

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, United Nations agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Harare, Pretoria, Dhaka, Kathmandu, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
September 1999

ZAMBIA: COUNTRY STRATEGY PAPER 1999

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A. SUMMARY

A1. Zambia's economy, once Africa's second-richest and based on mining, is now predominantly agricultural, highly unequal, and very poor. Its external debt is crippling, and AIDS is decimating the most productive age groups and bringing personal tragedy and economic dislocation to practically every family. Women have difficulty asserting their rights, and children's rights too are inadequately protected. Rights to basic education and health have been increasingly difficult for poor people to exercise. With falling per capita national income, poverty has worsened. Yet, with its ample land and raw materials, its future could be bright.

A2. Multi-party democracy returned in 1991. Civil and political rights were restored, the economy stabilised and some structural changes begun. An enterprise culture began to replace dependence on the state, and rural poverty started to decline. But by 1995, progress had slowed. Failure to privatise Zambia Consolidated Copper Mines (ZCCM) undermined any other reform efforts. The Government did not implement its stated commitment to reduce poverty and to cut corruption, and concern about deteriorating civil and political rights grew.

A3. AIDS alone would make it difficult for Zambia to achieve the International Development Targets. The growth rates needed to halve poverty by 2015 may be unattainable. Zambia could get much closer to them if the Government succeeds in its plans to privatise ZCCM quickly, promote private investment, and use debt relief and other assistance to reduce poverty. On the other hand, without such reform mining output will decline further, the economy contract, and poverty worsen.

A4. Against this background, DFID will work to assist poverty reduction strategies and would be willing to increase its programme if Zambia relaunches its reform programme to reduce poverty and tackle corruption. DFID will also support Zambia's case for debt reduction. Four areas of focus are proposed:

- governance
- livelihoods
- key services - health and education
- HIV/AIDS

Development assistance cannot deliver progress without appropriate government policies. Failure to privatise ZCCM, or to address governance and poverty reduction priorities, will hold back progress. In this case, our programmes would be focused more on working with non-governmental partners.

B. THE CHALLENGE

B1. When multi-party democracy returned to Zambia in 1991, *the new Government faced unique problems*. Zambia's external debt burden was among the highest in the world. Once the second richest in Africa, the economy - centred on mining - had been hard hit by falling metal prices and years of state monopoly losses. Copper output had been falling for years. Less visibly, the AIDS pandemic was decimating the productive age groups and bringing personal tragedy and hardship to practically every family in the country. Conflict in Angola and Mozambique threatened regional stability, and left Zambia with large numbers of refugees.

B2. *The new Government restored civil and political rights*. Economic stabilisation and liberalisation made great strides. Zambians began to depend on individual enterprise rather than state provision. Zambia's partners responded with extraordinary levels of aid - four times the average for Africa as a share of Gross National Product (GNP). Inflation fell from triple figures to below 20%, and poverty began to decline, particularly in rural areas.

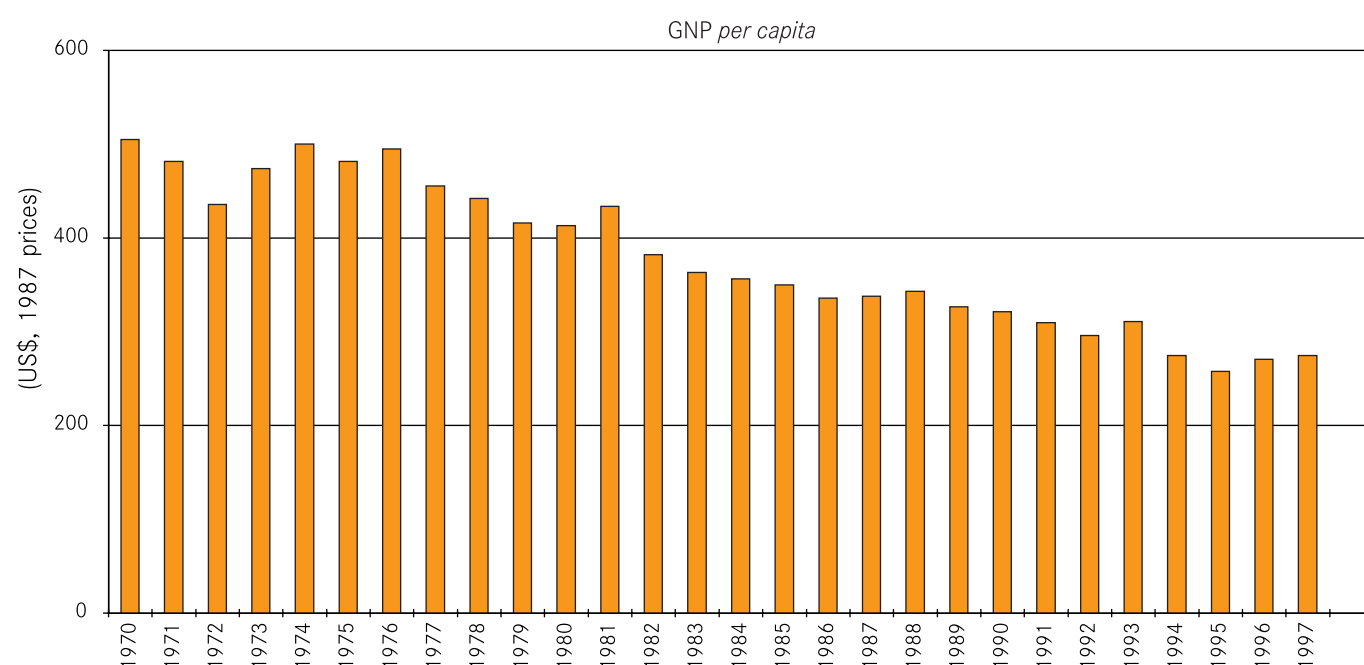
B3. But by 1995 policy had begun to deteriorate. *The good record on civil and political rights was tarnished*. The structural changes needed to bring growth and reduce poverty proved difficult. Continued failure to privatise

ZCCM, which means health and education spending is squeezed, has undermined previous reform successes. Confidence among Zambia's partners in the Government's commitment to poverty reduction ebbed, and donor support was sharply reduced. Renewed conflict in the region created further problems.

International Development Target: A reduction by one-half in the proportion of people living in extreme poverty, by 2015

B4. *Poverty* in Zambia is acute. 85% of the population lives on less than US\$1 a day¹. Inequality is high: the Gini coefficient² is estimated at 0.51. 1998 per capita income in Zambia was about US\$380, having fallen by some 60% between 1975 and 1995 (see Box 1). Zambia is highly urbanised by regional standards, with just under half the population living in urban areas. Declining incomes led to worsening poverty, but since 1995 there has been a very slight reduction in both the incidence and depth of national and rural (though not urban) poverty. Rural poverty remains more widespread and more severe than urban poverty.

Box 1



¹ In 1985 purchasing power parity terms.

² The Gini coefficient measures inequality in income distribution: a value of 0 represents complete equality, while a value of 1 represents all wealth concentrated in one person. The highest in the world is Sierra Leone, 0.63; the lowest is the Slovak Republic, 0.19.

B. THE CHALLENGE

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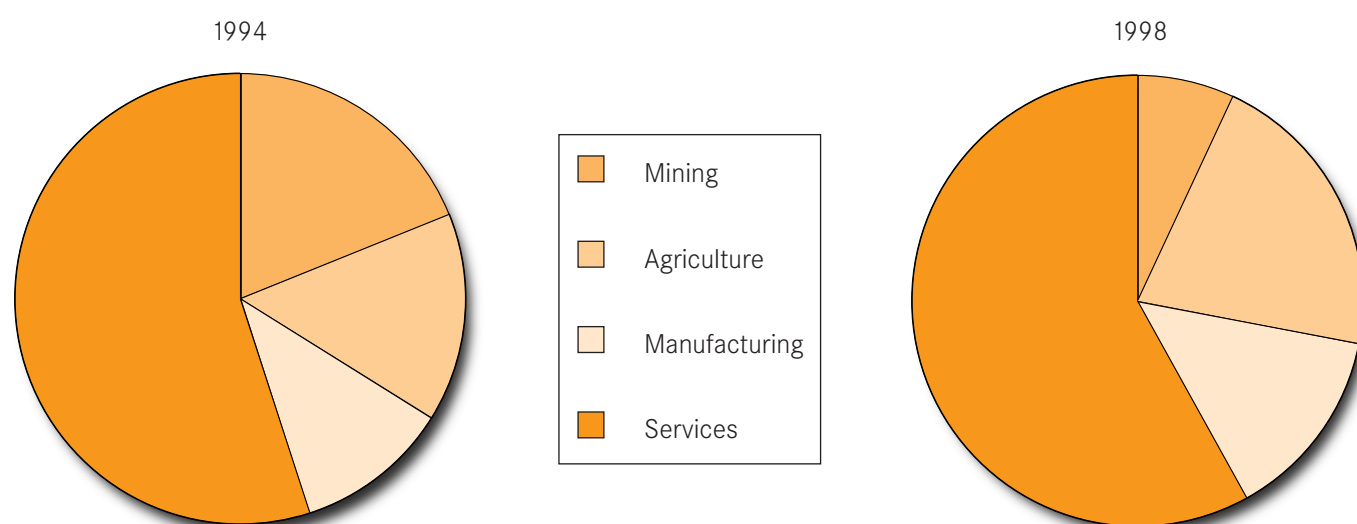
B5. Zambia's *overall economic policy* made good initial progress after 1991. Prices (including the exchange rate) were decontrolled, subsidies eliminated, and the economy opened up. Debt service obligations were met. Most parastatal monopolies were ended and crop marketing was liberalised. An ambitious privatisation programme, to improve efficiency and reduce the cost to government of losses, made rapid early progress, but still has nearly half the portfolio's value to tackle, including the major challenges of ZCCM, banking, insurance, electricity, the oil pipeline, and Zambia Railways.

B6. After 1995, reforms slowed and *macro-economic stability slipped*. Delays in privatising ZCCM cost the economy massively. Structural changes remain slow, particularly where institutional changes are required, as with public service restructuring. There are weaknesses in the commercial banking system, with 22% of total loans classified as non-performing.

B7. The *structure of the economy* has changed markedly over the past five years, though it remains vulnerable to drought. In real terms, per capita copper earnings in 1998 were less than 5% of those in 1970. Mining's share of exports fell from 90% in 1992 to 67% in 1998. Like the rising share of agriculture in the Gross Domestic Product (GDP) shown in Box 2, this reflects some increase in new areas like horticulture, but is mainly due to the collapse in mining earnings.

B8. Zambia's *external debt burden* is unsustainable. The new Paris Club agreement to reduce its official debt on Naples terms will help. But even if Zambia achieves its macro-economic targets, the ratio of debt³ to exports, which was 510% at the end of 1998, will not fall below 200% until after 2005. Further debt relief under the Highly Indebted Poor Countries (HIPC) Initiative will be needed.

Box 2



³ The net present value of external public debt discounted at current market rates.

B. THE CHALLENGE

CONTINUED

B9. Zambia's *trade* regime is very open: quantitative restrictions on imports have been abolished and tariffs reduced and simplified. Imports from the Southern African Development Community (SADC) make up 48% of the total, while the main export markets are SADC and the European Union (17% each). Zambia is negotiating with the Southern Africa Customs Union (SACU) on a preferential trade agreement, but Zambia has not yet signed any SADC trade protocol. Zambia's export earnings remain vulnerable to world copper prices, which are at historically low levels and not expected to recover until 2002.

B10. Levels of *aid* in the early 1990s were extraordinary - nearly 28% of GNP in 1991, though much of this was designed to help Zambia clear its arrears to the International Monetary Fund (IMF). After 1995, however, balance of payments support was sharply reduced in response to the slowing down of economic reform, and deteriorating human rights: total aid fell to 17% of GNP in 1997. This in turn limited the Government's scope to implement any poverty-reducing policies it did develop.

B11. To *reach the International Development Target* of halving the incidence of poverty by 2015, Zambia requires annual real growth in per capita consumption of nearly 5%. If inequality was substantially reduced, the target could be achieved more easily. Only in 1996 and 1997 has the economy grown for two successive years, and overall GDP growth since 1991 has averaged 1% - a fall in per capita income of around 2% per year.

B12. Zambia's *medium-term prospects* could be bright: it has ample arable land, enough rain in most years, abundant raw materials, untapped tourism potential, and liberal trade and exchange policies. Its privatisation programme has attracted substantial foreign investment. The external environment for Zambia's exports is expected to improve somewhat: import demand of its main trading partners is projected to increase by 5% annually. However, it lacks the most important element: abundant human resources. In particular, AIDS will have a major impact: life expectancy is now 45, and without AIDS it would have risen to 66 by

2010. With AIDS it is expected to fall to 33. AIDS will cut population growth from 3.1% to around 1%; and reduce per capita GDP growth by about 0.2% annually.

B13. *Accelerating economic growth* towards the levels needed to achieve a halving of poverty by 2015 will require policies that recapture early momentum, delivering macro-economic stabilisation, completing the privatisation process, improving infrastructure, and enhancing the quality and coverage of public services. Higher aid flows would also be needed. Effective implementation of sound policies would create the opportunity for substantial debt reduction under the Heavily Indebted Poor Countries (HIPC) initiative. Together, these would enable faster private sector growth.

B14. The growth rate referred to in B11 is ambitious. For example, to achieve a 2.5% growth in per capita GDP (less than half that needed to reach the International Development Targets) would mean increasing *investment* from 14.5% of GDP to 20% by 2001. Much of this would come from foreign investment, but private savings need to rise by more than 3% of GDP too. The investment climate has improved, reflecting the emerging enterprise culture, but while the economy remains depressed it will be hard to attract investors. The legal framework is positive, and labour relations have generally been smooth, but regulatory hurdles and weak infrastructure still discourage some potential partners. There are attractive opportunities, such as in tourism and agriculture, if Zambia can get its macro-economic policies and supporting infrastructure right.

B15. There is however a much *darker scenario*, in which ZCCM is not swiftly privatised. Its creditors could start to fold as cash-flows dry up; the economy would contract, reserves collapse, and devaluation could lead to hyperinflation. It would be impossible to protect key public services, and poverty would deepen sharply.

B. THE CHALLENGE

CONTINUED

International Development Target: universal primary education in all countries by 2015

Bi6. 47% of Zambians are under 15. Zambia's literacy rates are low by regional standards: almost 50% of children leave school unable to read. **Primary enrolment** rates have been falling for some years: in 1996 the gross enrolment rate was barely two thirds that in 1985, and it is estimated that some one third of children fail to attend primary school. Fees and the need for uniforms, together with declines in quality and perceived relevance, are barriers to access. The share of expenditure going to education rose from 13.9% in 1994 to 17.8% in 1996, of which about 40-50% went to primary education: Zambia spent over 130 times more per year on a tertiary student than on a primary pupil. However, under a new sector programme the Government has renewed its commitment to a steady increase in the share of expenditure going to primary education over the coming five years.

Bi7. Zambia has ratified the Convention on the **Rights of the Child**, but has yet to publish its first report. Child labour goes unremarked by most Zambians: while much family-related child labour can be positive there is also evidence of damaging work, and of children missing school to work. The country has the highest level of orphanhood in the region - at least a third, soon to be a half, of all children have lost a parent, while three quarters of Zambian families are caring for at least one orphan. Girls are particularly vulnerable: 24% of girls aged 15-19 have a child, and the average age of mothers at first birth is under 19.

International Development Target: demonstrated progress towards gender equality and the empowerment of women, by eliminating gender disparity in primary and secondary education by 2005

Bi8. **Women** make up 50% of the population, but hold less than 10% of the seats in Parliament and are under-represented in senior positions in public service or business. Households headed by widows and divorced women are over-represented among the poorest, and their poverty is disproportionately severe. While the Constitution protects

their position, women still have difficulty asserting their rights, particularly in inheritance and domestic violence cases.

International Development Target: a reduction by two-thirds in the mortality rates for infants and children under five, and by three-fourths in maternal mortality, all by 2015

Bi9. **Child** (197:1000) and **infant mortality** (109:1000) rates are amongst the worst in sub-Saharan Africa. The main causes of death are diarrhoea, pneumonia, malaria, HIV/AIDS and other preventable or treatable infections. HIV/AIDS will add a further 33 child deaths per 1000 by 2000. Children orphaned by HIV/AIDS are particularly vulnerable to malnutrition and other childhood diseases.

B20. Mortality rates are closely linked to **nutritional status** and poverty. The nutritional status of children has deteriorated since 1991. 42% of children under five are stunted (chronically malnourished), 18% are severely stunted and up to 50% suffer from micro-nutrient deficiencies. Stunting worsens with age. Poor access to safe water and sanitation exacerbates an already difficult situation.

B21. **Life expectancy** is expected to drop. One in five mothers are HIV-positive. The tuberculosis rate has increased five fold since the advent of the HIV pandemic, with about 60% of all cases HIV-related. Up to half of education, health and other professionals could die of AIDS-related illness within a decade. Currently there are 500,000 children who have lost both parents due to AIDS, likely to rise to one million by 2010.

B22. The **maternal mortality rate** is high at 649:100,000. 53% of births take place at home. The main causes of death could be addressed by tackling malaria and obstetric and abortion-related complications.

International Development Target: access through the primary health care system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than 2015

B. THE CHALLENGE

CONTINUED

B23. *Population growth* at 3.1%, and the total fertility rate at 6.1, are both high. The use of contraceptives is increasing but it is still only 14% for modern methods. Condom use has increased but is still low considering the risk of HIV and other infection by sexually transmitted diseases. Half the women who want to use modern methods have access to family planning services.

B24. Zambia allocates about 13% of its discretionary recurrent **budget** to health. This represents \$3.85 available per capita (against a recommended \$12⁴ for a basic package of services). Reproductive health services suffer alongside other services because of the absolute shortage of funds. The Zambian Government's commitment to health reform and equity of access affords an opportunity to ensure that essential services receive high priority.

International Development Target: the implementation of national strategies for sustainable development in all countries by 2005, so as to ensure that current trends in the loss of environmental resources are effectively reversed at both global and national levels by 2015

B25. Compared with many other countries in central Africa, Zambia still retains **vast areas of natural vegetation**. Forests cover about 50 - 60% of the land surface. The country has a number of unique wetlands which are important habitats for birds and wildlife.

B26. In rural areas there is some localised soil erosion, often in areas with productive soils and high population densities. Rainfall is uncertain, and water management weak. Urban areas face major environmental challenges,

with high social costs. These include inadequate solid waste management in municipal areas, and air quality and water pollution. High sulphur dioxide emissions and other environmental impacts of mining are particularly important in the Copperbelt.

B27. Zambia produced a **National Conservation Strategy** in 1995 which provides an overview of the country's environmental problems and options for improving the quality of the environment. It has progressed further than most countries in encouraging the private sector to participate in the protection and management of national parks. In addition, Zambia has an active community-based wildlife management programme.

Democratic accountability, protection of human rights, and the rule of law

B28. From Independence to 1991, President Kaunda and his United National Independence Party (UNIP) governed Zambia as a highly regulated, one-party state. After a series of failed economic reform programmes, **multi-party elections** in 1991 represented a turning point for Zambia. President Chiluba and the newly formed Movement for Multi-party Democracy (MMD) won, adopting policies of structural adjustment, economic liberalisation, privatisation and public service restructuring.

⁴ At 1990 prices.

B. THE CHALLENGE

CONTINUED

Box 3. ELEMENTS OF GOVERNANCE

KEY GOVERNANCE ISSUES IN ZAMBIA

- Concentration of financial and political power in the hands of a small élite;
- Poor separation of personal and official interests and resources;
- Personalised power, so that decision-makers are accountable to their client groups (and look to personal patrons for protection) rather than to democratic systems;
- Widespread corruption;
- Despite formal democratic systems, limited effective influence for poor people over political decision-making;
- Weak policy analysis and policy-making capacity;
- Poor public financial management;
- Public services that fail to deliver the basic services poor people need;
- Widespread insecurity, and perception that personal safety and accessible justice are the preserve of the few rather than the right of the many.

B29. While Zambia remains a multi-party democracy, the 1996 elections were flawed, with UNIP abstaining in protest at constitutional reforms which debarred ex-President Kaunda from contesting the Presidency. The poor response to the 1998 voter registration exercise and low turn out (26%) in the December 1998 local government elections suggest widespread voter apathy. The *Electoral Commission* lacks the capacity to discharge its statutory functions effectively, and is not wholly independent of government.

B30. The independent *media* function freely (with occasional threats). The broadcast media remain a government monopoly, and the Government still controls two of Zambia's three daily newspapers.

B31. The *Constitution* is strong, guaranteeing basic freedoms and human rights. Implementation is, however, mixed. Women have particular problems in asserting their rights: domestic violence and 'property grabbing' from

widows are examples of areas where custom tends to predominate in practice. Allegations of torture continue, although all those detained in connection with the 1997 coup have been tried or released. Prison conditions are harsh and life threatening. The police have a reputation for the abuse of human rights; and arbitrary arrest, prolonged detention and long delays in trial remain problems. Government is keen to tackle police reform.

B32. The shift of responsibility for administering the courts from the *Executive* to the *Judiciary* in 1994 gives the Judiciary greater autonomy. The reform of the Parliamentary Committee system now under way should strengthen the ability of the *Legislature* to scrutinise the Executive. Further checks and balances are provided by the recently instituted Permanent Human Rights Commission (PHRC), and through the Anti-Corruption Commission (ACC), Investigator General and Auditor General. However, these have limited capacity.

B. THE CHALLENGE

CONTINUED

B33. The *public service* is over staffed and its present size is no longer affordable. Despite low salaries, wage bills are spiralling upwards, squeezing other budgets. Morale is poor. The Public Service Reform Programme (PSRP), launched in 1993, planned to restructure ministries, reduce numbers, improve conditions of service, and deliver better services to the public, but has made little progress. Government hopes to give it new impetus soon, with increased donor support.

B34. The Provincial and District tiers of government are organisationally and financially weaker than the national. A *decentralisation policy* has been in draft since 1993: without it, and improved accountability and better financial management, local government will remain ineffective.

B35. Strategic planning capacity within government is limited, constraining *pro-poor policy making*. The Ministry of Finance and Economic Development has slender capacity to analyse the impact of taxation and expenditure on poverty, or to ensure that expenditure reflects budget priorities. Revenue collection has improved with the creation of the Zambia Revenue Authority.

B36. *Corruption* is a serious concern. Petty corruption occurs daily and often goes unchecked. Strengthening public procurement and accounting could reduce opportunity for corruption at all levels. Strengthening the ACC might result in more cases being brought to prosecution. Greater integrity is needed in public and private sectors, requiring renewed political commitment at the highest levels.

B37. Although affected by various regional conflicts, Zambia has remained at peace. The *conflict* in the Congo now threatens a renewed influx of refugees. The Government has made a substantial effort to bring peace there, which shows signs of success. A resurgence of fighting in Angola poses further threats. The combination of heightened lawlessness and risks to trade flows threatens business confidence.

B38. *Civil society* in Zambia is lively, though many non-governmental organisations (NGOs) have limited constituencies and accountability is weak. Business and religious bodies are active participants in public life. Trades Unions operate freely, though mainly in the large-scale formal sector. Organisations of civil society are working with government on a policy framework and legislation for NGOs, which has been much delayed.

B39. The operation of government has not provided broad participation in decision-making, though there are plans to consult the public in preparing the budget. Business and political interests are often difficult to separate, with financial power in the hands of a small number of individuals, families and companies. Poor people lack a strong voice, and political systems continue to serve the interests of élites. Underlying this is a conflict between the strong formal provisions of the Constitution and public administration, and the deep structures of personal power in Zambian society. These have survived a number of regimes, from colonial through one-party to multi-party.

B40. The MMD Government's record in implementing reform has been mixed. It has recently adopted a wide-ranging National Capacity Building Programme for Good Governance. With support from stakeholders inside and outside Zambia, this programme should give fresh impetus for the improvement of human rights in Zambia.

C. PARTNERSHIPS

C1. The prospects for an effective partnership between the UK and the **Zambian Government** in the terms set out in UK Government's White Paper on International Development⁵ are uncertain.

C2. The Zambian Government is **publicly committed** to poverty reduction, and has drafted a National Poverty Reduction Action Plan - but this lacks focus or prioritisation. Sectoral policy frameworks again match this, but neither resource allocations nor individual policy decisions demonstrate commitment.

C3. The early record of **macro-economic management** was of strong reform and refocusing of the budget towards the social sectors. However, neither taxation nor expenditure show a sharp poverty focus, and progress since 1995 has been limited in both areas, while macro-economic stabilisation and restructuring have both been slow.

C4. The Government's **relationship with donors** is open, though bumpy. Sectoral dialogue has varied with personalities and with the political climate.

C5. Overall, the partnership remains tentative. We are committed to respond positively if Government actions reduce poverty and promote human rights, but it is clear that development assistance will not bring benefits in the absence of such reform.

C6. As noted in B38, **civil society** in Zambia is an important potential partner. The growth of service delivery NGOs in rural areas reflects a change in the model of government away from a statist system to a greater role for private sector and voluntary bodies. Where they exist such NGOs often draw on donor funds, usually have more resources than District Councils, and are certainly more highly regarded. Advocacy groups are mainly urban, though important exceptions (e.g. the Young Women's Christian Association) have been valuable partners in helping poor and marginalised people to have their voices heard. Most organisations of civil society, except trades unions and religious bodies, rely on foreign donor funding. All are keen to build partnerships with DFID and other donors.

C7. The formal **private sector** is largely urban, though agro-industry has grown in importance and may prove a partner in reducing rural poverty. There is scope to work together on policy issues such as trade, and on practical concerns such as HIV/AIDS. British investment has been substantial: £120 million, including £65 million through the Commonwealth Development Corporation (CDC), during the 1990s.

C8. The **United Nations agencies'** expenditure in Zambia is modest (£17 million in 1997), though the United Nations Children's Fund (UNICEF) is an important partner in both health and children's rights.

C9. DFID has built close links with the **IMF** office, which has a strong role in macro-economic policy dialogue. The **World Bank** office in Lusaka has been strengthened: the Bank's programmes are large (£100 million in 1997) and the strength of the Washington-based team has made it a key partner in public service restructuring, health and education as well as economic policy.

C10. The European Community has a substantial programme (£18 million in 1997, but £49 million in 1995), but the Delegation has not been active in policy discussions. Their infrastructure and micro-projects programmes connect closely with our proposed rural livelihoods work.

C11. The main bilateral **official donors** apart from UK have been Japan, Netherlands, the USA, Canada, Germany and the Nordic countries. Donor co-ordination is patchy, with little leadership from Government. Approaches to issues such as governance have varied between donors, with some giving greater emphasis to political and civil rights. Northern NGOs are important partners, particularly in urban livelihoods work.

⁵ 'Eliminating World Poverty: A Challenge for the 21st Century' (Cmnd. 3789)

D. CURRENT UK DEVELOPMENT PORTFOLIO

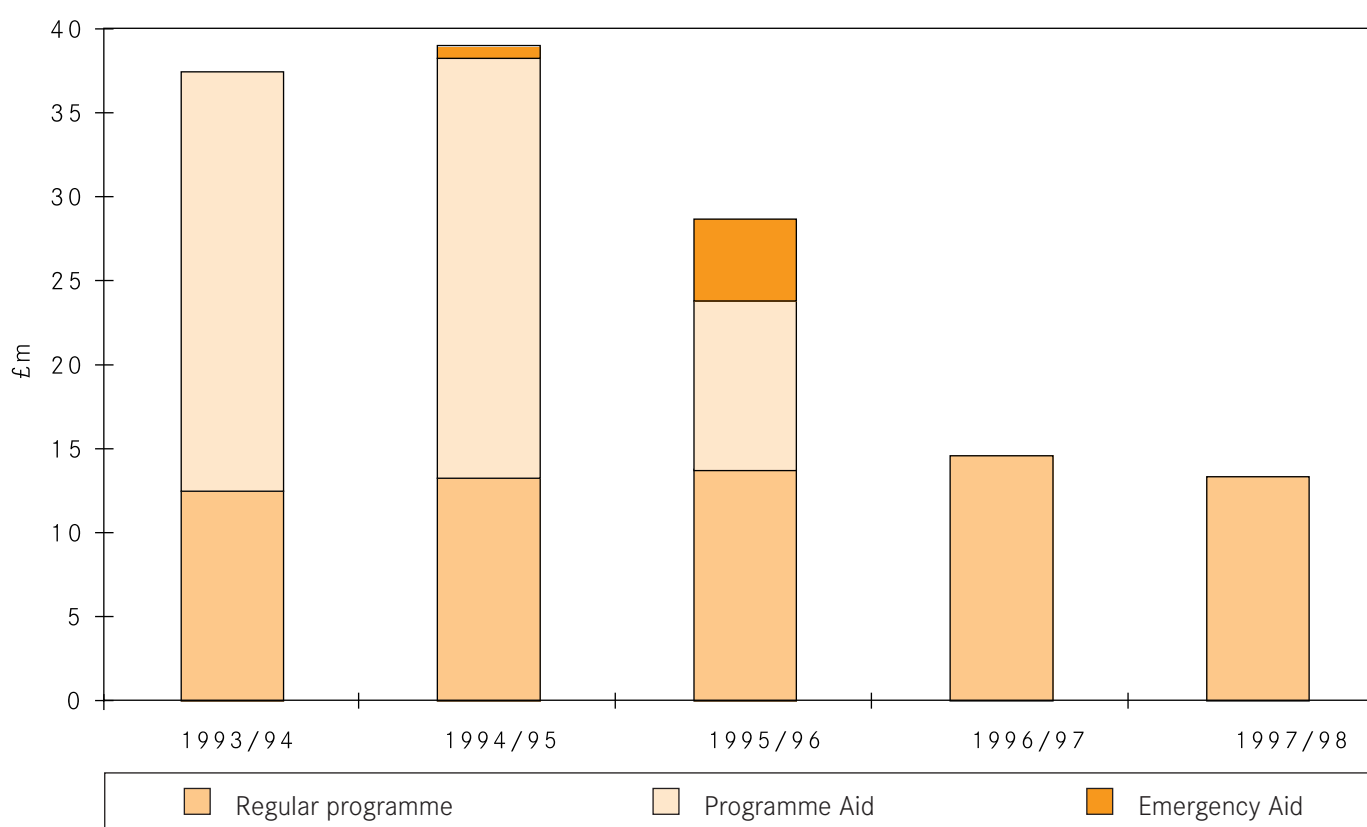
D1. DFID's current portfolio in Zambia reflects the *long-standing relationship* between the UK and Zambia. In the 1980s there were over a thousand UK-funded staff working in Zambia, filling critical skills gaps but not always building local capacity. Since then the emphasis has shifted to building sustainable Zambian institutions. Efforts now focus mainly on better economic management, health and education, and urban livelihoods, with significant investments also in public service restructuring and good government. Substantial sums of programme aid in the early 1990s helped to stabilise the economy and made some of the key policy changes possible. There have also been intensive contacts at sector level on health and education.

D2. The total committed to projects active at the end of 1998/99 was £85 million. Box 4 shows the *recent trends* in British support for Zambia. 74% of our projects completed over the last three years largely or fully realised their

purpose. Projects that take account of the full range of technical, social and political dimensions have generally succeeded: where vested interests are challenged, progress is slower or more difficult. It is not yet possible to assess the impact of recent activities on the International Development Targets.

D3. Donors as a whole have had some success in supporting positive policies in health, and increasingly in education. Sector-wide approaches are being developed, but changes of key personnel and doubts over immediate impact on services have made progress bumpy. *Dialogue* on macro-economic policy has been intensive but agreements have not always been borne out in implementation. Discussions on other aspects of governance, such as corruption, have been more difficult, though recently there has been considerable progress in some areas, such as the release of coup detainees.

BOX 4. BRITISH BILATERAL AID TO ZAMBIA⁶



⁶ Excludes CDC investments, and debt relief rising from £7 million in 1993/94 to £33 million in 1997/98

D. CURRENT UK DEVELOPMENT PORTFOLIO

CONTINUED

Box 5. RECENT DFID ACTIVITIES IN ZAMBIA

Zambia has not defaulted on its international debt. Since 1992, DFID has provided over £100 million in programme aid and debt relief to help meet Zambia's foreign exchange needs and to free budgetary resources for more effective public service delivery.

Revenue has risen from under 14% of GDP in 1993 to over 19% in 1998 while tax rates have fallen, thanks to the creation of an autonomous Revenue Authority. DFID has supported the development of effective systems for collection of taxes that also facilitate business and enhance integrity.

More than 5,000 people in peri-urban areas, two-thirds of them women, have received small loans from micro-credit bodies supported by DFID. On average incomes have risen by 20%.

School-based in-service training for teachers is being extended from three pilot Provinces to the whole of Zambia, to raise teaching standards.

Some teachers' salaries may be falsely claimed by 'ghosts'. DFID has helped the Ministry of Education to identify between 3% and 8% of salaries as possibly fraudulent, potentially saving up to £1 million per year.

5,000 households in one of Lusaka's poorest 'compounds' now have reliable water supplies, and have set up community organisations to maintain these facilities.

Clinics in poor areas of Lusaka supported by DFID have doubled their patient throughput, from 1.5 million to 3 million visits, in three years.

The prevalence of modern contraceptive methods has risen from 9% in 1994 to nearly 15% in 1996, directly attributed to increased availability supported by DFID.

In 1998, three times as many women were elected to local councils as 1992. DFID funded the YWCA and other lobby groups to encourage women to stand, and to vote.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. Recent research has confirmed the conclusion that aid is only *effective in reducing poverty* where the policy context is pro-poor. Higher volumes of aid in support of governments whose actions do not promote equity, economic growth, and human rights produce little or no reduction in poverty.

E2. The proposed strategy for poverty reduction, equity and human rights reflects the process of consultation described in Annex 1, and fits closely with Zambia's draft National Poverty Reduction Action Plan. It draws on a substantial evaluation (Booth *et al*⁷) of the impact of previous DFID assistance on reducing poverty. This leads to *four areas of work*, each combining policy dialogue, advocacy, technical assistance and financial aid:

- Governance
- Livelihoods
- Health and Education
- HIV/AIDS

E6. A *human rights-based approach* permeates the whole strategy, reflected in cross-cutting attention to gender, ethnicity, age, and other axes of social disadvantage. This approach makes the participation of poor people a right not a discretionary gift, and will be reflected in the way programmes are designed and monitored (sector-wide approaches and specific projects alike) as well as in the emphasis on social and political 'voice' for poor people. We will support gender initiatives in a structured way through all our projects and programmes, including if possible help for Zambia in implementing its post-Beijing national gender strategy.

E7. *Integrity* is a theme that cuts across all aspects of Zambian public life. Through advocacy and technical and financial assistance DFID will support the work of the Anti-Corruption Commission and other bodies, in government and civil society, that promote integrity and reduce corruption in national life. We will also advocate, and where possible support, improvements to government systems (e.g. procurement, accounting and audit) that reduce the scope for corruption and improve value for money. These will form part of an integrity strategy for Zambia, which will be developed during 1999 and 2000.

E8. The fragile nature of the partnership between Britain and the Zambian Government means that the programme will have to be flexible enough to adapt if it becomes necessary to work opportunistically, with a mixture of non-government and private sector partners, rather than strategically with Government. While the proposed strategy does not have a specific environmental component, environmental concerns will be addressed in all relevant activities.

IMPACT AREA I: GOVERNANCE

E9. Reflecting Box 3 in Section B, and the analysis in B28-40, this impact area has four components:

- macro-economic management;
- public service restructuring;
- implementation of the International Conventions and Covenants; and
- safety, security and access to justice.

E10. The impact of economic decline on poverty noted in B4, and the need for pro-poor policies identified in B35, make good *macro-economic management* a priority. DFID will support a pro-poor budget through advocacy and technical advice on quality and composition of public expenditure and on incidence of taxation, and help with revenue collection. We will also help to build up Zambian capacity to generate and analyse the data needed to measure changes in poverty and assess the impact of policies. We may also help with policy and implementation in areas (such as privatisation and financial services) that encourage investment and private sector-led economic growth including access to the Public-Private Infrastructure Advisory Facility (PPIAF)⁸.

E11. Given the impact of *debt* on Zambia, we should help with debt management and analysis, as contributions to early access to HIPC debt reduction in response to implementation of clear Zambian policies for poverty reduction. This could also allow additional programme aid, to support continued enhancement of budget allocations to key services for poor people.

⁷ Evaluation of DFID Support to Poverty Reduction: Zambia Country Study. D. Booth *et al*, 1998

⁸ The PPIAF is a mechanism, operated by the World Bank and part funded by DFID, which supports the development of public-private partnerships in infrastructure investment.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

Ei2. Government and donors alike recognise the importance of public services for poor people. Public service staff costs take over 40% of public expenditure (over 90% of primary education funds go on pay and allowances), so the Public Service Reform Programme (PSRP) needs to rethink both the range of government activities and the structure of its workforce. We will support an emerging Zambian strategy for PSRP, focusing on a few key areas (probably payroll management and establishments control, and perhaps broader work on incentives and on procurement systems), and press the case for a **restructuring of the public service** that enhances delivery of key services for poor people. This is crucial for the creation of public interest in the success of the programme, and we may address public perceptions of the process directly. If a decentralisation policy is approved and implemented, we may also consider ways of supporting the process. Similarly, we may support elements of the new National Capacity Building Programme for Good Governance referred to in B40.

Ei3. Zambia has ratified most of the main *International Conventions and Covenants on human rights*. We will support their implementation through advocacy and assistance, working with government and civil society alike. The first focus might be on children's rights and gender rights, but the full range (including civil, cultural, economic, political and social rights) will be covered. Civic education and training in support of poor people's political voice may be another early entry point, as may support for the strengthening of civil society.

Ei4. DFID's support for poor people's **safety, security and access to justice** (SSAJE) forms a specific element of this human rights-based approach. DFID support may draw together work with the police (covering the rights of both victim and suspect), the courts and the prison service (including perhaps non-custodial alternatives) with attention to the non-formal systems of security and dispute resolution (including traditional authorities) that affect poor people's lives.

Ei5. As well as the Government of Zambia, this will involve working in close **partnership** with the IMF and World Bank, particularly on macro-economic policy and public service restructuring. We will also work closely with UNICEF on children's rights, with the United Nations Development Programme (UNDP) on aspects of public service restructuring, and with a number of bilateral donors, notably the USA, the Nordic countries and Germany, on aspects of human rights. Particularly in areas of human rights and integrity, Zambian civil society will be a key partner, and in macro-economic management we will also develop closer links with the private sector.

IMPACT AREA 2: LIVELIHOODS

Ei6. Tackling particularly the first IDT, on the proportion of people living in absolute poverty, DFID will aim to enhance the livelihoods of poor people in both rural and urban areas in Zambia. We will build on existing partnerships in **peri-urban** areas with CARE and others, and seek to understand the impact of restructuring on urban poverty. Micro-credit (to build poor people's financial capital), physical capital (notably water and sanitation), social capital (through the creation of networks such as savings, credit, and service user groups), political capital (through the creation of local representative structures) and human capital (through skills training and gender awareness) have been the main elements.

Ei7. In **rural areas**, a programme in Northern Province will start from social and physical capital entry points (based on community mobilisation and work on roads and water supplies among others), but be open to other aspects of livelihoods as poor people in poor and remote communities establish their own priorities.

Ei8. To support those whose livelihoods remain inadequate, we also plan a modest **social protection** programme. This will be based in Southern Province, the most drought-prone region of Zambia, and focus on drought preparedness and mitigation. We will also include an element of public works assistance within the livelihoods programme in Northern Province.

E19. Together with national and local government, our key *partners* in this impact area will be the communities with whom we work directly, and the NGOs who form our project partners. We will also work closely with Irish and Swedish aid projects in Northern Province, and with the private sector in both urban and rural areas as markets widen and financial systems deepen.

IMPACT AREA 3: HEALTH AND EDUCATION

E20. In both health and education we have been working with other donors to develop multi-donor *sector-wide approaches* that tackle the second and third International Development Targets. We will continue with this effort, working within sectoral strategic frameworks agreed between the Government and co-operating partners. We will move to pooled funding systems supporting agreed budgets as soon as the policy framework and accounting systems have matured sufficiently to cope with changes in leadership. In keeping with a rights-based approach, we will continue to work on ways to integrate poor people's voices into the way such sector-wide approaches are designed and managed.

E21. In education, we will focus on the Basic Education Sub-Sector Investment Programme (BESSIP). In health, as well as hoping for renewed progress towards common systems in support of the National Health Strategic Plan, we will aim to ensure that key issues such as TB are properly addressed.

E22. In both sectors our leading *partner* will be the line ministry concerned. The World Bank, the EU, and several bilateral donors play leading roles. Civil society organisations will also be crucial in bringing poor people's voices to the fore, as well as being important providers of some key services for poor people.

IMPACT AREA 4: HIV/AIDS

E23. Paragraph B12 gave some indication of the severity of Zambia's HIV/AIDS pandemic. Because of its *pervasive impact*, all DFID investments in Zambia should have an HIV/AIDS appraisal. Many donors are involved in helping to tackle HIV/AIDS, so DFID's role should reflect our areas of comparative advantage. Deploying both financial

resources and influence, we will build on existing supply side efforts (e.g. in condom supply), but also focus on areas of behaviour change. We will seek to reinforce systems that support the growing number of AIDS orphans, and consider the scope to help with care for people with AIDS. We will also help to integrate work on prevention and care with human resource planning, particularly in the public service.

E24. Our main *partners* in this impact area, apart from the government's co-ordinating National Secretariat, will be in Zambian civil society, including the for-profit private sector. We will also work closely with organisations at all levels of society caring for orphans, ranging from community groups to UNICEF's national programme. The range of donors involved in HIV/AIDS work is very wide, and careful co-ordination will be needed to avoid duplication.

SCENARIOS

E25. Three cases are proposed. The *high case programme* is based on an early sale of ZCCM, in line with Zambian Government policy, accompanied by positive partnerships in key areas such as basic health and education. DFID could work with the Government to implement policies to reduce poverty, as well as (on a more modest scale) directly with communities and the private sector. A growing programme would follow.

E26. If ZCCM privatisation goes ahead but key poverty reduction policies are not taken forward, continued programme aid would do no good. A *more modest portfolio* would result, working to help reduce poverty with Government where possible but more with partners outside Government, both for-profit and non-profit.

E27. If ZCCM privatisation were to fail, it is possible that copper production would *collapse* with serious economic, social and political consequences. In these circumstances DFID would need to consider carefully what it could do to mitigate the effects on poor people.

F. IMPLEMENTING THE NEW STRATEGY

Fi. The various scenarios proposed would be achieved *within existing and currently planned* staff resources.

G. PROGRAMME RESOURCES

Gi. Annex 2 shows the composition of expected development assistance on programmes and projects by impact area under the optimistic scenario. However, in addition DFID has committed a programme aid grant of £20 million for 1999/00 in the context of the current

ESAF programme, subject to privatisation of ZCCM and governance issues. Under an optimistic scenario further programme aid in support of poverty reduction policies would also be considered.

SUMMARY OF PREPARATION PROCESS

I. This Country Strategy Paper (CSP) was drawn up between December 1998 and June 1999 in consultation with a wide range of stakeholders. The main workshops involved

Zambian Government, private sector and civil society, while consultations also took place with other donors and the UK private sector.

EVENT	DATE	TOPICS
Open Space event with Zambian Government (9.12), with Zambian civil society (10.12), and review session with both groups (11.12)	December 1998	Eliminating poverty in Zambia: what is to be done? Eliminating poverty in Zambia: what is DFID to do?
Outline Conclusions	December 1998	Outline agenda for DFID involvement circulated to all participants
Evaluation of Impact on Poverty of DFID Zambia Programme	December 1998	Booth <i>et al</i> - draft received in DFID in December. Revised Summary circulated to partners in Lusaka, March 1999.
Preparatory papers and background material	January-February 1999	IMF: Policy Framework Paper and Country and Article IV Staff Report Education sector position paper Health sector background paper Social issues paper
Review workshop within DFIDCA	February 1999	What changes do we seek in the way life in Zambia operates? What forces affect these changes? What tools, and which partners, does DFID have?
Outline reflections on context, governance, and strategy circulated to Zambian partners	March 1999	Britain's Strategy for Co-operation with Zambia
Review workshops with Zambian stakeholders and other donors	March 1999	Structure and content of DFID's programme, in the light of the Outline Reflections paper
Further sectoral work	April 1999	HIV/AIDS
First draft of CSP circulated within DFID	April 1999	
Discussions between DFIDCA and Zambian ministers and other stakeholders	May 1999	Second draft of CSP
Final version submitted	June 1999	

2. The process began with a workshop in Lusaka in December 1998. This involved several members of the DFID Zambia team (from DFID Central Africa and the British High Commission, Lusaka) and a range of stakeholders from Zambia. An 'open space' event was held with officials from a number of Zambian ministries on 9 December, and a similar event was held with members of a range of private sector, trades union, service delivery, advocacy, and community-based bodies from Zambian civil society. These events looked first what needed to happen in Zambia for poverty to be eliminated, and then at DFID's specific role. A record of the two days' findings was presented to a joint meeting on the third day (though this was sparsely attended).
3. On the basis of this record, a number of analytical background papers were produced. Conveniently, the World Bank and IMF Boards received papers for substantial credits during this phase, including a Policy Framework Paper and the outcome of Zambia's Article IV consultation. Hence no background paper was produced on the economy. However, papers on education, health, and overall social issues were produced within DFID Central Africa (DFIDCA).
4. A further significant influence on the process was the production of a substantial evaluation report by Prof. David Booth and colleagues. This was received in DFIDCA in draft at the end of December 1998, and a revised version of its summary was circulated to a range of Zambian partners and other donor missions in Lusaka.
5. A workshop in February drawing together the whole of the DFID Zambia team (some of whom had been unable to attend the December workshops) led to the production of an outline reflections paper covering 'Context, Governance, and Strategy' of DFID's partnership with Zambia. The analytical passages of this drew on the background work noted, as well as other research material, while the strategy reflected much of the thinking of the December 'open space' events.
6. This outline reflections paper was discussed in a further mission to Lusaka in March. Discussions were held with other donors, and then in a joint session with Zambian government and civil society. Discussions covered both the analysis and the content of the proposed strategy.
7. In the light of these discussions, further sectoral work was commissioned on HIV/AIDS, in order to inform the proposed impact area.
8. A first draft of the CSP was produced, and circulated to DFID colleagues in London. On the basis of their comments a revised version was circulated to Zambian stakeholders. This draft was discussed with ministers, senior officials, and members of civil society in Lusaka in May. The final version submitted to DFID senior management reflects this final round of consultations.
9. It was agreed during these consultations that the process of dialogue should be continued. DFIDCA therefore propose to hold an annual review meeting, involving at least those who took part in the process of drawing up the CSP.

COUNTRY PROGRAMME EXPENDITURE PROFILE*

£ MILLION	1999/00	2000/01	2001/02
CURRENT COMMITMENTS			
Key Services			
-Education	2.5	0.9	3.5
-Population & Health	1.5	0.4	0.3
Governance			
-Macro Economic Management	1.6	0.7	0.5
-Public Service Restructuring	1.5	1.8	0.6
-International Covenants and Conventions	0.2	0.4	0.1
-Safety Security and Access to Justice	0.3	0.3	0.2
-Integrity	0.6	0.6	0.4
Livelihoods	3.5	0.6	0.5
Others	0.3	0.3	0.3
SUB TOTAL	12.0	6.0	6.4
PLANS			
Key Services			
- Education		1.5	2.0
- Population and Health		1.6	2.5
Governance			
-Macro Economic Management		0.8	0.7
-PSR		0.8	0.7
-International Conventions and Covenants		0.3	0.2
-Safety Security and Access to Justice		0.3	0.3
-Integrity		0.2	0.2
HIV/AIDS		0.5	1.0
Livelihoods		2.5	3.0
TOTAL	12.0	14.5	17.0

* Excludes possible balance of payments/budgetary support.