

## Zambia

|  |                        |                                    |             |
|--|------------------------|------------------------------------|-------------|
| <b>Status Index</b> <b>5.5</b><br>(Democracy: 3.2 / Market economy: 2.3)   |                        | <b>Management Index</b> <b>4.5</b> |             |
| <b>System of government</b>  | Presidential Democracy | <b>Population</b>                  | 10.6 mill.  |
| <b>Voter turnout</b>   | 67 %                   | <b>GDP p. c. (\$, PPP)</b>         | 780         |
| <b>Women in Parliament</b>   | 12,6 %                 | <b>Unemployment rate</b>           | n. a.       |
| <b>Population growth<sup>a</sup></b>   | 2,8 %                  | <b>HDI</b>                         | 0.386       |
| <b>Largest ethnic minority</b>   | 10 %                   | <b>UN Education Index</b>          | 0.68        |
|  |                        | <b>Gini Index</b>                  | 52.6 (1998) |
| Data for 2001 – if not indicated otherwise. <sup>a)</sup> Annual growth between 1975 and 2001. Source: UN Human Development Report 2003. |                        |                                    |             |

### 1. Introduction

In October 1991, the authoritarian regime of Kenneth Kaunda, who had ruled since the country had gained independence in 1964, was ousted from office following democratic elections, which were won by Frederick Chiluba and his Movement for Multiparty Democracy (MMD). Chiluba was re-elected in December 1996, but after massive yet ultimately unsuccessful efforts to abolish the constitutionally established term limit of two consecutive terms of office, he was unable to run in the December 2001 elections. Levy Mwanawasa, the candidate hand-picked to be his successor, narrowly won the possibly rigged election and is showing clear signs of emancipating himself from his mentor, Chiluba. The period evaluated in this report spans the final stages of Chiluba's presidency and the beginning of Mwanawasa's term of office, as well as the serious economic crisis that Zambia faced during the entire evaluation period.

This report on the status of the democratic and market-economy transformation during the last five years (1998–2003) concludes that an initial erosion of established standards can be demonstrated in the absolute achievement of goals, but that a slightly positive political trend has emerged since the new president took office on January 2, 2002.

## **2. History and characteristics of transformation**

Zambia's economic and political transformation processes occurred simultaneously. The foundations for a free-market-economic system were first laid when President Chiluba took office in October 1991.

The democratic transformation began at the end of 1991 with the transfer of power from Kaunda to Chiluba and the MMD. Chiluba's overwhelming electoral victory—he received 75.8 % of the vote, and the MMD won 125 of 150 seats in Parliament—stems primarily from the fact that this was the first opportunity ever to vote the Kaunda regime out of power, because Zambia was a single-party state from 1972 to 1990. At that time, Chiluba was the head of a powerful umbrella labor organization, the Zambia Congress of Trade Unions (ZCTU). Miners from the copper belt, whose standard of living had declined markedly, were primarily organized in the ZCTU. Chiluba succeeded in mounting a united opposition front against Kaunda.

For the political transformation, which began with the transfer of power, the political dominance of the new government was not without problems. Because it controlled a two-thirds majority in Parliament, it was capable of amending the constitution without any controlling influence from the opposition, which had sunk into obscurity. This political dominance led to a partial regression back to authoritarian tendencies, particularly in the run-up to the 1996 elections, which Chiluba once again won decisively (72.6 % and 131 of the 150 seats in Parliament). This, along with a constitutional amendment, hindered the candidacy of the former president Kaunda in 1996 and led his party to boycott the election. Nevertheless, Chiluba succeeded in including all significant political and social groups in the democratic system. An unprofessional coup attempt in October 1997, which was possibly even fabricated by the government, posed no serious threat to the political regime and was used as a pretext to partially suspend fundamental democratic rights.

Zambia's market-economy transformation began with the change of government at the end of 1991. Loans from the World Bank and the IMF were necessary to counter the serious economic crisis. These loans were hinged upon market-economy reforms. Copper mining was no longer profitable due to falling prices on the world market, mismanagement and inefficiency, making the privatization of the copper mining industry the greatest challenge. Restructuring and privatization proved to be extremely problematic, primarily because of self-inflicted mistakes. The Chiluba government could not meet public expectations to overcome the economic crisis and raise the standard of living for the populace. Both political and administrative corruption and inefficiency hampered long-term reform. Attempts to reduce high inflation, unemployment and dependence on copper as the main export, as well as

attempts to increase food production to cover domestic consumption, were unsuccessful.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

In transforming its political regime, Zambia has made progress in some of the areas under evaluation. Transformation shortcomings still exist in the areas of political representation and rule of law. In the area of democratic stability, there is backsliding in some indicators, but not to an extent that poses a threat to the system.

##### **3.1.1 Political organization**

(1) *Stateness*: There is no problem with state identity in Zambia. The state has an unrestricted monopoly on the use of force. With regard to opposition politicians, defining citizenship and who qualifies as a citizen has become a politicized and misused issue. A few unpleasant politicians who were not born in Zambia were deported to their native countries. Former President Kaunda was declared a stateless person for a time because he was born in Malawi. All citizens have equal civil rights. There is separation of church and state, although Christianity was constitutionally established as the state religion in 1996. The political process is secularized. The country has an administrative system of limited efficiency, and public safety and order are essentially assured.

(2) *Political participation*: Universal suffrage and the right and to campaign for office exist. Elections were conducted properly, although the 2001 elections were declared improper by domestic and international observers, and judicial proceedings are pending. The elected government follows the principles of an open, competitive election process to a limited degree. It has effective power to govern. There are no veto powers or political enclaves in the hands of the military. Asserting the rights of political organization and communication is generally possible. The dominance of state-run media and the occasional intimidation and sanctioning of private media are problematic. Groups critical of the government are often deluged with legal complaints and repression, but these do not cause lasting *de jure* damage to press freedom. Political and civic organizations can form freely. There are no significant ethnic tensions in Zambia.

(3) *Rule of law*: There are transformation shortcomings in the area of checks and balances among the executive, legislative and judicial branches. The existence of

these shortcomings was put starkly into perspective at the beginning of Mwanawasa's term of office, in that Mwanawasa has never had an absolute majority in Parliament, in contrast to Chiluba's government with its majority capable of amending the constitution. This has increased the constitutional significance of Parliament as an institution. The judiciary is fundamentally independent. There is no Constitutional Court. The Supreme Court hears constitutional cases as the highest authority.

A lack of staffing and material resources in the courts and in the state prosecutor's office, further intensified by inefficiency, has led to drawn-out legal proceedings that have lamed political processes in important cases. Open, but legal, methods of influencing the system have been observed (substantial pay raises for judges in the high courts), and corruption and the under-the-table exercising of political influence cannot be ruled out. However, legal findings in significant cases have not been seriously compromised since the beginning of 2002.

Corruption and abuse of power are widespread. Members of Parliament possess immunity that can only be lifted by parliamentary majority or expire at the end of the member's term of office. While corruption in the government's camp was only seldom prosecuted under criminal law through 2001, the beginning of 2002 has seen an about-face. Former President Chiluba's immunity and the probable corruption charges both expired, and in addition many former ministers and officials were charged with corruption. However, the new president's course of action must be seen in perspective, as he is apparently attempting to protect from legal action those politicians and officials who support him. Thus, criminal prosecution is also used as an instrument of political power, although the judiciary must be considered fairly independent in its legal findings.

Civil rights are generally preserved, although fundamental rights were partially and temporarily (through March 1998) suspended following the supposed coup attempt in 1997. During the reporting period, government intimidation of journalists and repression of critical media as well as limits on freedom of assembly must be noted, but such cases have declined in number since 2000.

### **3.1.2 Political patterns of behavior and attitudes**

(1) *Institutional stability*: The democratic institutions are stable. Institutional efficiency is limited by competing political majorities in Parliament and the government: majorities that came into being—for the first time in Zambia's history—at the beginning of 2002. Due to a lack of a unified opposition, the government only seldom suffered a defeat in parliamentary votes. The government secures an unstable majority for itself through the informally co-opting some members of Parliament.

Political stalemates have been the exception up to now. The relevant political and social actors fundamentally accept democratic institutions and regard them as legitimate.

(2) *Political and social integration:* The party system must be described as relatively unstable. No organizationally stable, socially anchored party system could be established during the period from 1998 to 2003. The party system is moderately fragmented and characterized by a low level of organizational stability, a weak ability to form party platforms, and strong tendencies to focus on personalities and patronage. Political parties in all camps pursue primarily conflict-oriented strategies and focus one-sidedly on regional constituencies. The relevant political parties are overwhelmingly personality-oriented voting associations with strong regional ties and roots.

The two largest opposition parties were first founded in 1998 as splinters of the ruling party by politicians who had fallen out of grace, while the former ruling party (1964-1991), now ranked fourth, is only significant at the regional level. This party landscape represents one of the greatest hindrances for consolidating democracy.

The landscape of interest groups is clearly arranged, dominated by Christian churches, human rights and development nongovernmental organizations (NGOs), and unions. Both the state and social-interest groups fluctuate in their willingness to work together. Civic organizations are very willing to engage in cooperative and strategic activity. Moreover, they contribute to strengthening democratic attitudes and practices in Zambian society.

In addition to serving an integrating function by bridging the gap of social cleavages, they function as a social force of political restraint. While the civic-organization trend runs toward the positive, the last few years have been characterized by a marked drop in satisfaction with democracy and in public trust in the institutional underpinnings of democracy. This can be traced primarily to the increasing authoritarian tendencies and corruption in the Chiluba government. Public approval of democracy rose slightly after the end of Chiluba's term. The voter turnout of 67 % in the December 2001 presidential and parliamentary elections marked a historic high, which can probably be attributed to the fact that the election outcome seemed open for the first time ever.

### **3.2 Market economy**

Zambia has made minor progress at a low level in transforming its economic system during the reporting period. Shortcomings exist in the areas of economic

diversification (extreme significance of copper mining), privatization and poverty (which is increasing).

### **3.2.1 Level of socioeconomic development**

The key indicators show a very low level of development. The country's level of development, as measured by the HDI, allows adequate freedom of choice to only a minority of citizens. There is fundamental social exclusion on the basis of poverty, gender and—in a somewhat milder form—education. During the evaluation period, Zambia has not succeeded in eradicating massive social disparities, a high poverty level or the unequal distribution of income, although a very slight improvement has been detected. Wage growth cannot keep pace with rising inflation, leading to a decrease in real wages. The existing developmental imbalances among provinces have not improved.

### **3.2.2 Market structures and competition**

The foundations of free-market competition are safely assured. The dense regulation of the economy has been curtailed significantly. The privatization, or liquidation, of state-owned enterprises was intensified. The new government is forging ahead with the sale of the remaining state-owned companies (6 %), some of which were not intended for privatization, for political reasons. Privatization efforts suffered a setback when an international investor pulled out of the sale of the ever-important copper mines, dropping them back into the state's hands.

Forming monopolies or oligopolies is neither regulated nor prohibited. The Energy Regulation Board serves formally as an exception and must grant approval for energy prices, but in practice it has fulfilled all requests from the state monopoly. Anticartel legislation does not exist.

Undercapitalization, insufficient infrastructure and competitive disadvantages due to the weak currency pose the fundamental problems for the business sector. So far, these factors could not be mitigated. Foreign trade was extensively deregulated, also under pressure from the IMF and the World Bank, but there are specific arrangements for individual cases. Free trade with Zimbabwe was partially suspended in this way, in order to protect the domestic economy from cheap imports resulting from the weak Zimbabwean dollar.

A significant amount of foreign trade (up to an estimated 45 %) is conducted informally with neighboring countries, thereby eluding statistics. The banking system

is one of the most liberal and effective in southern Africa. The banking sector is privatized to a great extent, and international banks also have a local presence. Very little capital is made available to domestic enterprises due to high interest rates and uncertainty about the value of the currency. Loans are often secured from foreign sources. The banks primarily serve the state's financial requirements by purchasing federal debentures.

### **3.2.3 Stability of currency and prices**

The inflation rate stabilized at a high level and even fell slightly during the evaluation period. The exchange rate, which was floated in 1992, sank markedly against the US dollar, but this trend was temporarily stopped between the beginning of 2001 and March 2002 by foreign-exchange controls and a strict monetary policy. All restrictions on currency dealings were lifted under pressure from the IMF. The resulting currency weakness can be traced essentially to a heavy demand for foreign currency for payment for the increasing amount of imports.

The national bank could not fulfill its task of fighting inflation and controlling the money supply, because it is subject to government directives, rather than being independent. Inflation control and exchange rate policy are subordinated to political objectives. However, IMF influence limits this subordination substantially. There are serious problems in setting objectives and performance for a consistent policy of stability. External debt has increased. The currency-reserve level is volatile and essentially tied to the receipt of development aid funds and income from copper exports.

### **3.2.4 Private property**

Property rights and the acquisition of property are adequately defined. The privatization of state-owned enterprises has progressed in recent years. Private enterprise forms the backbone of the small national economy. The privatization of the few remaining state-owned enterprises is planned. The level of market concentration in the national economy is higher than that found in most OECD states.

### **3.2.5 Welfare regime**

Zambia has no general social-welfare system. Access to social benefits, such as assistance in case of illness or accruing rights to a pension, is usually only available to employees of the state or of large companies. An unemployment insurance system

does not exist, just as there are no reliable statistics on unemployment. Familial and community structures are unable to provide a sufficient substitute for coverage in emergencies, due to the high urbanization rate. Thus, only a segment of the working population has access to the welfare system. A systematic battle against poverty is not possible without external assistance. Equal opportunity exists in principle, but in reality widespread poverty makes this unattainable. There are scarcely any institutions to balance out blatant social inequalities. Women from materially privileged families have access to higher education and higher office.

### **3.2.6 Strength of the economy**

There was clear growth in the GDP per capita during the reporting period—despite the Zambian economy's heavy dependence on copper mining and the problems of restructuring and privatizing this sector, and despite falling prices on the world market and occasional slackening in productivity. But this development is put into stark perspective by a decreasing, relatively marginal employment level and minimal price stability. The total debt was initially significantly reduced from a relatively high level by partial debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative of the World Bank and the IMF, but it climbed substantially again in 2001.

The balance of trade remained quite deficient, although export profits were substantially boosted in 2001, following three particularly bad years, by growing profits from the sale of metals. There is a chronic, extreme budgetary imbalance that can only be compensated by loans and development aid: 43 % of the 2002 state budget was financed by development aid funds. The Zambian economy's growth potential depends essentially on copper prices in the world market. Agriculture has been neglected up to now, leading to dependence on imported food, although at least the potential for self-sufficiency exists in this area.

### **3.2.7 Sustainability**

A social network to compensate for poverty and social risks is almost nonexistent. In view of Zambia's weak economic position, a very limited expansion of this network can be expected in the near future. Health care is qualitatively insufficient. State hospitals, which are subject to fees, are relatively poorly equipped, although the ongoing decentralization policy has increased transparency and efficiency in some areas. Higher-quality private clinics are more expensive and therefore accessible only to a privileged minority.



Equal opportunity and equal access to public services scarcely exist in the strongly segmented society, and are limited by defects such as corruption, nepotism and widespread poverty, as well as by legal obstacles (hospital and school fees). There are hardly any mechanisms to assist with the advancement of women, the disabled or the socially disadvantaged. Women are at a significant disadvantage regarding access to higher education, income and public office. Gender-specific discrimination in the legal system has been curbed by reforms in family law, but it is still widespread in rural areas with largely traditional structures.

Environmental awareness among society and lawmakers has grown to a low level under the influence of donor countries, but environmental concerns still tend to be subordinated to growth considerations. Zambia has a state system for primary and secondary education with nationwide coverage, as well as a small university system. At the end of the 1990s, state expenditures for education were a mere 2.2 % of the GNP or 7.1 % of total government expenditures. The school system is ailing and poorly equipped in terms of both staff and materials. The teachers are demoralized by heavy losses in real wages. Increases in school fees—as a result of poverty—have led to a decrease in the number of students. The targeted quality improvements in schools cited for these increases has not yet been achieved. The infrastructure is generally in poor condition.

#### **4. Trend**

(1) *Democracy*: Institutional stability and the state's monopoly on use of force were already largely established before the evaluation period. Judicial and administrative efficiency were scarcely improved. In view of the clear evidence of manipulation in the December 2001 elections, there has been little improvement in “elections” as a performance indicator. Slightly progressive tendencies must be noted in the areas of battling corruption, freedom of opinion and press freedom since 2002. However, massive shortcomings continue to exist. Progress of the incomplete consolidation has stagnated with regard to the checks and balances in the government, Parliament and the judiciary. The stability of fundamental constitutional institutions was preserved, yet without increasing the inadequate institutional efficiency of the state system.

Due to the existing political relationships since the beginning of 2002, there is the danger of a regressive tendency—albeit one that has not yet occurred—toward mutual political stalemates by the executive and legislative branches. The parties' achievements in political and social integration remain low, and regional identification patterns are prevalent. The development of the landscape of civic interest groups and organizations is stable, but weak—with the exception of Christian churches—compared with the breadth of citizen participation.

The development of a civic culture supporting democracy is regressing. This situation is further intensified by challenges to the December 2001 presidential elections, as well as to segments of the parliamentary elections, which still await judicial processing. The government and particularly the president, who was elected by a slim margin of 34,000 votes (he received an extremely narrow relative majority with 28.7 % of the votes cast), simply do not have the necessary legitimacy. Public willingness to participate has increased. In sum, however, the level of democratic consolidation has not changed considerably.

(2) *Market economy*: The fundamental developmental indicators show slight improvement in a consistently low level of development during the evaluation period.

**Table: Development of socioeconomic indicators of modernization**

|      | <b>HDI</b> | <b>GDI</b> | <b>GDP Index</b> | <b>Gini index</b> | <b>UN Education Index</b> | <b>Political representation of women <sup>a</sup></b> | <b>GDP per capita (\$, PPP)</b> |
|------|------------|------------|------------------|-------------------|---------------------------|---|---------------------------------|
| 1998 | 0.420      | 0.413      | 0.33             | 52.6              | 0.67                      | 10.6%   | 719                             |
| 2000 | 0.433      | 0.424      | 0.34             | n. a.             | 0.68                      | 12.6% (2001)  | 780                             |

<sup>a</sup> Percentage of women delegates in Parliament after the 1996 and 2001 presidential elections.

Sources: UNDP, *Human Development Report*, 2000, 2002,

<<http://undp.org/hdr2000.english/FAQs.html>>, <<http://undp.org/reports/global/2002>>.

The institutional environment for market-economy activity has improved slightly, primarily because of the privatization of state-owned enterprises and a reduction in state regulation. But Shortcomings remain in the organization of the economy and competition. Measured in terms of macroeconomic data, the overall economic development has improved both quantitatively and qualitatively, albeit the latter only slightly, compared with the time prior to the evaluation period.

**Table: Development of macroeconomic fundamentals (1998-2002)**

|  | <b>1998</b> | <b>1999</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Growth of GDP in %                       | -1.9        | 2.0         | 3.5         | 4.0         | 3.4         |
| Export growth in % of GDP                | -26.5       | -7.4        | -1.3        | 16.8        | 3.2         |
| Import growth in % of GDP                | -7.9        | -10.4       | 12.4        | 28.1        | 4.0         |
| Inflation in % (CPI)                     | 24.5        | 26.8        | 26.0        | 21.4        | 21.9        |
| Budget deficit in % of GDP               | n. a.       | -3.3        | -4.1        | -8.1        | -6.3        |
| Current account balance<br>in billion \$ | -0.346      | -0.248      | 0.418       | 0.523       | -0.456      |

Sources: Economic Intelligence Unit [EIU]: Country Report Zambia, November 2002 and Country Profile Zambia 2002, as well as Africa South of the Sahara 2003, p. 11-55. The numerical data for 2002 are estimates by the EIU.

## **5. Transformation management**

### **5.1 Level of difficulty**

The level of economic development hovers on the threshold between low and middle income; the education level of the population fluctuates in the middle range. Despite the ethnic heterogeneity (73 ethnic groups live in Zambia), there are no noteworthy ethnic or religious conflicts, with the exception of occasional low-level discussions about gaining autonomy by the Lotsi ethnic group in the western portion of the country. Social conflicts as a result of wide disparities in income break out occasionally and erupt—almost exclusively in urban areas—into strikes and criminal activity. Civil-society traditions are still relatively weak because they first developed with the introduction of the pluralistic system in 1991.

The rule of law shows considerable shortcomings: inefficiency, insufficient material and staff resources, occasional exertion of influence by the government, and corruption. Similar conditions hold true for the state administration, which operates with only limited efficiency. Institutional stability is generally assured. Democratic decision-making processes are observed at least as a matter of form. Fundamental democratic rights are essentially assured. Overall, the internalization of democratic values by the participating actors must be considered to be poorly developed. The democratic system remains fragile and not at all anchored. Economic difficulties also served to complicate matters. Thus, the difficulty level for the transformation must be considered high.

## **5.2 Reliable pursuit of goals**

The Zambian government's reform strategy was essentially to continue the necessary transformation of the economy to a system oriented toward a market economy. The state also accepted social costs to achieve this end, despite the sharp decrease in government popularity evoked from the affected segments of the public. However, this sensible long-term approach to economic policy is regularly subordinated to considerations of short-term political benefit. Reform measures are often implemented in a less-than-optimal fashion.

The government was fundamentally concerned with reassuring the expectations of business actors and coordinating individual macroeconomic goals with one another. In general, the influential decision-makers maintained their commitment to the transformation goal of democracy and a market economy. There are, however, considerable shortcomings in the practical implementation of long-term strategy programs, as well as organizational unreliability and problems in coordination.

In democratic transformation, the government lacks the willingness to implement measures for consolidating democracy. Short-term, self-interested strategies dominate considerations for a policy of democratic expansion for the medium to long term. The government's transformation strategy has become increasingly susceptible to unexpected course changes due to the unstable political majority relationships existing since the end of 2001 and the unstable character of the government (challenges to the presidential elections and the resulting questionable legitimacy of the president). This primarily applies to domestic policy.

## **5.3 Effective use of resources**

The government does not make effective use of the minimal staffing and organizational resources available for its transformation policy. The elite consumes the majority of state resources itself. The state administrative system is still overstaffed in relation to the services it provides. Hiring and promotion practices are nontransparent, noncompetitive and often subject to exertion of political influence. Efficient use of budget resources is inhibited by a continually high state budget deficit in relation to the GDP and a high debt level, as well as insufficient and often inconclusive auditing controls and a lack of transparency.

The administrative organization is plagued by serious shortcomings, particularly efficiency problems due to a lack of staffing capacity. The pool of competent leadership has shrunk significantly as a result of HIV. State administrative efficiency is low because appointment to leading administrative positions is often subject to

political patronage. Of all the ministries, only the Ministry of Finance and National Planning has sufficient capacities. Decentralized structures are weak and scarcely efficient. The government actually achieves only a portion of the promised reforms and often cannot stick to its own plans. The government assures only a limited offering of public services.

Although property rights and market deregulation are ensured, there are still sizable shortcomings in the appropriation of infrastructure and the development of human resources, rendering further transformation far more difficult. No fundamental changes can be expected in the battle against corruption. The new government is placing far more emphasis on using criminal investigation and punishment for corruption within the previous government to strip the former president and his cronies of political power. State resources are still allocated on the basis of patronage networks. Corruption continues to be a hallmark of the state and administrative culture. Cultural legacy is insignificant as a reform resource in Zambia.

#### **5.4 Governance capability**

The leading political actors react to mishaps and policy failure with limited changes, which as a rule turn out marginally in the actual implementation. There are numerous instruments for combating corruption, but they are evaded by the government and selectively applied and misused for political maneuvers (elimination of unpleasant adversaries). Nevertheless, stakeholders' interests are not always considered, as when unions were unsuccessful in coping with the social consequences of privatization of state-owned enterprises, for example. However, interests are always preserved if they are deemed essential to the government's retention of power.

Despite the unstable majority relationships in Parliament and the challenge to the presidential elections, the government's political authority is sufficient to introduce or carry on with reforms. The government takes the distributive effects of its policies into account, but rarely makes efforts to improve the distributive efficiency of the markets. Important reforms in Zambia are initiated for the most part by the IMF and the World Bank, and then carried out under the pressure of credit being either frozen or denied. The political actors involved recognize their leeway for action, which is sometimes overestimated. Reforms that were unpopular among voters were initially blocked, particularly in the run-up to the 2001 elections. For the first time, the new government now needs to reach a consensus with the opposition if it hopes to pass legislation amending the constitution. The reform strategy shows shortcomings in consistency.

## **5.5 Consensus-building**

All major political and social actors agree on the goal of the reform: democracy and a market economy. There are no actors with antidemocratic veto powers. Up to now, the government was able to deal with political lines of conflict so that they did not develop into irreconcilable rifts. Ethnic heterogeneity has not led to social disintegration along ethnic lines, thanks in part to a high urbanization rate of 40 %. There are no significant religious lines of conflict. All political actors recognize Parliament as the legislative body. Compromise and inter-party negotiations are necessary since the government itself does not have a majority. Public interest in solidarity is low, and is often only encouraged by very influential churches, while the government creates a negative effect through corruption, nepotism and patronage. The question of reconciliation regarding acts of injustice perpetrated by the authoritarian regime is fairly insignificant, because the Kaunda regime (1964-1991) committed no serious human rights violations.

## **5.6 International cooperation**

The political actors collaborate with bilateral and international donors, but they make only limited use of international aid to improve policy. Zambia is dependent on development aid to a great degree; official development aid constituted 27.3 % of the GDP in 2000. This gives the government no feasible alternative to close cooperation with donors. However, it must be said that many reforms are only initiated and carried out because of pressure from donors, while the government often acts only under pressure or out of hurried obedience and often attempts to block, tone down or simply not implement (for organizational reasons) practical but politically undesirable reforms. Donor pressure is also occasionally ignored in questions regarded by the government as politically detrimental.

In case of doubt, maintaining power is given priority over cooperation with development policy. The government is exerting effort to present itself as a reliable partner, but it has serious credibility problems, particularly in the area of foreign direct investments. Corruption, patronage and efficiency problems in both policy and business portray an image that is hardly advantageous. The political actors are successfully and actively cultivating and strengthening as many international cooperative relationships as possible. Zambia actively participates in the Southern African Development Community (SADC) and the African Union (AU), among others, and hosts the Common Market for Eastern and Southern Africa (COMESA) central office. The government initiated and repeatedly participated in peace efforts in the neighboring Democratic Republic of the Congo.

## 6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this assessment arrives at the following concluding evaluations:

(1) *Originating conditions*: The initial conditions for transformation can be rated as difficult overall. Although the authoritarian and economically controlling Kaunda regime (1964-1991) was already ousted before the evaluation period, the democratically legitimate successor government made no great progress in the democratic consolidation. It also made limited progress in the economic consolidation, despite far-reaching restructuring toward a market economy, albeit under pressure from donors.

Democratic structures were partially sacrificed to preserve the government's power. The unfavorable originating conditions are characterized by widespread poverty (from 1983 to 1999, 63.7 % of Zambians had less than \$1 to live on per day), corruption, HIV and an inefficient state infrastructure as well as serious economic problems. Making the process more difficult is the fact that Zambia has only experienced one transfer of power between political parties (1991), in which the legally established single-party system was ousted by a new party that was far superior numerically (*de facto* single-party system). Thus, the democratic culture of changing governments is not yet a firmly rooted element of the democratic order.

(2) *Current status and evolution*: Democratic transformation evolved only a short distance. Political decision-makers were unsuccessful in broadening the democratic transformation. Overall, consolidation has stagnated, and significant shortcomings in the consolidation process remain. There are no recognizable internal threats to the democratic order, but there have been setbacks in some areas. These setbacks discredit the democratic system but cannot destroy it. These lie particularly in the areas of political representation and integration, institutional efficiency of both the government system and the rule of law, escalating corruption, and patronage.

Transformation toward a market economy evolved an equally short distance. The political decision-makers have succeeded in stabilizing macroeconomic development at a low level.

The structures for an orderly market-economy were improved. However, the economic transformation to a functional market-economy is still in its early phases. The social welfare system is quite rudimentary and available to only a small segment of the population. Although significant economic growth must be noted, inflation and the state budget deficit remain problematic. The insufficient infrastructure and lack of

economic diversification could not be improved markedly despite relative success in privatizing state-owned enterprises and improving ambient structures for a market economy. An expansion of the social component of the market economy has not yet been attempted.

(3) *Management*: The verdict on the actors' relative management performance is mixed. Compared with the previous period, the economic transformation process has not improved substantially in reliability in achieving goals, pace and chances for success during the evaluation period. Although the democratic and market-economy system was not called into question by any of the important actors, the short-term political and strategic power interests of both the government and the opposition were glaringly obvious in the transformation management. Donors' demands for reform were addressed in economic policy, but many promised changes remained mired in the implementation phase. All significant decision-making actors emphasize the fight against poverty and corruption, but convincing success remains elusive.

## 7. Outlook

Overall, the transformation picture is not nearly as negative as it seems in some parts, particularly in comparison with other African countries. The development must always be viewed in a historical context: After 27 years of rule by Kaunda and his increasingly disastrous *dirigiste* economic policy, the peaceful democratic change of government and the continued existence of a democratic order must be seen as a success, despite all shortcomings. Now it is essential to consolidate the democratic order and the market-economy system and make them highly functional. At the political level, fundamental democratic rights—particularly the occasionally suspended press freedoms—must be assured. There must be effective control of the government by the opposition, and elections must fulfill democratic standards. Introducing runoff elections for the office of president should be considered, to boost the legitimacy of the executive branch; however, the necessary discussion of this issue has not yet been initiated.

The judicial system must become independent and more capable. The pivotal issue will be the battle against corruption and dismantling patronage networks. The former is being taken on in a commercially effective tactic by the Mwanawasa government, which was elected at the end of 2001, but the respective investigations focus primarily on the president's adversaries, i.e., former President Chiluba and his cronies. It remains questionable whether the battle against corruption is seen as an end in itself, or just as an effective means of securing power.



A court order to rehold presidential elections could endanger political stability (a decision is expected in the first half of 2003). The government's ability to function does not seem to be seriously impaired at the moment. On the economic front, dependence on copper exports must be reduced and production of agricultural foodstuffs must be increased. Two conditions that are vital to a successful transformation, the fight against poverty and the expansion of the social-welfare system, will not be possible without external assistance from donors.