

BTI 2014 | Zambia Country Report

Status Index	1-10	5.90	# 56 of 129	
Political Transformation	1-10	6.40	# 54 of 129	➔
Economic Transformation	1-10	5.39	# 73 of 129	➔
Management Index	1-10	5.53	# 46 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Zambia Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

Population	M	14.1	HDI	0.448	GDP p.c.	\$	1712.0
Pop. growth ¹	% p.a.	3.2	HDI rank of 187	163	Gini Index		57.5
Life expectancy	years	55.8	UN Education Index	0.503	Poverty ³	%	86.6
Urban population	%	39.6	Gender inequality ²	0.623	Aid per capita	\$	57.5

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

Zambia is one of the least developed countries in Africa, with approximately 60% of the population living below the poverty line. After 27 years of authoritarian leadership and a state-controlled economy, the country in 1991 began the process of political and economic transformation when a democratically elected government took office. This brief democratic transition was quickly weakened by authoritarian forces, and the state regressed to a hybrid regime. During the period under review, there were no developments toward a more democratic rule and no significant changes in the country's economic transformation. Whereas the presidential elections of 2001 were, according to domestic and international observers, most likely rigged, the government regained democratic legitimacy by clearly winning the elections held in 2006. President Mwanawasa won with a clear margin of 43% of the vote, while his closest rival received 29%. No constitutional crisis was experienced when President Mwanawasa died unexpectedly in August 2008. Within the stipulated timeframe, his vice president, Rupiah Banda, was elected as his successor. Although Banda won on a very narrow margin of 35,209 votes, there was no post-election violence compared to two years before. The 2011 elections were won surprisingly by the opposition party Patriotic Front (PF), led by President Michael Sata. After a brief hesitation, the incumbent government did accept defeat and stepped down. The new government started with a major reform program as promised during the elections campaign. When civil society organizations and opposition parties criticized the implementation of reforms and reneged promises, the government reacted with a heavy hand through anti-democratic practices, for example, by citing the controversial Public Order Act, which allows the ban of public rallies.

The principles of a democratic system of government are observable in Zambia. There are no violent conflicts and no veto actors; there is a high degree of acceptance of the democratic order. The judiciary is relatively independent, and there is a functional separation of powers, although the executive branch is dominant. In addition, there exists a tradition of civil society, though weak, and a general agreement on the values and benefits of democracy and a market economy. There is

also a tendency toward a relatively autocratic style of leadership in both government and opposition parties. The market economy is based on copper extraction and, to an increasing extent in recent years, on food and agricultural products.

During the review period, economic reforms have progressed but the economic environment is still far from what was initially targeted, and living standards for a vast majority has decreased over the years. Only in recent years have poverty levels started to slowly decline. The economy continued to improve despite the international financial and economic crisis. Against all odds, the country survived the crisis without a major downturn, but maintained economic growth rates of more than 5% for nearly a decade. Hence, the international crisis also had no negative impact on the fledgling political development of the country toward democracy. Since there is no alternative to the democratic order and there are no relevant veto players worth naming, Zambia seems likely to continue on its bumpy road toward development and democracy.

History and Characteristics of Transformation

Economic and political transformation processes took place in Zambia simultaneously. The foundations for the free market system were first set in 1991, when Frederick Chiluba, a former trade unionist and the leader of the Movement for Multiparty Democracy (MMD), was elected president. Before 1991, the one-party regime of Kenneth Kaunda was based on a state-controlled planned economy, though private ownership was tolerated. Democratic transformation began in March 1990, when the ruling single party, the United National Independence Party (UNIP), was forced to start a debate about a return to a multiparty system. In September, after mass demonstrations by organized trade unions, President Kaunda, who had ruled the country since its independence from Great Britain in 1964, finally agreed to open, democratic and multiparty elections in October 1991. He and his party were overwhelmingly voted out of office. The MMD won a large majority in parliament, 125 of 150 seats, while Chiluba captured the presidency with 75.8% of the vote. The largely peaceful and relatively short transition was seen as an example for Africa.

For two legislative periods, a dominant party system emerged that proved not conducive for democratic consolidation. The legacy of an authoritarian political culture and ingrained pattern of neopatrimonial governance persisted. The authoritarian-inclined behavior of the president and his ministers was exacerbated by a lasting sense of insecurity in the face of a state administration manned by supporters and clients of the former one-party state. The government was able to amend the constitution at will, as it maintained a necessary two-thirds majority in parliament, rendering the opposition too weak to effectively check the government's power. For example, during the run-up to general elections in 1996, Chiluba used his vast political power to amend the constitution to disqualify former President Kaunda from standing in the elections, causing the UNIP, then the major opposition party, to boycott the elections. Chiluba was re-elected with 72.6% of the vote,

and MMD won 131 of 150 seats in parliament. A failed coup attempt in October 1997 posed no real threat to the government.

However, the coup did have a negative impact on the country's progress toward democracy, as the government used the incident to temporarily limit basic rights. During the ensuing state of emergency, the government arrested prominent opposition leaders, such as UNIP leader Kenneth Kaunda and Zambia Democratic Congress president Dean Mung'omba. On the other hand, sustained civil society and parliamentary opposition thwarted Chiluba's attempt to amend the constitution to allow Chiluba a third term of office. Since he was not allowed to stand again in the December 2001 elections, Chiluba handpicked his successor, Levy Mwanawasa, who narrowly won the presidential election with a small plurality of votes (28.7%) over his main rival. Many national and international observers believed the presidential vote was rigged.

The elections in 2006 however were a different matter. Despite numerous efforts to unite opposition parties in various alliances, they were unable to challenge the ruling party. President Mwanawasa (MMD) won with 42.98%, and was trailed by Michael Sata of the Patriotic Front (PF), who received 29.37% of the vote. In parliament, MMD missed an absolute majority by winning only 73 out of 150 seats, but by winning two constituencies later on; and with eight additionally nominated members of parliament, Mwanawasa commanded a majority in parliament. As opposed to the 2001 elections, local and international observers considered the 2006 elections as having been generally free and fair. The same applies to the 2008 presidential by-elections which were won by the ruling party's Rupiah Banda on a close margin (only 35,000 votes separated Banda from his closest rival, Michael Sata of the Patriotic Front).

The 2011 presidential and parliament elections were not fair, but essentially free, and to the surprise of many observers and the opposition itself, Michael Sata and his Patriotic Front were allowed to win – however, only after some backstage wrangling with high-ranking Zambian officials from the electoral commission and probably leaders of the military as well as some international diplomats. Within a short period the government began implementing a number of reforms that were promised during the election campaign, targeting the labor force of the formal sector and increasing social expenditures in general. Because of the erratic leadership style of President Sata and the lack of consultation with major stakeholders, civil society organizations lost their enthusiasm over the new government and turned into critics. Faced with criticism, the government has tended to show increasing signs of intolerance, and has sought the same repressive instruments as did its predecessors.

The economic transformation into a free market system started at the end of 1991 with the change of government. To combat a serious economic crisis, the government was in dire need of loans from the World Bank and IMF, monies which were tied to the introduction of significant economic reforms. One of the biggest challenges was the privatization of the country's copper mines, Zambia's prime export earner. The sector struggled with low and decreasing world market prices for copper as well as general mismanagement and inefficiency, which rendered the sector unprofitable. Due to international investment and a return to higher copper prices, however, the

profitability of mining sector has been improved. The sector has contributed substantially to GDP growth rates of more than 5% over the last decade.

Despite the high growth rates, governments have not been able to meet the high expectations of the Zambian population. Living standards have not improved for a majority of the population, although poverty has started to decline in recent years. Mainly a small elite and a small, but growing, middle class has benefitted from the prosperous and growing economy. At the same time, there is a common perception that corruption is widespread and not adequately prosecuted.

Major societal groups are still waiting for a new and more democratic constitution that has been promised since the democratic transition in 1991. In 2010, the government managed to derail the fourth constitutional reform process, at least temporarily, and again during the review period the new government has failed to keep to schedule.

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

There is clarity about the Zambian nation's existence as a state, with adequately established and differentiated power structures. Zambia has virtually no competing power structures, such as guerrilla movements or clans, which could challenge the state's monopoly on the use of force.

Question
Score

Monopoly on the
use of force
9

All citizens have the same civil rights, including immigrants who have lived in Zambia legally for some time. A majority of the population acknowledges the state's constitution and legitimacy. In 2012, a very small group in Western Province demanded the separation of Barotseland, and threatened violence if their wishes were not met.

State identity
8

The state is defined as secular. The fact that Zambia was declared a Christian nation in 1996 has had no negative impact on the secular order in general, as religious dogma has had no significant influence on politics or law. Although the Pentecostal movement is strong in Zambia, it does not play a prominent role in politics, where the Catholic Church is more important. Churches as a whole act as social watchdogs for the socially disadvantaged, and as leaders in the fight against poverty and social injustice, often reminding the government of its social and cultural responsibilities. Religious minorities are not denied their right of freedom of worship.

No interference of
religious dogmas
9

The state's basic infrastructure – administrative institutions, state officeholders, basic court jurisdictions, bodies that implement political decisions – extends throughout the territory. The situation on the ground differs to some degree, however, as the operation of these structures is somewhat deficient. It is important to note that there have been some improvements in areas such as tax administration in the late 1990s and early 2000s; since 2005 unfortunately these achievements have tended to be reversed.

Basic
administration
7

2 | Political Participation

General elections are held and accepted in principle as the means of filling leadership positions. However, there are some constraints on the extent to which such elections can be considered fair. This was demonstrated by a situation in which, although international observers and domestic opposition alike heavily criticized the administration over the presidential and parliamentary elections in December 2001, the Supreme Court only in February 2005 decided to deny a petition to nullify the presidential election results. In contrast, the administration of the 2006 elections improved substantially. Both presidential and parliamentary elections were described as “generally peaceful and well-managed” by a European Union election observer team. However, as in previous elections, the government party used state resources for its campaign. The losing opposition parties alleged electoral malpractices. The Electoral Commission proved inefficient in effectively supervising the vote. There were several cases of delays in opening polling stations, while the collation, counting and transmission of results was not only delayed but also full of inaccuracies, resulting in more than 50 electoral petitions. Some of these problems turned up in the 2008 presidential by-elections again, but, in general, they were better administered than previous elections. Again, recent elections in 2011 were not fair, but in spite of the ruling party’s massive misuse of official funds, the major opposition party Patriotic Front won the elections and – after a short period of hesitation and international informal pressure – the result was accepted by the former president and government.

Free and fair elections

7

The democratically elected president and parliament have the effective power to govern. There are no veto powers or political enclaves where democratic rulers do not command the effective power to govern. The military is under the control of the civilian government and has shown a commitment to upholding the constitutional order.

Effective power to govern

8

While the constitution provides for freedom of association and assembly, this has often been qualified and restricted. For example, opposition parties require a police permit to hold public meetings, while demonstrations and rallies of the political opposition, labor unions and civil society groups have been forcibly dispersed and obstructed by security forces. There is also a dominant government influence on state-owned media.

Association / assembly rights

6

Zambia has one state-owned television and radio station. There has been a boom in private radio stations following the liberalization of the airwaves in 2002. Most of the new radio stations have a limited transmission range that cannot match that of the single state-owned station, although even this station does not cover the entire country satisfactorily. There are also a number of private television stations, the coverage of which extends mainly to the capital Lusaka and the surrounding areas, while many

Freedom of expression

7

rural areas are not covered. Cable and satellite television is also gaining ground, but only among the middle class and the wealthy.

Two daily papers are state-owned and pro-government, but there are a number of independent newspapers and periodicals. Newspapers critical of the government sometimes face indirect sanctions or are brought to court, but the previous government was unable to intimidate or silence the most critical paper, *The Post*, in any meaningful way. With the change of government, *The Post* joined other print media in support of the government.

Both private and state media do not provide a sufficient platform for divergent opinions. Coverage of news tends to be biased in favor of either the opposition in private media (such as with the newspaper, *The Post*) and government and the ruling party (for state-owned media). Although the political party Patriotic Front (PF) promised to consider an access to information bill, at the time of writing this bill had yet to be tabled in parliament. The effects of the newly established Zambia Media Council are still unclear. Thus the freedom of expression cannot be said to be truly realized in the Zambian context.

3 | Rule of Law

A separation of powers is basically observed. There are no significant constraints on the basic functions involved in the separation of powers. However, there clearly exists in government the dominance of the executive branch, which extends beyond the stipulations of the constitution. The legislature and legislators are too poorly equipped to act as an effective check on government actions. In rare cases, the legislature has vetoed executive decisions, though in two incidents in 2001 and 2003, the legislature tried or did exercise its power to impeach the president for violating the constitution. Regarding the separation of powers, mutual checks and balances are partially restricted in practice, and although the Movement for Multiparty Democracy (MMD) government did not enjoy a two-thirds majority it did during the 1990s. The judiciary has been relatively independent in passing judgment against the legislature and the executive. However, there is a perception that its independence has tended to be compromised in cases involving the executive (president). There is no evidence of judicial decisions that have demonstrated a check on presidential powers.

Separation of powers

6

Despite that the president (upon recommendation by the Judicial Service Commission) appoints judges to the Supreme and High Courts, the judiciary in Zambia is relatively independent and established as a distinct profession. However, the more politically important a case is, the more the courts' rulings are prone to political interference, though it should be noted that this has happened only in a few crucial cases. The functions of the judiciary are partially restricted by corruption, especially the lower subordinate courts. Inefficiency is also caused by understaffing,

Independent judiciary

7

a lack of educated and trained personnel, poor remuneration and a lack of equipment. In general, the judiciary is overtaxed and suffers from a huge backlog of cases, insufficient courtrooms and overcrowded detention centers, in which many suspects spend long periods before being brought to trial. In general, cases are slow to go to trial. Local courts continue to employ customary law, and lawyers are not allowed to participate in these proceedings; local court judgments too often do not comply with the country's penal code.

Corruption is still widespread. Corrupt officeholders are not prosecuted adequately. Especially in the case of high-ranking officials or politicians, those accused of corruption often slip through political, legal or procedural loopholes, if they are prosecuted at all. Anti-corruption policies have lost most of their credibility. Hardly any charges against leading members of the former Chiluba government have been successfully concluded. Many former high-ranking officials of the same government, who were widely believed to be involved in corrupt practices, have not been prosecuted. Many believe that the anti-corruption policy was a political ploy to victimize political opponents and was largely lacking in substance. There are a number of new major cases of corruption involving senior members of the Rupiah Banda administration. The new government under President Michael Sata has promised to enhance the fight against corruption, but in practice it has been unable to find sufficient evidence in several cases to charge former President Banda of corruption. The new minister of justice, Wynter Kabimba, when summoned by the Anti-Corruption Commission (ACA) for an investigation on an alleged involvement in corruption, instead ignored and ridiculed the ACA.

Prosecution of
office abuse
4

In general, compared with the late 1990s, the protection of civil rights has improved in some areas. Nevertheless, civil rights violations persist, including unlawful killings, torture, beatings, abuse of criminal suspects and detainees by security forces, arbitrary arrests, prolonged detention and long delays in trials together with poor and life-threatening prison conditions. Civil rights groups have noted the government's infringement on citizens' rights to privacy as well as protections against violence and discrimination against women.

Civil rights
5

4 | Stability of Democratic Institutions

Democratic institutions fundamentally perform their functions, although the institutional set-up is dominated by the executive branch, with extended powers given to the presidency and legislators left with only limited capacities to check the government effectively. Most democratic institutions such as parliament, the human rights commission and the ombudsman are generally ineffective in holding the government to account or fulfilling their constitutionally defined roles.

Performance of
democratic
institutions
6

The presidential by-elections held in 2008 were probably the most democratic, free and fair since the first elections of the early democratic Zambian state in 1991. The judiciary is largely free of extensive political interference. This however does not apply to the civil service administration. Civil servants are bound to implement government policy or face sanctions. There are only isolated cases of counter-productive actions, while the local government system is the most ineffective, due to constitutional arrangements. The overall performance is, however, compromised by limitations in materials and human resources. There have been efforts to decentralize more functions to local authorities through the adoption of the Decentralization Policy of 2003, but these seem to represent little more than rhetoric, as the central government still maintains effective control of the country's politics and its budget. Zambia's system of local government is still based on effective control from the center. The central government is expected to provide funds in form of grants to local authorities, thereby undermining innovation among local authorities. Many councils have been unable to fulfill their obligations to their communities to the extent that they have failed on occasion to pay staff wages for months. Given the fact that a majority of councils are controlled by the opposition, the government has delayed the implementation of the Decentralization Implementation Plan, which was approved in 2005 for fear that opposition forces would outperform it in service delivery. The new government has promised to continue with the decentralization policy, and has created 23 new districts. Whether this means a new decentralization approach, or just a kind of populism, remains an open question.

All relevant political and social players accept democratic institutions as legitimate. However, there is no discourse on ways of strengthening the political system, especially the weak political parties. Policy discourse on alternative policies is absent, and generally all major parties do not display distinctive policy differences. Political competition is influenced more by personal differences than policy differences. Civil society organizations are more active than political parties in holding the political system to account. But there is also evidence of the tolerance of anti-democratic practices, with some sections of society calling for the restriction of number of political parties and supporting undemocratic leadership and actions in their parties; this is particularly a problem with the ruling party during the review period, Patriotic Front (PF), and its leadership. If criticized, PF leadership tends to resort to threats and heavy-handed responses, such as resorting to the controversial Public Order Act, which allows the ban of public rallies. In addition, the government has started to use the so-called NGO Act against critical civil society organizations, by questioning their registration status.

Commitment to
democratic
institutions
6

5 | Political and Social Integration

The party system is fundamentally established but has become increasingly volatile. The 2006 elections illustrated this increasing volatility, especially regarding opposition parties. Nominally, there is a moderate fragmentation, with three bigger and four small parties represented in parliament. In reality, however, the fragmentation is higher, since two of these “parties” are actually party alliances that are comprised of three and five registered parties, respectively. (The United Democratic Alliance (UDA) is not recognized as a party in parliament, while the National Democratic Focus (NDF) is recognized). Altogether, there are seven parties in parliament, plus three independent members of parliament. The growing volatility is illustrated by the fact that the runner-up in the 2006 elections increased his share of votes nearly ten-fold between the elections in 2001 (when he received 2%) and the 2006 elections, in which he received almost 30%. Even the vote share of the ruling party shifted markedly, from 56% in 1996 to 27% in 2001, and to more than 40% in 2006.

The parties are mainly focused on personalities rather than on programs or ideologies. In 2008 the ruling Movement for Multiparty Democracy (MMD) proved surprisingly stable when its leadership managed to solve the succession problem after the sudden death of President Mwanawasa; he was replaced by Rupiah Banda within a short time and without any split in the party. Since Banda lost the 2011 elections, the MMD is at the time of writing in disarray, torn by leadership struggles.

Most parties tend to have regional strongholds that are, in some cases more than others, based on ethnicity. This explains the popularity of the United Party for National Development (UPND) in the Southern Province, (the east was previously the stronghold of the United National Independence Party (UNIP), but since 2006, it is now an MMD stronghold), MMD in the northern and central regions, and the Patriotic Front (PF) in the Copperbelt and Luapula Province. None are ethnic parties in any traditional sense, but all are ethnic congress parties based on a different coalition of several groups of ethnic elites. The 2006 elections suggested that there was a mobilization of support on the basis of ethnicity, as two of the main opposition parties had attracted a large number of votes on the basis of ethnicity. All opposition parties, apart from one, are young, having been founded either in the late 1990s, in 2000 and 2001 or even later. At the same time, all parties are highly factionalized (only partly due to the ethnic composition) and prone to numerous defections. Election results in 2006 and 2008 (presidential) from urban areas such as Lusaka and the Copperbelt indicate a substantial and increasing number of non-ethnic, but issue voters. The latter contributed to the success of the PF in the 2011 elections.

Party system
4

The country's network of interest groups is relatively close-knit but dominated by a few strong interests. The dominant societal interest groups are the trade unions and Christian churches, although trade unions have lost their salience as compared to the 1980s. Furthermore, unions are also weakened by loss of members. The churches and trade unions vocally challenge the government on economic, social and political issues and, in this way, strengthen the transparency and control of government policy. They challenge the government especially on issues regarding the constitutional reform process, election malpractices, human rights violations and other social issues. Civil society organizations have an integrating effect that is aimed at bridging social cleavages. By and large, civil society organizations are not rooted in society, are led by urban-based educated elites and have been ineffective in holding government to account.

Interest groups
5

Democratic consent is high, and political protests have not called the democratic framework into question. According to a 2009 Afrobarometer survey, support for democracy is high at 80% of those polled (75% in 2002, 64% in 2005); support for a multiparty political system, however, increased from 52% (2002) to 63% (2005) and to 70% (2009). Regarding this data, it should be noted that, according to the surveys, support for democracy increases with a change of government. Satisfaction with the functioning of Zambian democracy however polled only at 40%. There remains a high tolerance of undemocratic practices in political institutions and in the country at large.

Approval of
democracy
6

There is a robust but heterogeneous web of autonomous, self-organized groups, associations and organizations, and solid trust among the population. Self-organized groups have grown even stronger since the mid-1990s as the Zambian government has failed to provide social security and fight poverty effectively. People organize themselves rather than relying on the state to improve their situation. In rural areas, where the majority of the population still lives, the peasant society with its close informal networks of extended families still provides the social capital to balance challenges which emerge from economic, social and natural disasters.

Social capital
6

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

The relevant indicators show that the country's level of socioeconomic development is still low and does not permit adequate freedom of choice for all citizens. In 2011, Zambia became a lower-middle income country, but just above the threshold of those countries that are least-developed. Social exclusion is quantitatively and qualitatively

Socioeconomic
barriers
3

still extensive and structurally ingrained. Significant social exclusion is caused by poverty, gender discrimination (especially in rural areas) and – to a lesser extent – education. The Gender Inequality Index (GII) was at 0.647 (2011), rank 131 of 146. HDI at 0.43, well below the regional average of 0.463, measured at rank 164 of 187 (2011). Only half of the population can claim some form of employment, with formal sector employment accounting for only 9% of the labor force (2006). Income distribution is highly skewed, with a majority of the population earning very little. The Gini index was at 50.7 (2004). Some 64.3% of the population lives on less than \$1.25 a day (2011). Subsistence agriculture is the biggest single occupation in Zambia, as about 2 million people are subsistence farmers. Informal trading is believed to employ over 1 million, but there are no reliable statistics. During the period under review, there was no significant improvement in the government's effort to reduce huge social disparities. In addition, development imbalances in the provinces have not been reduced. Economic development is also hampered by inadequate, poor or non-existent infrastructure and services that include credit, roads, extension and marketing services. Absolute poverty has begun to decline after several years of robust economic growth, which, surprisingly, continued through the world economic crisis.

However, poverty and inequality is still very pronounced, and the percentage of the population living in poverty has remained at about 60% over recent years. This is as structurally ingrained as it is spatially, with rural areas being the poorest and urban areas better off. The pattern of inequality of income favors urban areas at the expense of rural areas.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	12805.0	16190.2	19204.0	20678.0
GDP growth	%	6.0	7.6	6.8	7.3
Inflation (CPI)	%	13.4	8.5	6.4	6.6
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.4	10.7	10.3	-
Export growth	%	18.9	18.3	2.4	-
Import growth	%	-13.5	30.0	15.0	-
Current account balance	\$ M	582.3	1205.6	700.1	-1.0

Economic indicators		2009	2010	2011	2012
Public debt	% of GDP	-	-	-	-
External debt	\$ M	3774.4	4411.3	4359.8	-
Total debt service	\$ M	170.8	149.7	188.9	-
Cash surplus or deficit	% of GDP	0.2	-1.5	-	-
Tax revenue	% of GDP	15.0	16.6	-	-
Government consumption	% of GDP	18.0	16.4	20.6	-
Public expnd. on edu.	% of GDP	-	-	-	-
Public expnd. on health	% of GDP	3.5	3.6	3.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.7	1.7	1.6	1.5

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

There is freedom of pricing, currency convertibility, freedom of trade and free use of profits. However, market competition operates under a weak institutional framework. Within Africa, Zambia ranks 94 of 185 with regard to the ease of doing business (World Bank report 2012). There are a substantial number of people engaged in the informal sector. Although reliable statistics are not available, estimates put the unemployment rate at 50%; considering there are more than 1 million people working in the informal sector, which is more than double the number of people in formal employment. A fairly strong institutional framework is provided only for strategic sectors linked to the mining industries and also for large-scale commercial farming. More than 65% of the labor force operates outside the tax net, sprawling the informal sector of the economy.

The formation of monopolies and oligopolies is inconsistently regulated. The Competition Commission was established to regulate competition, but is ineffectual and lacks legislative clout. The privatization of parastatals has decreased the number of monopolies. Some of the last state-owned companies, such as the Zambia Electricity Supply Company (ZESCO), have not been privatized but rather commercialized, meaning that they were put under private sector management while the state maintains a majority ownership share. This reversal of privatization policy has been accepted by the IMF, and was partly due to public pressure, as many felt that privatization was a failure. As a result, some monopolies still exist, such as the

Market-based
competition
5

Anti-monopoly
policy
6

electricity provider ZESCO. The electricity provider is by law required to seek government approval for price adjustments. In the past, approval has always been granted. There is legislation over cartels, but this needs to be consolidated. The new government renationalized ZAMTEL (telecommunications company) and the Railway System of Zambia, and recently also Indeni Petroleum Company and Maamba Collieries.

Foreign trade is liberalized in principle, but there are still significant exceptions. The government for example bans the export of corn to safeguard food security. The tariffs are, in regional comparison, very high. There is a significant share (an estimated 50% of the recorded trade volume) of unrecorded cross-border trade between Zambia and its neighbors. Unrecorded imports, particularly of manufactured goods from Zimbabwe, have reached significant levels because of currency distortions in Zimbabwe.

Liberalization of
foreign trade

6

The banking system and capital markets are differentiated, internationally competitive and oriented, in principle, to international standards. Zambia has some of the most liberal banking regulations in southern Africa, and banks function efficiently. There are about 18 registered commercial banks, including six international ones. There is functional banking supervision and minimum capital requirements. Capital markets are open to domestic and foreign capital, and the stock exchange lists 22 companies (up from 13 in 2006). Domestic investors mostly borrow money from outside Zambia to avoid high interest rates. The domestic banks usually borrow money from the state through treasury bonds. The government is running a Private Sector Development Initiative in support of the private sector. One major aim is to reduce the cost of doing business in the country, but progress has been limited, as illustrated by the fact that the cost for terminating employees in Zambia is among the highest in the world.

Banking system

8

8 | Currency and Price Stability

Controlling inflation and establishing an appropriate foreign exchange policy are recognized goals of government economic policy, but they have not been implemented consistently over time and do not have an adequate institutional framework. The principle framework of the Bank of Zambia is to formulate and implement monetary and supervisory policies that will ensure stability in price and financial systems to promote balanced macroeconomic development. In general, in recent years it has been easier to achieve these ambitious goals as inflation rates have been lowered. During the period under review, inflation fell from 7.9% (2010) to 6.7% in 2012, one of the lowest rates in about 30 years. The rate is still high, but in comparison, in 2008 it was 16.6%. In 2011 and 2012, the Zambian kwacha appreciated slightly as the price of copper, the country's major foreign exchange

Anti-inflation /
forex policy

8

earner, decreased by more than 20%. The kwacha however depreciated in the first half of 2013 against major currencies, losing the gains recorded in 2012.

In 2012, the Bank of Zambia changed its monetary policy framework from reserve money targeting to the use of a policy rate. There is a culture of policy stability that is not institutionally safeguarded, but enforced by donors and their financial institutions.

Increased confidence in the country's economic stability was indicated by Zambia's debut \$750 million, 10-year Eurobond issuance in 2012 that became sub-Saharan Africa's most successful bond launch, with bids worth more than 15 times the amount on offer. The country has been awarded B+ ratings by two international credit rating agencies, Fitch Ratings and Standard and Poor's.

External debts were reduced considerably from 86% of GDP in 2005 to 9% of GDP in 2006, as a result of debt cancellation under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief initiatives. This massive debt reduction was expected to benefit the country, allowing it to invest in the social sector and in infrastructure. The debt relief indicates a vote of confidence in the government's reform policies by international finance institutions and by Western donors. It implied that the government had fulfilled most of the structural reform package prescribed by the IMF and the World Bank. Since 2006, the debt stock has increased again, to 10.5% of GDP in 2010 and 12.5% of GDP in 2011. The IMF however is not concerned about this debt level. In July 2012 it commended the Zambian "authorities for their sound macroeconomic management and welcomed Zambia's strong economic performance in recent years." But it also be noted that poverty levels remain high.

Macrostability

7

9 | Private Property

Property rights and the regulation of property are well-defined in principle, but there are problems with practical implementation. Contractual and property rights are weak, courts are often inexperienced in commercial litigation, and court decisions are frequently slow in convening.

Property rights

5

Since the privatization of state companies is almost complete, private companies represent the backbone of the economy. Having comprised only 20% of the economy in 1990, the private sector is estimated to have increased this share by 2005 to around 80%. Nevertheless, there are still some state-owned companies in crucial sectors of the economy. This state-controlled concentration of market power is not only tolerated but supported by the government. However, the government has made some progress with privatization: Zambia National Commercial Bank was privatized and Rabobank of the Netherlands has a controlling stake of 49%, with 22% held by the

Private enterprise

7

government of Zambia and the rest by private individuals through the Lusaka stock exchange. ZAMTEL, which was sold to LAP Green of Libya, was together with the Zambia Railway System renationalized by the Patriotic Front-led government in 2012.

10 | Welfare Regime

There are only rudimentary measures in place to guard against social risks, and these are extremely segmented in terms of area, social stratum and sector. Only the few who are employed in the formal sector have some access to retirement packages and health care. This applies mostly to the urban population (mainly civil servants and mine workers; apart from parastatal companies, the government does not provide health care to its employees). Public pensions have not been paid for the past several years, while private pensions and social security schemes cover a very small section of the population. There is no unemployment insurance system and no reliable statistics on unemployment. The country cannot combat poverty on its own in any systematic way and, given the huge volume of funds pumped into Zambia by international donors over the past four decades, donor effectiveness and the lack of effective political leadership to combat the debilitating effects of poverty have become an issue. While there is no real debate on social protection in the country, the government runs an inefficient national social welfare scheme known as the Public Welfare Assistance Scheme (PWAS). PWAS only covers a limited number of beneficiaries and benefits are inadequate. The social cash transfer scheme, which is largely financed by donors, is being implemented as a pilot project in only two provinces (Southern and Eastern) and in very few districts. Many public service workers go for several years without receiving their pensions.

Social safety nets

4

The government, with the help of donors, has in recent years been piloting a social protection scheme based on a system of cash transfers in two provinces. Social protection has been prioritized in the Fifth and Sixth National Development Plans. A number of institutions, however ineffective, does exist to compensate for gross social differences. Family, clan or village structures are of relevance only in rural areas, where half of the population lives. But these structures have been put under stress by droughts or other calamities that negatively affect food production. However, in many areas, the traditional extended-family system that has acted as a form of social security has all but collapsed under the weight of structural economic reforms.

Public health care in Zambia is poor both in terms of quality and coverage as a result of under-funding. This has led to failure to contain many diseases, including malaria, tuberculosis and HIV/AIDS, although the infection rates for malaria and HIV declined in recent years. Since 2009, the government has continuously increased

spending in the health and education sectors, especially in 2011 and 2012 as led by the Patriotic Front government.

More men than women have access to higher education, which is a function of the persistent notion that male children are more of an economic asset than women. But this is changing, and there is now an increase in females at secondary school and higher educational institutions. Women who have access to higher education and public office in most cases tend to come from privileged families and urban areas. However, as the government provides bursaries to all those accepted to universities, some women from rural areas and less affluent families can now enjoy higher education as well. There is no discrimination of ethnic minorities. The new government has made an effort to increase the number of female ministers and women in higher positions.

Equal opportunity
5

11 | Economic Performance

The economy has experienced robust growth rates of more than 5% for several years, and these rates have continued to increase during the review period. The growth rate is expected to decline slightly from 6.6% in 2011 to 6.1% in 2012, and increase slightly again to 7.1% in 2013. The economy performed surprisingly well during the world economic crisis and European Union recession. The inflation rate showed a clear downward trend from 7.2% (2011) to 6.7% (estimate) in 2012. The downturn in copper prices as part of the international economic crisis continued in 2011 and 2012, and darkened the previous bright prospects of the mining sector as well as illustrated the volatility of the economy, which is dependent on basically a single commodity. The budget imbalance increased during the review period, increasing in 2011 and reaching 4.1% of GDP, but remaining within acceptable margins. The increased debt burden was not a concern. After a chronic trade imbalance caused by higher levels of imports than of exports, this trend since 2004 has changed and has continued into 2010. Since then, the surplus has started to decline (yet remaining positive) mainly due to declining copper prices.

Output strength
7

12 | Sustainability

Environmentally compatible growth receives only sporadic consideration and has a small, but in some cases vocal and active, institutional framework in the Environmental Council of Zambia (ECZ). Among government officials, there is no deeply ingrained awareness of the environment or nature. Environmental laws and regulations are not strictly enforced, and there are many cases of non-compliance involving large-scale organizations, especially the mining companies. The ECZ came into being with the encouragement of donors and, as a result, it largely lacks local ownership. While the ECZ has legal powers to enforce its mandate, it is hampered by

Environmental
policy
3

political interference. The government has signed all major international environmental treaties. However, environmental standards are unsatisfactory, with recorded accidents and continued threats to human health due to pollution of rivers, streams and the air in mine areas.

Institutions for education, training, and research and development are present in significant segments but remain inadequate. Since the 1990s, there is a trend showing that access to education and its perceived value have deteriorated. Since 2005, the government has supported the implementation of a free, basic education program (mainly donor-funded). This led to primary school enrollment of almost 115% (gross, 2011). Secondary school enrollment remained much lower. Overall gross enrollment in education was 63.3% in 2010. However, the fail rate at grade seven and grade nine is high, around 60%. This is partly because of insufficient school places at the next level, and it poses an enormous challenge for youth who are not studying to be absorbed into the job market. Funding for higher education has also failed to keep pace with enrollment. There are only three public universities, with the youngest established only 2007; not all those who qualify for a university spot are indeed able to enroll, due to limited places, inadequate facilities and insufficient staff. Six private universities have sprung up in recent years, but little is known about their capacity and quality. Many teachers are not motivated because of low salaries. Teaching and learning materials are insufficient. The government has reacted to the shortfalls by employing an increasing number of teachers under the previous period under review. It also continued with the rehabilitation and construction program for schools, which also included the country-wide distribution of textbooks and other teaching requisites. As a first result, literacy rates have improved, with an adult literacy rate at 71%. Public expenditure on education declined after a low peak of 2% of GDP in 2007 to 1.3% in 2011. However, the government at the time of writing has started to increase the education budget drastically, by 26.7% for 2012 and by 15.8% for 2013, over the previous year.

Education policy /
R&D
4

Transformation Management

I. Level of Difficulty

Structural constraints on governance are very high in Zambia, caused mainly by widespread and extreme poverty. The HDI ranks Zambia at 164 of 187 countries (2011). Indeed, 59.3% of the population is living in poverty (2011). With an urban population of 35%, figures indicate that poverty is not restricted to rural areas but exists too in the urban areas. HIV/AIDS infections are another structural constraint on governance. As of 2009, the prevalence of HIV infection had declined compared to the previous period, and was estimated at 13.5% of the population between the ages of 15 and 49. The physical infrastructure is poor and in many aspects dilapidated.

Structural
constraints

7

There is a moderate tradition of a lively civil society. The substantial part of the labor movement (especially mineworkers) was never completely under the control of the one-party regime. It initiated the democratic transition, provided the backbone of the democratization movement, and carried it to its logical conclusion, while the leader of the trade union congress became the first president of the Third Republic. Since then, however, the influence of the movement has declined, partly due to its close relationship with the government and partly because of falling levels of membership and employment in unionized industries, especially in mining, manufacturing and public services. The Christian churches also play an active political role in public life and are strongly rooted in society. Organizations close to the Catholic Church play an important role in organizing political activities of various civil society organizations (such as the jubilee campaign against external debt, anti-third term campaign and demands for constitutional reform). In addition, there are a number of active NGOs and a civic culture of moderate participation in public life, especially in the urban areas. While social cleavages exist, they are not irreconcilable.

Civil society
traditions

6

Unlike many other countries in Africa, there is no evidence of irreconcilable ethnic, religious or social cleavages. Nor are violent incidences observed. All relevant actors respect the democratic constitution. However, there is simmering low-level tension between some sections of civil society, mainly the Catholic Church, including the main opposition party, the Patriotic Front, and the government over the constitutional.

Conflict intensity

4

In Western Province the issue of the status of the Barotseland Agreement heated up during the review period, with fatalities as a result following police clashes. The traditional royal Lozi establishment and the government were eager to pacify the situation. However, since the dispute over the political status of Western Province (Barotseland) is not resolved, the situation is still tense. Radical elements demanding the separation of Barotsland from Zambia are not able however to rally mass support.

II. Management Performance

14 | Steering Capability

Zambia's political leadership pursues long-term aims, but sometimes postpones them in favor of short-term political benefits. The results of policies aimed at political reform have been mixed. While for a number of years some improvements were noticeable, there has appeared to be a reversal since President Banda came to power. During the constitutional reform process, the president was successful in fending off all changes that might address presidential power or control over the legislature, and which would have endangered his reelection in 2011; that is, a 50%-plus-one system favored by most civil society organizations and opposition parties. In fact, the constitutional reform process culminated in a bulky draft constitution with many unresolved issues, which are expected to be solved by a national referendum. However, given the terms, it became quite clear that such a referendum would not take place before the next presidential and parliamentary elections. Since the democratic transition of Zambia in 1991, this was the fourth failed attempt toward a fundamental overhaul of the constitution with the goal of making it more democratic. At the same time, President Banda's commitment to fighting corruption has been more seriously questioned than was the efforts of his successor. The implementation of economic reform policies continued to remain on track. The IMF was satisfied with government performance.

The Zambian government sets strategic priorities and has been consistent in meeting broad macroeconomic targets. However, there are short-term policies that have undermined the overall attainment of macroeconomic targets, which are influenced by a neo-patrimonial logic, such as the fertilizer subsidy to rural farmers, whose distribution is almost always not based on commercial considerations.

Interestingly, the new Patriotic Front-led government made an effort to deliver on various election promises by strongly increasing social expenditures, for example. However, it remains to be seen whether the government can escape the neo-patrimonial fate of its predecessors.

Question
Score

Prioritization
6

Despite previous problems in implementing reform policies agreed upon with the IMF and other donors (who, in the past, often suspended disbursements), the country's economic reform policy has remained on track. In June 2012, the IMF mission commended Zambian authorities for their sound macroeconomic management and welcomed Zambia's strong economic performance. It also warned that despite the favorable economic outlook that there were risks regarding the volatility of copper prices and in delays in implementing measures needed to meet 2012 budget deficit targets. To safeguard macroeconomic stability and to make growth more inclusive, the IMF stressed the need for continued commitment to strong policies and implementation of structural reforms. At the same time, the Patriotic Front-led government has maintained the goals and themes of Zambia's Sixth National Development Plan 2011 – 2015 (SNDP) that aims at "sustained economic growth and poverty-reduction," and that has increased budget allocations to the social sector clearly. The government also implemented a number of social reforms (increased minimum wage, high tax threshold, and so on) which were promised in the party's election manifesto. At the same time, the implementation of anti-corruption policies has remained weak, because the government has continued with its neo-patrimonial politics.

Implementation
7

Some members of the political leadership (including the president) during the review period responded to mistakes or failed policies with decisive changes, as indicated by the late President Mwanawasa's handling of opposition parties and demands voiced by civil society organizations. The same applies to the Patriotic Front-led government, which has included various social and political concerns of civil society organizations in its election manifesto and has tried to implement these promises. However, the government's policy frequently has remained stuck in the same routine of patronage politics, with occasional threats directed at the political opposition. There has been some policy learning. While during President Banda's term this capacity seems to have declined, there are indications that the government under President Sata has learned more, such as how to keep election promises. But at the same time, Sata continues to make single-handed and erratic decisions without the consultation of cabinet members or stakeholders. The government also tends to use repressive means against critics and the opposition.

Policy learning
5

15 | Resource Efficiency

The government uses only some of its available resources efficiently. Zambia's already high public sector wage burden has been on the rise in recent years. In November 2012 the IMF warned against further increases in civil service wages. The tax administration system improved during the 1990s, but tax revenue relative to GDP began to decline in recent years, partly due to the withdrawal of donor support and an increase in private and politically motivated "interventions." The tax reform

Efficient use of
assets
5

of 2007 and 2008 (higher company taxes and value added tax) resulted in revenue collection above target (2012). The number of public employees, apart from short-term contract workers, has not been significantly reduced. As in the past, there remains a substantial overstaffing problem, and the services offered by the state are unsatisfactory. Significantly, the Public Service Reform Program (PSRP), which is aimed at reducing the civil service rolls by about half, as well as at restructuring civil service positions and improving pay and working conditions, has been a failure. There are a number of politically motivated dismissals and new appointments, but this is mostly restricted to top-level officeholders. Constitutional appointments must be confirmed by the parliamentary selection committee. As such, while there is some modicum of transparency, political influence is still observable. There is no balanced state budget, but during recent years, the government has managed to keep the financial deficit below 3%, an exceptionally low historical rate. However, the deficit increased again to 4.1% in 2012. There are still shortcomings with the implementation of the Public Expenditure Management and Financial Accountability (PEMFA) reform, while the Integrated Financial Management and Information System (IFMIS) continues to be implemented. Both reforms aim at enhancing the financial management of the government. In 2012 the IMF mission emphasized again that “public financial management reforms are essential to improve budgetary planning and execution and prioritizing spending.”

The level of debt used to be difficult for the government to manage up to 2005, when the debt burden was eased by debt relief from major donors. The decentralization of government structures is in poor shape; there are unclear and overlapping authority structures that are prone to political as well as central government interference, which has become frequent. Local governments have no financial autonomy, as all funds are allocated by the central government. Hence the whole local government system is in need of a complete overhaul, but the government shows very little interest in carrying this out for fear of losing political control.

The government tries to coordinate conflicting objectives and interests, but it has only limited success. Intra-governmental frictions, redundancies and gaps are significant. The coordination style is partly based on informal networks, but it is also hierarchical and centralized. Traditional rulers are recognized and do wield some political influence, though they only play a consultative and advisory role through the House of Chiefs and the newly created Chiefs and Traditional Affairs ministry. Increasingly some traditional rulers have been playing visible roles in politics, supporting particular party candidates, and have called for a change in the law to allow them to contest parliamentary elections.

In the fight against corruption, the government has implemented some integrity mechanisms. These figured prominently in the late President Mwanawasa’s political agenda, as his campaign primarily targeted high-ranking civil servants and politicians. It must be noted, however, that the fight against corruption was selective,

Policy
coordination
5

Anti-corruption
policy
4

aiming especially at certain politicians from the Chiluba era. This changed when former President Banda came to power; he seemed to protect Chiluba as a political ally, and even tried to stop the prosecution of corruption cases of this era as evidenced by the acquittal of Chiluba. As a rule, while corrupt officeholders are prosecuted under established laws, many slip through political, legal or procedural loopholes. At the same time, the judicial system seems to have administrative and managerial problems that prevent it from properly handling a substantial and politically sensitive caseload. The public welcomes the fight against corruption, but it has become very skeptical about the true intentions of the anti-corruption campaign. The new Patriotic Front-led government made rhetorically a big effort to fight corruption by setting up commissions of inquiry to investigate corruption in former President Banda's government. However, despite these efforts, the administration failed in several cases to find sufficient evidence for a charge against Banda. When the Anti-Corruption Commission (ACC) started an investigation on the new minister of justice, Wynter Kabimba, he refused to be questioned by the commission without the attendance of party cadres, revealing an unacceptable understanding of the rule of law (even though Kabimba is a lawyer). President Sata protected him against public criticism. The fight against corruption seems to continue to be partly a political ploy.

16 | Consensus-Building

All major political actors agree on the building of a market-based democracy, although there has been increasing resistance to a market economy that is "too liberal." The new government prefers rather a social market economy with more state regulations. Given the good performance of the Zambian economy and the persistence of poverty, which has declined only slightly, there is no resistance by donors or the IMF against the new social policy commitment with increased spending on infrastructure, social sector and more state regulations.

Consensus on goals
6

There are no veto powers and no significant resistance to a market-based democracy. Although the political leadership is trying to prevent cleavage-based conflict from escalating, it cannot reduce existing divisions caused by persistent poverty. Maneuvers to control the press and civil society have been made with legislation over the regulation of non-governmental organizations.

Anti-democratic actors
6

Reformers are not completely in control of reform policies, partly because the high tolerance of non-democratic practices in politics. The new Patriotic Front-led government has threatened to use the NGO regulation legislation against critics.

There are no religious conflicts in the country, but ethno-regional cleavages frame politics, as all major parties have ethnic and regional strongholds and are usually associated with one particular ethnic group, despite efforts to maintain a multiethnic character. No single ethnic group is in a dominant position, though, and the group

Cleavage / conflict management
7

which is considered the strongest in terms of population is heterogeneous and subdivided into smaller ethnic subgroups belonging to different political parties. While ethnicity forms an undercurrent of politics, none of the parties has an agenda explicitly based on concerns related to ethnicity. The political elites make use of the different ethnic identities, but at the same time they try to prevent cleavage-based conflicts from escalating. Because the president used to come from a small ethnic group, there is a tendency as well as a necessity to bridge some of the ethnic undercurrents or divisions.

Although the political leadership occasionally takes into account and accommodates the interests of civil society actors, there have also been occasions in which the government tried to ignore civil society actors. One example is the concession made by the government to civil society demands related to constitutional reform. The government agreed that the constituent assembly was the appropriate institution to author the new constitution. Yet in the end the government skipped the constituent assembly completely and replaced it with its own National Constitutional Conference in 2007, in which most civil society organizations, despite their fundamental criticism, participated in the end. Another example is the behavior of the Patriotic Front-led government. The Patriotic Front (PF) election manifesto picked up many reform demands of civil society organizations, and when the PF came to power, it immediately begun to implement a number of reform promises; however, they did so in an erratic and non-consultative way that alienated many civil society organizations. The early enthusiasm of those organizations over the PF-government waned and turned soon into frustration and criticism.

Civil society
participation
6

The question of reconciliation between the victims and perpetrators of past injustices does not play a role in Zambia. The authoritarian regime did not commit gross human rights violations. The question of reconciliation has to do mostly with past political torture or molestation suffered by a few individuals. The former president during the time of one-party rule has even been reinstated as an honored public figure, the founder and father of the nation.

Reconciliation
n/a

17 | International Cooperation

The political leadership works with bilateral or multilateral international donors and tries to make use of international aid, but this facilitates only partly significant policy learning and improvement. The government is dependent on foreign development assistance; official development assistance was at 6.2% of GNI (2008 – 2012). Foreign assistance to the budget has declined in recent years from around 60% in the early 1990s to less than 10% in 2012. The political leadership complies with the goals of poverty reduction and development strategies laid out by donors, though it is too early to judge whether the poverty reduction strategy paper (PRSP) is working toward the goals it envisaged. The first independent assessment of the PRSP indicates that it

Effective use of
support
7

failed to achieve the goal of reducing overall poverty mainly due to budget constraints and problems of prioritizing development initiatives. Spending on poverty alleviation sectors (such as education and health) has been increased in recent years. While it remained unclear whether previous governments would be effective without donor influence, the new government is much more decisive in improving the life of the poor. There are indications that incidences of poverty have started to decline in recent years.

Overall, while the political leadership is dependent on international assistance and used to be inconsistent in devising home grown development priorities, the new government seems to be more consistent in its priorities.

Despite the delay of some reforms, especially those related to governance, the international donor community considers the government at the time of writing more and more credible and reliable. The country's commercial risk ratings assessed are still low, but there is a clear trend toward improvement. Foreign investment increased substantially as a result of debt relief and growing confidence in macroeconomic management. Finally, having been granted massive debt relief of more than \$3.9 billion in 2005, it became obvious that the government had won the confidence of the major donors, including the IMF, because it had implemented almost all key reforms and objectives listed as a condition for debt relief by the IMF. Since then the government has remained largely on track with economic reforms and adjustment policy. It has also earned the confidence of the international capital market with the successful issuance of Eurobonds.

Credibility
8

The political leadership successfully builds and expands as many cooperative international relationships as possible. Zambia is a member of various regional and international organizations, such as the South African Development Community (SADC), physical host to the Common Market for Eastern and Southern Africa (COMESA), and the African Union (AU). It has cordial relations with its neighbors and was involved in the peace talks for the Great Lakes region and the Democratic Republic of the Congo (DRC). The government has yet to make a decision on whether to continue belonging to both COMESA and SADC. While previous governments were among the most outspoken critics of President Mugabe's repressive policies in Zimbabwe, President Sata maintains rather cordial relations with Mugabe. Internationally he shows a rather low profile; he travels rarely abroad and behaves occasionally strangely and not according to international diplomatic standards.

Regional
cooperation
7

Strategic Outlook

Zambia's experience under President Sata during the review period showed some significant policy changes. Collaboration with international financial agencies and donors will continue as previously; this also applies to foreign policy within the southern African region as well as with China, a relationship on which President Sata was an outspoken critic while in opposition. In line with his predecessors, Sata continued to court the Chinese as important investors in Zambia.

Having implemented a number of election promises and reforms during the first year in office, the government needs to address six crucial challenges, including: promised job creation (more than 100,000 new positions); the implementation of an industrialization strategy; a reform of labor legislation; a reform of the social security system; the adoption of a new constitution; and pursue a credible fight against corruption.

The most crucial challenge is job creation. This election promise aimed at the urban poor and unemployed provided the basis for Sata's electoral success. If his government does not deliver, the chances of his being re-elected will drastically wane. The government and party leadership is already worried as there has been little improvement in employment figures to date. The Patriotic Front leadership has realized as well that the promised figures are unrealistically high.

Less crucial is labor reform and social security reform, as it addresses mainly employees within the small formal sector. However, some success is necessary as well to win the support of organized labor, of which some sections supported the former ruling party, the Movement of Multiparty Democracy (MMD).

Highly problematic is the stalled constitution rewriting process. Contrary to its promise, the government has already failed to provide a solution during its first months in office. It seems as if the leadership is continuing with the policy of previous governments to drag on the process, to avoid unpopular decisions or take a decision that would hurt its own reelection chances. One key issue is the controversial 50%-plus-one vote for the presidency; the current constitution says a simple majority is sufficient, on which the Patriotic Front came to power on a small margin. The matter has become more complicated since it has emerged that the legal framework for a referendum on the constitution, as demanded by civil society organizations and the Patriotic Front party, is inconsistent and therefore difficult to apply. Adding to the high costs, an end of the 30-year controversy over a new constitution becomes unlikely before the next elections in 2016, although some steps have been taken. On the one hand, the postponement of the constitutional process plays into the hand of the ruling party, yet at the same time it frustrates broad sections of civil society.

The fight against corruption appears to have slowed as well. The government has been unable to prove the alleged corruption of the previous president; and when the justice minister was called for questioning over corruption allegations made by the Anti-Corruption Commission (ACC), he

disobeyed the rules of the ACC to avoid an interrogation. All this indicates that not much progress can be expected on anti-corruption policy.

If the Patriotic Front-led government fails to create new jobs, to write a new constitution or to improve the fight against corruption, this will narrow the reelection chances of President Sata or his successor at the head of the ruling party. As soon as the president and the Patriotic Front leadership understand the effects of these failures, concerns are that the government will become more repressive – a tendency that has already become obvious.

However, this scenario does not necessarily mean that opposition parties will win the next elections. Opposition parties are either too small, regionally confined or in dire straits such as the former ruling party MMD, which is split in several fiercely contending factions without decisive leadership.

The opposition has in the past witnessed a number of defections to the ruling Patriotic Front government, thereby further weakening the opposition. Defecting parliamentary members are triggering unnecessary by-elections, which are a drain on the country's limited resources.