

REPUBLIC OF ZAMBIA  
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT



**Interim Poverty Reduction Strategy Paper**

Lusaka  
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# ZAMBIA

## INTERIM POVERTY REDUCTION STRATEGY PAPER (I-PRSP)

### I. INTRODUCTION

1. This paper briefly outlines Zambia's past efforts to fight poverty and it states how she plans to do so in the future through a Poverty Reduction Strategy Paper (PRSP). The PRSP will map out Zambia's development goals and it will indicate the strategies that will be employed to attain these goals. Poverty reduction, along the general lines of the agreed United Nations International Development Goals, which include reducing extreme poverty by half by 2015, will be the central theme in the PRSP. The government realises that strong pro-poor economic growth and continued strong social action programs will be required to achieve sustainable poverty reduction. Zambia is committed to produce a PRSP latest by May 2001.
2. The government plans to present the full PRSP to the Bretton Woods Institutions (BWI) in line with their new requirement for accessing concessional lending by June 2001. Since the full PRSP will take many months to prepare the present paper will also serve as a transitional document for poverty reduction (i.e. an interim Poverty Reduction Strategy Paper I-PRSP). This will enable Zambia's economic programme and the associated assistance from the World Bank and from the IMF, under its Poverty Reduction and Growth Facility, to continue running smoothly. In particular, Zambia urgently needs substantial debt relief under HIPC because of huge amounts of debts falling due in the coming few years. Since the I-PRSP is a required document to access PRGF and subsequently for consideration for HIPC, Zambia has had to prepare this document urgently so as to be able to present her case at the earliest possible opportunity. The government requests favourable consideration of this paper.
3. Although specialised technical assistance may be required in certain areas, it is the government's intention to ensure that PRSP preparation will be by Zambians themselves through an extensive consultative process. This will enhance local ownership of the plan and thus increase chances of its successful implementation.
4. The paper is structured as follows: -Section II briefly discusses the origin and the extent of poverty in Zambia. This is followed by a description of the Zambian Government's poverty reduction strategies in Section III. Section IV describes the background to the PRSP in the Zambian context. Section V describes how the PRSP will be prepared and, finally, Section VI describes the proposed process for managing the preparation of the PRSP in Zambia.

### II. THE NATURE AND EXTENT OF POVERTY IN ZAMBIA

5. The poverty phenomenon is multidimensional and has a complex causality structure. This however does not take away the fact that a poor household is both unable to attain a standard of living that is consistent with desirable social standards and is deprived of assets to fulfil basic needs. The understanding of the nature and causes

poverty in Zambia is therefore multifaceted and methodologically diverse but inclusive of both qualitative and quantitative measures.

6. The Zambian economy was buoyant at independence but began to deteriorate from the mid-1970s. The downturn was ignited by the 1973 world market oil price increase, which was followed by a sharp decline in world copper prices in 1974. Zambia's terms of trade declined substantially and this historically marked the turning point of Zambia's economic and social misfortunes and with it the capacity of the Government to deliver social services. Unfortunately, Zambia failed to make the necessary adjustments in economic policy in the wake of the declining economic environment. For example foreign borrowing was increased so that, among other things, living standards would be prevented from declining in line with the economic realities. Later, extensive price controls especially for consumer goods were introduced in order to achieve a similar objective. Unfortunately, these could not be sustainable measures in the long run to fight poverty. In addition, they had the disadvantage of creating economic distortions.
7. The 1980's marked the first phases of Structural Adjustment Programmes (SAP) implementation. The implementation of SAP was however often piecemeal thereby doing nothing to fundamentally alter the undesirable economic structure. Also the design and implementation of SAP then often failed to sufficiently address issues of SAP related poverty.
8. From the mid 1980's, Zambia experienced one of the most rapid economic declines in Sub Saharan Africa characterised by shortages of goods, foreign currency and an uncompetitive industry in the export markets. Some of these symptoms were reversed in the 1990s and the major worry became high inflation before it fell towards the end of the 1990s. Structurally however, Zambia's economy has not changed much to meet the emerging challenges mentioned above, including a rapidly growing population. Output in agriculture and tourism, for example, has remained well below potential. Manufacturing, which had initially expanded, has largely failed to withstand competing imports when the economy was opened up in the mid 1990s. The most serious structural challenge, has been in the mining sector where a massive drop in output has complemented the negative impact of occasional price declines. Currently, copper output is only a third of the highest level it ever attained. Thus consistent high economic growth has been elusive resulting in increasing poverty levels over the years.
9. The monitoring and evaluation of poverty levels, under the Social Dimension of Adjustment (SDA), began with the Priority Survey of 1991 (PS I). It was estimated in that year that 69.7 percent of Zambia's population of nearly eight million people were poor. Out of these, 58.2 percent were in the extremely poor category. The extent of rural poverty was greater, at 88.0 percent, than urban poverty, at 48.6 percent. In the rural areas, 89.9 percent of small-scale farmers were poor and 83.2 percent of them fell in the extremely poor category. In urban areas, 55.5 percent of persons living in low cost areas, which are usually of a high-density nature, were poor. At the provincial level, Luapula province was the poorest with 71.4 percent of its population living below the poverty line. Poverty among female-headed households was more prevalent, deeper and severe than in male-headed households.

10. Successive surveys to monitor poverty have been conducted such as the Priority Survey of 1993 (PS II), the Living Conditions Monitoring Survey of 1996 (LCMS I) and the more recent Living Conditions Monitoring Survey of 1998 (LCMS II). According to the LCMS II preliminary report, poverty levels in Zambia are rising. Estimates as at 1998 put poverty levels at 73 percent of the Zambian population, up from the 69.2 percent found by LCMS I in 1996. Rural poverty continues to be high at 83 percent compared to 56 percent for the urban areas.
11. LCMS II also revealed that poverty increased in Central, the Copperbelt, Luapula, Lusaka and the Western provinces with the latter being the worst hit with poverty incidence of 89.2 percent. Further, rural poverty everywhere continued to be more prevalent, deeper and severe especially among female-headed households and small-scale farmers. But urban poverty is rising fast and is now up at 56 percent from 46 percent in 1996. Of particular note is the fact that poverty levels in Lusaka province have doubled to 52 percent from their 1991 levels. In the five provinces mentioned above where poverty has increased since 1996, only the Western and the Luapula provinces are rural while the rest are urban based - see Annex 4 and 5.
12. An equally interesting result from LCMS II is that in some rural provinces - Southern, Northern, Eastern and the North Western provinces, poverty incidences have declined when compared to 1996 - from 75.9, 83.9, 82.0 and 80.3 down to 75.8, 81.1, 80.3 percent and 75.8 percent respectively. To reiterate, however, poverty remains more widespread and deeper in the rural areas.
13. Zambia does seem to have some good data on poverty that have been generated from various surveys. At this stage, Zambia does not have specialised expertise to determine whether the data is indeed adequate. Along with the formulation of PRSP, therefore, experts will be hired to answer this question and to advise on which particular data, if any, should be obtained along with ways of monitoring progress for poverty reduction.
14. The factors that have contributed to poverty in both rural and urban areas are diverse. For the rural economy, agriculture continues to play a dominant role and its stagnation is starkly manifested in the high poverty levels among small-scale farmers. According to the Beneficiary Assessment of 1994, lack of food, money and assets emerged as important characteristics of the rural poor. Lack of safety nets and poor access to social services were other important factors. Urban areas equally display peculiar characteristics in the nature of poverty and show strong linkages to employment access, both formal and informal. As a result of the stronger contact of urban dwellers to the market economy, they have tended to bear the brunt of the recent structural changes like growing unemployment. With most urban poor living in unplanned squatter settlements on the periphery of urban centres, access to water and sanitation has been poor with resultant vulnerability to disease. Results from the Zambia Poverty Assessment of 1994 have shown that petty trading is the predominant occupation of the informal urban sector. Women are in the majority and children have tended to be kept out of school to assist boost family income. This is more evident by the increased number of child traders and the phenomenon of street kids in most urban centres.

15. At the macro level the deterioration in the economy has resulted per capita GDP falling from US\$438 in 1975 to \$300 in 1997, both in 1987 US\$ values. Also, the revenue base of the Government has fallen from 30 percent of GDP in the 1960's to less than 20 percent in the 1990's. In addition to the heavy debt burden, this has resulted in reduced government's ability to finance social services adequately. A noticeable outcome of deterioration in health facilities was the increase in the severity of diseases including water borne diseases such as cholera. Disease prevalence levels are rising especially for malaria that mostly affects persons below the age of five years who also represent the highest number of mortality cases due to the disease. Tuberculosis is also on the increase and is intertwined with the HIV/AIDS pandemic that is currently estimated at 20 percent ( 25 percent urban and 14 percent rural) of the population. It is already estimated that 11 percent of Zambian children will be orphans by 2000, one of the highest rates in the world. Largely as a result of the AIDS pandemic, life expectancy was estimated by UNDP at 40.1 years at birth in 1999, down from 46.3 years in 1970. Other estimates put life expectancy in Zambia currently at below 40. The epidemic levels of AIDS is impacting negatively on the country's development efforts because people still in their productive years including highly trained professionals are also dying and the surviving children and their grandparents are often less able to cope with life. The poverty levels are thus being worsened.
16. The education sector has witnessed rapid physical expansion in infrastructure that together with the increases in class shifts and teacher output has led to increased enrolment. Despite the increases in these intermediate indicators, preliminary results from the 1999 National Assessment Survey indicate that only 3 percent of the 1999 grade five pupils had attained the desirable mastery level. Further, only 26 percent of grade five pupils had reached the minimum mastery levels. More boys than girls had reached the minimum mastery levels at 28 and 24 percent respectively.
17. The population's access to clean water and sanitation remains poor especially in urban areas. Estimates of access to clean water from the preliminary 1999 End of Decade Goals Survey show that in 1999, 55 percent of Zambia's population had access to clean water up from 50 percent in 1991. As a result of the increase in unplanned settlements, urban access to clean water has marginally declined from 90 percent in 1991 to 87 percent in 1999. More gains in access to clean water supply were recorded in rural areas from 20 percent in 1991 to 37 percent in 1999. Rural access to clean water however remains acute.
18. Malnutrition is on the increase with many studies showing that over 50 percent of Zambian children under five are malnourished or stunted, over 20 percent underweight and about 4 percent wasted. With the disease burden rising, data shows that both child and infant mortality are on the increase from 191 and 107 in 1992 to 197 to 109 in 1996 per 1000 live births respectively. Maternal mortality is currently at levels of concern with 1996 estimates showing that the maternal mortality rate to be at 649 per 100,000 live births.
19. Since 1992, the Government has undertaken strong economic reforms with the assistance of BWIs and other donors. The reforms have generally encouraged a greater

role for market forces. Government financial management has also been rationalised, and this has resulted in reduced inflation - a positive development against the arbitrary regressive redistribution of income which inflation causes.

### III. GOVERNMENTS POVERTY REDUCTION STRATEGIES

20. Measures to fight poverty in Zambia were started as long ago as soon after independence. These generally aimed at promoting rural development. The measures were many and included easy credit schemes, re-settlement schemes, integrated rural development programs, rural re-construction centres, and many others. In spite of the substantial resources put in, no noticeable material change has occurred in the lives of the rural population.
21. Aware that economic growth is a necessary though an insufficient condition for reducing poverty, Zambia has also over the years been implementing different economic reform programs. As was already mentioned the main thrust of the government's economic policies since 1991 was initially that of attaining macroeconomic stability and liberalising prices and trade. In addition to these measures, government has moved swiftly beyond financial stabilisation to deal with structural impediments to economic performance. The kingpin of this has been privatisation, which has included the copper industry. With these bold reforms now behind, the Government strongly believes that the foundation for the resumption of sustainable growth has been established. Additional poverty reduction measures will certainly be required but Government believes that higher growth will significantly contribute to poverty reduction.
22. Despite the recent efforts in the macroeconomic front, Zambia has not yet experienced sustained rapid economic growth necessary for reducing poverty - partly because the key measure of privatising the mining industry was only just recently undertaken. In the 1990's growth was on average below one percent against a population growth rate of three percent. The current medium term macroeconomic objective of the Government for the period 1999-2001 is to achieve sustained economic growth rate of at least five percent a year, reducing inflation to single digit levels and to strengthen the gross official reserves from the equivalent of two weeks of imports at end 1998 to three months in 2001. The attainment of these broad macroeconomic objectives is to be aided by institutional and structural reforms in various sectors of the economy and these are outlined in Annex II. These reform measures are tentative and may be revised in the full PRSP. Most of them have been uplifted from the 1999 Policy Framework (PFP) because they will continue to run. Policy measures from the 1999 PFP that have been implemented in full have not been uplifted while new policy objectives are printed in italics in this document.
23. Against the background of continuing high poverty levels in the country, several-related project activities such as the Public Welfare Assistance Schemes, the Micro Financing and the Food for Work Programmes have been designed and carried out by both government and non-government organisations (NGOs) countrywide. All these

programmes were aimed at alleviating and reducing the level of poverty among the poor and vulnerable segments of society as well as to achieve maximum impact in the delivery of social services to the poor. The majority of these programmes were however not sustainable as they focused more on cushioning the poor from the effects of the adjustment programme and did little to economically empower the people to escape from poverty. An additional weakness is that they are short term in nature and they have not been adequately incorporated into the overall economic framework.

24. In order to supplement these short-term measures, the government has also instituted a number of programmes with a long-term perspective in terms of empowering communities economically. These include the Agricultural Sector Investment Programme (ASIP) and the Environmental Support Programme (ESP). The ASIP among other things is aimed at developing infrastructure for the development of small-scale farmers while the ESP aims at among other things supporting sustainable community based projects. In order to provide universal education to all by the year 2005, the government has promulgated the Basic Education Sub Sector Investment Programme (BESSIP). At the end of BESSIP's implementation in 2005 school gross enrolment is planned to reach 100 percent from the current 84 percent while net enrolment should rise from 69 percent to 90 percent nationally. The other goal under BESSIP is to achieve scores in ongoing national assessment that show improvement over scores in preceding assessments. This will indicate overall improvement in the quality of education. Of the total US\$340 million for BESSIP, \$40 million will come from IDA, \$167 from the government and \$133 from donors, of which half the amount has already been committed.
25. Government's initial attempts at integrating the social dimensions of development into the overall economic policy started in 1990 when the Social Action Programme (SAP) was launched. The SAP was abandoned at the beginning of 1993 although it was well meaning and it received the support of the donor community. The complicated structure that was established to implement the SAP failed to provide the expected effective institutional framework for programme co-ordination. Since 1995, the government has committed itself to spend at least 36 percent of the budget on the social sectors under the Economic and Social Adjustment Credit agreement with the World Bank and this policy shall be continued through to 2002. The sub sectors that benefit under this commitment are education, health, water and sanitation and safety net operations. This conditionally has by and large been met.
26. With UNDP financial support the Government in 1997 instituted a broad-based plan to fight poverty from the levels then of over 73 percent to 50 percent by the year 2004. In this regard the Ministry of Community Development and Social Services (MCDSS) was appointed to: (i) serve as a focal point for all poverty reduction-related programmes in the country; (ii) co-ordinate all poverty reduction interventions in the country; and (iii) spearhead the preparation of a comprehensive and coherent National Poverty Reduction Action Plan (NPRAP).
27. In May 1998, a National Poverty Reduction Strategic Framework (NPRSF) was prepared and Government, following wide consultations with key stakeholders in government, civil society and the donor community endorsed it. The framework

elaborated the following strategies for poverty reduction: (i) achieving broad based economic growth through agriculture and rural development; (ii) providing public physical infrastructure; (iii) increasing productivity of urban micro enterprises and informal sector; (iv) developing human resources; and (v) co-ordinating, monitoring and evaluating poverty reduction programmes and activities. The strategy for achieving NPRAP's targets is to formulate and implement on incremental basis, comprehensive poverty reduction plans that address both the causes and the manifestations of poverty.

28. In order to translate these broad objectives into action programmes, a draft National Poverty Reduction Action Plan (NPRAP) was prepared in November 1998 after consultations involving Government, civil society and donor agencies at both capital and provincial levels. To further refine the draft NPRAP, a consultative meeting on the draft NPRAP was held in January 2000. The purpose was to continue with the consensus building process with stakeholders.
29. The NPRAP focuses on six priority national development areas (see Box1). These are efficient management of the economy, sustainable economic growth, human resource development, targeted interventions, crosscutting priorities and urban development. In all, NPRAP contains 33 sector wide programs whose implementation is planned to be done in three phases. US\$4.9 billion is required to implement NPRAP and 43 percent of this amount is reported as having been already committed while the government is projected to provide three percent of the required finances. NPRAP's financial requirements are huge and it is not clear at this stage whether the required funding will be available and if so, from where.

## Box 1: National Development Priorities in the Poverty Reduction Action Plan, 2000

### NATIONAL DEVELOPMENT PRIORITIES IN THE POVERTY REDUCTION ACTION PLAN, 2000 TO 2004

#### 1. EFFICIENT MANAGEMENT

##### Problems to Address:

- I. Build capacity for improved social service delivery
- II. Improve institutional capacity for effective planning, monitoring and evaluation
- III. Improve logistical and information systems to support effective decision-making
- IV. Build district capacity to manage education and health services
- V. Accelerate issuance of title deeds to land and housing

##### Primary Target Beneficiaries

- I. Central Government
- II. Population

#### 2. SUSTAINABLE ECONOMIC GROWTH

##### Problems to Address:

- I. Construct/rehabilitate rural roads network and develop communication systems in rural areas
- II. Promote rural electrification and use of alternative sources of energy
- III. Promote private sector marketing of inputs
- IV. Provide financial, social and market intermediation in the informal sector

##### Primary Target Beneficiaries

- I. Private sector enterprises
- II. Rural poor small holder farmers
- III. Urban poor
- IV. Population

#### 3. HUMAN RESOURCES DEVELOPMENT

##### Problems to Address:

- I. Increase access to basic education and improve supply of educational equipment and materials
- II. Increase access to skills development and vocational training
- III. Improve health and nutrition of school pupils
- IV. Provide essential and cost effective primary health care services
- V. Increase access to clean and safe water and sanitation for rural areas

##### Primary Target Beneficiaries

- I. Unemployed Youth
- II. Rural poor small holder farmers
- III. Central Government
- IV. Population

#### 4. TARGETED GROUP INTERVENTIONS

##### Problems to Address:

- I. Provide safety net for unemployed persons including retrenchees
- II. Targeted food security, health and nutrition interventions to areas with high poverty levels
- III. Implement land resettlement initiatives for displaced workers
- IV. Provide infrastructure support for disabled persons

##### Primary Target Beneficiaries

- I. Unemployed Youth
- II. Rural poor small holder farmers
- III. Central Government
- IV. Retrenchees, Children, Disabled and Female and Child headed households
- V. Population

#### 5. CROSS CUTTING PRIORITIES

##### Problems to Address:

- I. HIV/AIDS
- II. Environmental Management
- III. Human Rights
- IV. Promote gender equity and the role of women in economic development

##### Primary Target Beneficiaries

- I. Population

#### 6. URBAN DEVELOPMENT

##### Problems to Address:

- I. Improve and legalise unplanned peri-urban settlements
- II. Rehabilitate urban water supply and management
- III. Increase access to adequate housing in urban areas

##### Primary Target Beneficiaries

- I. Urban population

#### IV. THE POVERTY REDUCTION STRATEGY PAPER (PRSP)

30. Worldwide experience in the recent years has shown that although the standard economic reform measures can help to restore economic growth, this may not necessarily lead to satisfactory poverty reduction. Realising this, the current internationally accepted view is that national development programs and their international support must put poverty reduction at the centre of economic reform. Consequently, countries are now required to prepare a Poverty Reduction Strategic Paper (PRSP) before they can access concessional financing, including debt relief. This paper should clearly outline priorities for public action that will have the greatest impact on poverty. The strategy will also address the critical and often complex issues related to building capacity, enhancing governance, and supporting transparency in overall policy making.

#### V. PREPARATION OF THE PRSP FOR ZAMBIA

31. The Zambian Government is in its initial stages of preparing the PRSP and remains highly committed to exposing its preparation to the widest possible level of consultation and to a timely completion of the process. The National Poverty Reduction Action Plan (NPRAP), which was prepared after extensive consultations with numerous stakeholders, will serve as the basis and reference point for the preparation of Zambia's PRSP and the lessons arising from consultative process developed during the preparation of the NPRAP will be very valuable. Additionally, the current macroeconomic framework (1999-2002) and a variety of approved structural and sector policies that address different aspects of the country's economic development will also constitute reference material. The PRSP preparation in Zambia will also benefit from the consultative process that took place when the World Bank was preparing the country assistance strategy (CAS) towards the end of 1999.
32. Although NPRAP is expected to be delivered to cabinet for a final decision, its status and future at this moment is not very clear in the light of the need by Zambia to produce a PRSP. The picture will get clearer after further consultations in government. However, the preparation of the PRSP will by and large rely heavily on the ground work established by the NPRAP which was broad based in participation, transparent in its choice of goals and which also laid out mechanisms for monitoring and for evaluating its implementation. The preparation of the PRSP will therefore build on the NPRAPs strengths and improve on any identifiable shortcomings of the NPRAPS such as the very high optimism for resource availability. In addition, PRSP is envisaged to go beyond what NPRAP did in encouraging more critical re-examination of priorities in public expenditures so as to influence them more strongly in the direction of poverty reduction to the intended ultimate beneficiaries. In this respect, the government will encourage public interest in monitoring the delivery of poverty reduction actions at the national and community levels.
33. Further, PRSP intends to have a strong component to address the key issue of stimulating rapid sustained economic growth in Zambia. In order to enhance the chances of success, it may be necessary to be simple in the approach - by choosing ambitious though implementable goals and build on their success. The areas of high

potential for growth, which will be promoted, are agriculture and tourism. While efforts to support small-scale operations in both sectors will continue, PRSP will also deliberately encourage large scale investments in these sectors through strategic networking with private investors. Care will be taken to ensure that the growth of the large and small-scale operators is complementary through schemes like out-growers.

34. In view of the many months that it will take to prepare a fully-fledged PRSP, this paper as already mentioned will serve a transitional document. In an ideal situation and time allowing, the process of I-PRSP preparation should have involved as many stakeholders as possible. Unfortunately, there has been need for urgency for Government to prepare I-PRSP so that it quickly becomes an input in the country's quest for HIPIC debt relief at the earliest opportunity possible. Zambia expects to enter a period of heavier debt servicing in the coming few years and quick debt relief is urgently required to moderate this burden. Under the circumstances, consultations for I-PRSP have been limited to government institutions. However it is planned that a stakeholders' seminar shall be held soon at which they will have an opportunity to be informed on what has transpired so far and for them to input in the planning process for PRSP.

## VI. MANAGING THE PREPARATION OF THE PRSP IN ZAMBIA

### 1. PRSP MANAGEMENT STRUCTURE

35. The process of preparing the PRSP in Zambia will be managed by the following management structure:

- a. PRSP Steering Committee;
- b. The PRSP Technical Committee;
- c. The PRSP Technical Secretariat;
- d. The PRSP Focal Points.

#### (i) PRSP Steering Committee [The Committee of Ministers]

36. The Steering Committee will be responsible for policy guidance relating to the preparation of the PRSP as well as to ensure that the process has the highest political will as possible. The PRSP Steering Committee will comprise the ministers of social and economic sectors. The President will advise on his nomination of the chairperson for this committee.

#### (ii) PRSP Technical Committee [The Committee of Permanent Secretaries]

37. This committee will be co-chaired by the Permanent Secretaries (Budget and Economic Affairs) in the Ministry of Finance and Economic Development and in the Ministry of Community Development and Social Services. The PRSP Technical Committee will co-ordinate and spearhead the preparation of the PRSP through a consultative process with various stakeholders such as women and youth's associations, the donor community, non-governmental organisations (NGOs), the business community, academics and other members of the civil society. The PRSP Technical

Committee will report to the Minister of Finance and Economic Development and who shall inform Cabinet through the Steering Committee.

38. Within the framework of the PRSP Technical Committee, there will be a provision for the formation of sub - committees or working groups. These will be the appropriate structures within which representatives from the civil society, the private sector, NGO's, the church, donor's agencies, etc will be included. In this way, a deeper sense of an all-inclusive PRSP process will be created.

(iii) The PRSP Technical Secretariat

39. A Technical Secretariat consisting of officials from relevant institutions will service the PRSP Technical Committee and will provide logistics, documentation and as well as co-ordinate the activities of the Technical Committee. The Secretariat will be the main functional unit of the PRSP. The Technical Secretariat is already in place consisting of officials from the Ministry of Community Development and Social Services, the Bank of Zambia and the Ministry of Finance and Economic Development and secretariat is based at the Ministry of Finance and Economic Development. The Secretariat has already been undertaking the background work for the PRSP including the preparation of the I-PRSP.

(iv) PRSP focal Persons

40. Focal persons will be appointed from relevant government ministries such as health, education, agriculture etc. The main responsibilities of the Focal Point Persons shall be the facilitation of the process of preparing and implementing the PRSP. Although relevant government ministries' technical representation in PRSP will be at the level of Permanent Secretary, it is the focal persons that will do the daily work for the Permanent Secretaries. The focal persons will facilitate the provision of, among other things information/data required for the preparation of the PRSP and to enhance awareness of the PRSP process at institution level. Focal persons will be particularly useful to have at institutions that are neither represented at the technical committee nor at the technical secretariat.

2. THE PROCESS OF PREPARING THE PRSP

(i) Organisational Preparations

41. A key organisational requirement for PRSP is to ensure that there is strong buying in by various stakeholders. Already, the IMF has held a seminar with Zambian parliamentarians in which there was a frank exchange views. In the aftermath of this seminar, another seminar involving ministers and other political leaders is planned, subject to authority being granted. Another will follow this seminar for permanent secretaries and government heads of departments. At these seminars, the concept of and principles underlying PRSP will be explained including its relationship with HIPIC and concessional lending. It is hoped that resident staff of the IMF and the World Bank as well as staff from the central bank and the Ministry of Finance will be used as resource persons. Importantly also, the proposed structure of managing PRSP will be

explained and agreed upon so that a co-operative spirit across the ministries becomes established.

42. Also, a first stakeholders' seminar shall be held soon. Being the first of its kind under PRSP, we intend to have this seminar opened by a leading political personality who will simultaneously launch the start of the PRSP process in Zambia. The participants will be government and the relevant players including civic society and all interested parties. Stakeholders will be given information on what has transpired so far under I-PRSP and they will be encouraged to express views on the proposed timeline for the implementation of the rest of PRSP.
43. This stakeholders' seminar will also address the consultative process. At this stage, we think the most practical direction is that there should be agreement to break into working groups with each group being tasked into working on a specific aspect of PRSP- for example agriculture, education, rapid sustainable economic growth etc. Based on their preferences and background, stakeholders will be encouraged to participate in working groups. Expert consultants will provide direction and assume drafting responsibility as well as facilitating the work of the working groups. The PRSP Technical Secretariat will therefore predominantly play a co-ordinating role, although the individual members may also be assigned to working groups to make contributions based on their professional strength. The Technical Secretariat will however assume the overall technical responsibility of delivering a coherent and logical PRSP document.

(ii) Technical Preparations

44. The first step in this direction will involve the collection and reviewing of key papers and information relating to poverty in Zambia and other developing countries. In line with the objective of utilising specialised experts, we intend to engage a consultant to perform this task and he/she will advise on current gaps in the poverty data and diagnostics as well as how to address them. Since a lot can also be learnt from the Internet by the secretariat and the focal persons, strong investment in information technology will also be required. An additional element in collecting information is to share experiences with other countries. Time and resources permitting, we plan to invite Malawi, Tanzania and Uganda to our first stakeholders' seminar for them to share experiences with Zambia.
45. This processes described in the preceding paragraph will assist to determine the information gaps as well as the type of information needed. Through this, the nature and type of consultation process that will be needed to fill in the information or to obtain the required data/information will be able to be determined including the possibility of conducting poverty surveys if it is so decided.

(iii) Consultations and Consensus Building

46. The key tasks to be performed in formulating the PRSP in Zambia are (a) development of the poverty profile (b) reviewing the existing and setting new priorities for poverty reduction (c) designing public actions backed by the budgetary process to deal with poverty and (d) monitoring poverty, public expenditure and service delivery. These

tasks can be broken down further into important sub tasks. In poverty reduction strategies, for example, designing pro-poor macroeconomic policies relating to rapid economic growth can be sub task. Other sub tasks can revolve around sectoral issues like agriculture, tourism and industry in respect of their roles in stimulating economic growth and in respect of attacking poverty at the community and household levels. Health and education sectors, on the other hand, are more directly relevant to poverty reduction and only indirectly relevant for economic growth.

47. As already mentioned in paragraph 38 which discussed activities at the first stakeholders' seminar, one method of consultation and participation will be to invite interested parties to chose to be participants in working group that are of primary interest to them or where they have special expertise. Consequently, working groups will draw members from expert government ministries, civil society, private sector, institutions of learning etc. By and large working groups will be organised around the need to perform the tasks mentioned in paragraph 41 above.
48. An additional method of participation is to engage the rural areas. Given Zambia's vastness and the limited time available for preparing PRSP, the rural participation has to be carefully planned. Our proposal for dealing with this is to prepare an aide memoir that gives details of PRSP and how it is to be done in Zambia. The memoir should then outline terms of reference for reducing poverty based on the various topics for the working groups but also indicating that discussions on poverty reduction outside those topics already identified will be welcome. Complete aide memoirs should be sent to all the districts in Zambia for them to prepare themselves to discuss poverty reduction at a provincial seminar to be held in the future at which all districts in that province would convene.
49. Delegates from districts would be expected to be about six in number, comprising the administrative district head, a few sector experts like agriculture, health and education, a representative of traditional leaders and NGOs/ church. At the provincial seminar, participants will be encouraged to discuss poverty reduction at different levels such as sectoral priorities, district priorities, provincial priorities, etc. Since the resources for reducing poverty are limited, participants will be encouraged to focus on prioritisation. Given the time constraints, three teams of experts will simultaneously be sent out to facilitate these seminars. Each team will facilitate at three of Zambia's nine provincial headquarters. Expert facilitators will be employed to keep the discussion focussed while encouraging the widest participation possible.
50. As much as possible, facilitating teams will be required to solicit for the consultation of a specific community in each province where there is justification for any particular reason. This will be in addition to the provincial seminar mentioned above already. To give an example, in depth consultation may be called for in the Livingstone area to establish why a major tourist resource remains severely under-utilised compared to the level across the border in Zimbabwe.
51. Another type of consultations that is under consideration is to sponsor a series of radio and television discussions on poverty reduction in Zambia for sometime. The series will have to be carefully planned so that the discussions are structured and participants

are encouraged to come out with definite proposals. Call in and write in facilities should be made available so that participation from the public at large is maximised.

(iv) Preparation of the PRSP

- 52.** After the nation wide consultative process described above the technical working group will draft the initial PRSP. Afterwards a national workshop to discuss the draft PRSP will be held. Some delegates from the rural areas as well as urban-based stakeholders will participate. Following a national workshop to discuss the draft PRSP a final PRSP that will have clear objectives and programme priorities will be presented to Cabinet for approval. The approved version of the PRSP will be presented to the IMF and the World Bank. Dissemination of the PRSP will be held following the endorsement of the PRSP by the Bretton Wood Institutions



## Appendix I: PRSP implementation Schedule

No	Activity Description	Expected Output	Responsibility	0	J	J	A	S	O	N	D	J	F	M	A	M	J		
				0															
				M														1	
1	Project Organisation	1.1 Constitute a PRSP Technical Committee	PS-BEA, MoFED																
		1.2 Make recommendations for the constitution of the Steering Committee	Technical Committee to draft for PS-BEA, MoFED, Cabinet to decide.																
		1.3 Focal persons, institutions appointed	PS-BEA, MoFED																
		1.4 TOR for the Technical Committee signed off	PS-BEA, MoFED																
2	Prepare an Interim Poverty Reduction Strategy Paper (I-PRSP)	2.1 A first draft prepared and given to the PRSP-TC	Secretariat																
		2.2 First draft discussed, amended and given to the PS- BEA, ST and minister	PRSP-TC																
		2.3 Submit draft I-PRSP to Cabinet	Minister																
		2.4 I- PRSP given to the IMF and IBRD	GRZ																
3	Prepare for the consultative process with stake holders	3.1 Obtain comprehensive list of all stake holders	Secretariat PRSP-TC																
		3.2 Establish criteria for selecting groups to work with, after considering their credibility and the optimum number of groups that can be worked with	Secretariat PRSP-TC																
		3.3 Consultations plan researched into and options prepared	Secretariat PRSP-TC																
		3.4 Encourage NGOs to assist build participatory capacity for stakeholders.	Secretariat PRSP-TC																
4	Technical Preparations	4.1 Collect and Review papers relating to poverty reduction	Secretariat PRSP-TC																
		4.2 Familiarisation by the PRSP-TC and Secretariat of the concepts and measurements of poverty	PRSP-TC Secretariat																
		4.3 Existing documents on poverty in Zambia and other LDCs studied and the information and data gaps identified	PRSP-TC Secretariat																
		4.4 Draft and discuss terms of reference for the Working Groups, Outlining what each chapter must cover and what information will be needed	PRSP-TC Secretariat																



		Annex 2 Zambia Selected Economic and Social Indicators																	
HDI Rank	Country	Adult Literacy Rate % 1997	% Children Not Reaching Grade 5 1992 to 1995	Daily Per Capita Supply of Calories 1970	Daily Per Capita Supply of Protein 1996	Daily Per Capita Supply of Protein % Change 1970 to 1996	External Debt as % of GNP, 1985	External Debt as % of GNP, 1997	Female Primary Net Enrollment Index in 1997	Female Primary Net Enrollment Ratio (as % of 1985 Base Year Age, 1997	Female Secondary Net Enrollment Index, 1997	GDP per Capita (1987 US\$) 1975	GDP per Capita (1987 US\$) in 1997 or Most Recent Yr Available	Human Development Index Value, 1975	Human Development Index Value, 1997	Infant Mortality Rate (per 1000 live Birthes) 1970	Infant Mortality Rate (per 1000 live Birthes) 1997	% Pop Below Poverty Line of \$1 a Day (1985 PPPS 1989 to 1994)	
18	New Zealand	99.0c	..	3,006	3,405	7.7	..	..	100	99.9	107	9,801	11,565	0.843	0.901	17	7	..	
34	Chile	95.2	0	2,619	2,810	14.3	141.7	42.4	98	89.2	115	1,199	2,677	..	0.844	77	11	15	
56	Malaysia	85.7	1	2,518	2,899	45.9	69.9	50.5	100	99.9	129	1,253	3,387	0.614	0.768	46	10	5.6	
58	Cuba	95.9	0	2,619	2,357	-24.5	..	..	107	99.9	96	..	..	..	0.765	34	7	..	
67	Thailand	94.7	..	2,148	2,334	2.4	45.9	62.6	101	89.2	191	557	1,870	0.604	0.753	74	31	0.1	
105	Indonesia	85	11	1,859	2,930	73.8	44.4	65.3	103	98.6	115	265	785	0.471	0.681	104	45	14.5	
110	Viet Nam	91.9	..	2,122	2,502	13.5	..	89.4	114	99.9	119	..	..	..	0.664	112	32	..	
112	Bolivia	83.6	..	2,000	2,170	12.8	167.3	67.6	115	94.9	89	250	244	0.524	0.652	144	69	7.1	
115	Namibia	79.8	21	2,149	2,168	15.7	2.6	2.6d	98	94	113	..	1,670	..	0.638	104	58	..	
122	Botswana	74.4	10	2,101	2,272	-4.9	31.6	11.5	87	82.6	195	621	2,101	0.501	0.609	98	39	34.7	
130	Zimbabwe	90.9	21	2,222	2,083	-19.5	43.9	58.5	92	92.2	111	828	830	0.539	0.56	86	53	41	
133	Ghana	66.4	..	2,121	2,560	-5	51	88.6	107	41.8	..	456	437	0.431	0.544	111	68	..	
136	Kenya	79.3	..	2,180	1,971	-19.5	70.7	64.7	86	66.6	102	332	372	0.453	0.519	96	57	50.2	
151	Zambia	75.1	..	2,140	1,939	-20.2	230.4	184.6	84	71.7	104	438	300	0.453	0.431	109	112	84.6	
156	Tanzania, U. Rep. of	71.6	17	1,749	2,028	-40.9	..	97.2	85	48	..	..	..	..	0.421	129	92	16.4	
158	Uganda	64	..	2,294	2,110	-19.1	35.5	56.5	..	..	..	..	602	..	0.404	110	86	50	
159	Malawi	57.7f	..	2,340	2,097	-24.5	94.6	89	244	99.7	211	155	166	0.328	0.399	189	135	42.1	
	All developing countries	71.4	22	2,129	2,628	30.1	39.9	36	108	82.9	128	600	..	..	0.637	111	64	..	
	Sub-Saharan Africa	58.5	34	2,226	2,205	-5.7	74	66.3	101	51.8	111	671	..	..	0.463	137	105	..	
	South-East Asia and the Pacific	87.9	14	1,957	2,659	41.7	56.2	61.3	106	97.5	126	481	..	..	0.695	97	45	..	
	Latin America and the Caribbean	87.2	23	2,491	2,812	14.8	58.3	33.9	108	92.4	116	1,694	..	..	0.756	86	33	..	

Source: UNDP Human Development Report, 1999, CD Rom

### Annex III. Zambia: Structural Policy Matrix, 2000-2002

Note the following regarding this matrix below:

- Some policy objectives are carry over from the previous periods. To the extent that they were not completed and they are still relevant, they have been retained here.
- New policy proposals have been printed in *italic* typeface
- Old policy proposals that have been implemented already have been excluded from this matrix.
- Policy objectives where the completion status is not yet clear have been underlined.

Policy Area	Objectives and Targets	Strategies and Measures	Timing	Technical Assistance
<b>A. External Policies<sup>1</sup></b>				
1. Exchange rate policy	Maintain efficient allocation of foreign exchange and competitive tradable goods sector.	- Maintain competitive, unified, market based exchange rate.	2000-2002	
2. External debt management	Reduce the external debt burden	- Remain current on external debt service obligations. - Seek further concessional rescheduling with Paris Club and rescheduling of non Paris Club/private sector debt on comparable terms.  - Abstain from medium and long-term borrowing on non-concessional terms. - Reach HIPC decision point - Reach HIPC Completion point	2001-2002  2000-2002 2000 2002	EU
3. Trade Policy and export promotion	Stimulate nonmining exports, reduce/eliminate barriers to imports and continue to rationalise tariff structure.	- Maintain tariff policy consistent with the Cross-Border Initiative. - <u>No new import duty exemptions.</u> - <u>Reduce maximum import tariff rate to</u>	2000-2002 2000-2002 2001	

20 percent.

*Build capacity in Government for handling non-trade barriers by trading partners and for imposition of countervailing duty* 2000-2002  
*Finalise establishment of Export Processing Zones* 2000-2002

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**B. Fiscal Policy and Public Sector Management**

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1. Budget Policy	Promote macro-economic stability	- <i>Reduce possible wastage and re-direct the saved resources to poverty reduction programs</i>	2000-2002	EU
		- <i>Improve fiscal discipline for continued stable macroeconomic environment.</i>	2000-2002	
		- <i>Link budgetary pronouncements for supporting economic growth with actual budgetary resource flows.</i>	2000-2002	
2. Revenue Mobilisation	Broaden tax base and raise revenue-GDP ratio (excluding grants and privatisation receipts) by 1 ½ percentage points of GDP over the period 1999-2001	- Improve <i>tax</i> administration by rehabilitating border stations enhancing co-operation with neighbouring countries, and improving computer systems.	2000-2001	United Kingdom
		Review the structure of corporate income tax rates with a view to its unification.	2000-	
		Improve nontax revenue performance	Improve compliance with direct tax rules.	
		Improve collection of debt service from		

		parastatals and privatised companies.		
		- Put in place an effective administrative system to collect road and land taxes.	2000-2002	
3. Expenditure Policies	Reallocate expenditure to priority sectors.	- Reduce the wage bill as a share of domestic non-interest expenditures to 25 percent in 2001.	2000-2002	EU
		- Allocate at least 36 percent of domestic spending (excluding debt service) to the social sector	2000-2002	
4. Fiscal Management	Improve budget control and cash management.	- Eliminate domestic payment arrears and avoid accumulation of new arrears.	2000-2002	EU, IMF
		<i>Strengthen expenditure controls and Appoint project manager to implement Integrated Financial Management</i>	Sep - 2000	
		<i>Introduce strengthened external debt-management system through IT.</i>	2000-2002	
		<i>Controlling Officers to consolidate Their commercial bank accounts into a Single account at one bank</i>	Dec-2000	
5. Public Service Reform	Improve efficiency and reduce cost of public service	Implement strengthened management arrangements for the Public Service Reform Programme (PSRP) and decide on a timetable for developing PSRP action plan	2000-2002	World Bank. United Kingdom Ireland.
		<u>Introduce a reliable establishment control system for the public service.</u>	April 1999	
		<u>Submit to the President recommendations on the establishment of an actuarially sound civil service pension system.</u>		
		<u>Obtain government approval and initial</u>	June 1999	

		<u>implementation of a revised action plan for the PSRP that includes phased actions on retrenchments, pay the pension policies establishment and payroll controls, ministerial restructuring, performance monitoring, and safety net measures. Implement the revised action plan.</u>	1999-2001	
	<i>Launch the Public Service Capacity Building Project</i>	<i>The objective of this project is to build the capacity of the public service to manage and implement reforms in the delivery of service, allocation of resources and formulation of policy</i>	2000	
6. Privatisation	Non-mining sectors, continue to implement accelerated Privatisation programme	<u>-Add utilities, transport companies, and financial institutions to the portfolio of the Zambia Privatisation or liquidate the remaining 50 commercial entities in ZPA portfolio.</u>	2000-2002	USAID, Germany.
		<u>-For public utilities, take the following actions:- Offer for sale telecommunications company(ZAMTEL). For ZESCO, see below under energy.</u>	1999	
			September 1999	USAID
	Discontinue government's Direct involvement in retail Credit operations and Privatise the state-owned Enterprises	<i>ZPA to Submit to Cabinet modalities for selling ZNCB.</i>	Dec- 2000	
		<u>Develop plans for selling Zambia National Savings and Credit Bank (NSCB)</u>	1999	
	<u>With respect to transport, for Zambia Railways, see E.3 below under transport.</u>	2000-01		
	<i>In petroleum sector, government to reduce Its majority shareholding in the oil distribution company (ZNOC).</i>	Dec -2000		

In government departments, take following actions:-  
Decide whether to privatise, commercialise, liquidate, or reduce departments.  
 Implement the above decision.

1999

2000-1

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C. Monetary and Financial Sector Policies

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1. Monetary Policy 2002	Improve effectiveness of  monetary policy	Reduce reliance on reserve and liquid asset requirements for domestic credit control . Make more active use of open market operations, e.g. through the purchase and sale of treasury bills.	2000-2001  2000-2002	2000-
2. Financial market development	Increase variety of financial investment and improve savings allocation	Offer more maturities on government securities.  <i>Encourage local big banks to make available at key commercial and tourist resorts credit card based payments facilities and cash points.</i>  <i>Broaden financial markets.</i>  <i>Encourage more use of commercial Paper in the private sector</i>	2000-2002    2000-2001  2000-2002	
3. Financial System Supervision	Improve prudential oversight and supervision	Introduce new manual for on-site inspections	2000-2002	IMF

		Strengthen quality of management of commercial banks.	2000-2002	
		Adopt amendments to banking and Financial Services Act providing for strengthened supervisory powers of BOZ.	2000-2002	
		<i>BOZ to provide liquidity support to banks Only with full collateral</i>	2000-2002	
4. Bank of Zambia operations	Enhance operational efficiency	Enhance accounting system	2000-2002	IMF
		Enhance domestic payments/clearance system with Southern African Development Community (SADC) initiatives to upgrade and develop integrated regional system.	2000-2002	IMF
		<i>Encourage/facilitate training in financial markets in the private financial sector</i>	2000-2002	
		<i>Introduce a more user-friendly local currency by Rebasing the existing currency</i>	2000-2002	

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#### D. Land policy

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Develop efficient markets for land under leasehold	<u>Improve the Ministry of Lands' system to manage leasehold applications so as to provide complete information on all lodged applications.</u>	2000-2002
	<u>Complete the plot surveys for five of the declared urban settlements by end - 1999 and a further five by end - 2000</u>	2000-2002
	<i>Implement more effective sanctions for ownership of Unutilised land.</i>	

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## E. Sectoral and related policies

1. Agriculture	Facilitate private sector activity in supply of maize and inputs	-Implement policy action matrix agreed under ASIP including inter alia, no government intervention or direct involvement in grain imports/exports, input, or agricultural credit.	1999-2001	World Bank, USAID, FAO, Sweden, Finland, The Netherlands
		<i>Encourage large scale agriculture investment by large corporate investors</i>		
		Facilitate Infrastructure development Especially feeder roads.		
	Improve the response of the research and extension system to the needs of smallholders.	<u>Decentralise adoptive research and extension service accountable to the district agriculture committees.</u>	2000-2002	
		<u>Strengthen financial management systems at central ministry and district level and complete the financial decentralisation</u>	2000-2002	
2. Industry	Promote efficiency in the manufacturing sector	Maintain a policy environment conducive to private sector development and export promotion. Strengthen institutional framework for public sector private sector consultations.	2000-2001	Germany
3. Transport	Develop an efficient transport network	Complete the preparation of national transport policy framework document and have it adopted by cabinet.	Dec 2000	WB, JICA
		Strengthen the institutional Frame-work	Complete the restructuring of the Roads Department.	Dec 2000
		Improvement, expansion and continuous Maintenance of rural feeder roads	2000-2002	WB under Roadsip II

	Improve revenue mobilisation	Allocate transit charges and weigh bridge fines to the Road Fund	Dec 2000	
		<u>Allocate at least one-third of vehicle licence fees to the Road Fund.</u>	April 1999	
		Undertake a study on incremental heavy vehicle licence fee.	Dec. 2000	
4. Energy	Reform and liberalise the energy (including power) sector	Facilitate private sector involvement in new electricity generation and transmission projects.	2000-2002	France, Finland, Sweden
	Commercialise the operations electricity company (ZESCO)	<i>ZPA to submit to Cabinet options for privatising ZESCO.</i>	Dec 2000	USA
		<i>Implement program to effectively privatise petroleum sector, save for strategic reserves.</i>	Dec - 2000	
		<u>Initiate discussions with Tanzania on privatisation of TAZAMA pipeline</u>	1999	
	<i>Rural electrification</i>	<i>Expansion of national grid and Promote use of solar energy</i>	2000-2002	
5. Health and education	Increase coverage and improve efficiency of health sector service and delivery	<u>Allocate 40 percent of the sector budget and releases to district health boards for the delivery of essential services by 1999. 50 percent by 2000, 60 percent by 2000.</u>	1999-2001	The Netherlands, Denmark Denmark, EU, UK, USAID
	Improve access to, and quality of education system	<u>Implement the policy framework agreed under BESSIP, including the following:</u>	1999-2001	
		<u>Take actions to deploy more equitably between urban and rural areas.</u>	1999	
		<u>Create district education boards in remaining</u>	1999-2000	

		<u>districts.</u>		
		<u>Increase share of GRZ discretionary expenditures devoted to education and training sector from 19.5 percent in 1998 to 20 percent in 1999.</u>		
6.	Promote tourism	Present Tourism and Hospitality Bill to Parliament.	1999	
		<i>Encourage large scale corporate investment in the tourism sector</i>	2000-2002	
		<i>Improve infrastructure in tourist centres to including all weather accessibility.</i>		
7. Poverty reduction/ Social safety net	Mitigate the social costs of implementing the adjustment program.	<i>Design PRSP</i>	2000-2002	UNDP, EU, World Bank
	Improve poverty-monitoring capacity	Complete, analyse and disseminate data from LCMSII (ongoing under Social Recovery project SRP II)	2000-2002	
	Focus poverty interventions more on the vulnerable	Refine and diversify ongoing micro projects program to address more effectively the needs of poor households, particularly female and child-headed households, through community-based initiatives.	2000-2002	World Bank
		<u>Prepare a study on legal constraints to participation of women in development interventions.</u>	2000-2002	
8. Environment and natural resources	Promote sound natural resource management and environmental protection.	<u>Review and harmonise legal framework</u>	2000-2001	Canada, Finland
		<u>Strengthen institution capacity</u>	2000-2001	Netherlands
		<u>Launch Community Environmental</u>	1999	

		<u>Management Program</u>		
9. Economic governance	Improve economic management and transparency	<u>Ensure effective operation of Anticorruption Commission, Drug Enforcement Commission, Human Rights Commission.</u>	2000-2001	Finland, Sweden, UK
10. Data issues	Improve timeliness and quality of data at macro-economic and firm levels.	Improve monetary statistics	2000-2002	EU, IMF
		Improve qualities of national accounts	2000-2002	
		Improve debt statistics	2000	
		<i>Decide upon the priorities relating to data availability and promote adequate funding accordingly.</i>	June 2001	
		<i>Build comprehensive monitoring and evaluation system for poverty reduction</i>	May 2000	

Annex IV: Incidence of Poverty in 1996 and 1998 by Rural/ Urban, and Province (Source, *Living Conditions in Zambia 1998*, CSO, Zambia)

	Incidence of Poverty, All Poor		Incidence of Extreme Poverty		Incidence of Moderate Poverty		Non Poor	
	1998	1996	1998	1996	1998	1996	1998	1996
<b>All Zambia</b>	72.9	69.2	57.9	53.2	15	16	27.1	30.8
<b>Rural/ Urban</b>								
Rural	83.1	82.8	70.9	68.4	12.2	14.4	16.9	17.2
Urban	56	46	36.2	27.3	19.8	18.7	44.0	54.0
<b>Stratum</b>								
Small Scale Farmers	84.0	84.4	72.1	70.5	12.0	13.9	16.0	15.6
Medium Scale Farmers	71.9	65.1	56.4	49.7	15.5	15.4	28.1	34.9
Large Scale Farmers	15.6	34.9	13.3	15.0	2.3	19.9	84.4	65.1
Non-Agricultural House Holds	79.3	72.0	66.6	52.1	12.7	19.9	20.7	27.9
Low Cost Area	61.2	51.1	40.8	31.4	20.4	19.7	38.8	48.9
Medium Cost Area	49.4	32.4	27.7	15.7	21.8	16.8	50.6	67.6
High Cost Areas	33.5	23.8	19.4	10.8	14.2	13.0	66.5	76.2
<b>Province</b>								
Central	76.8	73.8	63.2	58.6	13.6	15.2	23.2	26.4
Copperbelt	65.0	55.6	46.8	33.3	18.2	22.3	35.0	44.4
Eastern	80.3	82.0	66.5	69.9	13.8	12.1	19.7	18.0
Luapula	80.9	78.8	69.2	63.9	11.7	14.8	19.1	21.2
Lusaka	52.0	38.0	34.1	22.0	17.8	16.0	48.0	62.1
Northern	81.1	83.9	66.8	69.4	14.3	14.5	18.9	16.1
North-Western	75.8	80.3	63.2	64.8	12.6	15.5	24.2	19.7
Southern	75.8	75.9	60.3	58.6	15.5	17.3	24.2	24.1
Western	89.2	84.3	78.0	73.6	11.1	10.7	10.8	15.7

Annex V: Percent Change in Poverty Between 1996 and 1998 (Source, *Living Conditions in Zambia 1998, CSO, Zambia*)

	Percent Change in Poverty	Percent Change in Extreme Poverty	Percent Change in Moderate	Percent Change in Non-Poor
<b>All Zambia</b>	3.7	4.7	-1.0	-3.7
<b>Rural/ Urban</b>				
Rural	0.3	2.5	-2.2	-0.3
Urban	10.0	8.9	1.1	-10.0
<b>Stratum</b>				
Small Scale Farmers	-0.4	1.6	-1.9	0.4
Medium Scale Farmers	6.8	6.7	0.1	-6.8
Large Scale Farmers	-19.3	-1.7	-17.6	19.3
Non - Agricultural	7.3	14.5	-7.2	-7.2
Low Cost Areas	10.1	9.4	0.7	-10.1
Medium Cost Areas	17.0	12.0	5.0	17.0
High Cost Areas	9.7	8.6	1.2	-9.7
<b>Province</b>				
Central	3.0	4.6	-1.6	-3.2
Copperbelt	9.4	13.5	-4.1	-9.4
Eastern	-1.7	-3.4	1.7	1.7
Luapula	2.1	5.3	-3.1	-2.1
Lusaka	14.0	12.1	1.8	-14.1
Northern	-2.8	-2.6	-0.2	2.8
North - Western	-4.5	-1.6	-2.9	4.5
Southern	-0.1	1.7	-1.8	0.1
Western	4.9	4.4	0.4	-4.9

## ANNEX VI: SELECTED MACROECONOMIC INDICATORS, 1999 -2002 /1

	1999	2000	2001	2002
	Prel. Est.	Proj.	Proj.	Proj.
<b>National accounts and prices:</b>				
GDP deflator (1994=100)	311.1	385.0	425.4	465.0
GDP deflator (annual percentage change)	21.7	25.9	10.5	9.3
Consumer prices (% change, annual average)	26.8	22.3	10.8	8.3
Consumer prices (% change, end period)	20.6	19.0	10.0	7.0
Real GDP growth rate (in percent)	2.4	4.0	5.0	5.5
Real GDP(in kwacha billion)	2,418	2,515	2,641	2,786
Nominal GDP (in kwacha billion)	7,522	9,853	11,431	13,179
<b>Domestic fiscal operation</b>				
	(In billions of Kwacha)			
Revenue	1,324	1,849	2,028	2,366
Tax Revenue	1,289	1,820	1,986	2,311
Non-tax revenue	34	29	42	55
Expenditure and net lending	2,074	2,986	3,366	3,676
Current expenditures	1,132	1,506	1,876	2,070
Domestically financed capital expenditure	124	172	211	256
Contingency	-	157	203	237
Payment of domestic arrears	122	(44)	(50)	(53)
Domestic balance (cash basis)	31	(227)	(111)	(26)
<b>Balance of Payments</b>				
	(In US \$ millions)			
Current account balance	(498)	(460)	(458)	(468)
Exports, f.o.b	755	937	1,131	1,291
Metal Sector	467	612	764	876
Non-metal	288	325	367	415
Imports, f.o.b	(871)	(1,008)	(1,166)	(1,311)
Overall Balance	(348)	(407)	(255)	(201)
<b>Memorandum items</b>				
Gross official Reserves	46	146	267	380
(in months of imports)	0.5	1.3	2.1	2.6
Debt service (\$ USm)	136	169	387	538

1/ Figures for 2001-2002 are very preliminary.

# ZAMBIA

## Annex VII: PRSP Roadmap of Participatory Activities



