

# ECONOMIC POLICIES

FOR GROWTH, EMPLOYMENT AND POVERTY REDUCTION

CASE STUDY OF ZAMBIA



Centre for Development  
Policy and Research



United Nations  
Development Programme

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Case Study of Zambia

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# Preface

**The** attainment of the Millennium Development Goals (MDGs) in Zambia, as in many developing countries, requires a radical departure from business as usual. The country needs faster economic growth coupled with redistribution as recent trends in poverty, social indicators, and employment imply that the MDGs cannot be achieved by growth alone even if the rate were much higher than in the recent past.

The MDGs call for a broader role for the public sector, with emphasis upon public investment. This is in line with the central objective of the Fifth National Development Plan, which is a sustainable and rapid growth rate that maximizes poverty reduction. It is our hope at the United Nations Development Programme (UNDP) that the Zambian government could use this independent report to facilitate the implementation of the plan.

So far, progress towards the attainment of the MDGs in Zambia has been mixed and prospects for their attainment in 2015 are slim with present levels of public expenditure. However, the prospects are relatively brighter now, with the fiscal space created by the debt relief from Highly Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative, and with the bold aspirations in the Fifth National Development Plan.

With the fiscal gains from debt relief achieved, additional poverty reducing expenditure must come from increases in official development aid grants and a sustainable rise in the fiscal deficit to accommodate the properly-structured public investments needed in education, health and infrastructure.

This report suggests that, additionally, an internationally competitive manufacturing sector should be a central element in Zambia's growth and poverty reduction strategy. Agricultural development must be promoted as part of the poverty reduction strategy of the country, but an internationally competitive manufacturing sector should be an equally important element in the strategy.

Zambia has potential for a strong, competitive manufacturing sector as the country has an excellent natural resource base and skilled work force. Further, because urban poverty has increased dramatically over the last twenty years, growth of manufacturing would be poverty reducing by generating employment at decent wages.

A coherent and integrated industrial policy is necessary to achieve this. The policy should combine a macroeconomic framework favorable to manufacturing, a sectoral policy that fosters competitiveness (consistent with World Trade Organization obligations), and micro policies to raise the efficiency of enterprises. Cutting across all three levels would be public investment in infrastructure.

UNDP hopes that the report will be useful for the Government of the Republic of Zambia, as well as for all stakeholders in policy development in Zambia and other countries as they work towards achieving the noble objectives of the Millennium Declaration.



Aeneas C. Chuma  
UNDP Resident Representative

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*Millennium Development Goals	

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MDG 1: Eradicate extreme poverty and hunger

*Target 1* Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day

*Target 2* Halve, between 1990 and 2015, the proportion of people who suffer from hunger

MDG 2: Achieve universal primary education

*Target 3* Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

MDG 3: Promote gender equality

*Target 4* Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015

MDG 4: Reduce child mortality

*Target 5* Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

MDG 5: Improve maternal health

*Target 6* Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

MDG 6: Combat HIV/AIDS, malaria and other diseases

*Target 7* Have halted by 2015, and begun to reverse, the spread of HIV/AIDS

*Target 8* Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases

MDG 7: Ensure environmental sustainability

*Target 9* Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

*Target 10* Halve, by 2015, the proportion of people without sustainable access to safe drinking water

*Target 11* By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers

MDG 8: Develop a global partnership for development

*Target 12* Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Includes a commitment to good governance, development, and poverty reduction both nationally and internationally

*Target 13* Address the Special Needs of the Least Developed Countries. Includes: tariff and quota free access for LDC exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction

*Target 14* Address the Special Needs of landlocked countries and small island developing states

*Target 15* Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

*Target 16* In co-operation with developing countries, develop and implement strategies for decent and productive work for youth

*Target 17* In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

*Target 18* In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

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