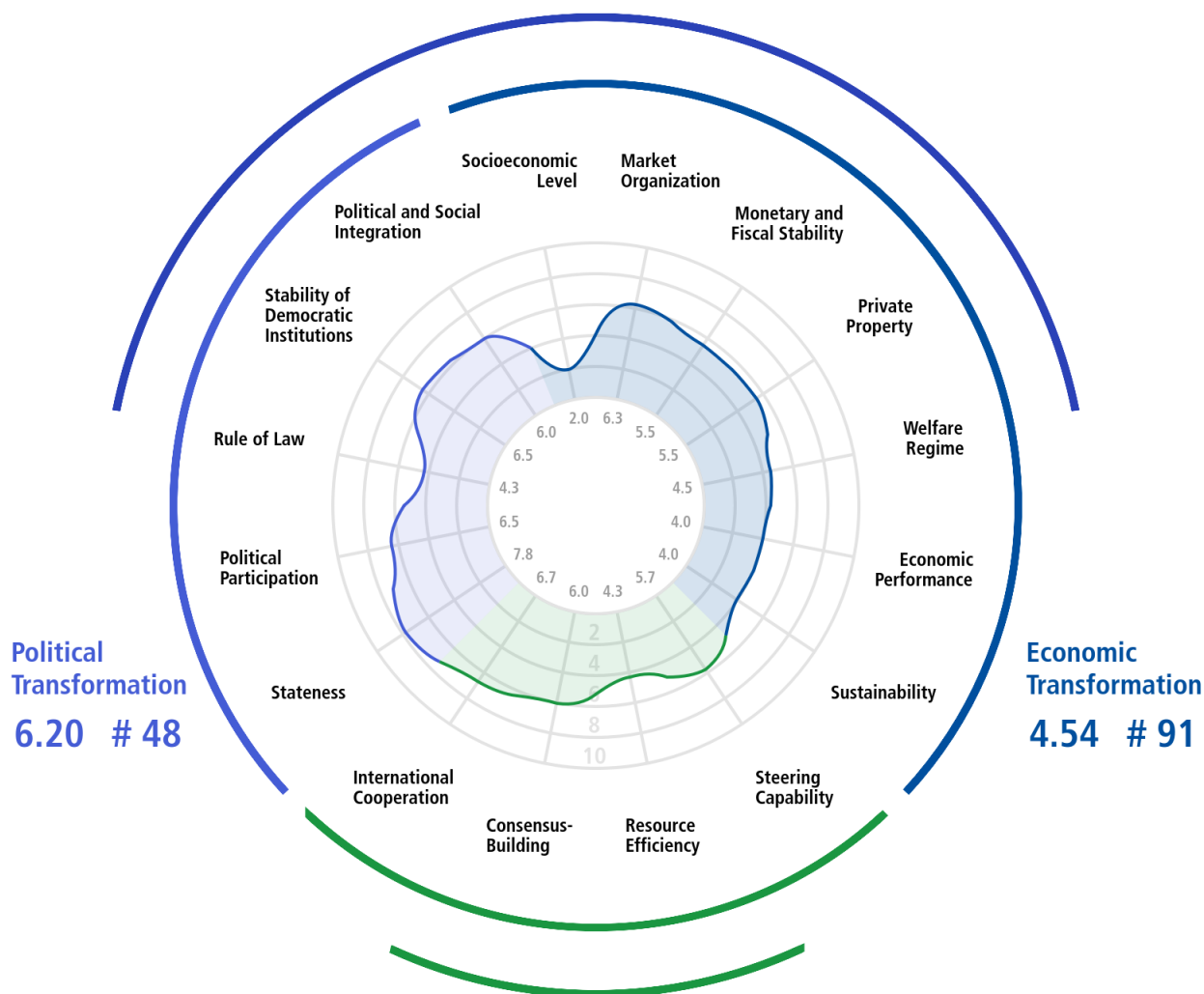


Zambia

Status Index

5.37 # 64

on 1-10 scale out of 137



Political Transformation
6.20 # 48

Economic Transformation
4.54 # 91

Governance Index

5.16 # 48

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Zambia. Gütersloh: Bertelsmann Stiftung, 2024.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	20.0	HDI	0.565	GDP p.c., PPP \$	3894
Pop. growth ¹	% p.a.	2.8	HDI rank of 189	154	Gini Index	55.9
Life expectancy	years	61.2	UN Education Index	0.543	Poverty ³	% 78.0
Urban population	%	45.8	Gender inequality ²	0.540	Aid per capita \$	55.0

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Between 2019 and 2021, the quality of political and economic governance in Zambia declined, while dissatisfaction with the status quo increased. This political context changed in 2021 with the defeat of President Edgar Lungu and the Patriotic Front government by Hakainde Hichilema and the United Party of National Development. The transfer of power was welcomed by a large majority of Zambians and by the international community.

The magnitude of Lungu's defeat at the polls was so large that his attempt to claim that he had really won the elections appeared implausible. The hard work of domestic observation groups and civil society organizations – who brought court cases against government efforts to subvert the democratic process and conducted a parallel vote tabulation that demonstrated that Lungu had lost – increased the pressure on Lungu to accept defeat and ensured that Hichilema was able to take power despite the fact that the elections were neither free nor fair. The transfer of power reflects the deep commitment of the Zambian people and many leaders to democratic norms and values. President Hichilema's "new dawn" government has promised to lead a process of democratic renewal, and the removal of Lungu immediately resulted in a greater sense that Zambians could exercise their political rights and civil liberties.

Zambia's economic recovery is also a work in progress. Many Zambians had high hopes that Hichilema, known for his success in business, would be able to swiftly stimulate economic growth. However, the reality has proven to be more challenging. While the Central Bank of Zambia's decision to raise interest rates to 9% in 2020 ultimately brought the inflation rate back down to single digits, this rate has not yet returned to the government's target range. Furthermore, economic growth has been disappointing, reaching only 3.1% in 2022, falling short of the government's goal of 4%.

While the government has promised to take steps to reduce the cost and red tape involved with setting up a business and to promote a broader range of economic activities, the economic conditions remain extremely challenging. In addition to being a landlocked country, Zambia continues to rely on copper for around 70% to 80% of all export revenue, and agricultural exports have only expanded from 1.3% of GDP in 2019 to 3.4% in 2021.

The government's first budget provided for the recruitment of 30,000 more teachers and 11,000 more nurses but disappointed some Zambians by prioritizing reducing mineral royalties over efforts to reduce the cost of living. These measures are designed to attract further investment and boost productivity and long-term growth, but they have also reduced government revenue. Thus, despite pledging to balance the books and move away from the practice of deficit financing, the government is estimated to have run a budget deficit of around 9% in 2022, with domestic financing rising from ZMW 17.7 billion in 2021 to ZMW 24.5 billion in 2022 – an increase from 4.8% of GDP to 5.2% over the same period.

History and Characteristics of Transformation

Economic and political transformation took place in Zambia simultaneously. Democratic transformation began in March 1990 when the ruling single party, the United National Independence Party (UNIP), was forced to enter a debate about a return to a multiparty political system. In 1991, the UNIP was ousted by the Movement for Multiparty Democracy (MMD), led by the former trade unionist Frederick Chiluba. In the 1990s, a system with a dominant party emerged, which proved un conducive to democratic consolidation. The problematic behavior of Chiluba and his ministers was exacerbated by a lasting sense of insecurity in the face of a state administration staffed by supporters and clients of the former one-party state. Although he initially attempted to seek a third term in office, Chiluba ultimately supported Levy Mwanawasa in the controversial 2001 elections. The 2008 by-election necessitated by the death of President Mwanawasa saw the MMD's vote share decline again to 41% of the vote.

The 2011 presidential and parliamentary elections were not fair, although they were essentially free. To the surprise of many, Michael Sata and his Patriotic Front (PF) were allowed to win. However, this occurred only after backstage wrangling with high-ranking Zambian officials from the Electoral Commission and probably leaders of the military as well as some international diplomats. Soon thereafter, the government began implementing a number of reforms that had been promised during the election campaign. These reforms were aimed at the formal labor force and included an increase in social expenditure. However, when faced with increased criticism, especially during periods of economic downturn, the government demonstrated growing intolerance and resorted to the same repressive instruments as its predecessors.

This process began in earnest with the death of President Sata on October 28, 2014, which necessitated a presidential by-election. High turnout in United Party for National Development (UPND) areas, combined with low turnout in much of the rest of the country, saw the UPND increase its share of the vote.

Following this highly competitive election, a scheduled general election was held just 18 months later, on August 11, 2016. The governing party addressed some of the issues that had allowed the opposition to gain support in 2015 – including copper mine closures, late payments to farmers, a civil service pay freeze and popular pressure for constitutional reform.

In addition, the governing party deployed state institutions to hinder the opposition's campaign and used state resources to support its own reelection. Following the contentious – and at times violent – campaign, the opposition UPND contested the results in the newly established Constitutional Court. Thereafter, the PF government became increasingly intolerant of criticism, taking a heavy-handed approach to dealing with opposition leaders, civil society members, online dissent and public protests.

After successive derailments of constitutional reform processes, the PF created a new Constitutional Court in January 2016. The government also eliminated the need for presidential by-elections and introduced a “50% + 1” amendment, which would require a candidate to secure an absolute majority of the votes to win a presidential election. However, these changes were highly controversial. One key concern was the swift staffing of the Constitutional Court with individuals who were perceived by civil society groups as lacking qualifications and being too close to President Lungu. As a result, there is a widespread perception that the process of political transformation remains incomplete.

The country entered a new era in 2021 with the victory of Hakainde Hichilema in the presidential elections. The UPND has thus become the third party to hold power since the reintroduction of multiparty elections in 1991. As president, Hichilema has pledged to enhance democratic checks and balances; however, as of the end of the review period, the legislation required for this purpose had not yet been enacted.

Zambia's economic transformation into a free market system began toward the end of 1991, creating a stark contrast to the statist African socialist regime led by former President Kenneth Kaunda. To address a severe economic crisis, the government agreed to implement significant economic reforms in order to secure much-needed loans from the World Bank and IMF. One of the biggest challenges was the privatization of the country's copper mines, which serve as Zambia's primary source of export earnings. Thanks to international investment and a rebound in the global price of copper, the mining sector's profitability improved between 2007 and 2016. Throughout the period from 2000 to 2015, the sector made a substantial contribution to GDP growth rates of more than 5% per year. However, growth slowed during times of decreased global demand for copper and, most recently, due to the economic impact of COVID-19.

This slowing growth has dampened the government's fiscal flexibility, and it has turned to international markets, taking out expensive loans to finance consumption and infrastructure development. However, these loans have largely not been invested in areas that have made the economy more productive. Government consumption has risen rapidly as a percentage of GDP, from 12.79% in 2018 to 17.68% in 2019. As a result, debt servicing payments have begun to take up an increasing proportion of the budget, constraining the government's ability to invest in state infrastructure and public services.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Zambian state remains relatively weak and lacks strong administrative capacity in many rural areas. However, there are no rebel groups or guerrillas seeking to challenge the state. As a result, the state enjoys a de facto monopoly on the use of force throughout the territory. From 2012 to 2016, activist groups in the Western Province advocated for greater federal powers for “Barotseland.” While calls for secession have quieted, they may resurface in the future. Currently, these calls do not have substantial popular support among the population of Western Province, and they do not challenge the government’s monopoly on the use of force. There is some evidence of strengthening state capacity. For instance, the country’s security and safety score on the Ibrahim Index of African Governance rose from 83.7 out of 100 in 2019 to 85.5 out of 100 in 2022.

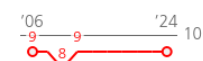
All groups in society accept and support the dominant concept of the nation-state, although some groups contest the legitimacy of the current administration. All citizens have equal civil rights, including immigrants. There is widespread consensus regarding the nature of citizenship, and no significant attempts have been made to deny this right to any particular group. In fact, the 2016 constitution adopted an even more inclusive approach to citizenship, encompassing those in the diaspora and stateless children whose parentage cannot be determined.

Following the contentious 2016 election and its aftermath, there was some evidence of marginalization of Tonga-speaking citizens in response to their region’s overwhelming support for the main opposition party. This has clearly changed now that President Hichilema, a representative of that community, has come to power. In turn, the presence of Hichilema in the State House may lead other communities to claim marginalization. However, in 2021, the Afrobarometer found that 78% of Zambians reported having experienced no discrimination based on their ethnicity in the previous 12 months, while only 11% said they felt only an ethnic identity or more of an ethnic identity than a national one. This means that almost 90% of Zambians feel a predominantly national identity or identify equally strongly with an ethnic and a national identity.

Question
Score

Monopoly on the
use of force

9



1

State identity

9



1

Some citizens of Western Province continue to demand that greater powers be devolved on the regional government, citing both historical claims and promises made by the late President Michael Sata. This demand for greater devolution continues in the background, with consistent but quiet calls from Barotseland nationalists for the formation of their own state. This drive currently lacks popular support and thus does not represent a threat to broader agreement on the legitimacy of the nation-state. In the event of increased marginalization, Barotse activists might find greater support for their cause.

Although the state is defined as secular, Zambia was declared to be a Christian nation by the then-serving president in 1996. However, this declaration had no negative impact on the overall secular order, as religious dogma has not significantly influenced politics or law. There is no serious discrimination based on religion.

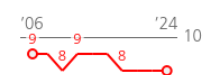
In September 2016, President Lungu established the Ministry of National Guidance and Religious Affairs, appointing a Pentecostal-Charismatic Church pastor as its first minister. Initially, this ministry's activities were relatively harmless and primarily involved issuing statements regarding advertisements deemed offensive to Zambia's "moral standing." However, in 2019, the minister intervened to prevent a South African celebrity from attending an event in Lusaka due to his sexual orientation. The minister argued that inviting a gay individual to Zambia would corrupt the morals of the country's citizens. Additionally, in 2020, conservative religious organizations have been vocal about the alteration and implementation of Zambia's Comprehensive Sexuality Education for schoolchildren.

A proposed constitutional amendment, known as Bill 10 (2019), would have deleted the phrase in the preamble to the constitution that describes Zambia as a "multi-religious" state and replaced it with a "Christian" nation. The bill faced widespread criticism from constitutional scholars and ultimately failed, but it raised concerns about the influence of religious doctrine in Zambia. In 2021, President Hichilema affirmed that Zambia would remain a Christian nation. In March 2023, he further stated that his government, as a Christian nation, would continue opposing LGBTQ+ activities. Nevertheless, President Hichilema abolished the Ministry of National Guidance and Religious Affairs, transferring its functions to the Office of the Vice President.

The state's basic infrastructure, including administrative institutions, state officeholders, basic court jurisdictions and bodies that implement political decisions, extends throughout the territory. However, the reach of the state is limited in rural areas. For example, legal issues are often adjudicated by traditional leaders rather than court judges. The networks of political parties and public administration remain limited. Many new district councils were created under Lungu's presidency, but they are not adequately staffed or capacitated.

No interference of religious dogmas

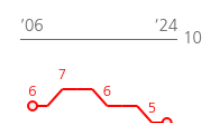
8



1

Basic administration

5



1

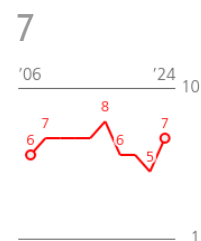
Poor physical infrastructure is still a significant issue in rural areas, with the quality of infrastructure differing greatly among provinces. The World Bank reports that only 44.5% of the population has access to electricity. Findings from the 2021 Afrobarometer survey indicate that 56% of people lack access to piped water in their area, while 20% of respondents indicated that they had experienced a consistent shortage of clean water in their homes “many times” or “always” in the previous 12 months. Additionally, in early 2023, Zambians were confronted with daily power cuts due to ongoing challenges at the Kariba Dam.

According to the 2018 Zambia Demographics and Health Survey, the share of the populace with access to improved sanitation ranged from 80% of the population in Lusaka to only 6% of the population in the Western Province. COVID-19 has not significantly altered access to most services, except for basic health care services during times of stress on the health care system. A key factor contributing to the decline in services is the country’s poor financial position, which has resulted in reduced funding for services in order to address the country’s debt burden.

2 | Political Participation

The 2021 general election resulted in a transfer of power to the opposition United Party of National Development (UPND) and its leader, Hakainde Hichilema. However, while observers agreed that this outcome reflected the will of the people, the election itself was deemed neither free nor fair. In the lead-up to the election, Hichilema’s freedom of movement was restricted in an effort to hinder his campaign efforts in certain areas. Additionally, the government exploited its control over traditional media to favor President Edgar Lungu. Simultaneously, acts of political violence committed by individuals and gangs associated with the ruling party went unpunished. Moreover, the unprecedented deployment of the military – officially justified as a means of maintaining peace – was seen by some opposition supporters as intimidatory. As it became evident that Hichilema was heading toward victory, President Lungu launched a verbal attack on the electoral commission, alleging manipulation against him. However, once the extent of his defeat became clear, he eventually accepted Hichilema’s victory. The Electoral Commission of Zambia demonstrated its commitment to announcing the authentic results, thus revealing the dedication of the Zambian people and civil society groups to democracy. Nevertheless, this episode once again underscored the government’s ability to create an uneven playing field.

Free and fair elections



There are no serious threats to the ability of the democratically elected representatives to govern. The military is firmly under civilian control, and there are no significant rebel or large-scale criminal networks that challenge the government.

Particularly in rural areas, elected officials must contend with traditional power structures (village chiefs, tribal authorities, etc.) when it comes to making and enforcing decisions. Given the limited reach of the state, these traditional power structures can sometimes be de facto more powerful than elected officials and, in some cases, are able to frustrate the latter's authority.

While the constitution provides for freedom of association and assembly, this right has historically been limited and restricted. The Public Order Act (POA) has been used selectively to prohibit assemblies by civil society groups and opposition parties, thus curtailing the freedom of assembly. Opposition parties are required to obtain a police permit in order to hold public meetings. Additionally, demonstrations and rallies organized by the political opposition, labor unions and civil society groups have frequently been forcibly dispersed and obstructed by the security forces.

These kinds of efforts have been particularly significant around elections. In September 2020, for example, the opposition United Party for National Development (UPND) Deputy Secretary-General Patrick Mucheleka was arrested by the police and charged with aggravated robbery. Mucheleka's case was dropped in early 2021, although the prosecutor's office declined to dismiss the case altogether, instead entering a nolle prosequi declaration, which allows the state to reopen the case and re-arrest the individual at any time.

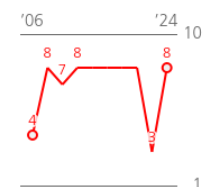
Since assuming power, the new UPND government has pledged to revise the POA, which it criticized while in opposition. An assessment of the POA has been prepared, with proposed modifications hailed as "progressive" by legal advocates. A few civil society leaders have expressed concerns that the government might defer the amendment or nullification of the POA, thereby allowing it to remain effective during the upcoming general election.

The space for critical voices was significantly constricted after President Lungu's victory in the 2016 election. As the government became less tolerant of dissent, freedom of expression in Zambia came under strain. Most radio and TV broadcasting is state-controlled and heavily politicized. Private companies often did not advertise in news outlets that seemed antagonistic to government policies out of fear of potential repercussions.

While respect for civil liberties is generally seen to have improved since President Lungu left office, concerns remain. For example, in September 2022, human rights groups spoke out about the number of people still being arrested under archaic defamation laws. In December 2022, President Hichilema did indeed repeal the law on defamation of the president. Zambia's Supreme Court also ruled in 2022 that the

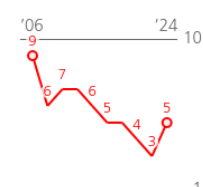
Effective power to govern

8



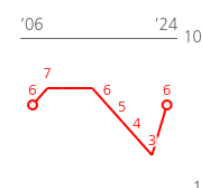
Association / assembly rights

5



Freedom of expression

6



closure of the main opposition newspaper, the Post, under Lungu’s tenure had been illegal. However, other restrictive laws remain in place, including the Cyber Security and Cyber Crimes Act, which allows authorities to tap and confiscate electronic devices, and the Penal Code Act, which continues to criminalize libel and outlaw homosexuality.

3 | Rule of Law

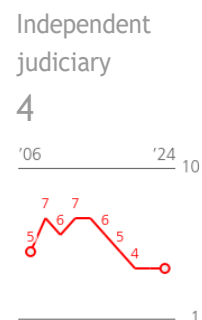
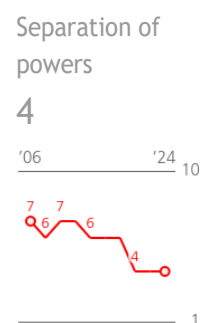
Despite multiple rounds of constitutional amendments, there has been little progressive constitutional reform since the reintroduction of multiparty politics. Successive presidents have pledged to introduce constitutional reforms that would reduce the powers of the president; however, these pledges have consistently been dropped. As a result, the constitution remains “top-heavy” – that is, it does not include sufficient checks and balances on the executive.

The president has the power to dissolve parliament and to appoint electoral commissioners, the vice president, ministers of the cabinet, the cabinet secretary, the secretary to the treasury, provincial permanent secretaries and the attorney general, among other figures. The parliament has rarely challenged appointments made by the executive.

In response to the COVID-19 pandemic, the government issued two statutory instruments. The first declaration classified COVID-19 as a notifiable infectious disease in accordance with Section 9 of the Public Health Act. The second instrument, SI No. 22 of 2020, outlined measures designed to curb the transmission of COVID-19, such as hand washing, limitations on gatherings and mandatory mask wearing. However, these restrictions lacked legal enforcement mechanisms, sparking concerns among activists and constitutional scholars regarding the rule of law, abuse of power and the safeguarding of human rights.

Formally, an independent judiciary exists; however, it is often manipulated by the executive. Judges are appointed by the Judicial Service Commission, an independent agency. Nevertheless, the members of the Judicial Service Commission are directly or indirectly appointed by the executive.

An independent judiciary exists in principle, but in reality, executive manipulation has consistently compromised this independence. Judges are appointed by the Judicial Service Commission, which is an independent agency. However, the members of the Judicial Service Commission are directly or indirectly appointed by the executive. The executive continually manipulates the police, judiciary and legislature. As a result, it is rare for the judiciary or parliament to act against the executive, despite many attempts by international donors to strengthen the judiciary and parliament.



The judiciary lacks the resources needed to prosecute cases in a timely manner, which leads to lengthy procedural delays. Moreover, rumors of corrupt deals involving members of the judiciary have called into question decisions on a number of important economic cases. The country's score for impartiality of the judicial system on the Ibrahim Index of African Governance declined from 75.1 out of 100 in 2015 to 66.6 in 2019 and dropped further to 63.8 in 2021.

As this suggests, particularly in politically sensitive cases, the judiciary is subject to significant pressure by the ruling party. This includes the exertion of control over judicial personnel, a power made possible by the president's authority to determine appointments. A new Constitutional Court was established in 2016. Former President Lungu appointed six judges who did not meet the statutory requirements for their positions, some of whom were known to be closely affiliated with the president. Although the new UPND government has promised to explore measures to strengthen the judiciary, the recent appointments of judges by President Hichilema have raised concerns due to the individuals' lack of experience in legal practice.

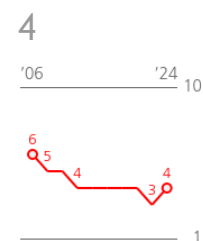
Prosecutions for the abuse of public office tend to be highly political. This means that recently elected ruling parties have frequently used such procedures as a political tool, prosecuting former ruling party members or members of ruling party factions that have lost favor. However, despite the political motives driving these prosecutions, there is often substance to the charges. High-profile corruption cases involving presidential aides are frequently abandoned, as with the case of Health Minister Chitalu Chilufya in 2020.

Officials often engage in corrupt practices with impunity, and corruption remains one of the greatest obstacles to good governance and economic growth in Zambia. Reported cases of high-level corruption within the executive branch, and by persons closely associated with the ruling elite, have created a widespread perception that the government is willing to tolerate extensive corruption.

The country's score for anti-corruption mechanisms on the Ibrahim Index of African Governance (IIAG) deteriorated from a high of 53.6 out of 100 in 2015 to a low of 21.4 in 2021. Its score for the absence of corruption in state institutions has followed a similar pattern, hitting a low in 2019 before improving slightly in 2020 and 2021. However, there has been significant deterioration compared to 2012.

Although the new UPND government has promised to fight corruption, it is too early to determine whether this commitment will extend to prosecuting individuals from all political parties. The Ministry of Home Affairs has announced the establishment of a Joint Investigations Team (JIT), which includes the police, the Financial Intelligence Center (FIC), the Anti-Corruption Commission (ACC) and the Drug Enforcement Commission (DEC). Additionally, a fast-track court has been created to expedite corruption cases. At present, the JIT's primary focus has been on

Prosecution of office abuse



investigating individuals with close ties to former President Lungu, such as his son, wife and daughter. These actions have led to allegations of a “witch-hunt” by Lungu’s allies.

Under Hichilema, little action was taken when inflated fertilizer procurement contracts were unveiled, and the president continues to chair the body that oversees parastatals – the Industrial Development Corporation – which is seen as antithetical to good corporate governance.

The Zambian government rhetorically supports human rights, and instances of systematic abuse against specific communities are rare. However, the police and security forces have a poor record that includes instances of unlawful killings, torture and other abuses against criminal suspects and detainees. Additionally, Zambia faces challenges concerning pretrial detainees, who are frequently held for extended periods in harsh conditions without the ability to obtain legal aid. Furthermore, women often encounter obstacles in exercising their right to inherit land and are subjected to gender-based violence.

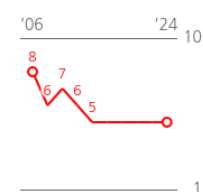
Traditional leaders continue to dispense “justice” based on established norms and practices in many rural areas. Members of the LGBTQ+ community face a high level of discrimination. Colonial-era laws that prescribe up to 15 years in prison for homosexual activity among males remain in place, although this is erratically enforced. Police officers are rarely held accountable for acts of brutality or violations of civil rights. There is an increasing tendency for the police to arrest opposition leaders and civil society activists on spurious charges.

According to Freedom House, the previous government introduced two statutory instruments under the Public Health Act to manage the COVID-19 pandemic. Both lack specific details on how the health regulations will be enforced, resulting in selective application by state agencies. Subsequently, the police utilized the COVID-19 restrictions to further violate citizens’ rights. On Sept. 26, 2020, a 17-year-old was fatally shot in Lusaka while the police attempted to enforce COVID-19 restrictions on nightclubs.

The new government has promised to introduce new measures to strengthen civil rights, such as an access to information bill that would promote transparency and strengthen the rights of citizens and civil society groups. Although a draft layman’s bill has been produced, it has not yet been implemented.

Civil rights

5



4 | Stability of Democratic Institutions

The performance of Zambia's democratic institutions varies considerably. Political power in Zambia is centered within the executive. The legislature has generally failed to perform its oversight function adequately, with the notable exception of the opposition's blocking of regressive legislation in 2020.

One way the executive has been able to manipulate the legislature is by winning the support of opposition members of parliament. This practice creates disunity within the opposition, increases the government's power, and restricts the ability of the opposition to hold the government accountable.

The judiciary is compromised when it comes to issues of horizontal accountability and has been subject to executive manipulation. The bureaucracy has also performed weakly, especially since the election of the Patriotic Front government in 2011. This is due to limited administrative capacity and resources, but also to the replacement of the vast majority of senior civil servants with partisan individuals. For example, all 73 district commissioners were replaced.

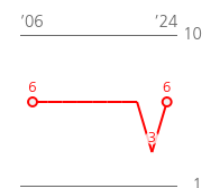
Decentralization has stalled, and promises that more power would be devolved have not been realized. As a result, traditional leaders in the pay of the ruling party, rather than democratic institutions, govern many rural areas. Since 2016, Zambians have directly elected mayors (in cities and municipal councils) and council chairpersons (in district councils). These autonomous individuals have been strong advocates for greater decentralization, but there has been heated resistance to proposals that the Ministry of Local Government (MLG) cede actual autonomy to local councils. Hichilema's New Dawn government has substantially increased the resources provided to local government through the Constituency Development Fund, but there is little evidence yet that this will improve capacity in the 118 councils rather than benefit the various constituencies' members of parliament.

There is a clear consensus on the value of multiparty politics and elections, and there have been no serious efforts to return to a one-party state. However, the political elite's tolerance of dissent has often been lacking in practice. According to the IAG, the quality of civic checks and balances deteriorated between 2012 and 2021, falling from a score of 62.9 out of 100 to 52.7 out of 100.

Moreover, President Lungu accepted defeat in the 2021 general elections very reluctantly – and only after claiming that the election results should be dismissed because they had been manipulated against him. Thus, although there is a strengthening norm in favor of transfers of power, this is still nascent and vulnerable.

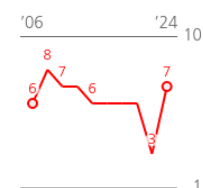
Performance of democratic institutions

6



Commitment to democratic institutions

7



It is therefore significant that the Zambian military has never held power and, with the exception of a few failed coup attempts, has not sought to intervene in civilian politics. Nonetheless, the police have been used to harass journalists, media houses, opposition activists and civil society groups – especially around elections.

The situation appears to have improved considerably under the UPND government, which has committed itself to revising some of the country’s most repressive legislation.

5 | Political and Social Integration

The Zambian party system is unstable and subject to rapid change, a characteristic that is in turn associated with high levels of voter volatility. The new government party, the United Party of National Development, has been a significant force in Zambian politics for some time, as has the former ruling party, the Patriotic Front (PF). However, other parties, such as the Movement for Multiparty Democracy (MMD), have quickly collapsed after losing power.

A number of factors structure the party system, including ethno-regional affiliations. The current president, Hakainde Hichilema, for example, has been predominantly known as a leader of the Tonga community of Southern Province. Ahead of the 2021 general elections, there was widespread concern that Patriotic Front leaders were increasingly using divisive ethnic language in order to try to prevent Hichilema from taking power. After Hichilema’s victory, however, the prospects for political stability and interethnic harmony appear to be much more favorable.

Moreover, it is important to note that in order to become president, leaders must draw support from various communities. Former President Michael Sata accomplished this by appealing to his Bemba community as well as frustrated urban voters of different ethnic backgrounds through ethno-populist rhetoric. On the other hand, Hichilema capitalized on the increasing dissatisfaction with President Lungu’s ineffective administration, positioning himself as the sole viable candidate for “change.” The effectiveness of these campaign messages shows that Zambian politics cannot be simply characterized by ethnicity and clientelism.

However, party structures are very weak, particularly outside of leaders’ home areas. This helps to explain the significant decline of the MMD – from 55 members of parliament in 2011 to three in 2016. This is concerning, primarily because it impedes the participation of party members and ordinary citizens in the development of policy.

Party system

5

'06 '24 10

5 4 5

1

Zambian civil society is quite active and often unites during crucial moments, and it has occasionally stood up in defense of democracy. Nevertheless, it is mainly concentrated in Lusaka. The Catholic Church maintains considerable influence and is among the few non-governmental organizations with a nationwide presence. The former Catholic archbishop of Lusaka has been vocal and critical on matters of national importance. Consequently, this politicized the appointment process when the Patriotic Front government lobbied the Vatican for the selection of a church leader who was more agreeable, resulting in the appointment of the less critical Alick Banda.

However, the Catholic Church again became more critical during the final period of the Lungu presidency, as there was a general concern about the future of the country. Trade unions have historically played a crucial role and have been important in the fight against colonial rule and the one-party state. Nonetheless, the strength of the unions has been undermined by the twin economic processes of privatization and informalization (the increasing proportion of the labor force working in the informal sector). In May 2020, ZCTU Secretary-General Cosmas Mukuka was “retired in the national interest” from his civil service position, apparently in an attempt to weaken the union.

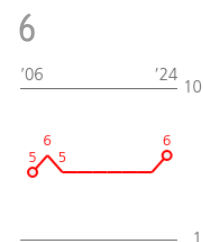
Civil society alliances have come together at key points to protect democracy and advance constitutional reform processes. Several groups attempted to defend the 2021 general elections and prevent government manipulation. Independent media outlets such as Diggers; the Alliance for Community Action; the Governance, Elections, Advocacy, Research Services (GEARS) Initiative; and People’s Action for Accountability and Good Governance in Zambia all played a role. They provided civic education and brought court cases to expose abuses of state power. Additionally, the Christian Churches Monitoring Group (CCMG) conducted a critical parallel vote tabulation, demonstrating that the ruling party had lost. This action constrained the ability of the Patriotic Front to manipulate the polls.

There is a strong consensus in favor of democracy. In the 2017 Afrobarometer survey results, democracy was preferred by 81% of Zambian respondents, with this figure rising to 83% in 2020. The defeat of President Lungu in the 2021 election was, in part, a rejection of his increasingly authoritarian rule.

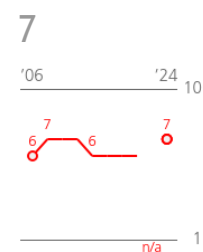
Hichilema’s win further boosted popular confidence that elections can change the government and, hence, that democracy is a viable form of government. The main challenges to this include a portion of the political elite that is willing to sacrifice democracy in pursuit of its own ambitions, paired with the difficulty that democratic leaders have had in delivering on election promises due to the country’s difficult economic situation.

In 2021, a majority of citizens (60%) indicated that they were dissatisfied with the functioning of democracy in the country. Thus, it is crucial that citizens perceive the transition of government to the UPND as bringing about the change they hope for.

Interest groups



Approval of democracy



Zambia is generally known as a comparatively open and tolerant country. While ethnicity plays a significant role in political competition, occurrences of ethnic violence are infrequent, and ethnicity does not create divisions within the country. The failure of politicians who relied heavily on ethnic rhetoric during the 2021 general elections, particularly those from the ruling party at the time, the Patriotic Front, highlights the constraints of divide-and-rule politics within Zambia.

In close-knit rural communities, levels of mutual trust are often higher than in more diverse urban communities. However, neither rural nor urban areas have a strong and deep civil society in terms of formal organizations that engage in service delivery. This is partly due to the deliberate marginalization of self-help initiatives during the 30 years of the one-party state. Consequently, due to the lasting impact of this legacy, most Zambians continue to rely on the state for support despite its clear failings.

II. Economic Transformation

6 | Level of Socioeconomic Development

Zambia remains a poverty-stricken nation. As per the government's latest Living Conditions Survey, released in 2015, there is a significant discrepancy in poverty levels between rural and urban regions. Between 2010 and 2015, poverty rates in rural areas rose from 74% to 77%, while dropping from 26% to 23% in urban areas. However, urban centers still grapple with a considerable number of sprawling slums.

COVID-19 has exacerbated this challenge, as it has reduced tourism sector revenues and placed greater demands on key public services. According to a survey conducted by Innovations for Poverty Action in collaboration with the Ministry of General Education (MoGE) and the Ministry of Health, a majority of Zambians earned less pay after the government introduced COVID-19 protection measures (e.g., closing schools) than they did before, and a majority of Zambians stated that they had to draw on their savings in order to pay for necessities (e.g., food and health care) after February 2020. In the 2021 Afrobarometer survey, 29.7% of respondents said they had gone without a cash income "several times" in the previous year, 34% replied "many times" and 15% said "always."

There are various cash transfer programs designed to help with this, but the level of coverage within the population is low. Government efforts to increase expenditure on essential public services have yet to overturn a history of income inequality and gender inequality. This is evidenced by Zambia's high score of 57.1 on the Gini index.

Social capital

6

'06 _____ '24 10



_____ 1

Question

Score

Socioeconomic
barriers

2

'06 _____ '24 10



_____ 1

Zambia had begun to make marginal gains in the Human Development Index, with its score rising from 0.583 in 2015 to 0.588 in 2017, but this score then fell back to 0.584 in 2020 and 0.565 in 2021. Meanwhile, gender inequality, as measured by the Gender Inequality Index, is actually rising, with the score having increased from 0.517 in 2017 to 0.539 in 2020.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	23308.7	18110.6	22147.6	29784.5
GDP growth	%	1.4	-2.8	4.6	4.7
Inflation (CPI)	%	9.2	15.7	22.0	11.0
Unemployment	%	5.5	6.0	6.2	6.1
Foreign direct investment	% of GDP	2.4	1.4	-1.2	0.0
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	140.7	961.8	2629.6	1071.2
Public debt	% of GDP	94.4	140.2	110.8	98.5
External debt	\$ M	27254.2	26689.5	24045.9	-
Total debt service	\$ M	2604.7	1909.7	1616.4	-
Net lending/borrowing	% of GDP	-7.9	-13.1	-3.6	-
Tax revenue	% of GDP	16.7	16.4	16.7	-
Government consumption	% of GDP	17.7	14.7	17.1	-
Public education spending	% of GDP	4.4	3.9	3.1	3.6
Public health spending	% of GDP	2.1	2.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.2	1.0	1.2

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

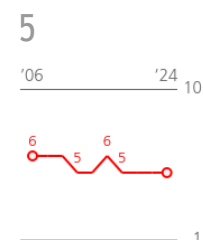
Zambia features freedom of pricing, currency convertibility, freedom of trade and the free use of profits. However, market competition operates under a weak institutional framework in which corruption and red tape play a major role. In the past, governments have also at times intervened in the economy – as noted elsewhere in this report – in ways that infringe on strict market competition. Establishing a business is relatively burdensome: It involves seven procedures, takes 8.5 days and costs 34% of the country’s per capita GNI – a figure that has increased in recent years, although it remains below average for sub-Saharan Africa. According to the Heritage Foundation, the country’s economic freedom score in 2022 was 47.8 out of 100, a decline of 0.9 that placed it 41st out of 47 countries in sub-Saharan Africa. In particular, the Foundation reports declining judicial effectiveness, government integrity and business freedom.

The informal sector is significant. According to the Ministry of Labor and Social Security’s 2017 Q3 Labor Force Survey, the formally employed population accounted for only 23.6% of the total employed population. Others have estimated an even lower percentage, with the International Labor Organization concluding that 87.5% of workers operate in the informal sector. This figure is likely to have decreased further due to the loss of employment and revenue during the COVID-19 pandemic.

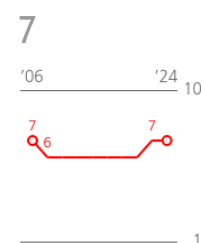
In November 2022, President Hichilema directed the commerce minister to lower the cost of business licenses as much as possible in order to address some of these issues and to support the government’s aim of “shifting the paradigm toward export-led industrialization.” However, these changes had not been implemented by the end of the reporting period.

Zambia has a comprehensive competition law in the form of the Competition and Consumer Protection Act 2010. The Zambia Competition Commission (ZCC) is the regulatory body responsible for enforcing this law. The Competition and Consumer Protection Commission (CCPC) operates under the ZCC and has the authority to review monopolies and mergers. According to Freedom House, the Zambian Competition Authority is one of the most active such bodies in Africa. In 2018, it initiated investigations into a significant number of cases. Most notably, it imposed a ZMW 76,728,650 (\$6.4 million) fine on Zambia Sugar for abusing its market dominance. In 2020, the CCPC furthered its efforts by announcing an investigation into excessive pricing of COVID-19-related products, such as masks, gloves and hand sanitizers. These price increases were considered a violation of Zambian legislation. According to the CCPC, it resolved 2,520 cases in 2020, an increase from 2,470 in 2019, and successfully recovered ZMW 4,650,923 in “the value of goods that would have been lost by consumers.”

Market
organization



Competition policy



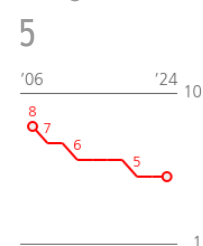
However, the overall scale of the authority's activities remains modest. According to official figures, in 2020, the CCPC oversaw 93 mergers worth just \$80 million. Some state-owned enterprises enjoy an effective monopoly, such as the Zambia Electricity Supply Company (ZESCO). ZESCO has not been fully privatized but rather commercialized, meaning that it was put under private sector management while the state maintains a majority ownership share. One barrier to increased competition is a widespread public suspicion of privatization, which is commonly seen as an opportunity for corruption with few benefits for consumers. As a result, some monopolies still exist and are likely to continue in the future. Another barrier is the practice of concluding high-value procurement deals without a tender process, although criticism of this practice is growing and the new UPND government has pledged to be more transparent in the future.

In principle, foreign trade is liberalized. However, the Heritage Foundation finds that in reality, “[r]elatively high tariffs and nontariff barriers to trade have held back integration into the global marketplace and reduce the profitability of investment.” The simple average of the most-favored nation (MFN) applied tariff was 13.4% in 2018, while Zambia's trade-weighted average tariff rate was estimated at 9.9% in 2022. Overall trade freedom is considered to have fallen in recent years, from a high of 84.6 on the Heritage Foundation's index in 2014 to just 68.2 in 2022. Meanwhile, investment freedom and financial freedom have flatlined in recent years.

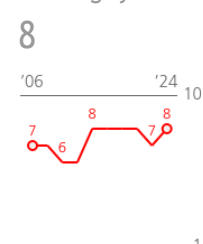
Nontariff barriers include inefficiency at border crossings and confusion over which tariffs apply and when, given that Zambia is a member of two regional economic organizations – the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). In July 2018, the Zambian government rejected pressure from SADC to lift restrictions on wheat imports, stating that doing so would not be in the best interest of the Zambian economy. However, in late 2020, concerns about the availability of wheat prompted the government to begin discussing plans to import 100,000 metric tons of wheat from South Africa. The cross-border flow of food remains a significant issue, particularly because Zambia is landlocked, and global food prices have risen following the Russian invasion of Ukraine. Despite Zambia's membership in both COMESA and SADC, exports to the region have not experienced significant growth in recent years due to high production and transportation costs.

The country's banking system and capital markets are differentiated and, in principle, aligned with international standards. Zambia has some of the most liberal banking regulations in southern Africa, and banks function efficiently. There is functional banking supervision and minimum capital requirements. It is estimated that about 48% of adult Zambians have access to an account with a formal banking institution. Capital markets are open to domestic and foreign capital, and the stock exchange has listed 24 companies since 2016. However, the Lusaka Securities Exchange registered a drop in total share prices from 5,764.02 in January 2019 to 3,983.90 in February

Liberalization of foreign trade



Banking system



2021, and turnover is low. The central bank has remained fairly activist, and the benchmark interest rate has fluctuated considerably, dropping from 15.5% in 2016 to 9.75% at the end of 2018, then rising to 11.5% in November 2019 before dropping back down to 8% in August 2020, before increasing slightly again to 9% by the end of 2022. High levels of government borrowing have typically crowded out other domestic borrowers, which remains a barrier to entrepreneurship. The share of bank nonperforming loans increased from 7.3% in 2013 to 12% in 2017 but fell back to 5% in 2022. Bank capital-to-assets ratios have remained fairly consistent at around 10% to 11%.

Shortly after its election in 2012, the PF government increased the minimum capital requirement for local banks to ZMW 104 billion from ZMW 12 billion. International banks, on the other hand, are now obligated to show ZMW 520 billion worth of holdings. As of the close of the review period, the newly established UPND government had not undertaken any significant banking sector reforms. Nevertheless, the Central Bank of Zambia is perceived to be slightly more independent, as concerns about its politicization during the last years of President Lungu's government have subsided.

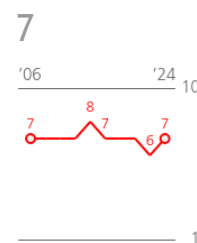
8 | Monetary and fiscal stability

Over the last decade, the government has achieved some success in bringing inflation under control. The central bank set an inflation target of 6% to 8% through 2021 but encountered difficulties in meeting this goal. Interest rate increases, from 8% at the start of 2021 to 9% by the end of 2021, initially had little effect – though they may have helped to dampen further inflationary pressures. In 2019, the inflation rate rose to 9.15% and is estimated to have reached 14.45% in 2020, partly due to rising food prices. The inflation rate subsequently remained high, partly due to the rising cost of fuel and the impact of the Russian invasion of Ukraine. This trend reached a recent high of 16.4% at the end of 2021 and now appears to be tapering off, with the inflation rate falling just below 10% in 2022.

The value of the kwacha against the U.S. dollar was fairly consistent until 2018, but the local currency has since depreciated, from ZMW 9.56 to the U.S. dollar in April 2018 to ZMW 21.16 in December 2020.

Partly as a result of episodes such as this, President Hichilema's victory in the 2021 general elections ushered in a new period of increased confidence in the Zambian government's ability to manage the economy. After he took office, the kwacha became the world's best-performing currency against the dollar, surging by over 18.5% between January 22 and September 1, 2022. However, it subsequently gradually declined, dropping from its peak of 0.065 to the dollar in September 2022 to 0.055 by the end of the year.

Monetary stability



In the 2010s, Zambia experienced steady but unspectacular GDP growth. However, the growth rate has fallen considerably in recent years, and growth in 2021 is projected to have been just 3.1% – well below the 4.1% that was considered disappointing in 2017. Zambia defaulted on its debt in 2020/2021, failing to make a \$42.5 million Eurobond repayment. It is now estimated that external debt exceeded \$17 billion, well in excess of 100% of GDP.

The new UPND government therefore prioritized resolving the country’s debt crisis, recognizing the critical need to do so in order to secure a long-mooted \$1.3 billion economic rescue package with the IMF. Instead of seeking to cancel the debt or claiming that it should not apply to his government because it was contracted by his predecessor, President Hichilema made reaching an agreement with creditors a central pillar of the country’s economic transformation – an emblem of his commitment to managing the economy responsibly. However, this process was complex due to the presence of various creditors, including the Paris Club, China and private lenders. According to the minister of finance, bilateral creditors account for 15% of the public debt, while multi- and plurilateral financial institutions make up 11.5%, Eurobond investors 12% and commercial lenders approximately 11%. The amount owed to Chinese commercial and state-owned creditors is estimated to be around \$6 billion.

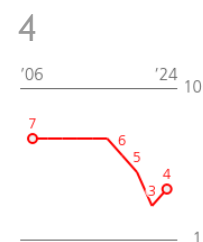
Despite the challenge of coordinating across this group, Hichilema’s strategy initially appeared successful, with the government apparently convincing all creditors to accept a similar process. This, in turn, facilitated an agreement with the IMF on a three-year loan of \$1.3 billion in August 2022.

Given these challenges, it is critical that Zambia takes steps to move closer to a balanced budget and to avoid accumulating unsustainable debt commitments. Against a background of falling or stagnant economic growth, government consumption as a percentage of GDP increased from 12.79% in 2018 to 17.68% in 2019. Although the new UPND government has pledged to reverse this trend, the budget deficit was estimated to be around 9% in 2022.

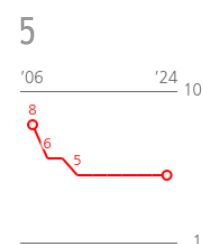
9 | Private Property

Property rights are governed by the Land Act of 1995, which recognizes two types of land tenure: leasehold and customary. Legally, all land ultimately belongs to the state. Property rights are well defined in urban areas; however, property rights in rural areas are often poorly defined. According to the Heritage Foundation, “property rights and the sanctity of contracts are well defined in principle but weakly enforced in practice.” The foundation rates Zambia’s property rights regime as having regressed from a score of 49.6 in 2017 to just 36 in 2021 (on a scale of 0 to 100, in which high scores reflect better performance).

Fiscal stability



Property rights



Meanwhile, the property rights of women are often not respected, especially with regard to the inheritance of land. For instance, a significant portion of agricultural land in Barotseland is still controlled by traditional leaders. This control of land by traditional leaders further complicates the definition and enforcement of private property rights.

Zambia underwent a prolonged and painful process of privatization following the end of the one-party state and the election of the Movement for Multiparty Democracy (MMD). This process was partly reversed following the election of the statist and economically populist Patriotic Front in 2011, which renationalized some companies, including the telecommunications company Zamtel, the rail company Railway System of Zambia, the oil company Indeni Petroleum Company and the coal mining company Maamba Collieries.

A legal framework exists for the protection of private enterprises. Zambia is also a member country of the World Bank's Multilateral Investment Guarantee Agency (MIGA), which guarantees foreign investment protection in cases of war, strife, disasters and other disturbances, or in cases of expropriation. However, according to the Heritage Foundation, the regulatory environment does not promote entrepreneurial activity. The Foundation noted small improvements in business freedom between 2016 and 2018 but recorded a decline in 2020 and 2021. The Foundation also pointed out that businesses can be established with no minimum capital required, but that commercial licensing requirements are time-consuming and costly.

10 | Welfare Regime

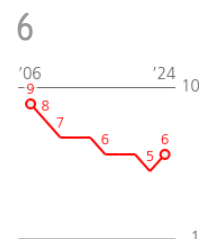
Despite the country's economic difficulties, Zambia experienced a slight rise in life expectancy at birth, from 60.8 in 2014 to 63.51 in 2018. This reflects an increase in health spending under the Patriotic Front government, which grew from 2.1% of GDP in 2011 to 4.9% in 2020. However, there was subsequently a minor decrease to 62 years in 2021, likely attributable to the health and economic effects of COVID-19.

Greater government investment in health care and other public services has helped drive a slow but consistent improvement in the country's Human Development Index score, from 0.425 in 2000 to 0.575 in 2019.

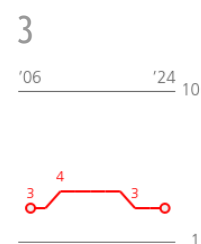
The farmer input subsidy program (FISP), which provides subsidized inputs to rural producers, has existed for almost two decades. Because its effects on agricultural productivity are relatively meager, it is widely viewed as effectively a social protection program.

The country's substantial debt repayments, which accounted for almost 39% of the 2021 budget – a 32% increase from 2020 – represent a significant challenge to further extending the welfare state. Despite this, in its 2022 budget, the new UPND government committed to increasing spending for education, health and social protection.

Private enterprise



Social safety nets



Zambia has achieved gender parity in primary school enrollment, but this obscures the reality that girls are more prone to discontinuing their education before completion. Consequently, men receive an average of 2.2 years more schooling than women. Women currently make up less than half of the labor force, although there has been gradual improvement from a 47.7% share when the PF came to power to 48.4% in 2020.

There is little official discrimination based on race or religion. However, anti-homosexuality legislation is in place, and Amnesty International reports that homosexuality is illegal in Zambia. In a significant development in November 2019, the Lusaka High Court sentenced a gay couple to 15 years of imprisonment with hard labor for engaging in “unnatural acts.” Following diplomatic pressure, the couple was granted amnesty in May 2020, resulting in their release without public attention.

Despite Zambia’s ethnic diversity, the country has largely managed to balance the interests of its various groups. However, each president appears to give preference in appointments and contracts to people from his home area. This previously led to some dissatisfaction in the Western, Northwestern and Southern Provinces, as prior to Hichilema’s election, no president had come from these areas. Those in the Southern Province in particular will now be looking to see whether they benefit from Hichilema being in power, which would reverse many years of being relatively marginalized in national development strategies.

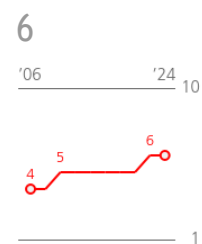
11 | Economic Performance

In recent years, Zambia’s economic growth has transitioned from fragile to poor. After experiencing slow but steady economic growth in 2017 and 2018, the country saw its growth rate decline to 1.4% in 2019. According to the World Bank, the impact of COVID-19 and the uncertainty surrounding the country’s debt position resulted in a contraction of around 4% in 2020. During that year, Zambia faced its first recession in two decades. The situation appears considerably worse when considering GDP per capita and accounting for population growth. After reaching a peak of 7.13% in 2010, GDP per capita growth was either zero or negligible from 2015 to 2019, dropping to 1.45% in 2019.

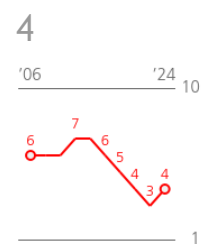
The new government set itself a target of achieving a real GDP growth rate of at least 3.5% in 2022, but it struggled to achieve this, with the estimated growth rate being 3.1%. The government estimates that growth will increase to 4% in 2023 and remain above 4% thereafter, but this may be overly optimistic.

The proportion of unemployed workers in the labor force is growing and is estimated by the World Bank to have increased from 7.9% to 13% in 2021. Despite recent improvements in the performance of the Zambia Revenue Authority (ZRA), total domestic revenue fell from 67.9% of the budget in 2020 to 57% of the budget in 2022.

Equal opportunity



Output strength



Partly as a result, fiscal deficits have regularly been running at around 6% to 9% of GDP, increasing the debt burden. FDI fell from 7.5% of GDP in 2015 to 2.6% in 2019 and to zero in 2020.

One area of greater success has been inflation (as measured by the CPI), which the government managed to keep to single digits for many years. However, the inflation rate rose to 9.15% in 2019 – outside of the government’s target range – and again to 14.45% in 2020. This trend reached a recent high of 16.4% at the end of 2021 and now appears to be tailing off, with the inflation rate falling just under 10% in 2022.

International commentators generally consider President Hichilema to be a significantly more credible economic manager than his predecessor. However, this increased confidence has not yet translated into an actual change in economic prospects. The minerals sector is expected to continue being the country’s strongest source of growth, particularly due to the reliance of green energy transitions on copper and cobalt, both of which can be found in substantial quantities in Zambia.

12 | Sustainability

Under the Patriotic Front, the government consistently stressed the importance of environmental stability and even made this a manifesto commitment. However, limited progress has been made toward any of these goals.

Previously, environmental causes were the responsibility of the Environmental Council of Zambia (ECZ). However, the ECZ was recently restructured into the Zambia Environmental and Management Agency (ZEMA), which is responsible for conducting environmental risk assessments for new projects. ZEMA appears to carry more authority than the ECZ. In October 2020, for example, ZEMA halted operations at the copper processing plant operated by Rongxin Investments Ltd. after a waste dam burst, flooding a store and causing considerable damage to both crops and fish.

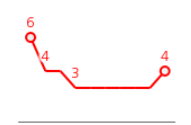
Overall, the implementation of environmental protection and sustainability policies has been undermined by a lack of political will and corruption.

Since coming to power, President Hichilema has pledged to make Zambia a global icon of environmental sustainability and a champion of the green economy. He has created the Ministry of Green Economy and Environment, which recently signed a memorandum of understanding (MoU) with Blue Carbon, a Dubai-based company, to implement carbon removal projects in the forest sector under Article 6 of the 2015 Paris Agreement. These steps represent an important statement of intent, but it is too early to tell whether implementation will be more effective under the UPND government than it was under the PF.

Environmental
policy

4

'06 '24 10



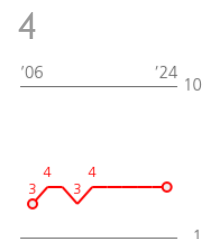
1

Contemporary and reliable figures for literacy and educational achievements are difficult to source. However, the U.N. Education Index suggests that the sector is stagnating, with Zambia hovering around a score of 0.557 on a scale of zero to one in 2019. A small improvement recorded in the index from 2014 to 2018 may reflect higher educational expenditure during the early years of the PF government, with spending in this area rising from around 2% of GDP to 4.7% in 2018. However, expenditure on education as a proportion of the overall budget fell thereafter, in part due to growing tensions between the government and university students and lecturers who are frustrated by low salaries and the underfunding of their institutions.

At the same time, the presence of poor-quality teachers – some of whom cannot read or write – remains a serious challenge. In 2020, the average pupil-to-teacher ratio in primary schools was 42, and the literacy rate was 86.7% – though it is important to note that this rate represents a small improvement over the 83% recorded in 2010. No reliable figures for research and development spending are available beyond 2008, when it equated to 0.3% of GDP.

The new UPND government has prioritized education, and during the budget speech, the minister of finance stated that the administration was committed to hiring more teachers and improving “the quality of education by reducing the pupil-teacher ratios.” In total, the government increased the education budget from ZMW 13.8 billion in 2021 to ZMW 18.1 billion in 2022. Of this amount, ZMW 1.7 billion was allocated to recruit 30,000 teachers, and ZMW 2.2 billion was designated to support the general operation of schools. Additionally, the government has pledged to expand the Keeping Girls in School Program. In 2021, the program supported 28,964 girls, and it aims to support 43,520 girls in 2022.

Education policy /
R&D



Governance

I. Level of Difficulty

The government faces significant structural constraints, underpinned by a limited revenue base and exacerbated by the debt crisis, which led to the debt default of 2020/2021. The primary challenges facing Zambia include the landlocked nature of the country, which increases the cost of imports and exports; a limited infrastructure; and limited human capital, due to a weak education system. Meanwhile, the economy's historical reliance on copper mining has made it difficult to diversify into other industries, while making Zambia extremely vulnerable to fluctuations in the value of copper on world markets. Despite low copper prices, successive governments have struggled to reorient the economy toward either manufacturing or agricultural growth. In recent years, copper is estimated to have accounted for 70% to 80% of all exports. In 2018, poor rains led to a 35% contraction in agricultural output. In 2019, agricultural exports represented just 1.3% of GDP, although this improved to 3.4% in 2021.

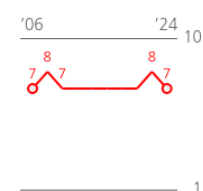
Weak physical infrastructure and the limited quality of education remain serious concerns. Malaria accounts for 8,000 deaths a year, with 50% of victims being under five years old. All of these challenges were exacerbated by the COVID-19 pandemic and the country's unsustainable debt burden. Most notably, COVID-19 has cut off key tourism revenue streams, which have yet to fully recover.

Although the \$1.3 billion loan deal secured with the IMF will generate much-needed finance to restructure the economy, it also came with conditionalities. The government will have to cut fuel and food subsidies, allow the cost of electricity to be determined by the market, and increase the number of items subject to VAT. In turn, these provisions have led to widespread concern that the implementation of the IMF agreement will exacerbate poverty and inequality.

Civil society groups in Zambia, such as trade unions and churches, have a long and proud tradition of serving as a check on authoritarian rule but are now significantly weakened. The privatization of the mining sector and the informalization of the labor force (i.e., the increasing proportion of the labor force that works in the informal economy) have weakened the trade unions. This leaves the Catholic Church as one of the most powerful civil society actors in the country, although it has recently experienced some internal divisions regarding how politically engaged – and critical of the government – it should be. In line with this, a number of civil society groups

Structural
constraints

7

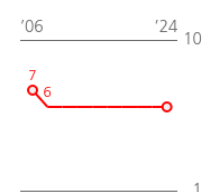


10

1

Civil society
traditions

6



10

1

have played an inconsistent role due to their partisan affiliations. For example, some major human rights and democracy groups supported the Patriotic Front in opposition and were then co-opted by the PF when it was elected to government.

Toward the end of Edgar Lungu's government, the PF became increasingly hostile toward critical organizations and the media. However, certain institutions managed to maintain their independence. One such institution was the Chapter One Foundation, which obtained a court order that prevented the government from shutting down select social media platforms on election day. Additionally, the Governance, Elections, Advocacy, Research Services (GEARS) Initiative and the Christian Churches Monitoring Group (CCMG) also remained independent and deployed election observers, who played a crucial role in safeguarding the 2021 elections.

It remains to be seen whether civil society groups that were close to the UNPD prior to or during the elections will be able to remain independent watchdogs or whether some of them will be co-opted by the government.

Zambia has never suffered a civil war or a prolonged period of ethnic conflict. It has also proven immune to the rise of religious extremism to date. Overall, the utilization and dissemination of politically motivated violence is limited.

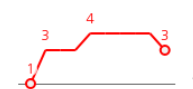
However, the fact that the 2016 general election witnessed higher levels of political violence than in the past caused some concern that the 2021 polls could see considerable instability and conflict. These worries intensified after Lungu arrested his main rival, Hakainde Hichilema, on trumped-up charges of treason in April 2017 and detained him until negotiations brokered by the Commonwealth saw him released in August. Democratic backsliding under former President Edgar Lungu, unrestrained violence by PF thugs ahead of the elections, and the deployment of the military on the streets – officially to maintain peace and order – all served to heighten tensions further.

Although the polls proved to be highly contentious, President Lungu initially attempted to reject his defeat, claiming that the balloting had been unfairly rigged against him. He was ultimately persuaded to step down and ultimately congratulated Hichilema on his victory. In turn, this marked Zambia's third peaceful transfer of power since the reintroduction of multiparty elections, demonstrating the willingness of political leaders to compromise during crucial moments.

Conflict intensity

3

'06 '24 10



II. Governance Performance

14 | Steering Capability

Prioritization has historically been a challenge for Zambian governments, which have struggled to decide between implementing the reforms needed to reduce dependence on copper and using the proceeds of copper to improve public services. When President Lungu succeeded Sata, this pattern largely continued. Notably, successive finance ministers stated that reaching an agreement with the IMF over an economic rescue package was one of the government's top priorities. However, this objective remained unaccomplished.

The new UPND government has more clearly articulated and pursued a policy priority – namely, the resolution of the country's debt crisis. This has gone hand-in-hand with a focus on boosting public services, specifically education, for instance through the recruitment of 30,000 additional teachers. At the same time, President Hichilema has reduced mineral royalty rates, arguing that the government needs to attract greater investment and free up mining companies to invest more in existing operations.

All three of these priorities can be seen to fit coherently together under a broad focus on strengthening the foundations for future economic growth. This will help the country attract international capital and enhance its own human capital, while reducing waste and debt repayments. The challenge is likely to arise as the next elections approach, during which the government may face difficulty meeting voters' expectations if copper prices do not rise to match its estimates in the 2022 budget. This could force President Hichilema to make a choice between investing in public services or implementing tax cuts for foreign companies.

Implementation has consistently been a significant challenge in Zambia due to a civil service that has frequently been weak and partisan, blockages in the decision-making process, and high levels of corruption. The PF government was able to implement some goals effectively, such as the introduction of a minimum wage and a road-building project, but largely failed to implement plans to reduce government spending, access financial assistance from the IMF or reduce the country's reliance on copper exports.

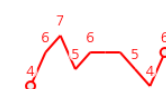
The problematic impact of the gap between government statements and implementation is best demonstrated by the mining sector. Under the PF, there was a lack of clarity regarding government policy on the mining sector. For example, PF leaders frequently discussed changing the mining tax system and adopting a more

Question
Score

Prioritization

6

'06 '24 10

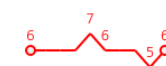


1

Implementation

6

'06 '24 10



1

stringent approach to measuring copper exports. However, these statements were often quickly contradicted by other leaders, or were not followed by the formation of new government policies. President Lungu’s statement in December 2020 that the Zambian government should acquire a majority stake in select mines exemplified this issue, as it created significant uncertainty in the sector during a difficult economic period.

President Hichilema’s new government has been clearer about its priorities and how it hopes to achieve them but may still find implementation to be a challenge in some areas. As is traditional following a transfer of power, a high number of civil servants have been replaced, and as always, this process has resulted in a loss of institutional memory. Recent estimates suggest that the government has removed over 300 civil servants from their positions, including 76 directors. In addition to temporarily reducing the capacity of the civil service while new appointments are made and get up to speed, this has led to some tension between the UPND and bureaucrats. While senior government figures have suggested that PF-era civil servants have deliberately sought to resist change, opposition parties have criticized President Hichilema for, in their eyes, blaming the civil service for the ruling party’s own failings.

In the past, there has been considerable learning from international experience. Most notably, the Patriotic Front government introduced a minimum wage and issued two Eurobonds to fund investment projects. It also increased investment in areas such as health care, with positive effects. However, there was considerably less willingness to learn key lessons when it came to the risk of a debt default and the need to moderate government spending.

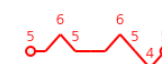
Since assuming power, President Hichilema has openly acknowledged the necessity of drawing lessons from Zambia’s historical experiences, as well as from the successful debt crisis recoveries of other nations. This includes a greater inclination to heed the guidance of international financial institutions like the International Monetary Fund. Nevertheless, a significant hurdle for the government lies in the political feasibility of acquiring and implementing these lessons. Without improved economic conditions and a comprehensive debt restructuring program, the government will encounter immense challenges in resisting the urge to exceed its fiscal limits.

There has also been some moderate policy learning in other policy domains, such as agriculture. For instance, consistent evaluations of the weaknesses of the farmer input subsidy program (FISP) have led to constant refinements of its design, although not to a wholesale overhaul of the program.

Policy learning

5

'06 _____ '24 10



1

15 | Resource Efficiency

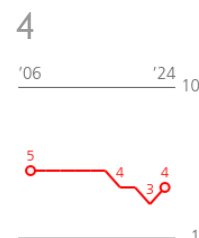
Evaluating how efficiently Zambia’s natural resources are used is complicated by the lack of transparency in the sector. In 2020, copper represented 73% of all exports – the next most valuable exports were salt, sulfur, earths, stone and plastering materials at 3.22%. Tobacco exports represented 1.49%. The government has also changed its position on key issues, such as whether or not to increase mining taxes. The Zambia Revenue Authority (ZRA) has at times been directed to pursue mining companies for the alleged underpayment of taxes, but mining companies are said to have hit back, threatening to pull out of the country if a greater tax burden made the sector unprofitable. The inconsistency in government policy has generated considerable uncertainty, especially as it seems likely that the government will seek to generate greater revenue from the mining sector as its debt burden rises.

Since coming to power, there has been considerable speculation about how President Hichilema intends to manage the mining sector. This is partly because President Lungu made a series of accusations regarding Hichilema’s relationship to specific mining companies and his role in the privatization process, largely as a way of trying to undermine his support in the vote-rich copper belt. In fact, President Hichilema has argued that lowering taxes and boosting the confidence of mining companies – after years in which there were fears of a government takeover or unplanned tax increases – will lead to fresh investment that is essential to modernize and expand the mines, thus boosting production. The timing of this move, at a point when the Zambian government is struggling to fund public services, is justified on the basis that it is needed to create more favorable conditions for mining companies, which have regularly complained of being overburdened.

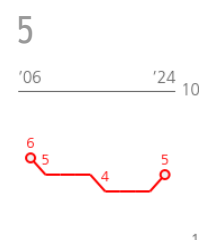
The Zambia Revenue Authority (ZRA) has made significant improvements over the last decade. Total taxes on income, profits and capital gains increased from ZMW 9.454 billion in 2013 to ZMW 28.9 billion in 2020. The ZRA also announced that it collected more revenue in the nine months from January to November 2022 (ZMW 98.1 billion) than in all of 2021 (ZMW 89.02 billion).

Policy coordination has been a consistent challenge for Zambian governments. These problems were worsened by instability in the positions of minister of finance and governor of the central bank, as President Lungu searched for individuals who would comply with his political requirements. Most notably, Zambia had three finance ministers in as many years. This undermined coordination both between different ministries and between the Zambian government and key international players such as the International Monetary Fund.

Efficient use of assets



Policy coordination



The tendency to centralize decision-making power under the president remains a challenge. This can undermine the effective operation of line ministries and result in ministers feeling the need to wait for presidential approval before making straightforward decisions.

As a result of these factors, Zambia scores poorly when it comes to budget planning. In 2019, the Open Budget Survey gave the country a score of 30 out of 100 for transparency, 46 out of 100 for oversight, and just 20 out of 100 for public participation. By 2021 (prior to the UPND coming to power), these scores had fallen to 19 for transparency and 24 for public participation, although there was an improvement in the score for oversight, to 56. This was mainly due to audit oversight, which was seen to be adequate with a score of 83 out of 100. Legislative oversight is still seen as a significant problem, with a score of just 42 out of 100.

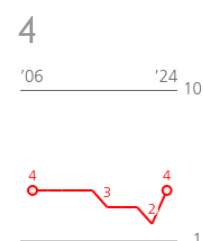
Given the route through which he came to power, President Hichilema's main challenges have been to avoid the overcentralizing tendency that has hampered previous administrations, while reforming the senior levels of the civil service enough to remove corrupt and anti-democratic figures from the Lungu era, without generating so much bureaucratic churn that the administration loses institutional memory and capacity.

Corruption has long been a challenge in Zambia, and anti-corruption programs have often been used to attack political opponents, leading to accusations of witch hunts and generating public skepticism. There is an Anti-Corruption Commission, although it has historically targeted junior and mid-level officials and is consistently criticized by opposition parties for politicizing its investigations in favor of the ruling party. Most notably, the former president, Rupiah Banda, escaped prosecution for the abuses committed during his time in office and later formed an alliance with President Edgar Lungu. President Lungu promised to end graft but made limited progress in this direction. Instead, the Environment Investigation Agency reported in late 2019 that the president, several members of his cabinet and his daughter were all implicated in the illegal trafficking of Mukula wood.

In 2019, the Financial Intelligence Center (FIC) released a Trends Report that revealed Zambia's loss of approximately ZMW 6.1 billion through a variety of illicit financial flows. These circumstances, when combined, fostered an environment conducive to the misappropriation of COVID-19 funds. Due to the urgent nature of disbursements, they were frequently distributed without adhering to standard accounting procedures and checks and balances.

Since assuming power, the UPND has prioritized tackling corruption, after consistently denouncing it during their time in opposition. One aspect of the party's approach involves implementing non-conviction-based asset forfeiture, which allows individuals involved in corruption to avoid imprisonment by surrendering ill-gotten funds. A prominent example of this approach was the case of Faith Musonda, a

Anti-corruption
policy



former radio DJ who allegedly had a relationship with a high-ranking official in the Lungu administration. Despite her alleged involvement in an episode of corruption, Musonda was not formally prosecuted but instead relinquished a mansion and ZMW 65 million, a sum that was reportedly discovered during a raid on her residence in October 2021.

The second part of this strategy has included the formation of a Joint Investigations Team (JIT) consisting of the police, the Financial Intelligence Center (FIC), the Anti-Corruption Commission (ACC) and the Drug Enforcement Commission (DEC). Additionally, a fast-track court has been established to expedite corruption cases.

Investigations have focused on figures closely associated with the Patriotic Front government and President Lungu himself – including his wife, son and daughter. It is important to note, however, that while former leaders have often been investigated, they have rarely been successfully prosecuted and punished. To date, none of the investigations that began after Hichilema took power have led to charges being entered, so it is unclear exactly how the president intends to manage the controversy that politically charged prosecutions can generate.

16 | Consensus-Building

Zambia is known for achieving a higher degree of consensus – in terms of public policy, support for democracy and avoiding the use of political violence – than many other African states. The peaceful transfer of power in 2021 has further boosted confidence in democracy, and in particular, in elections as a mechanism through which Zambian citizens can express their preferences and hold political leaders accountable.

However, this consensus on democracy has always been marked by considerable disagreement over how to engage with foreign investors and how best to reduce the country's reliance on copper exports, as well as on the appropriate degree of decentralization. In the final years of the PF government, these tensions were exacerbated by growing disagreement over government economic policy.

Such disagreements tend to focus on three areas. First, all main political actors remain rhetorically committed to democracy, but incumbent leaders have consistently sought to constrain democratic institutions in order to entrench their political control. Second, while President Hichilema has consistently presented himself as a business-savvy leader who will restore rational and responsible economic planning, many Zambians are desperate for strong government intervention in the economy – including greater spending in areas such as job creation, education and food subsidies – in order to improve standards of living. This reflects a history in which, especially under the one-party state, the government set itself up as the engine of development and encouraged citizens to look to it to create and manage economic opportunities.

Consensus on goals

7

'06 '24 10



1

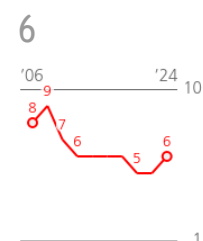
Third, the substantial amount of money owed to Chinese lenders – which comprises the majority of external debt – has led to growing criticism of China’s role in the country and, to a lesser extent, the role of international lenders and donors more recently. Toward the end of the Lungu government, rumors that Zambia had fallen behind on debt repayments led to speculation that the state-owned timber company Zambia Forestry and Forest Industries Corporation (Zaffico) was to be sold to China. This is believed to have been the main trigger for a riot in Kitwe in November 2019.

Given these tensions, the new UPND government faces a challenging landscape. On the one hand, it knows that maintaining a good relationship with China will be essential to the country’s long-term economic prospects – not least because China is one of the biggest holders of Zambian debt and will play a central role in the debt restructuring negotiations. On the other hand, anti-Chinese suspicions, along with tension between the U.S. government and the Chinese government, will put pressure on President Hichilema to adopt a more critical approach – especially regarding the control of national infrastructure and natural resources.

There are no avowedly anti-democratic actors in Zambia. However, democracy remains fragile, as evidenced by the controversy over the 2016 general elections and the initial attempt by President Lungu to avoid having to step down when defeated in the 2021 polls. The role played by PF-aligned thugs and gangs was also alarming and raised serious questions about whether the country was on the pathway toward greater political violence. Following the peaceful transfer of power, support for democracy as the best system of government for the country has risen, and the new government has committed itself to strengthening key democratic institutions. The PF is unlikely to be able to sustain its coercive networks in opposition, so this threat should recede. One notable development under the Lungu government that may take longer to resolve was the attempt to either co-opt or play divide and rule politics with organizations that had previously played a key role in the defense of democracy, such as the Law Association of Zambia.

Returning these organizations to nonpartisan and pro-democratic leadership will be important for the country’s future political transformation. Perhaps the most significant nonstate actor remains the Catholic Church, which has played an important role in protecting human rights at key moments and helped organize the domestic observation mission and parallel vote tabulation. This assistance contributed to safeguarding the 2021 election from executive manipulation.

Anti-democratic actors



There are several important social cleavages in Zambia; the first is ethnolinguistic. Historically, Bemba-speaking Zambians have predominantly supported the PF, while the Tonga people in Southern Province have largely backed the UPND. However, successive governments have struggled to maintain the support of Bemba voters while in office, often resulting in opposition parties winning subsequent elections.

Several factors have historically worked to prevent ethnic tensions from spilling over. First, under the one-party state, former President Kenneth Kaunda favored a policy of ethnic inclusion, rejecting the winner-take-all strategy adopted in Kenya. Partly as a result, Zambia has never experienced significant ethnic violence, and relations between the different ethnic groups have generally been good. Second, several political leaders, such as former President Michael Sata and current President Hakainde Hichilema, have won electoral support across ethnic groups in urban areas. This cross-ethnic appeal has at times undermined ethnic voting patterns. Third, no cabinet under the multiparty system has been ethnically exclusive. Although each cabinet is weighted in favor of the president's ethnicity or regional base, there is typically an attempt to achieve ethnic diversity.

There was considerable concern about the prospects for a rise in interethnic tensions around the 2021 election, in part due to the greater use of hate speech and language by PF leaders that was clearly designed to prevent Hichilema from being able to mobilize support outside of his Southern Province base. However, in the end, the fact that he attracted support from across the country, and that the presidency has now rotated to a Tonga leader, means that the polls have the potential to act as a unifying force. President Hichilema pitched the composition of his first cabinet as a direct response to this challenge, as it included representatives of all 10 provinces.

The other main cleavage that requires careful management is that between the central government and Barotseland – a region of Western Zambia that has seen an increase in secessionist sentiment in recent years. Attempts by President Lungu (building on a prior strategy employed by Michael Sata) to try to win votes in Western Province by manipulating the sense of grievance in the area appear to have backfired. It is not yet clear exactly how the new government plans to manage this cleavage.

Zambian civil society is known for being one of the more effective associational spaces in sub-Saharan Africa. Under the Patriotic Front, the relationship between NGOs and the government became increasingly adversarial, however. Civil society organizations (CSOs) involved in the governance space – rather than in service delivery – faced growing government pressure. Simultaneously, reduced donor funding has also diminished CSO efficacy and independence from the government.

Civil society participation in the budget process was one casualty of this increasingly confrontational approach. Over the past three years, several individuals were arrested for attempting to hold public meetings on various issues, such as environmental pollution and the government budget. There was minimal involvement from civil society in the drafting of Constitution Bill 10 (2019), which has received widespread condemnation from most nonpartisan civil society actors.

Cleavage /
conflict
management

6

'06 '24 10



1

Public
consultation

5

'06 '24 10



1

The victory of the UPND in the 2021 general elections has changed this situation considerably, and President Hichilema has encouraged Zambians to tell the government what their priorities are – both through formal consultations held across the country and via social media. There is now a more constructive relationship between the government and civil society groups, with some activists being appointed to government positions. The government also appears to be more inclined to listen to the advice of think tanks and research groups such as the Southern African Institute for Policy and Research (SAIPAR). However, the policymaking process continues to be relatively secretive, and it is not always clear that budget decisions reflect civil society concerns. The Civil Society Scaling up Nutrition Alliance (CSO-SUN), for example, criticized the 2022 budget for not paying sufficient attention to food insecurity.

The government of Zambia has not committed any major human rights violations that necessitate a national program of reconciliation. However, there were clearly errors made during the 2016 election that caused considerable frustration to opposition leaders and supporters. Most notably, there was a long delay in the declaration of the official results, and the Constitutional Court failed to hear an opposition election petition regarding the results. Additionally, Hichilema was arrested on trumped-up charges of treason in the wake of the election disputes. During Lungu’s tenure, there has been no serious investigation of the alleged torture that Hichilema and others suffered during their arrest and detention.

During the 2021 elections, however, Lungu and Hichilema are known to have had a conversation that contributed to Lungu accepting defeat and a peaceful transfer of power. Subsequent pictures of the two leaders meeting showed them sharing a joke and looking relaxed in each other’s company. This suggests that, as often seen in Zambian history, senior political figures were ultimately able to compromise, despite their bitter personal history. However, personal relations between the two leaders are currently strained after Lungu and his allies accused the UPND of embarking on a witch hunt by targeting his family members with corruption investigations.

The status of the western region of Barotseland is also yet to be resolved. Former President Michael Sata used demands for greater autonomy to garner support in the region during his successful 2011 election campaign; however, the PF subsequently declined to make any significant concessions. In November 2018, the Zambian media reported that the Litunga, king of Barotseland, “feels that the Zambian government is undermining his authority over his kingdom and that he is now threatening to support separatists in their push for Barotseland independence from the unitary state of Zambia.” Relations subsequently seemed to improve under the PF, after the government of the Republic of Zambia (GRZ) and the Barotse Royal Establishment (BRE) jointly made plans to establish a Barotse Dialogue Council (BDC). However, it is still too early to determine what President Hichilema’s approach to this sensitive issue will be.

Reconciliation

n/a

'06 _____ '24 10

5
0_____
n/a 1

17 | International Cooperation

Zambia has historically been eager to engage with international support. Under President Mwanawasa, Zambia developed a reputation for effectively managing its international relations. However, this changed under President Lungu, with the government failing to broker a bailout package with the International Monetary Fund that was necessary to revive the economy. In 2018, the United Kingdom joined Sweden and Ireland in halting aid programs, following evidence of fraudulent activity related to \$4.7 million of donor funds. Consequently, the Zambian government has been forced to become more independent of international aid, although it continues to engage productively with some international organizations and development agencies. As a result, international aid as a proportion of central government expense has declined from around 136% in 2002 to 22% in 2021.

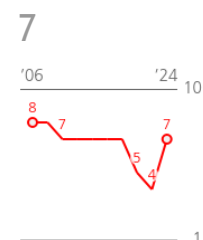
Relations with the IMF became particularly strained during this period after the government demanded the removal of the IMF's resident representative to Zambia, Alfredo Baldini. While the government argued that Baldini should be removed for overstepping his authority, the IMF believes that the real motivation was that the government had no genuine commitment to resolving the financial crisis. Partly as a result, IMF officials refused to sanction the release of a \$1.3 billion rescue package. The IMF's interpretation was largely borne out when Zambia defaulted in 2021.

Since taking office, the UPND government has made significant progress in repairing the damage caused to Zambia's international cooperation during the PF's tenure. President Hichilema has dedicated considerable effort to advancing negotiations related to debt restructuring, which posed significant challenges due to the diverse and fragmented nature of the country's creditors. Moreover, the new administration successfully concluded an agreement with the IMF, an accomplishment that eluded the previous PF government.

Furthermore, Hichilema's election and his commitment to both democracy and a pro-business agenda fostered a positive beginning to his relationship with key donors such as the United Kingdom and the United States. This initial warmth indicates that the UPND administration has a greater opportunity to maintain effective international cooperation than did its PF predecessor. However, a significant obstacle remains in persuading the country's various partners – including the IMF, the World Bank, the African Development Bank, regional actors like the SADC, donors like the European Union and the United Kingdom, and key creditors including commercial and state-owned lenders in China, multilateral institutions and Eurobond holders – to align their efforts.

Already, there are indications that tension between competing international players such as China and the United States will complicate negotiations on debt restructuring.

Effective use of support



The government's credibility levels on macroeconomic issues were low under President Lungu, especially following the debt default and the failure to come to an agreement with the IMF. President Hichilema is widely seen to have greater credibility, not least because he committed his government to respecting the country's debt obligations and to negotiating a commonly agreed strategy for restructuring the country's commitments. The completion of an agreement with the IMF in August 2022 helped to consolidate this impression and will facilitate the government's engagement with a range of economic actors who will see the IMF agreement as evidence that the government has a viable economic plan. The UPND has also been careful to make the right noises in terms of issues of concern to the international community, such as female political representation, reducing corruption, encouraging entrepreneurship and balancing the budget.

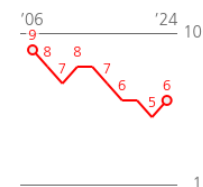
The good faith that this has generated has been significant, but it will be important for the government to deliver tangible improvements in some of these areas in order to maintain it. Currently, the budget deficit remains noteworthy, while economic growth is disappointing, and positive commitments on topics such as women's representation and repealing authoritarian legislation have yet to be fulfilled. International donors are carefully monitoring draft legislation aimed at repealing contentious laws such as the Public Order Act, and they will anticipate its prompt passage and implementation.

Zambia is a member of the International Criminal Court, but like many other African countries, it has criticized the court. In 2017, President Lungu announced that Zambia would consult on whether to withdraw from the court. Public consultations unveiled overwhelming support for remaining an ICC member, leading to the abandonment of plans to withdraw. President Hichilema is generally regarded as more dedicated to upholding international law, so it is unlikely that this matter will resurface in the media.

Zambia is a member of SADC and the African Union and is the host country of the Common Market for Eastern and Southern Africa (COMESA). This dual membership can create tension. Although these regional bodies have overlapping memberships, their rules are not completely aligned. This inconsistency can act as a barrier to regional economic integration. Zambia also supported the creation of the African Continental Free Trade Area (AfCFTA). The former PF government moved to ratify the agreement and confirm the start of trading under the agreement on January 1, 2021. In early 2021, the government submitted its instruments of ratification to the African Union Commission. However, as in other AU member states, this raised questions about exactly how AfCFTA would work and which products would and would not be included – a fact emphasized when President Lungu argued that AfCFTA would present both opportunities and challenges when it came to its full implementation.

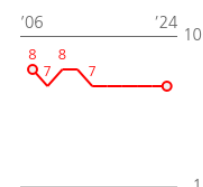
Credibility

6



Regional cooperation

7



Zambia maintains good relations with its neighbors, and successive Zambian leaders have upheld their commitment to several regional bodies. During the tenure of the Patriotic Front government, relations with Zimbabwe were particularly cordial, owing to the close bond between Robert Mugabe and Michael Sata. Although complications arose following Sata's passing in late 2014 and Mugabe's downfall in 2017, the relationship remained robust. It remains uncertain to what extent the defeat of the PF in 2021 has impacted this dynamic. The ZANU-PF government in Zimbabwe and the UPND government in Zambia still stand to benefit significantly from mutual cooperation, despite their leaders' contrasting views on the free market and democratic principles. President Hichilema and President Mnangagwa shared images of their meeting on the sidelines of the South African Development Community (SADC) summit in August 2022, and Hichilema also held discussions with South African President Cyril Ramaphosa in January 2022.

In general, Hichilema has emphasized continuity instead of change at the regional level.

Strategic Outlook

The priority for domestic political leaders and international donors should be to ensure that the debt restructuring negotiations are concluded as quickly as possible, so that Zambia can return to economic normality. If the country is to have a good chance of engaging in further economic transformation, these negotiations will need to provide a combination of debt cancellation and debt restructuring, giving the government the necessary breathing space to make effective use of the IMF's long-awaited \$1.3 billion rescue package. Once this process is concluded, it will be critical for the UPND government to break free of the cycle of debt-financed consumption. This will be difficult given the great public demands on the government and the risk of widespread disappointment if Hichilema is unable to deliver a greater economic recovery. It is essential, however, to ensure that Zambia does not once again find itself with an unsustainable debt burden in a decade's time.

However, the need to avoid debt does not mean that Zambia should be forced to embrace austerity economics. This would only undermine public support for the government and, hence, the prospects of genuine economic transformation. It is essential that a return to the days of structural adjustment policies – when the conditions for receiving international funds led to underinvestment in human capital – be avoided. The conditions attached to the IMF deal should be relaxed to reduce their likely impact on poverty and public services. In order to further reduce the risk of this happening – and to reward Zambia for being a rare shining democratic light during the COVID-19 era, following the peaceful transfer of power in 2021 – the international community should also increase foreign aid, particularly focusing on key areas such as education, health care and infrastructure. Such support should not be offered on economic grounds alone, however, and should also be used to encourage the government to pursue further economic transformation.

As always, the primary challenge facing the government with regard to increasing economic growth will be to combat corruption, attract more foreign direct investment, and decrease the country's reliance on copper exports. Achieving the former objective will entail establishing genuinely independent anti-corruption institutions and continuing to expedite anti-corruption investigations, even when they involve ruling party representatives. It will also be crucial for the government to minimize instances of poor practices, ambiguous processes and the personal discretion that enables corruption; for instance, by discontinuing the practice of awarding large procurement deals to politically aligned firms via noncompetitive tenders. The latter endeavor will prove exceedingly arduous, given that Zambia is a landlocked country, resulting in high production and transportation costs for manufactured goods. Consequently, accomplishing economic transformation will necessitate innovative and effective coordination among the UPND, Zambia's business community, regional governments and economic alliances, foreign donors, and multinational corporations.

It will be critical to address a range of issues, including reforming the country's constitution and legal framework to reduce the powers of the president; taking steps to insulate the judiciary – including the Constitutional Court – from political appointments; and ending problematic practices that, for example, allow the police to detain individuals for defaming the president. This kind of targeted reform should be embedded within a broader process of legal and constitutional review that should include a repeal of the Public Order Act, which currently acts as a major barrier to opposition political activity; the introduction of new legislation to strengthen citizens' rights, for instance through an access to information bill; and the enactment of measures enshrining the independence and freedom of the media and civil society organizations.

It will also be important to take concrete steps to affirm the independence of the Central Bank of Zambia and, in particular, the role of the governor, while also developing a new code of conduct. This code of conduct should ensure that senior civil servants are appointed on merit and do not see themselves as partisan representatives of a particular political party. Finally, it will be important for the UPND to show that, having been elected by the vast majority of Zambians, it is a government for all Zambians. This will mean taking concrete steps to improve the representation of women within parliament and the party's internal structures, and to maintain a fair ethnic and regional balance in the cabinet and the distribution of government resources.