which are supportive of investment.

**Table 15.1 Central Government Overall Operations, 1999-2004**  
(In billions of Kwacha)

2/20/02 17:04	1998	1999	2000		2001		2002	2003	2004
			Prog.		Rev. prog.	Est.	Prog.	Proj.	Proj.
<b>I. Revenue and grants</b>	<b>1,529</b>	<b>1,921</b>	<b>2,635</b>	<b>2,528</b>	<b>3,122</b>	<b>3,262</b>	<b>3,831</b>	<b>4,389</b>	<b>4,825</b>
1. Revenue	1,131	1,324	1,849	1,953	2,365	2,509	2,940	3,403	3,782
Tax revenue	1,094	1,289	1,820	1,931	2,325	2,449	2,878	3,313	3,662
Income taxes	398	483	594	634	881	953	1,137	1,314	1,450
Excise taxes	211	222	241	278	358	366	441	498	551
Value-added tax (VAT)	303	429	578	575	739	821	955	1,116	1,238
Domestic VAT	200	248	330	230	282	278	309	380	439
Import VAT	103	181	248	345	457	544	647	736	799
Customs duty	182	156	216	252	309	285	342	385	422
Clearance of ZESCO tax arrears	0	0	191	191	37	23	3	0	0
Nontax revenue	38	34	29	22	40	60	62	90	120
of which: privatization receipts		0	0	0	0	20	0	0	0
2. Grants	398	597	786	575	757	754	891	986	1,043
Program	0	140	318	100	107	107	136	136	140
Project 1/	398	457	468	476	650	647	755	851	903
<b>II. Expenditures</b>	<b>1,842</b>	<b>2,195</b>	<b>3,188</b>	<b>3,122</b>	<b>4,103</b>	<b>4,212</b>	<b>4,999</b>	<b>5,607</b>	<b>5,993</b>
1. Current expenditures	1,162	1,253	1,709	1,701	2,489	2,578	2,857	3,223	3,438
Wages and salaries	327	402	516	538	825	888	1,139	1,314	1,452
Public service retrenchment	77	51	74	74	20	19	80	39	0
Recurrent departmental charges	161	192	250	300	719	801	441	645	697
Arrears clearance 2/	0	0	0	0	75	117	40	150	150
Elections	0	0	0	...	86	110	4	0	0
OAU summit	0	0	0	0	72	72	0	0	0
HIPC-financed	0	0	0	0	69	50	30	...	...
Other RDCs	161	192	250	300	417	453	367	460	509
Transfers and pensions	149	181	211	219	429	353	394	473	523
of which: HIPC-financed	0	0	0	0	146	64	28	...	...
Domestic interest 3/	80	105	142	140	195	207	500	440	385
External interest (paid)	123	107	227	167	139	124	198	172	224
Other current expenditures	127	95	135	88	162	178	86	99	109
of which: financial restructuring 4/	0	0	0	0	53	64	0	0	0
Contingency	0	0	109	82	0	8	21	43	47
Payments of domestic arrears 2/	117	121	44	92	0	0	0	0	0
2. Capital expenditure	680	789	1,056	1,009	1,483	1,557	2,092	2,326	2,492
Domestically financed	113	124	172	228	419	494	718	828	916
of which: HIPC-financed	0	0	0	0	65	73	292	...	...
Foreign financed	567	666	884	781	1,064	1,063	1,374	1,498	1,576
3. Net transfers to ZCCM	0	152	423	413	131	77	50	58	64
Change in balances and statistical discrepancy 5/	46	-24	0	-114	13	-108	0	0	0
<b>III. Overall balance 6/</b>	<b>-267</b>	<b>-297</b>	<b>-553</b>	<b>-708</b>	<b>-968</b>	<b>-1,058</b>	<b>-1,168</b>	<b>-1,217</b>	<b>-1,168</b>
Domestic balance 6/ 7/	25	31	-227	-335	-501	-609	-488	-534	-411
Domestic primary balance 6/ 7/ 8/		136		-195	-306	-402	12	-94	-26
<b>IV. Financing</b>	<b>267</b>	<b>298</b>	<b>553</b>	<b>708</b>	<b>968</b>	<b>1,058</b>	<b>1,168</b>	<b>787</b>	<b>832</b>
1. Domestic	220	72	39	177	273	591	193	0	0
Bank	224	35	36	139	252	485	135	-67	-74
Nonbank	-3	37	3	38	21	106	58	67	74
2. External	47	226	514	531	696	467	975	787	832
Program loans	0	266	319	479	406	165	524	317	327
Project loans	169	209	416	289	436	434	619	647	673
Amortization (paid)	-123	-249	-221	-237	-146	-132	-168	-176	-168
<b>V. Financing gap</b>		...	...	...	...	...	...	<b>430</b>	<b>336</b>
Memorandum items:									
HIPC expenditure		0		...	280	186	350	...	...
Military expenditure				146	...	...	...	...	...
GDP (billions of kwacha)	6,033	7,480	9,853	10,075	13,043	13,079	15,987	...	...
Stock of domestic arrears				...	...	...	...	...	...

Sources: **Zambian authorities; and Fund staff estimates and projections.**

1/ Figure for 2001 includes grants of K 24 billion used for elections and domestic transfers, rather than capital expenditure.

- 2/ From 2001 onwards, arrears clearance has been classified under recurrent departmental charges.
- 3/ Figure for 2002 includes t-bills issued for interest on the forex bridge loan.
- 4/ BoZ recapitalization (K24 billion) in 2002 is captured under capital expenditure.
- 5/ Includes changes in balances of government commercial bank accounts, as well as any statistical discrepancy.
- 6/ Cash basis (with interest on a commitment basis).
- 7/ Excludes foreign grants, external debt service, and foreign-financed capital (and other) expenditure.
- 8/ Also excludes domestic interest.

### 15.2.3 Overall Resource Envelope

Table 15.2 shows that the projected financial situation for Zambia is difficult because of resource constraints with the overall fiscal balance (excluding grants) at minus 12.9 percent of GDP in 2002, which, however, declines slightly to minus 11.5 percent by 2004. With grants taken into account, the overall balance as a percentage of GDP falls from minus 7.3 percent in 2002 to minus 6.4 percent in 2004. Considering all available resources and vital expenditure commitments, this desirable envisaged fiscal outturn however still leaves a financing gap of 2.3 percent and 1.6 percent of GDP (\$95 million and \$72 million) in 2003 and 2004 respectively.

**Table 15.2: Central Government Budget, 1999-2004**  
(In percent of GDP)

2/20/02 17:03	1999	2000	2001		2002	2003	2004
			Rev. prog.	Est.			
<b>I. Revenue and grants</b>	<b>25.5</b>	<b>25.1</b>	<b>23.9</b>	<b>24.9</b>	<b>24.0</b>	<b>23.8</b>	<b>23.7</b>
1. Revenue	17.6	19.4	18.1	19.2	18.4	18.5	18.6
Tax revenue	17.1	19.2	17.8	18.7	18.0	18.0	18.0
Income taxes	6.4	6.3	6.8	7.3	7.1	7.1	7.1
Excise taxes	2.9	2.8	2.7	2.8	2.8	2.7	2.7
Value-added tax (VAT)	5.7	5.7	5.7	6.3	6.0	6.1	6.1
Domestic VAT	3.3	2.3	2.2	2.1	1.9	2.1	2.2
Import VAT	2.4	3.4	3.5	4.2	4.0	4.0	3.9
Customs duty	2.1	2.5	2.4	2.2	2.1	2.1	2.1
Clearance of ZESCO tax arrears	0.0	1.9	0.3	0.2	0.0	0.0	0.0
Nontax revenue	0.5	0.2	0.3	0.5	0.4	0.5	0.6
of which: privatization receipts	0.0	0.0	0.0	0.2	0.0	0.0	0.0
2. Grants	7.9	5.7	5.8	5.8	5.6	5.3	5.1
Program	1.9	1.0	0.8	0.8	0.9	0.7	0.7
Project 1/	6.1	4.7	5.0	4.9	4.7	4.6	4.4
<b>II. Expenditures</b>	<b>29.2</b>	<b>31.0</b>	<b>31.5</b>	<b>32.2</b>	<b>31.3</b>	<b>30.4</b>	<b>29.4</b>
1. Current expenditures	16.7	16.9	19.1	19.7	17.9	17.5	16.9
Wages and salaries	5.3	5.3	6.3	6.8	7.1	7.1	7.1
Public service retrenchment	0.7	0.7	0.2	0.1	0.5	0.2	0.0
Recurrent departmental charges	2.5	3.0	5.5	6.1	2.8	3.5	3.4
Arrears clearance 2/	0.0	0.0	0.6	0.9	0.3	0.8	0.7
Elections	0.0	...	0.7	0.8	0.0	0.0	0.0
OAU summit	0.0	0.0	0.5	0.5	0.0	0.0	0.0
HIPC-financed	0.0	0.0	0.5	0.4	0.2	...	...
Other RDCs	2.5	3.0	3.2	3.5	2.3	2.5	2.5
Transfers and pensions	2.4	2.2	3.3	2.7	2.5	2.6	2.6
of which: HIPC-financed	0.0	0.0	1.1	0.5	0.2	...	...
Domestic interest 3/	1.4	1.4	1.5	1.6	3.1	2.4	1.9
External interest (paid)	1.4	1.7	1.1	0.9	1.2	0.9	1.1
Other current expenditures	1.2	0.9	1.2	1.4	0.5	0.5	0.5
of which: financial restructuring 4/	0.0	0.0	0.4	0.5	0.0	0.0	0.0
Contingency	0.0	0.8	0.0	0.1	0.1	0.2	0.2
Payments of domestic arrears 2/	1.6	0.9	0.0	0.0	0.0	0.0	0.0
2. Capital expenditure	10.5	10.0	11.4	11.9	13.1	12.6	12.2
Domestically financed	1.6	2.3	3.2	3.8	4.5	4.5	4.5
of which: HIPC-financed	0.0	0.0	0.5	0.6	1.8	...	...
Foreign-financed	8.8	7.8	8.2	8.1	8.6	8.1	7.7
3. Net transfers to ZCCM	2.0	4.1	1.0	0.6	0.3	0.3	0.3
Change in balances and statistical discrepancy 5/	-0.3	-1.1	0.1	-0.8	0.0	0.0	0.0
<b>III. Overall balance 6/</b>	<b>-4.0</b>	<b>-7.0</b>	<b>-7.4</b>	<b>-8.1</b>	<b>-7.3</b>	<b>-6.6</b>	<b>-5.7</b>
Domestic balance 6/ 7/	<b>0.4</b>	<b>-3.3</b>	<b>-3.8</b>	<b>-4.7</b>	<b>-3.1</b>	<b>-2.9</b>	<b>-2.0</b>
Domestic primary balance 6/ 7/ 8/	<b>1.8</b>	<b>-1.9</b>	<b>-2.3</b>	<b>-3.1</b>	<b>0.1</b>	<b>-0.5</b>	<b>-0.1</b>
<b>IV. Financing</b>	<b>4.0</b>	<b>7.0</b>	<b>7.4</b>	<b>8.1</b>	<b>7.3</b>	<b>4.3</b>	<b>4.1</b>
1. Domestic	1.0	1.8	2.1	4.5	1.2	0.0	0.0
Bank	0.5	1.4	1.9	3.7	0.8	-0.4	-0.4
Nonbank	0.5	0.4	0.2	0.8	0.4	0.4	0.4
2. External	3.0	5.3	5.3	3.6	6.1	4.3	4.1
Program loans	3.5	4.8	3.1	1.3	3.3	1.7	1.6
Project loans	2.8	2.9	3.3	3.3	3.9	3.5	3.3
Amortization (paid)	-3.3	-2.4	-1.1	-1.0	-1.1	-1.0	-0.8
<b>V. Financing gap</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>2.3</b>	<b>1.6</b>
Memorandum items:							
HIPC expenditure	0.0	...	2.1	1.4	2.2	...	...
Military expenditure		1.4	...	...	...	...	...
GDP (billions of kwacha)	...	10,075	13,043	13,079	15,987	...	...
Stock of domestic arrears		...	...	...	...	...	...

Sources: *Zambian authorities; and Fund staff estimates and projections.*

1/ *Figure for 2001 includes grants of 0.2 percent of GDP used for elections and domestic transfers, rather than capital expenditure.*

2/ *From 2001 onwards, arrears clearance has been classified under recurrent departmental charges.*

3/ *Figure for 2002 includes t-bills issued for interest on the forex bridge loan.*

4/ BoZ recapitalization (0.2 percent of GDP) in 2002 is captured under capital expenditure.

5/ Includes changes in balances of government commercial bank accounts, as well as any statistical discrepancy.

6/ Cash basis (with interest on a commitment basis).

7/ Excludes foreign grants, external debt service, and foreign-financed capital (and other) expenditure.

8/ Also excludes domestic interest.

As things stand now, most of the existing domestic revenue will in the next three years remain committed to running government with hardly any room left for spending on PRSP programmes beyond those that are already running. This is partly because Zambia expanded her public service decades ago when she was rich and now finds herself trapped into such structures. She will, therefore, strongly pursue institutional reform under the Public Service Reform Programme (PSRP) so that money can be freed for poverty reduction by reducing the cost of running government. Measures such as reducing the size of government and adopting modes of delivering services that are more cost-effective can achieve this. However, this will take time to be realised.

A significant portion of the proposed PRSP expenditures in this document is of a capital nature. By design, however, PRSP expenditures are aimed at achieving specific deliverables, which may entail current expenditure, personnel costs, capital expenditure, or any combination depending on the specific deliverable. General personnel costs, running costs, and even capital expenditure have not been included in the definition for PRSP expenditure in this document unless they were aimed at a specific PRSP deliverable. Nearly \$1,500 million is projected for capital expenditure between 2002 and 2004 with donors roughly providing two-thirds of the money. Given the circumstances of very limited resources, Zambia believes that this resource provision presents the best chance of providing financial resources for the PRSP within the next three years. In other words, it is donor financial assistance, most of which is for capital expenditure and is by tradition labelled capital expenditure anyway whether genuinely or not, that should finance the PRSP.

While an opportunity exists for orienting the capital expenditure to finance PRSP programmes, this will not happen automatically and substantial prior work will be required. For example, some of the existing ongoing projects proposed for capital funding are not in perfect match with PRSP planned capital expenditures. It follows that in some cases where it is feasible, decisions will have to be made to redirect money from ongoing to prioritised PRSP projects. This applies to both donor- and locally-funded projects. Further, there will be need to re-allocate money across sectors to reflect PRSP sectoral priorities. This is because in the past, when there was no PRSP or any other plan, sector allocations of money were not always undertaken after weighing priorities across sectors. This may have resulted in some sectors being 'over-funded' while others were 'under-funded'.

In 2002, discussion will be held within government and between the government and donors to see how financial resources could be freed to PRSP programmes in a manner reflecting appropriate sectoral balances as per the programme's priorities.

### **15.3 Priority PRSP Expenditures**

#### **15.3.1 Overview**

Following the points raised in the previous section, Zambia estimates that \$1,200 million is available for spending on PRSP programmes over the period 2002-2004. This is deliberately projected below the \$1,600 million estimate for capital expenditure to take account of the difficulties that will be faced in trying to re-align capital expenditures towards PRSP

priorities. Against this, costed programmes, which were initially submitted for the PRSP, were in excess of \$4 billion. These submissions underwent strict evaluation with stakeholders in terms of their contribution to economic growth and enhancing welfare especially for the very poor. On this basis, only the core priorities, which could fit within the general budget ceiling of \$1.2 billion, were retained. The rest of the submissions, many of which are important, have been costed at zero as a way of indicating that there are insufficient resources to include them.

This PRSP puts emphasis on agriculture, tourism, transport, and energy infrastructure for the productive sectors, and education, health and HIV/AIDS with regard to the social sector. Currently, there is substantial uncertainty in the economy due to an imminent pullout of the crucial mining sector by one large investor, Anglo American Corporation, due to low copper prices. This threatens to bring about economic decline on a massive scale. It is in line with the major objective of arresting and reversing the fallen per capita GDP, while building human capital and focusing on the poor, that the priority sectors as outlined above have been chosen.

### 15.3.2 Agriculture

Whatever the final outcome of the mining crisis, it is now clear that diversification from mining must succeed as a matter of top priority and, given Zambia's resource endowment, agriculture has the best potential to be the lead sector towards this objective. On top of this, most Zambians depend on agriculture for livelihood but, currently, the majority in this category barely manage subsistence because of low productivity.

Zambia's strategy in agriculture is two-pronged. On the one hand, assistance will be provided to small-scale producers. This group constitutes one of the most poverty stricken in the country (84 percent of them are poor) and as more of them get uplifted out of poverty the better. Interventions in support of small-scale farmers include assistance towards small-scale irrigation schemes, credit, better extension, and enhanced access to markets. Also to be encouraged are sustainable farming methods such as soil conservation and animal disease control to help secure food availability at the household level. On top of this, Zambia intends to draw small-scale producers into commercial agriculture because poverty reduction should go beyond attaining subsistence to reach surplus production at the household level. The lead arrangement for this will be outgrower schemes where large-scale estates will support surrounding small-scale farmers in input provisioning and in marketing of output. Already, there are existing arrangements on this model in Zambia for export crops such as cotton, coffee, paprika, vegetables, and flowers and they will be assisted to expand.

On the other hand, Zambia also recognises that commercial agriculture is well below potential. Consequently, the second strand of agricultural development will aim at encouraging large-scale production to exploit the untapped potential, especially for the export markets in appropriate products so as to escape the market constraint imposed by the small Zambian market. Large-scale commercial agriculture will increase demand for labour and hence also provide alternative livelihood for rural dwellers that are not full-time farmers as well as creating other poverty reduction linkages such as jobs in agro-processing.

The key interventions in support of large-scale agriculture include establishment of new farming blocks especially in the poorest provinces of Zambia where, in some cases, hardly any commercial agriculture exists. These farming blocks will require support like rural electrification, farm roads, and irrigation dams. Foreign investors will be welcome to participate in these schemes but they will need to make their own financial arrangements. A credit fund is being established for resident commercial investors including the small-scale outgrowers who will be near the large-scale producers.

### 15.3.3 Tourism



Tourism is, together with agriculture, planned to play a major role in diversifying Zambia's economy. The key interventions, given the limited resources, will be to rehabilitate and to develop infrastructure needed for expanded tourism investment. The focus will primarily be in established areas where improved infrastructure will lead to higher investment and increased visitors. On top of this, the government will undertake a consultative process with traditional leaders to allow for release of traditional land for investment in agriculture and tourism. Areas with highest poverty incidence but with tourist potential will, in particular, be targeted for this initiative so as to encourage investment inflows in those areas. It is very important for a vast country like Zambia to adopt this organised approach in rationalising the provision of infrastructure for investment because it is too expensive to attempt to take infrastructure everywhere in a disorganised manner. Tourism tends to be labour-intensive and, therefore, enhances livelihood. Beyond labour provision, money has also been set aside for tourist development credit, which will be accessible to local investors, especially in areas where they can ride on the success of major tourist investors with international marketing connections.

#### 15.3.4 Infrastructure Development

Functioning infrastructure like railways, roads, energy, and telecommunication is important for reducing poverty. This is true from both the perspective of enhancing economic growth through improved international competitiveness in landlocked Zambia and from the perspective of linking poor rural areas to urban markets and social amenities. Zambia's primary objective for infrastructure is foremost to secure the extensive investment she has made already by making timely rehabilitation and maintenance. This infrastructure includes the trunk roads that link the main urban centres with rural areas, feeder roads, hydroelectric power stations, electric transmission lines and petroleum pipelines, and handling facilities. Most of this infrastructure is over thirty years old and has not had major rehabilitation and it is important to do it now.

The second objective for infrastructure is, where necessary, to create new developments in support of planned economic activity. In particular, the proposed new farming blocks, especially but not exclusively in the poorest parts of Zambia, will need functioning feeder roads, power, and simple irrigation facilities. Given Zambia's resource constraint, development of infrastructure for its own sake will be minimised. For the reasons given, substantial budgetary resources have been earmarked for infrastructure in this PRSP to cover areas like rehabilitation of trunk and feeder roads, tourist roads, power stations, electric transmission lines, and the rehabilitation and construction of new dams for irrigation.

#### 15.3.5 Education

Education is a very powerful tool for poverty reduction. At the basic level, it is a well-established fact, for example, that mothers with basic education are better equipped to avoid aspects of poverty through practices such as improved hygiene and child nutrition. At higher levels, access to education in a growing economy with rising job opportunities can uplift many from poverty. Education, therefore, is being accorded one of the highest shares of resources.

When Zambia had money, it implemented a policy of free education from the first grade to the highest possible levels for all capable children and this has had positive effects. With limited resources now, Zambia intends to bias her resources towards basic education, as it is the foundation. Basic education currently covers the first seven years of education with the objective of extending it to nine years. This will cover infrastructure development, educational materials, teacher development, deployment, and compensation, equity and gender, school health and nutrition, and upper basic school curriculum development. Other aspects are capacity building, decentralisation, and HIV/AIDS. Within the overall enhanced budgetary allocation for education, basic education will have the largest share. This is because it covers the bulk of the population, most of whom are the poor in rural areas. Beyond basic

education, other interventions for education include functional literacy, skills training, equity issues, high school improvement, and tertiary education.

### 15.3.6 HIV AIDS and Health

In the past decade, HIV/AIDS has contributed enormously to the rise in poverty through a heavy disease burden and many deaths of breadwinners, parents, and many other categories. Among the severe consequences of this is the large number of orphans and street children. To combat this threat, preventive measures will continue to be undertaken. Substantial resources have also been earmarked for those already afflicted through enhanced funding of home-based care as well as a revolving fund to introduce treatment of patients with ARVs.

Health has also been provided for with substantial resources. The bulk of this provision is on basic health care, primarily at the district level followed by the second and third level health packages. Basic health care involves basic drugs and disease prevention against common ailments like malaria, diarrhoea, and others, which tend to afflict the poor more.

### 15.3.7 Overall Allocation of Resources

In accordance with the priorities identified above, the overall allocation of PRSP expenditures within the total resource envelope of \$1,200 million is presented in Table 15.3. Details of the distribution of the resources within each sector are available in the appendices of policy actions.

**Table 15.3: Sectoral Share of PRSP Budget, 2002–2004**

<b>Sector</b>	<b>Cost (\$)</b>	<b>Share of Total Budget</b>
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
<b>Total</b>	<b>1,200,126,500</b>	<b>100.0</b>

PART THREE

**IMPLEMENTATION MECHANISM,  
MONITORING AND EVALUATION**

# Implementation Structures and Mechanisms

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### **16.1 Overview of PRSP Implementation Strategy**

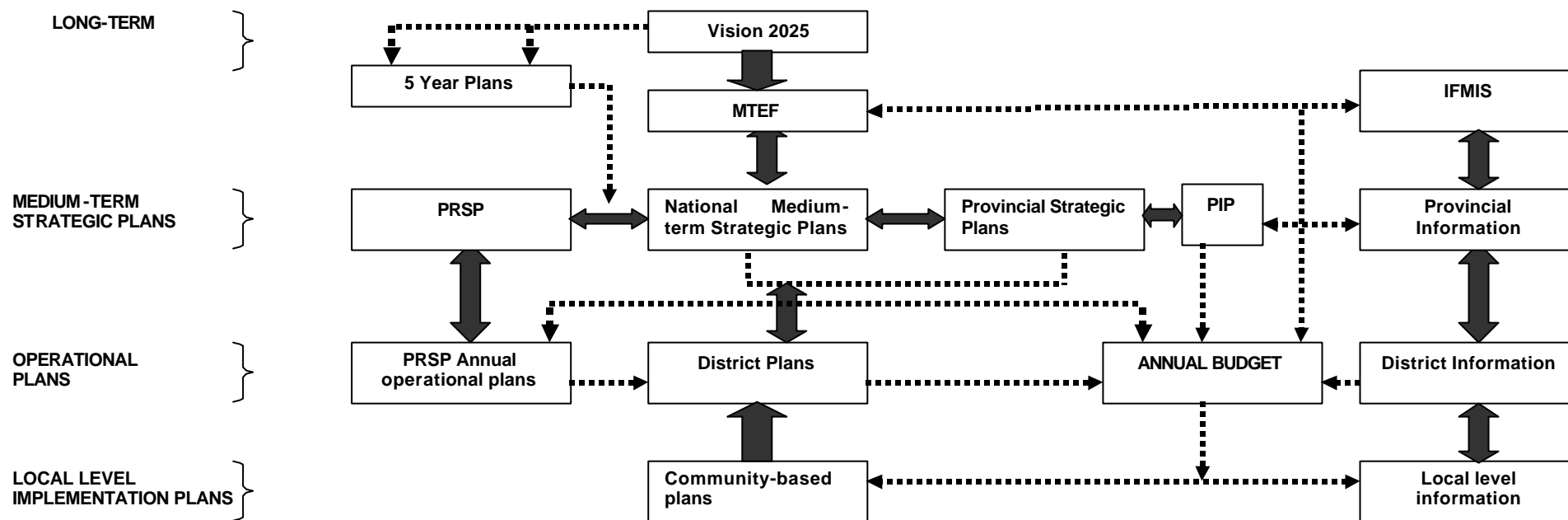
The PRSP is Zambia's development planning and resource programming tool and, as such, it is the overall framework for national (both government and non-government) planning and interventions for development and poverty reduction. It will roll over every three years and will continue to solicit for broader stakeholder input in its planning, implementation, monitoring, and evaluation. It is the nation's medium-term development framework. The PRSP is not independent of other public planning instruments and processes such as national development visioning, public investment programming, sector investment programmes, and strategic frameworks, as well as the national budgeting process.

### **16.2 PRSP Planning, Linkages and Information Systems**

The Vision 2025 which is under preparation in collaboration with line ministries, the donor community and civil society, will set the long-term vision of Zambia. It will broadly reflect what Zambians aspire to be by 2025 and options they feel will realistically get them there. The process of developing the Zambia Vision 2025 should have preceded the PRSP. However, Zambia has made a beginning in PRSP consultations and as such, the completed National Vision will continue to be reflected in the subsequent PRSPs as they roll over. This will be made possible by the fact that the vision will be set in a long-term strategic context that the PRSP will successively aspire to achieve through a medium-term strategic approach.

In order to improve expenditure planning, management, and tracking systems, a Medium Term Expenditure Framework (MTEF) will be developed in collaboration with line ministries, the donor community, and civil society. The MTEF will be based on the medium-term framework established under the PRSP and the medium-term resource envelope (both government and external). During the consultations for the PRSP, stakeholders emphasised the need for a longer-term development framework as the seemingly lack of a coordinated approach to development planning and coordination has been of concern. The PRSP has set the process of collaboration and it is intended that this dialogue will continue to shape other national development priorities such as the Zambia Vision 2025 ('the Zambia we want by 2025'), the public investment programme (PIP), the Medium Term Expenditure Framework, and the annual budget. The annual budget will be the primary instrument for effecting expenditures for PRSP priorities during its programme cycle. The PRSP, MTEF, and PIP will all be synchronised to roll over every three years in view of their inter-linkage. The PIP is the medium-term capital budget, or developmental budget, and the annual national budget's capital expenditures will derive from the PIP. The PRSP is, therefore, a medium-term poverty reduction strategy, which is linked to the Zambia Vision 2025, the MTEF, PIP, provincial and district medium-term development Plans, and the annual budget. Figure 16.1 illustrates these relationships.

**Figure 16.1: PRSP Planning Linkages and Information System**



## **16.3 Institutional Framework**

### **16.3.1 Overall Coordination**

The overall coordination of the implementation of the PRSP will rest with the Ministry of Finance and National Planning (MFNP) with the full participation of line ministries, other government institutions, civil society, and international cooperating partners. The Planning and Economic Management Department (PEMD) in the Ministry of Finance and National Planning will be the focal point for PRSP coordination, monitoring, and evaluation. All the departments in the Ministry of Finance and National Planning will be involved in the planning and management of the PRSP process with the planning department taking a lead. In order to achieve the desired focus on poverty reduction strategies, a Poverty Reduction and Analysis Unit has been established whose responsibility will be to coordinate the planning, implementation, and monitoring and evaluation of the PRSP. Thus, the former PRSP coordinator and five staff members of the secretariat have been absorbed under the new department. This has been done in order to achieve continuity in the planning and monitoring of the PRSP. Secondly, this strategy has been taken in combination with the retention of the PRSP preparation structure. Thus, all the 8 technical committees created during the PRSP preparation will continue to function during the implementation, monitoring, and evaluation stages. However, their terms of reference will be redefined. Furthermore, these committees will be linked and harmonised with the HIPC monitoring committees, which were created in 2001 with the sole purpose of monitoring HIPC initiative resources. This is so because HIPC initiative resources are seen as being one of the sources of finance for financing the poverty reduction programmes. Figure 16.1 illustrates the linkages between this unit and other planning organisations and institutions. The coordination aspect of the PEMD will also include harmonisation of external financing for PRSP programmes and other technical assistance. Appropriate mechanisms will be put in place to link the district and provincial planning and administration systems and line ministries with regard to planning, implementation, monitoring, and evaluation of PRSP programmes.

### **16.3.2 Provincial and Sectoral Planning Units**

The line ministry and provincial planning units will be linked to the PEMD. It is expected that budgeting, sectoral coordination, and monitoring will be carried out by the line ministry and provincial planning units. The process of planning will eventually be decentralised to the provincial and district level after the decentralisation policy is finalised and approved. At the provincial level, planning will be undertaken by the Provincial Planning Units (PPU). The PPUs will come under the MFNP. In terms of policy direction, the PPUs will work through the Provincial Development Coordinating Committees (PDCCs) – see Figure 16.1. This will ensure that the planning and coordination effectively take place at the provincial level *vis-à-vis* planning, budgeting, and implementation. At the sectoral level, ministerial planning units will continue to produce sector plans which will be linked to the district, provincial, and annual operational plans of the PRSP.

The provincial and sectoral plans and budgets will be consolidated by the MFNP and translated into the annual budget. In the near future, it is expected that a framework for local and central government planning and resource sharing mechanism will be developed. It is important that resources are transferred to the local authorities to enable them to effectively provide goods and services in their respective localities. Devolution will, thus, revive interest in matters of development at local levels, as local authorities will be able to plan and execute their own programmes in line with local needs.

### **16.3.3 District Planning Units**

For the district, appropriate district planning structures guided by the decentralisation policy will be established. The District Planning Units will be linked to the Provincial Planning

Units at the higher level and the community-based organisations at the lower level. These units will be very critical in the planning and monitoring of the PRSP programmes. The units will be responsible for coordination and consolidation of all submissions for inclusion in the PRSP. At the district level, policy guidance will be provided by the District Development Coordinating Committees (DDCCs). Thus, district plans will be discussed and approved by the DDCC before being submitted to the PDCC. The approved district plans will be sent up to the PPUs for consolidation into provincial annual work plans. Provincial budgets will be prepared based on the consolidated district work plans. It is expected that the preparation of district and provincial work plans will draw on the participation of key stakeholders, including the private sector, NGOs, and civil society – see Figure 16.1. This decentralised system of planning will ensure that development priorities, including cross-cutting issues under the PRSP, are integrated at points of problem identification, formulation of priorities, operationalisation of strategies as well as allocation of resources and monitoring and evaluation

#### **16.4 The Role of the Call Circular**

The Ministry of Finance and National Planning issues the Call Circular to all government controlling officers describing the budget procedures for the following year. It provides guidelines on how the provincial administration system, line ministries, and other government institutions should prepare their work plans. With the PRSP, all activities outlined in operational and capital budgets from ministries will be oriented towards realising the objectives and targets of the PRSP. The implication is that all controlling officers and technical staff in line ministries and provinces should be well versed with the goals and targets of the PRSP. The goals in the PRSP will now be clearly linked to resources and performance. In preparing provincial and sectoral budgets, planning officers will refer to the PRSP for broad policy goals, programmes, and targets. For capital expenditure, reference will be made to the PIP. In due course, expenditure ceilings will be established that broadly reflect priorities and available resources in the medium term.

MFNP, through the Planning and Economic Management Department, will analyse and scrutinise all budget submissions from line ministries to ensure that they are consistent with the objectives of the PRSP, as budget preparation is one of the core functions of the PEMD. It will be important that funding by MFNP through the Budget Office is made based on activities to achieve PRSP goals.

# Poverty Monitoring and Evaluation

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### **17.1 Introduction**

Better targeting of interventions is important in an environment with considerable competing interests for the limited resources available. Presently, most poverty-targeting projects are not poverty-focused; they have low rates of socio-economic returns; their impact is not easily and quickly realisable; their sustainability is not assured; and their political marketability-cum-attractiveness is often contestable.

In order to ensure that the implementation of the PRSP is on course and desired results are achieved, monitoring and evaluation will be undertaken. Monitoring will involve tracking key indicators over time and space with a view to seeing what changes have taken place to the indicators following the implementation of the PRSP. Since the central objective of the PRSP is to reduce poverty, evaluations will enable the assessment of the impact on poverty of interventions under the PRSP. Thus, the monitoring system is expected to provide the basic input data into either PRSP evaluation as a whole or specific programme components or policies. Below is an elaboration of the PRSP monitoring system, the selection of indicators or the variables selected to measure progress, data sources, and the planned institutional framework for monitoring and evaluation. It must be noted that monitoring and evaluation of the PRSP will complement already existing monitoring and evaluation instruments such as the annual Economic Report, Mid-year Economic Review, and Annual Reports of ministries and provinces. These instruments will be tailored to monitor indicators selected under the PRSP for this purpose.

### **17.2 Monitoring the Poverty Reduction Strategy**

The primary aim of Zambia's poverty monitoring system is to track progress being made in the achievement of the goals and objectives set out in the sectoral chapters using an appropriate mix of intermediate and final indicators. The intermediate indicators are mostly composed of factors that are under the control of implementing agencies such as line ministries. On the other hand, final indicators are mostly composed of aspects of welfare not directly under the implementing agency's control. An annual PRSP report will be produced to monitor progress towards PRSP implementation.

The selection of indicators to track progress was undertaken by the PRSP thematic working groups for the following sectors: macroeconomics, agriculture, tourism, industry, mining, education, health, HIV/AIDS, gender, energy, environment, transport and communications, water and sanitation, roads infrastructure, and governance. Following the National Summit for Poverty Reduction, the list of indicators prepared by the working groups was streamlined to match the goals being measured. Fieldwork was undertaken to ascertain what indicators were actually collected and monitored by various institutions and this process produced the list of indicators that will be used to track PRSP progress. The selection of indicators also took into account the need to monitor Zambia's progress towards the achievement of the Millennium Development Goals. More work requires to be done in future to ensure that the desired indicators are actually collected and monitored. Table 17.1 gives a summary of the indicators that will be used to monitor the overall PRSP and the sector goals. Appendix 3 gives the detailed monitoring indicators by sector.



**Table 17.1: Summary of core PRSP monitoring indicators**

Sector/area	Sector/area goal	Indicator(s)*	Responsible/sources
<b>Overall National Goal</b>	<b>Sustained economic growth and employment creation</b>		
<b>Macroeconomics</b>	To achieve a high and sustained level of real GDP growth with greater equity of opportunity, income and access in a low inflation environment with a sustainable external sector position	Inflation rate Headcount poverty Expenditure on PRSP sectors Poverty Depth GDP growth rate	CSO (National accounts, LCMS, Prices Survey)
<b>Agriculture</b>	To promote a self-sustaining export-led agricultural sector which ensures increased household income and food security	Agric GDP growth Agric employment growth percent of food secure households Expenditure on extension and vet. Services	CSO (National Accounts, Employment inquiry, LCMS)
<b>Tourism</b>	To enhance the tourism sector's contribution to economic growth and poverty reduction	Tourism GDP growth rate Tourist arrivals Bedroom occupancy rates National park road upgrades (Km)	CSO (National accounts), MTENR (Tourism Statistics Digest)
<b>Mining</b>	To promote investment in the mining industry and ensure the development of a self-sustaining mineral-based industry	Mining GDP growth rate Mineral output (tonnes) Growth in mining employment Export earnings of gemstones	CSO (National accounts, Employment survey)
<b>Industry</b>	To promote growth of an export-led industry leading to employment creation and poverty reduction	Index of industrial production Mfg GDP growth rate Mfg employment growth	CSO (National accounts, Employment inquiry)
<b>Health</b>	To improve the health status of all people in Zambia especially the poor	Life expectancy at birth Percent of <5 immunised Health posts with 80% of est. posts filled Number of antenatal patients	CSO (Census, DHS), MOH
<b>Education</b>	To provide relevant, equitable, efficient, and quality education for all	Literacy rate Percent population with grade 7 and better level of ed. Expenditure on basic education Enrolment rates	CSO (Census, LCMS), MOE
<b>HIV/AIDS</b>	To reduce the incidence, infection, and the socio-economic impact of HIV/AIDS	HIV/AIDS incidence Number of STI cases Expenditure on ARVs	Sentinel surveillance survey
<b>Gender</b>	To promote gender balance, to ease the burden of poverty especially of women at the household, community and national levels	TBD	TBD
<b>Environment</b>	To formulate appropriate policies on the protection of the environment, management and development of natural resources, and ensure their efficient and effective delivery and implementation	National Environmental Policy formulated	MTNER, ECZ (Administrative Records and Statutes)
<b>Energy</b>	To ensure optimum supply and utilisation of energy	Energy GDP growth rate Household electricity access (percent) Total petroleum consumption Households using wood fuel (percent) New solar applications	CSO (National Accounts, LCMS), MEWD (Energy Statistics Bulletin)
<b>Water and Sanitation</b>	To contribute to poverty reduction through increased access to safe water and sanitation, increased food production, and food security	Percent of households with access to safe drinking water Percent of households with access to safe sanitation Volume of treated water produced Number of boreholes sunk	CSO (LCMS) MEWD (Annual Report) NWASCO, MLGH
<b>Transport and Communication</b>	To create an efficient transport and communication system that will promote economic growth and poverty reduction	T&C GDP growth rate	CSO (National accounts)
<b>Roads</b>	To expand, rehabilitate, and invest in the road sector so as to improve accessibility and mobility	Kms of tarred, paved, and unpaved road	NRB, MWS, MCT
<b>Governance</b>	To promote good governance in the management of private and public affairs as a mechanism of poverty reduction	TBD	TBD

\*: In all sectors of the PRSP, input indicators that focus on expenditure data on programmes and other milestones will be monitored in addition to the 'Core List'. Indicator disaggregation takes into account sex and gender where possible.

The data sources for monitoring indicators will essentially be the national census, household surveys, administrative records, management information systems, special surveys, and participatory assessments for more qualitative indicators. Institutionally, the national statistical system currently comprises the Central Statistical Office (CSO), statistical units in line ministries, parastatals, and other government institutions, the Bank of Zambia, and the Ministry of Finance and National Planning.

Indicators that are at the macro level will essentially be monitored. This function will be strongly supported by the Poverty Monitoring and Analysis component of the Zambia Social Investment Fund (ZAMSIF) and the Living Conditions Monitoring Unit at the Central Statistical Office. Sector specific (meso level) monitoring will be carried out by the implementing institutions as they have control of the administrative systems that generate most intermediate programme indicators. In addition, other institutions such as NGOs, academic institutions, research centres, and donors play an important role in collecting and analysing additional information and data.

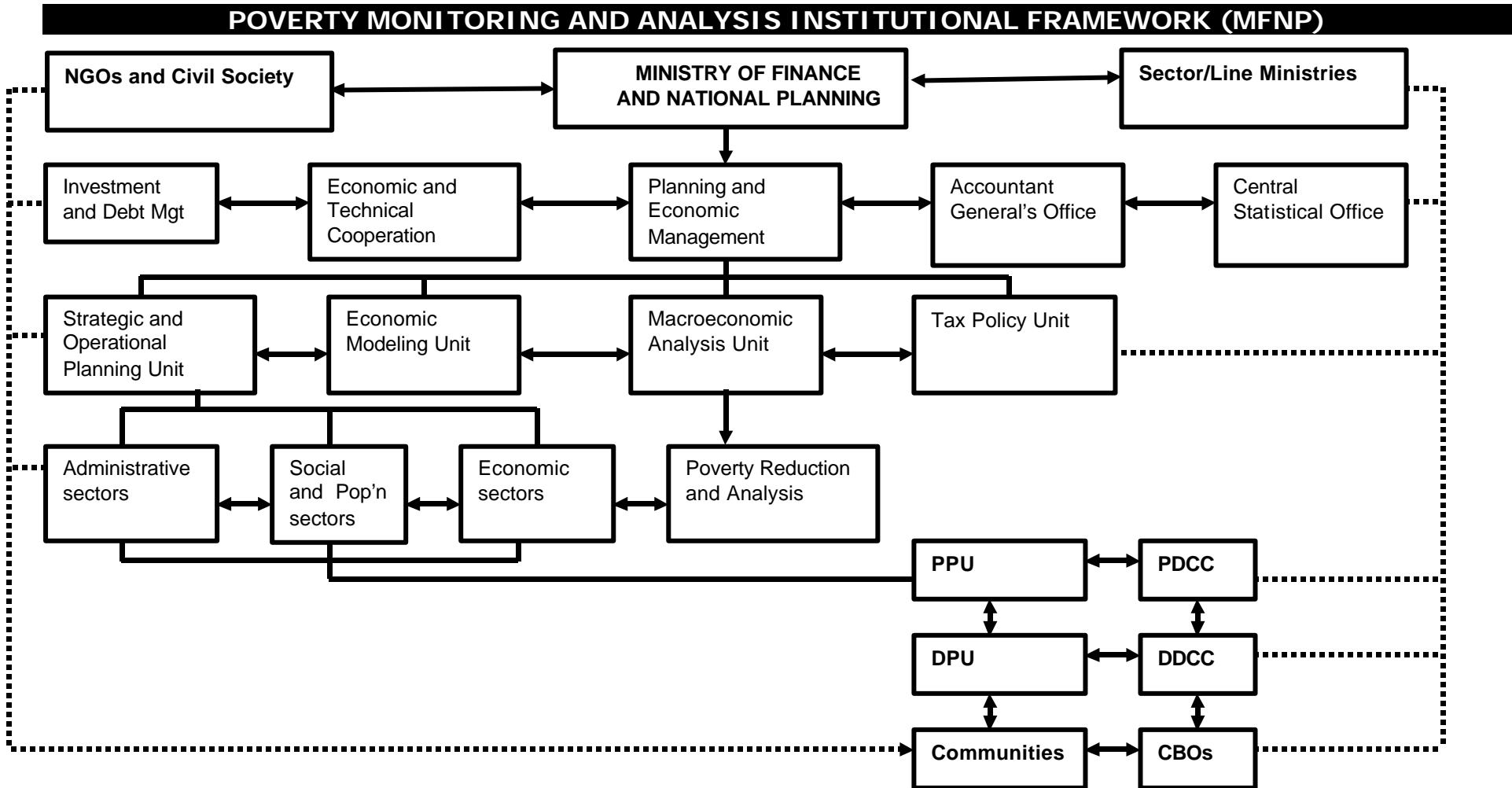
Currently, the Central Statistical Office runs a survey programme that produces statistics on income poverty and various living conditions indicators. This will be the core monitoring mechanism for final level indicators on poverty welfare and access/utilisation of social services. This survey will be adapted to ensure that key indicators requiring primary survey data are collected. Other large-scale CSO surveys such as the Post Harvest Survey (PHS) will complement it mostly for agricultural indicators. For monitoring key social indicators that have a strong health dimension, the Demographic and Health Survey (DHS) will be relied upon.

In order to develop a system of monitoring and resources targeting, systems will be developed to make use of Geographical Information Systems (GIS). This will highlight the geographical variation in incidence rates of poverty and other PRSP relevant indicators from the above-mentioned data sources. This analysis will also identify geographic factors that lie behind the poverty incidence levels and as such improve geographic targeting where this is required.

The monitoring frequency will differ at various levels. Intermediate indicators will be monitored at annual frequencies and where data is available at frequencies of less than one year. This will enable the tracking of inputs and their immediate outputs. Since final indicators take a little longer to change, tracking will be undertaken with a longer frequency to allow change in the indicators. For financial data, monthly budgetary allocations will continue to be published.

The overall poverty monitoring function will be done by the PEMD in the Ministry of Finance and National Planning. The institutional frame work for planning and monitoring of poverty reduction programmes is illustrated in Figure 17.1 below. The MFNP in collaboration with sector ministries, NGOs, and the civil society will work out and implement a comprehensive monitoring system on the basis of performance, and intermediate and final indicators. At the local level, the District Planning Units will work through the District Development Coordinating Committees while at the provincial level the Provincial Planning Units will work through the Provincial Development Coordinating Committees.

Figure 17.1: Poverty Monitoring and Analysis Institutional Framework



### **17.3 Evaluation Strategy**

The evaluation strategy will aim at a systematic examination of the implementation and outcomes of PRSP programmes and policies compared to the set of indicators in the sector programmes and other institutional benchmarks. Three main aspects are designed to be products of the evaluation strategy:

- *Evaluation of the implementation process* will attempt to establish whether programme implementation is done according to design and whether things are working or not.
- *Evaluation of outcomes* will seek to assess whether individuals and households' situations have changed *vis-à-vis* access to social services, utilisation of social services, and well-being. This level of evaluation should establish what the results are in relation to the original or revised programme goals.
- *Understanding the extent to which particular outcomes are the result of the interventions under the PRSP* or a component of it. This will be done since outcomes are generally not under the control of programme implementers and as such can result from independent and unintended sources.

The key issue for PRSP impact evaluation is the baseline on which to judge the progress arising from PRSP programmes. The construction of a baseline has in most cases been complicated by the fact that indicators are available at different reference dates. Whereas the latest value for some indicators is for 2001, others are only available as far back as 1996, especially for health outcome indicators. In most cases, it has not been possible to unify the baseline data.

The main data sources for the evaluations will be sample surveys. This is because most of the indicators that provide information on access and utilisation are currently collected under the regular cross-sectional surveys of the CSO. However, in cases where this is not the case, efforts will be put in place to ensure data capture for specific PRSP programmes and indicators. The difficulty that is likely to be faced will be that of constructing the counterfactual or what would have happened without the PRSP or components of it. This could have been solved if baselines were carried out, but the current survey programme is not designed with this in mind. Future surveys will be designed to try to capture programme and non-programme participants for specific sector interventions so as to allow a more favourable before and after evaluation. Civil society is expected to play a crucial role in PRSP evaluation as it is not scientific practice for one to be an implementer and evaluator at the same time.

### **17.4 Next Steps after Implementation**

The successful implementation of the PRSP will require that effective systems are put in place to manage and monitor its implementation. Frameworks will also have to be developed with a view to enhance programme design, monitoring, and evaluation including poverty analysis. In order to have a firm grip on government expenditures, a Medium Term Expenditure Framework (MTEF) will be developed. This is because total government interventions will continue to be constrained by resource availability. In this respect, commitments for interventions will be within resource availability. Therefore, in order to avoid annual budgets being thrown into disarray, thereby threatening the credibility of the PRSP, an MTEF will be used for expenditure planning in the medium term. Matching expenditures as outlined in the PRSP with the resource envelope in the MTEF will enhance the activities being realised.

The MTEF process will require review and assessment of where resources are currently committed or spent and to make real decisions or choices on where Zambia's resources should be spent to further the PRSP. Increasingly in the PRSP process, therefore, expenditures should reflect the objectives in the PRSP and not otherwise. Controlling officers should not commit resources to expenditures outside the PRSP objectives.

Information should not only be provided on releases as it is currently done, but should go further by indicating where the money was spent and the physical outputs. The IFMIS should, therefore, not only be seen as an accounting framework, but also capture the physical aspect of the expenditures. This will be part of the expenditure tracking systems. Publishing allocations and tracking will help. Increasing transparency also enhances certainty. This will ensure that all line ministries and other stakeholders have the same information regarding issues of disbursement, as resources like in the past, will be affected by shortfalls in revenues, thereby affecting amounts initially budgeted for them. Budget executions and allocations/releases by sector/province/ district may have to be published on a regularly basis at some point.