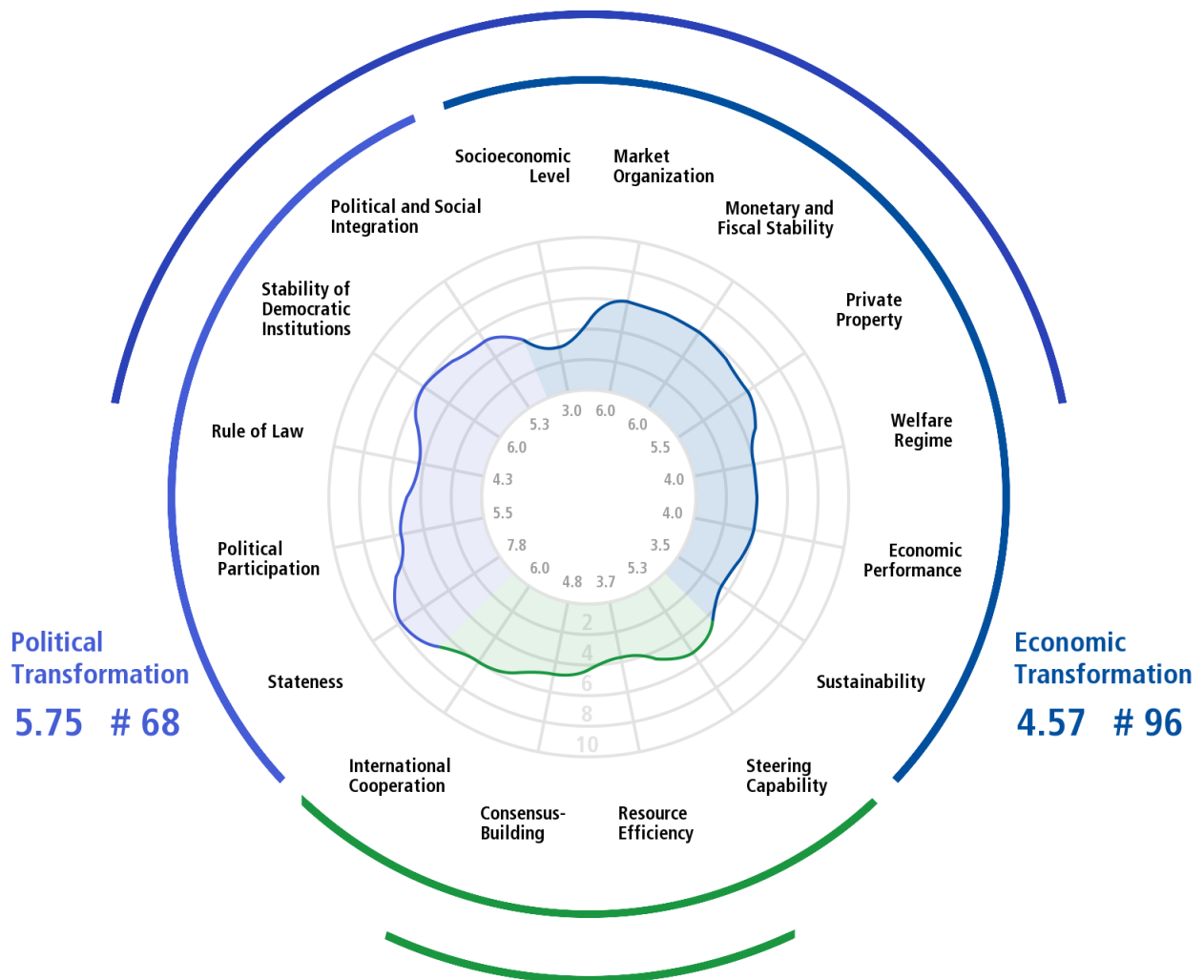


Zambia

Status Index

5.16 # 76

on 1-10 scale out of 137



Political Transformation
5.75 # 68

Economic Transformation
4.57 # 96

Governance Index

4.48 # 84

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	17.4	HDI	0.591	GDP p.c., PPP \$	4216
Pop. growth ¹	% p.a.	2.9	HDI rank of 189	143	Gini Index	57.1
Life expectancy	years	63.0	UN Education Index	0.572	Poverty ³	% 74.3
Urban population	%	43.5	Gender inequality ²	0.540	Aid per capita \$	60.7

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Between 2017 and 2019, political and economic governance in Zambia has declined and dissatisfaction with the status quo has increased. As the economy has stuttered, the currency has lost 20% of its value, which has resulted in increasing prices for goods and services. High levels of debt accumulation by the new administration have raised the specter of debt default, undermining the gains of the early 2000s following the cancellation of a large part of Zambia's external debt under the Highly Indebted Poor Countries (HIPC) initiative and a decade of consistent economic growth.

Zambia remains one of the least developed countries in Africa, with 58% of the population living on less than \$1.90 a day and an average life expectancy of 62 years. The government has succeeded in reducing the cost of doing business, but other important indicators of the business environment, such as restrictions on trade and government and judicial integrity have deteriorated.

Besides slowing economic growth rates, there are several other barriers to sustainable development. For example, Zambia's landlocked position is a natural obstacle to economic growth. Although there has been a substantial increase in the export of nontraditional goods, the economy remains heavily dependent on the export of copper. Copper exports accounted for 60% of total exports and 76% of foreign exchange earnings in 2018.

Under President Sata, the Patriotic Front (PF) sought to borrow from international markets to fund national development. The Lungu administration, in power since 2015, has borrowed heavily from China and Israel, with rumors of debt accumulation being conducted at ministerial level without the involvement of the Treasury. Several high-profile tenders and construction projects are believed to have been significantly inflated due to corruption, while new military hardware and a presidential jet have been acquired at a significant cost from Italian, Russian and Israeli suppliers.

Zambia's foreign loans have almost doubled since 2014 to nearly \$9 billion, and total public and publicly guaranteed debt is now estimated to be over 60% of gross domestic product (GDP). In

October 2017, a joint IMF-World Bank Debt Sustainability Analysis elevated the risk of external debt distress from medium to high. The first of Zambia's Eurobonds is set to mature in 2022, and in late 2018, the president went to Turkey to seek assistance in refinancing the Eurobonds, further undermining investor confidence.

In 2016, in order to address dampened economic growth, a weaker currency and growing indebtedness, Zambia began to engage with the International Monetary Fund (IMF) to manage the country's debt burden. In August 2018, the IMF's resident representative to Zambia was withdrawn at the request of the Zambian government. A new representative is yet to be appointed, which signals the uneasy relationship between the IMF and the government. Relations with Western donors were further strained in 2018, when the UK joined Sweden and Ireland in halting aid programs following evidence of fraudulent activity in relation to \$4.7 million of donor funds.

Due to substantial increases in debt interest repayments – representing 27% of the 2019 budget – government expenditure in 2018 on areas such as general public services, economic affairs, education and health, are projected to be reduced as a percentage of the total. Defense, public order and safety will receive an increasing share of the total budget in 2019, the rationale of which remains unclear. This modified balance of public spending away from social services is likely to prompt greater public disaffection and anger.

The arrest and charge of treason brought against the country's opposition leader Hakainde Hichilema in April 2017 signaled a more authoritarian turn in the country's governance. The 18 months that have followed that arrest have seen increased state intolerance of criticism, clampdowns on civil society, public protest and online activism as well as the passing of the Cybersecurity and Cybercrimes Draft Bill, which has had a chilling effect on public criticism of the government. Additionally, the sentencing of an activist to six years in prison for contempt of court has reinforced perceptions that the courts are willing to clamp down on freedom of expression to maintain the status quo. Due to political pressure and ambiguities in the Zambian Constitution, the Constitutional Court ruled in December 2018 that President Lungu was eligible to run for a third term in 2021, setting the country up for yet another highly contested poll.

History and Characteristics of Transformation

Economic and political transformation took place in Zambia simultaneously. Democratic transformation began in March 1990, when the ruling single party, the United National Independence Party (UNIP), was forced to start a debate about a return to a multiparty system.

In the 1990s, a dominant party system emerged that proved not to be conducive to democratic consolidation. The problematic 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.

As opposed to the 2001 elections, local and international observers considered the 2006 and 2008 elections as having been generally free and fair. President Mwanawasa won with 42.98% and was trailed by Michael Sata of the Patriotic Front (PF), who received 29.37% of the vote. In parliament, Movement for Multiparty Democracy (MMD) was unable to secure an absolute majority, winning only 73 out of 150 seats. However, by winning two constituencies later on and with eight additionally nominated members of parliament, Mwanawasa commanded a majority in parliament.

The 2011 presidential and parliamentary elections were not fair, though they were essentially free. To the surprise of many observers and the opposition itself, Michael Sata and his Patriotic Front were allowed to win – however, this was only after backstage wrangling with high-ranking Zambian officials from the electoral commission and probably leaders of the military as well as some international diplomats. 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 expenditure in general. Faced with increased criticism, the government demonstrated increasing intolerance and resorted to the same repressive instruments as its predecessors.

The death of Michael Sata on October 28, 2014 necessitated a presidential by-election. The presidential election was extremely close, with a substantial increase in support for the United Party for National Development (UPND) and its presidential candidate, Hakainde Hichilema. High turnout in UPND areas, combined with low turnout in much of the rest of the country, saw the UPND increase its share of the vote from 18.17% to 46.67% and the PF retain power by just 27,000 votes.

Following this highly competitive election, a scheduled general election was held just 18 months later, on August 11, 2016. The ruling party addressed some of the issues that had allowed the opposition to gain support in 2015 – including copper mine closures, late payments to farmers, a civil servant pay freeze and popular pressure for constitutional reform. In addition, the ruling party deployed state institutions to hinder the opposition's campaign and used state resources to support

its re-election. Following the contentious – and at times violent – campaign, the opposition UPND contested the results in the newly-established Constitutional Court. The incumbent-appointed bench threw out the election petition on a technicality, prompting an outcry from both the opposition and the legal fraternity. Since the 2016 elections, the government has proven increasingly intolerant of criticism, taking a heavy-handed approach to dealing with opposition leaders, civil society members, online dissent and public protests.

Zambia's economic transformation into a free market system began toward the end of 1991 following a change of government. To tackle a serious economic crisis, the government agreed to introduce substantial economic reforms to secure much-needed loans from the World Bank and IMF. One of the greatest challenges was the privatization of the country's copper mines, Zambia's prime export earner. Due to international investment and a recovery in the world price of copper, the profitability of the mining sector improved between 2007 and 2016. The sector contributed substantially to GDP growth rates of more than 5% over the last decade, though growth has now slowed due to reduced global demand for copper. This slowing growth has dampened the government's fiscal space and they have turned to international markets, contracting expensive loans to finance consumption and infrastructure development.

Living standards for the majority of the population have not improved. Although the rate of poverty has started to decline in recent years, it is the small high- and middle-class segments of the population that have benefited from Zambia's economic growth. At the same time, there is a common perception that corruption is widespread and largely ignored. High spending by the PF has led to increased indebtedness. Depressed copper prices and high inflation has prompted the intervention of the IMF in Zambia.

Major societal groups are still waiting for a new and more democratic constitution that has been promised since the democratic transition in 1991. After successive derailments of constitutional reform processes, the PF created a new Constitutional Court, eradicated the need for presidential by-elections and introduced a "50%+1" amendment in January 2016, which would require a candidate to secure an absolute majority of the votes to win a presidential election.

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

Transformation Status

I. Political Transformation

1 | Stateness

The Zambian state is relatively weak and lacks administrative capacity in many rural areas. However, there exist no rebel groups or guerrillas seeking to challenge the state, which therefore enjoys a de facto monopoly on the use of force throughout the territory. However, since 2016, in the Western Province activist groups have been advocating for greater federal powers for “Barotseland.” Calls for secession have resurfaced amidst allegations of ethno-regional favoritism by the administration. However, these calls do not currently have substantial popular support among the population of Western Province, and do not challenge the government’s monopoly on the use of force.

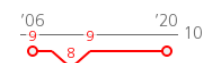
All groups in society accept and support the dominant concept of the nation-state, though some groups contest the legitimacy of the current administration. All citizens have the same civil rights, including immigrants. There is a general consensus concerning the nature of citizenship, and no serious efforts have been undertaken to deny this right to any specific group. Following the contentious 2016 election and its aftermath, there was evidence of a degree of marginalization of Tonga-speaking citizens in response to their region’s overwhelming support for the main opposition party. It is alleged that this extended to Tonga-speaking members of the government and civil service being removed from their positions or being pressured to retire. This has contributed to a widespread sense of growing political polarization.

Some citizens of Western Province continue to demand greater powers to be devolved, on the basis of both historical claims and promises made by the late president Michael Sata. This demand for greater devolution continues in the background, with consistent but quiet calls from Barotseland nationalists for the formation of their own state. However, this currently lacks popular support and thus does not represent a threat to a broader agreement on the legitimacy of the nation-state.

Question
Score

Monopoly on the
use of force

9



State identity

8



Although the state is defined as secular, Zambia was declared a Christian nation by the president in 1996. However, this had no negative impact on the secular order in general, as religious dogma has had no significant influence on politics or law. There is no serious discrimination based on religion. The Pentecostal movement initially supported the MMD's effort to overthrow the one-party state, while the Catholic Church has played a role in defending human rights, advancing constitutional issues and enabling Michael Sata's rise in 2011. However, between 2015 and 2016, President Lungu appealed extensively to religious sentiments, instituting a National Day of Prayer on October 18, pledging to establish an interdenominational church at taxpayers' expense and employing religious appeals extensively while campaigning for the 2016 election.

In September 2016, President Lungu created the ministry of national guidance and religious affairs and appointed an evangelical pastor as the inaugural minister. Since its inception, the actions of this ministry have been relatively innocuous and limited to making statements on advertising that it considers to be offensive to Zambia's "moral standing." This ministry has also denounced the proliferation of churches led by "prophets" who appear to behave unscrupulously toward their followers.

The state's basic infrastructure – administrative institutions, state officeholders, basic court jurisdictions, bodies that implement political decisions – extends throughout the territory. However, the reach of the state is relatively limited in rural areas. For example, justice is often decided on by traditional leaders rather than by judges. There has been a degree of institutional strengthening in recent years, including the tax system. The networks of political parties and public administration remain limited.

Despite creating new districts and restructuring the administrative system serving these districts, poor physical infrastructure remains a challenge in rural areas. According to the 2015 Zambia Demographics and Health Survey, 89% of the urban population has access to improved water sources, but this falls to 52% for the rural population.

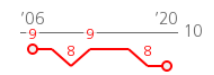
2 | Political Participation

Zambia is one of few countries in Africa to have achieved two transfers of power – from UNIP to the MMD (1991) and the MMD to the PF (2011). This suggests that elections can be free and fair. However, the constitution continues to allow the incumbent to enjoy substantial advantages, which in turn confers a significant advantage on the ruling party. This includes control over traditional leaders and the ability to manipulate state offices and use state resources for partisan ends.

In contrast to 2015, the 2016 election was significantly less free and fair. The EU observer report notes that the "campaign period was marred by systematic bias in state media, which failed to provide fair and equitable coverage of the campaigns of

No interference of religious dogmas

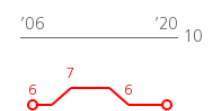
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1

Basic administration

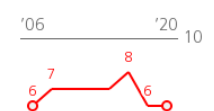
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1

Free and fair elections

6



1

all parties.” A month before the election, the only independent newspaper – The Post – was shut down by the Revenue Authority, and its premises and presses were seized.

Private TV (Muvi) and radio stations (Komboni, Radio Mano) came under pressure from the PF for covering opposition events and giving the opposition significant airtime. Both UPND and PF supporters were responsible for acts of violence and vandalism during the campaign period, though PF supporters were rarely arrested or held accountable. Levels of violence experienced during the 2016 campaign are widely believed to be unprecedented.

Polling was generally peaceful and orderly, and conducted professionally by the Electoral Commission (ECZ). Following the announcement of results, a petition challenging the outcome was submitted to the new Constitutional Court, but the court dismissed the case on a technicality without hearing it. The UPND contends that this violates both the amended constitution and their constitutional right to a fair hearing.

Since the 2016 election, by-elections and mayoral polls have been highly contentious and marked by high levels of violence. This is largely perpetrated by groups affiliated to the ruling PF. In 2018, several important leaders broke away from the ruling party. They have found their party activities frustrated and have been subject to arbitrary arrest for unlawful assembly.

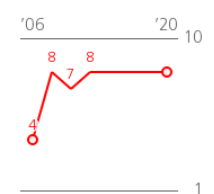
Rising dissatisfaction and unrest across the country has been blamed on the opposition, which has been threatened and had its movements constrained. In April 2017, the main opposition leader was arrested and imprisoned for four months on charges of treason, disqualifying him from the next elections in 2021. In December 2018, President Edgar Lungu was allowed by the Constitutional Court to run for election again in 2021, a decision that opposition parties and some civic groups say was clearly prohibited by the constitution. This is likely to have set the country on the path toward another contentious election.

There are no serious threats to the ability of the democratically elected representatives to govern. The military is firmly under civilian control, and there are no significant rebel or criminal networks that challenge the government. The opposition United Party for National Development (UPND) continues to contest the legitimacy of President Edgar Lungu. However, this position does not hamper the elected official’s ability to govern.

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

Effective power to govern

8



While the constitution provides for freedom of association and assembly, this has often been qualified and restricted. Freedom of assembly is limited by the Public Order Act, which is used selectively to prohibit assemblies by civic groups and opposition parties. 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.

Between 2011 and 2016, increasing tensions between the PF and the opposition UPND have led to an escalating series of clashes and frequent arrest of opposition and civic leaders. The PF government's increased use of the Public Order Act has restricted people's freedom to assemble, despite a constitutional guarantee. In April 2017, after police canceled a UPND rally in Kanyama citing the "unstable security situation" in the capital, one person was killed in the ensuing fracas, and there was a police crackdown in the area.

Growing frustration with several high-profile corruption scandals and late payments to students and civil servants prompted unrest in 2018. In October, students protested following the government's refusal to pay their meal allowances and in the ensuing crackdown by police, teargas was fired into student residences and one student, Vespers Shimuzhila, was killed. The government announced in January 2019 that it would no longer pay meal allowances for students, which is likely to create further tension between the state and the higher education sector.

In October 2018, a meeting convened by civil society groups in Ndola to debate the national budget was shut down by police. Church and civic leaders who had been in attendance were charged with unlawful assembly. Another protest in Luanshya in November 2018 over the reported sale of a state-owned enterprise descended into chaos, and the state threatened to arrest opposition leader, Hakainde Hichilema, over the unrest. These issues demonstrate that the space for dissent in Zambia is increasingly constrained as the government becomes more resistant to criticism.

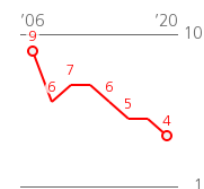
Zambians have generally been able to exercise free speech and the government usually tolerates dissent. However, the space for critical voices has been constricted before and since the 2016 election. As the government has become less tolerant of dissent, freedom of expression in Zambia has come under strain.

Most radio and TV broadcasting is state-controlled and heavily politicized. State-owned or state-sympathetic media reproduces the government's line, often despite clear evidence contradicting their position. Zambia's most powerful independent media source was closed in June 2016 over a tax dispute, after taking a critical stance against the ruling party and its 2015 election candidate.

Since 2016, several new blogs and news websites have emerged to produce higher quality news and replace former news sources. One such website is News Diggers. A columnist at News Diggers came under threat from both the University of Zambia's

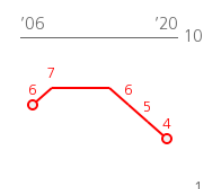
Association / assembly rights

4



Freedom of expression

4



administration and unknown criminal elements after posting several articles that were critical of the government. In November 2018, Gregory Chifire, director of the Southern African Network Against Corruption was sentenced to six years in prison for contempt of court for questioning the outcome of an appeal in a high-profile commercial matter involving large financial stakes. This has had a chilling effect on civil society and freedom of expression more broadly.

In 2017, the Zambian government introduced the Cybersecurity and Cybercrimes Draft Bill. In August 2018, the bill was passed by the cabinet for review. This draft bill allows penalties of up to one year in prison, fines, or both for “any electronic communication, with the intent to coerce, intimidate, harass, or cause substantial emotional distress to a person.” Civil society groups have expressed concerns that if passed, the bill will enable a crackdown on legitimate online expression.

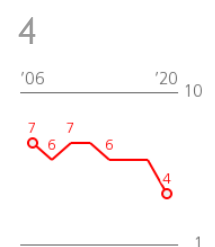
This concern is well-founded given that between late 2017 and the end of 2018, at least three citizens found themselves under arrest for defamation and insulting the president over social media. In June 2018, the British High Commissioner to Zambia was threatened with deportation by the government via social media after he had been critical of the government using the same platforms. In January 2019, the ruling party expelled a journalist and threatened to block a private television station from covering their events. The government also threatened private media with statutory regulation if they did not establish a self-regulatory framework within three months.

3 | Rule of Law

There has been very little constitutional reform since the reintroduction of multiparty politics. Successive presidents have pledged to introduce constitutional reforms, which would reduce the powers of the president. In order to preserve their own authority, these pledges have consistently been dropped. As a result, the constitution remains “top heavy,” it does not include sufficient checks and balances on the executive. Regarding the diffusion of power and authority, State House plays an increasingly central role. It now houses government agencies and projects such as the roads development agency (RDA) and private-public projects (PPP). Major decisions that should be made at the ministerial level are now taken at the highest level.

The executive continually manipulates the police, judiciary and legislature. As a result, it is rare for the judiciary or parliament to act against the executive, despite many attempts by international donors to strengthen the judiciary and parliament. The fact that no key democratic institutions have the funding required to adequately perform their tasks is a serious limitation on the quality of democracy. For example, the judiciary lacks the resources needed to prosecute cases in a timely manner, which leads to lengthy delays.

Separation of powers



In 2017, three opposition political parties asked the Constitutional Court to declare whether President Lungu was eligible for a third term. In November, commenting on the matter shortly after the Kenyan Constitutional Court overturned the results of that country's election, President Lungu stated "There are people outside Africa and some of them within Africa who want to bring confusion in Africa. They have picked on South Africa, Zambia and Kenya for a regime change... Don't try to become a copycat and think that you will be a hero, you will plunge this country into chaos." This was widely perceived as a threat to the Constitutional Court judges, who subsequently ruled that he be allowed to run for another term in 2021.

The Constitutional Court made this determination in part because the constitutional clauses dealing with the eligibility of the president appeared to be contradictory. In 2018, the justice minister, Given Lubinda, announced that the government would bring a Constitutional Reform Bill to parliament to deal with the inconsistencies in the constitution, but the contents of this proposed bill are yet to be made public.

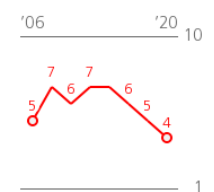
An independent judiciary exists in principle, but in reality, executive manipulation has compromised the image of the bench. At the same time, rumors of corrupt deals involving members of the judiciary have called into question judgments on a number of important economic cases. Especially in cases that are politically sensitive, the judiciary is subject to significant pressure from the ruling party. This includes controlling judicial personnel, something that is made possible by the president's power to determine appointments. When President Sata came to power, he used this authority to sack judges who had ruled against him while in opposition. A new Constitutional Court was established in 2016. President Lungu appointed six judges who failed to meet the statutory requirements for their positions, and some of whom were known to be close to the president.

Following the aborted 2016 presidential election petition, the court made a number of rulings that were then reversed under suspicious circumstances that many analysts believe were a result of pressure from the executive. Ruling party officials then demanded that the two judges who produced dissenting judgments on the petition be arrested.

After the 2016 election, members of the High Court nullified a number of parliamentary elections, including that of two ministers. This led the president's spokesperson and ruling party secretary-general to publicly criticize the courts and accuse them of bias while threatening a raft of judicial reforms. Following the nullification, these two ministers have continued to occupy their seats in cabinet and discharge their ministerial duties, flouting the High Court order. In October 2018, the Constitutional Court overturned the High Court's order and declared one minister, Margaret Mwanakatwe (a close associate of the president's) duly elected, despite clear evidence that the candidate had contravened the electoral act.

Independent
judiciary

4



The ruling party and president have made several statements threatening the Constitutional Court’s judges – most notably in November 2017 as it was set to decide on the president’s eligibility to run again in 2021. Ultimately, the court decided on December 7, 2018 that the president was in fact eligible, due in part to contradictory clauses in the constitution. In November 2018, the Supreme Court of Zambia sentenced anti-corruption campaigner Gregory Chifire to six years imprisonment on contempt of court charges after he called for an investigation into potential judicial corruption involving the largest bank in the country.

Prosecutions for the abuse of public office tend to be extremely political. That is to say, it is a political tool used by a recently elected ruling party to prosecute members of the former ruling party or members of current ruling party factions who have fallen out of favor. Despite the political motivations behind these prosecutions, there is often substance to the charges. For example, the former Minister of Justice, Wynter Kabimba, ignored a demand by the Anti-Corruption Commission (ACC) to appear at an investigation into alleged corruption, instead he ridiculed the ACC.

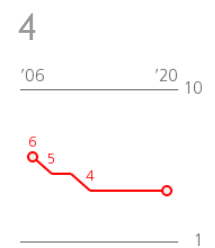
In late 2016, the ACC reported that investigations had begun into the financial affairs of former information and broadcasting services minister Chishimba Kambwili. This appears to be a continuation of previous practice, by which the ACC is used to wage factional battles within the ruling party and state. Following investigations into senior State House aides in 2017, the director general of the ACC was pressured to resign due to the leaking of a letter that she wrote to President Lungu regarding a bribe allegedly accepted by a close aide to the president. Following her departure, Kapetwa Phiri became the new director general of the ACC, and it appears that the investigations have stalled. In 2017, a questionable tender for 42 fire engines was cleared by the ACC under Phiri, raising questions regarding the institution’s efficacy.

In October 2018, opposition MMD leader Nevers Mumba was convicted of the abuse of public office for several contracts that he had overseen as Zambian High Commissioner to Canada. In September 2018, several European countries and the UK suspended aid to Zambia over the misallocation of funds by several core ministries. In an attempt to be seen to address the problem, the president fired at least one minister and over one hundred civil servants, but no charges were brought against apparent beneficiaries.

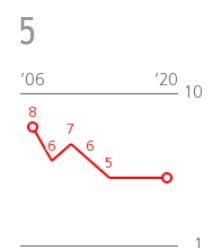
The Zambian government is rhetorically committed to human rights, and the systematic abuse of specific communities is rare. However, the police and security forces have a poor record, including unlawful killings, torture and other abuses of criminal suspects and detainees. Zambia also has a problem with pretrial detainees who are often held for years in harsh conditions without access to legal aid.

Although discrimination against women is not as problematic in Zambia as it is in other African countries, women are often denied the right to inherit land and are subject to gender-based violence. Traditional leaders continue to dispense “justice”

Prosecution of office abuse



Civil rights



based on established norms and practices in many rural areas. Although they have a high level of public legitimacy, these decisions typically discriminate against women, especially in the areas of gender-based violence and inheritance.

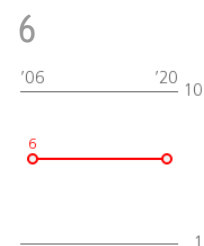
Arbitrary and false arrests, disproportionate use of force as well as human rights violations while in police custody are frequently reported by human rights bodies and the U.S. State Department's Human Rights Reports. On October 5, 2018, Vespers Shimuzhila, a student at the University of Zambia, was killed when police used excessive force to disperse protesting students, firing teargas and hand grenades into student residences. Zambia's Human Rights Commission confirmed police and state accountability for her death, but no punitive measures have yet been announced. Police officers are rarely held accountable for acts of brutality or the violation of civil rights.

4 | Stability of Democratic Institutions

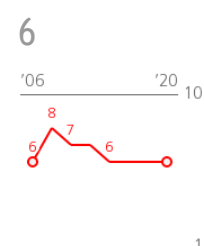
The performance of Zambia's democratic institutions varies considerably. Political power in Zambia is centered in the capital city and in the executive in particular. The legislature has failed to adequately perform its oversight function. This is partly due to a lack of funds and because the executive has been able to manipulate the legislature. One way in which the executive has been able to manipulate the legislature has been through the poaching of opposition MPs. This creates disunity within the opposition, increases the government's power and restricts the ability of the opposition to hold the government to account. The judiciary is also compromised when it comes to issues of horizontal accountability and has been subject to executive manipulation. The bureaucracy has also performed weakly since the election of the Patriotic Front in 2011. This is due to limited administrative capacity and resources, but also to the replacement of the vast majority of senior civil servants with partisan individuals. For example, all 73 district commissioners were replaced. Decentralization has stalled and promises that more power would be devolved have not been substantiated. As a result, traditional leaders in the pay of the ruling party, rather than democratic institutions, govern many rural areas.

There is a clear consensus on the value of multiparty politics and elections, and there have been no serious efforts to return to a one-party state. However, the political elite's toleration of dissent has often been lacking in practice. Moreover, there are persistent rumors that former President Rupiah Banda, before he agreed to peacefully hand over power to President Sata, contacted the military to gauge levels of support for the declaration of a state of emergency. It is therefore significant that the Zambian military has never held power and, with the exception of two (maybe three) failed coup attempts, has not sought to intervene in civilian politics. The harassment of journalists, media houses and civil society groups prior to and in the wake of the 2016 election suggests that the administration is less tolerant of dissent than its predecessor.

Performance of democratic institutions



Commitment to democratic institutions



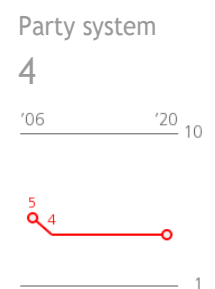
The ruling party's acceptance of the legitimacy and independence of the judiciary is also under question following the threats made against the Constitutional Court judges in November 2017, prior to their ruling on the president's eligibility to contest the 2021 election.

5 | Political and Social Integration

The Zambian party system is unstable and subject to rapid change, which is associated with high voter volatility. Between 2011 and 2016, the party system changed dramatically. The ruling party, the Patriotic Front (PF), continued to perform strongly in urban areas, and developed new bases of support in rural areas through its control over patronage and traditional leaders. The former ruling party, the Movement for Multiparty Democracy (MMD), suffered an embarrassing collapse. This was due in part to a series of damaging internal splits. As a result, the party went from being the ruling party in 2011 to placing fourth in the 2015 presidential by-election, securing just 0.87% of the vote.

In many rural areas, the MMD was replaced by the United Party of National Development (UPND), which rose from third place in 2011 to second place by 2015. In 2015, the UPND missed out on an unlikely victory by just 27,000 votes. Although they represent distinct parts of the country (for example, the PF polls well in the Copperbelt, the Bembaphone North, the East and Lusaka, while the UPND polls well in Southern, Western and North-Western Provinces), these parties offered voters a clear alternative. In 2016, the PF continued with many of the populist policies that had won Michael Sata the presidency, the UPND argued that it would pursue more business-friendly policies. However, it is important not to exaggerate their differences; both parties made a series of unrealistic election promises. The connection between parties and their supporters is based on a combination of different ties, including clientelistic, ethnic and populist. However, party structures are extremely weak, especially outside of leaders' home areas. The UPND was the main beneficiary of this turmoil as many former PF and MMD MPs, and party officials swelled its ranks. With the virtual collapse of the MMD – from 55 MPs in 2011 to three in 2016 – the party system has consolidated into a two-party system with other opposition parties garnering just over 2% of the presidential vote and only four of 156 National Assembly seats.

There is a relatively high level of voter volatility intertwined with ethnic party strongholds; the UPND has become the party of anti-incumbent voters in areas where it previously garnered almost no votes such as the Copperbelt, Northern and Eastern regions. As a result, several Bemba politicians have split off to form new parties purporting to represent Bemba interests, which may disrupt the two-party system. The arrests of and investigations into several opposition politicians – UPND president Hakainde Hichilema in 2017, Nevers Mumba and Chishimba Kambwili in 2018 – is



only likely to increase political polarization and a sense of persecution among opposition supporters ahead of the 2021 polls. The arrests and charges are believed to be orchestrated to render certain opposition politicians ineligible to contest the 2021 elections. Several opposition parties have already begun to form a coalition, but the likelihood of the alliance lasting until the polls is low.

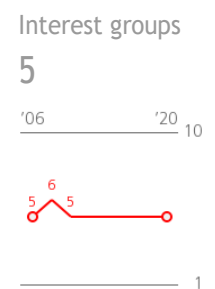
Zambian civil society is relatively weak. It is based primarily in Lusaka. The Catholic Church remains highly influential and is one of the few non-governmental organizations to have a national reach. The former Catholic Archbishop of Lusaka (the head of the Catholic Church in Zambia) had been outspoken and critical on issues of national interest. The government's alleged lobbying of the Vatican resulted in the more amenable church head, Alick Banda, who is much less critical. Banda quickly distanced himself from his predecessor's criticism of the government and instead criticized the main opposition leader for refusing to accept the 2016 election results.

Trade unions have historically been important and played a critical role in the campaign against colonial rule and the one-party state. However, the twin economic processes of privatization and informalization (i.e., the increasing proportion of the labor force working in the informal sector) have undermined the strength of the unions.

Civil society alliances have come together at key points to protect democracy, and advance constitutional reform processes. For example, the OASIS Forum opposed President Chiluba's attempt to be elected for a third presidential term. However, outside of these rare "crisis" moments, there is a lack of concerted action. The Grand Coalition on the constitution – a broad civil society alliance for constitutional reform – is now defunct following the constitutional referendum of January 2016.

Tensions between different civil society groups and between civil society groups and the government are increasing. The once critical Law Association of Zambia (LAZ), which had previously faced a hostile reception from the ruling party, appears to have been tamed following the selection of a new committee staffed by several members who are sympathetic to or belong to the ruling party. Since the new committee was inaugurated in June 2018, the LAZ has issued several statements praising controversial decisions taken by the courts or the administration.

The current administration has made it harder for civil society groups and coalitions to openly mobilize and represent the views and interests of disaffected communities.

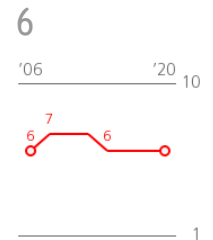


There is a strong consensus in favor of democracy. In the 2017 Afrobarometer survey results, democracy was preferred by 81% of Zambian respondents, down from 90% in 2012. The distribution was roughly equal between urban and rural areas. However, 28% of respondents believe that their country is a democracy “with major problems” (up from 24% two years previously), while 25% believe that Zambia is “a full democracy” (down from 31% in 2015). Similarly, while 32% of respondents report being “fairly satisfied” with the way that democracy works (compared to 45% in 2012), only 16.8% stated that they were “fully satisfied” - down from 29% in 2015.

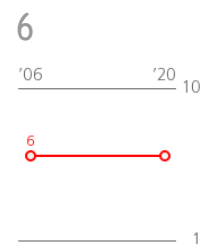
Trust in public institutions varies greatly. For example, 44% of respondents state that they trust the president “a lot,” while 39% and 30% of respondents respectively, state that they trust the judiciary and legislature “a lot.” Zambia’s enviable democratic record has been challenged between 2014 and 2018 by an increase in political violence, regionalism, intolerance and authoritarianism that, if not addressed, threatens to undermine its democratic gains.

Zambia is generally known as a relatively open and tolerant country. Although ethnicity plays an important role in political competition, ethnic violence is rare and ethnicity does not divide the country along sectional lines. In close-knit rural communities, trust is often higher than in more diverse urban communities. However, neither rural nor urban areas have a vibrant civil society. This is partly due to the deliberate marginalization of self-help initiatives during the thirty years of the one-party state. As a result of that legacy, most Zambians continue to look to the state to provide support, despite its clear failings. Furthermore, trust levels are comparatively low. In 2007, Zambia scored 28.1 on the World Values Survey’s index of whether “most people can be trusted,” placing Zambia below Lebanon, Nigeria and Bosnia and Herzegovina. The highest score achieved was 148 for Norway, while the lowest was 7.9 for Trinidad and Tobago.

Approval of democracy



Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

Zambia is a poor country. According to the latest Living Conditions Survey released by the government in 2015, 40.8% of the population live in extreme poverty and 74.3% live in poverty. This varies according to location, with rural areas experiencing a higher level of poverty on average than their urban counterparts, despite the existence of a number of large urban slums. There are various cash transfer programs that are designed to help with this, but the coverage is low. Efforts by the government to increase expenditure on some essential public services have yet to overturn a history of income inequality and gender inequality. This is evidenced by Zambia's very high score on the Gini Index: with a score of 57.1, it is the fourth most unequal of all the countries in the BTI. It has made very marginal gains in the Human Development Index, from 0.583 in 2015 to 0.588 in 2017. Gender inequality, as measured by the Gender Inequality Index, remains high at 0.517 (in 2017).

Question
Score

Socioeconomic
barriers

3

'06 '20 10



Economic indicators		2015	2016	2017	2018
GDP	\$ M	21154.4	20954.8	25868.1	26720.1
GDP growth	%	2.9	3.8	3.4	3.8
Inflation (CPI)	%	10.1	17.9	6.6	7.5
Unemployment	%	7.4	7.4	7.2	7.2
Foreign direct investment	% of GDP	7.5	3.2	3.3	1.5
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-767.7	-954.0	-1006.4	-342.3
Public debt	% of GDP	62.3	60.7	61.9	78.1
External debt	\$ M	11916.8	15359.0	17520.3	19116.0
Total debt service	\$ M	545.9	742.2	842.7	1462.5

Economic indicators		2015	2016	2017	2018
Net lending/borrowing	% of GDP	-7.9	-5.5	-5.2	-
Tax revenue	% of GDP	14.4	13.4	15.2	-
Government consumption	% of GDP	14.8	16.1	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	2.1	1.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.8	1.4	1.3	1.4

Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Zambia features freedom of pricing, currency convertibility, freedom of trade and free use of profits. However, market competition operates under a weak institutional framework in which corruption and red tape play a major role.

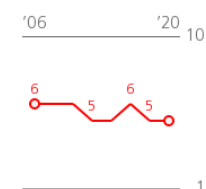
Zambia ranked 87th in the World Bank's 2019 Ease of Doing Business Report. Establishing a business is relatively burdensome: it involves seven procedures, takes 8.5 days and costs 32.8% of GNI per capita, placing the country at a below average rank of 102 out of 190 in the sub-index "Starting a Business." According to the Heritage Foundation, economic freedom markedly declined over the past few years, from 88 in their 2015 Index of Economic Freedom to 138 in 2019.

The informal sector is large. According to the ministry of labor and social security's 2017 Q3 Labor Force Survey, the formally employed population accounted for just 23.6% of the total employed population.

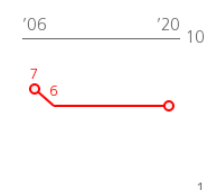
Zambia has a comprehensive competition law in the form of the Competition and Consumer Protection Act 2010. A regulatory body, the Zambia competition commission (ZCC), exists to enforce the law. Under this sits the competition and consumer protection commission (CCPC), with the powers to review monopolies and mergers.

The Zambian competition authority is one of the most active in Africa and in 2018, it opened investigations in a large number of cases such as after the dramatic increase in chlorine prices after the outbreak of cholera, or with regard to price increases of bottled water. The competent authority imposed a fine of 7% of annual turnover on four chicken hatcheries in Lusaka for fixing trading conditions and setting production

Market organization
5



Competition policy
6



quotas. It issued guidelines on the abuse of dominance for public comment and issued a warning on single school uniform suppliers. Moreover, the CCPC has recently moved to punish companies that have been seen to have acted against the consumer interest. Most notably, in November 2018 it issued a ZMW 76,728,650 (\$6.4 million) fine to Zambia Sugar for abusing its market dominance. The scale of the authority's activities, however, remains modest. According to official figures, in 2018 the CCPC oversaw planned mergers worth a total of just \$70.9 million.

Some state-owned enterprises enjoy an effective monopoly, such as the Zambia Electricity Supply Company (ZESCO). ZESCO has not been fully privatized, but rather commercialized, meaning that it was put under private sector management while the state maintains a majority ownership share. However, the cost of electricity remains high.

One barrier to increased competition is a widespread public suspicion of privatization, which is commonly seen as an opportunity for corruption with few benefits for consumers. As a result, some monopolies still exist and are likely to continue in the future.

Another barrier is the practice of concluding high-value procurement deals without a tender process, although criticism of this practice is growing. In December, a public-private partnership for collecting road tolls was canceled when details about the deal were leaked to the media. The arrangement was found to offer poor value for money, having been awarded to a politically connected local firm – Intelligent Mobility Solutions – without due competition or scrutiny.

In principle, foreign trade is liberalized. However, the Heritage Foundation finds that in reality “Relatively high tariffs and non-tariff barriers to trade have held back integration into the global marketplace and reduce the profitability of investment.”

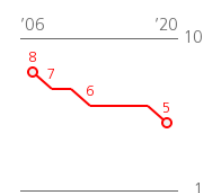
The simple average of the most favored nation (MFN) applied tariff was 13.9% in 2016. Non-tariff barriers include inefficiency at border crossings, and confusion over which tariffs apply and when, given that Zambia is a member of two regional economic organizations (Southern African Development Community (SADC) and COMESA).

Zambia also has a history of imposing import bans on key commodities like sugar, cement and wheat. According to a 2016 United Nations Conference on Trade and Development report, “Most of the time, the banning is done erratically, introducing a high level of inconsistency in the implementation of trade policy.”

In July 2018, the Zambian government rejected pressure from the Southern African Development Community to lift restrictions on the import of wheat, saying it was not in the interests of the Zambian economy to do so.

Liberalization of
foreign trade

5



Illicit financial flows remain a major source of concern. In July 2017, the Zambia Financial Intelligence Centre estimated that illegal mineral exports and tax evasion meant that the government was missing out on around \$3 billion revenue every year, although this figure remains controversial. Despite Zambia's membership of both the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), exports to the region have not significantly increased in recent years because of high production and transportation costs. Similarly, South African traders have recently complained about the restrictions placed on their goods by the Zambian government, which bans imports of poultry, maize meal and cooking oil.

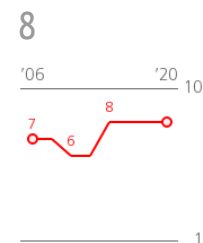
External efforts to improve the trading environment have had little impact. In late 2018, the European Union announced plans to provide €800,000 of support to trade related interventions in the gold mining and agricultural sectors via the Southern African Development Community trade related facility project. This followed a €420,000 grant to fund interventions in the areas of sanitary and phytosanitary standards, technical barriers to trade, and trade facilitation and promotion. However, these initiatives have yet to make a significant impact on cross-border trade. Given recent trade developments, free trade seems to be increasingly distorted by state interference.

The banking system and capital markets are differentiated, and oriented, in principle, to international standards. Zambia has some of the most liberal banking regulations in southern Africa, and banks function efficiently. There is functional banking supervision and minimum capital requirements.

It is estimated that about 48% of adult Zambians have access to an account with a formal banking institution. Capital markets are open to domestic and foreign capital, and the stock exchange has listed 24 companies since 2016. The central bank has remained fairly activist and has consistently cut the benchmark lending rate over the last two years, from 15.5% in 2016 to 9.75% at the end of 2018. However, high levels of government borrowing have crowded-out other domestic borrowers, which remains a barrier to entrepreneurship.

The ratio of nonperforming loans increased from 7.3% in 2013 to 12% in 2017, while bank capital to assets ratios have remained fairly consistent at around 11:2. Shortly after it was elected in 2012, the PF government lifted the minimum capital requirement for local banks to ZMW 104 million from ZMW 12 billion, while international banks are now required to demonstrate ZMW 520 billion worth of holdings, which has strengthened their position in this regard.

Banking system



8 | Monetary and fiscal stability

The government deserves credit for bringing inflation under control. Zambia experienced double-digit inflation between 2007 and 2009, and again between 2015 and 2016, but this fell to 6.6% in 2017, before rising to 7.6% in 2018. The central bank has set an inflation target of 6-8% until 2021.

However, it is significant that inflation often peaks in election years, hitting a recent high of 17.9% in 2016.

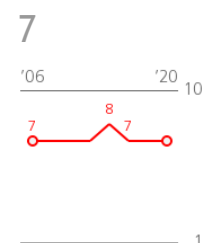
This suggests that a further peak is likely approaching during the 2021 general elections. The value of the kwacha against the dollar has been relatively consistent for the past two years and has yet to return to the recent high of almost 0.2 kwacha to the dollar in 2013. Nonetheless, the real effective exchange rate of the kwacha against a weighted average of foreign currencies improved from 88.5 in 2016 to 96.4 in 2017. The kwacha lost value against the dollar in September 2018 but has remained fairly consistent at 0.08 to the dollar in November to December, though further instability remains likely due to both political and economic uncertainty.

Zambia continues to experience steady but unspectacular GDP growth. A disappointing return of 4.1% in 2017 was followed by a slight fall to 4.0% in 2018. 2019 is projected to see a small rise to 4.2%. The main challenge for the government is that this growth rate is not sufficient to either provide jobs for a fast-growing population, or to enable the government to meet its growing debt repayment obligations, which are now estimated to be over 60% of GDP. There has been some progress in terms of closing the current account deficit, which fell to 7.1% in 2018, having been 9.3% in 2015, but this was still in excess of the official government target of 6.1%. This fall was in part due to the reduction of costly subsidies in areas such as fuel, which Moody's found generated savings worth 2% of GDP in 2017 as compared to 2016.

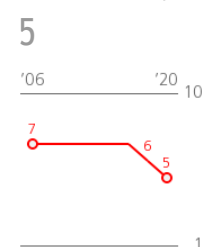
However, government consumption as a percentage of GDP increased from 12.2% in 2013 to 16.1% in 2016. The World Bank has warned that some of the funds secured through the country's third eurobond were used to finance recurrent expenditure and has raised concerns that a considerable portion of the \$1.25 billion is unaccounted for. Similarly, the IMF has refused to conclude an economic rescue package on the basis that the government does not have a coherent and persuasive plan to achieve economic sustainability.

There is widespread concern over Zambia's rapidly increasing debt burden. External debt rose to \$10.05 billion at the end of last year from \$8.74 billion at the end of 2017 (representing 59% of GDP), according to Finance Minister Margaret Mwanakatwe. This is up from \$1.9 billion at the end of 2011.

Monetary stability



Fiscal stability



One important piece of evidence of the severity of the economic crisis that could unfold in the country is that central bank reserves have fallen considerably from \$2.4 billion in 2016 to \$2.1 billion in 2017 and \$1.7 billion in 2018, which corresponds to just 2.5 months of imports. As a result, the IMF was warned that Zambia is at risk of entering a period of debt distress.

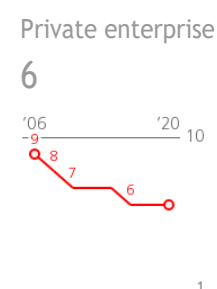
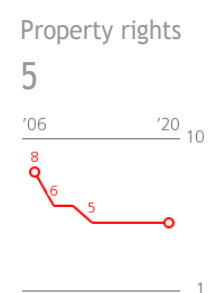
9 | Private Property

Property rights are governed by the Land Act of 1995, which recognizes two types of land tenure: leasehold and customary. Legally, all land ultimately belongs to the state.

Property rights are well defined in urban areas. However, property rights in rural areas are often poorly defined. According to the Heritage Foundation, the ministry of lands is both overcentralized and “hobbled by poor record keeping.” The Heritage Foundation estimates that improvements made between 2016 and 2017, the situation has regressed, with a decline from a score of 49.6 in 2017 to 46 in 2018 (on a scale of 0-100 on which high scores reflect better performance). Meanwhile, the property rights of women are often not respected, most notably in relation to the inheritance of land. For example, a large proportion of agricultural land in Barotseland remains under the control of traditional leaders. In turn, control of land by traditional leaders increases the difficulty of defining and enforcing private property rights.

Zambia underwent a prolonged and painful process of privatization following the end of the one-party state and the election of the Movement for Multiparty Democracy (MMD). This process was partly reversed following the election of the statist and economically populist PF in 2011, which renationalized some companies, including the telecommunications company, Zamtel; the rail company, Railway System of Zambia; the oil company, Indeni Petroleum Company; and the coal mining company, Maamba Collieries – often in controversial fashion. It was expected that this trend would be reversed with the sale of the energy utility company ZESCO, but despite strong rumors from 2016 onwards, it remains in state hands. More recently, Energy Minister Mathew Nkhuwa has gone on record to pledge that the government has no plans to sell ZESCO to a Chinese firm, but this has done little to halt the rumors. There are occasional demands from figures such as Lubinda Haabazoka, the president of the Economics Association of Zambia, for the government to renationalize the mining industry, but this appears to be beyond the state’s capacity. While President Lungu has warned mine owners not to lay off workers during periods of economic downturn, he has not made any moves to reassert direct control over the sector. The Heritage Foundation finds that the “regulatory environment does not promote entrepreneurial activity,” but also records small improvements in business freedom between 2016 and 2018.

A legal framework for the protection of private enterprises exists. According to the Zambia Development Agency, “the Zambia Development Act guarantees investors



that property rights shall be respected. No investment of any description can be expropriated unless parliament has passed an Act relating to the compulsory acquisition of that property. In case of expropriation full compensation shall be made at market value and shall be convertible at the current exchange rate.” Zambia is also a member country of the World Bank’s Multilateral Investment Guarantee Agency (MIGA), which guarantees foreign investment protection in cases of war, strife, disasters and other disturbances or in cases of expropriation.

10 | Welfare Regime

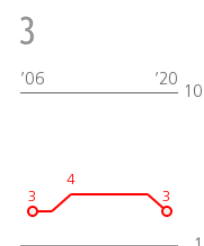
Despite the country’s economic difficulties, Zambia recorded a small increase in life expectancy at birth, from 60.8 in 2014 to 61.9 in 2016. This reflects the greater expenditure on health seen under the Patriotic Front government, which has increased from 2.1% of GDP in 2011 (the year the PF was elected) to 2.8% in 2014. The government also introduced a Minimum Wages and Conditions of Employment Act in 2012. According to UNICEF, between 2017 and 2018 the share of the budget devoted to the social sector increased from ZMW 20.9 billion to ZMW 22.8 billion, although as a proportion of the overall budget this remained static at 32% due to increased expenditure elsewhere. Despite these small improvements, it remains the case that 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. Partly as a result, poverty remains high, affecting around three-quarters of the population.

One of the barriers to poverty reduction is that there is no unemployment insurance system and no reliable statistics on unemployment. 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. For example, the total budgetary allocation in 2017 was just ZMW 16 million, up from just ZMW 6 million in 2016. The ongoing future of the scheme has been called into question by the deterioration in donor relations that followed corruption scandals in 2018.

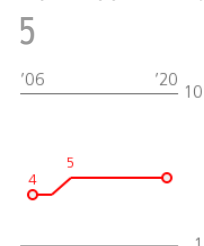
Zambia has achieved parity between males and females when it comes to primary school enrollment, but this masks the fact that women are more likely to drop out before completing their education. Tellingly, while the literacy rate is 88.7% for men it is only 77.7% for women, according to World Bank figures. However, this figure dates from 2010, so cannot be relied upon to reflect current realities.

Women represent less than half the labor force, a figure that has been fairly consistent over the past four years (47.6% in 2014 to 47.8% in 2017). According to the Human Development Index for 2017, Zambia scores 0.517 on the gender inequality index – on a 0 to 1 index in which lower scores reflect greater equality. However, it is worth noting that this figure has fallen (implying greater equality) from 0.587 in 2014. There

Social safety nets



Equal opportunity



is little official discrimination on the basis of race or religion. However, anti-homosexuality legislation is in place and Amnesty International records homosexuality as being illegal in Zambia. President Edgar Lungu has spoken out publicly against gay rights, and in 2018, the police used its cybercrime unit to try and identify gay individuals “outed” in pictures on social media.

Despite Zambia’s ethnic diversity, the country has largely managed to balance the interests of its various groups. However, each president appears to give preference in appointments and contracts to people from his home area. This has led to some dissatisfaction in Western, North-Western and Southern provinces, as no president has ever come from these areas and they feel – to differing degrees – as though they have been excluded from national development. This has not yet led to serious social tensions, but the secessionist claims in Western Province’s Barotseland can partly be ascribed to this factor.

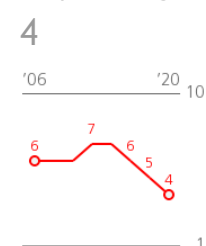
11 | Economic Performance

Zambia’s economic situation is extremely fragile. Economic growth was 4.1% in 2017 and 4.0% in 2018. GDP per capita (PPP) growth was significantly lower, at just 1.0% in 2017 (from \$3,939 in 2016 to \$4,050 in 2017). Despite recent improvements in the performance of the Zambia Revenue Authority (ZRA), the tax take fell from 17% of GDP in 2014 to 14.9% in 2016. The government has managed to hold inflation (CPI) to single figures (6.6% in 2017), although there was a blip in 2016 when it shot up to 17.9%. However, gross capital formation increased from 34.0% of GDP in 2014 to 38.1% in 2016. Partly as a result of fears of economic instability, and partly as a result of the political controversy documented elsewhere in this report, foreign direct investment fell from 7.5% of GDP in 2015 to 2.4% in 2017.

Due to substantial increases in debt interest repayments – representing 27% of the 2019 budget – expenditure by some of the large spending government areas in 2018, such as general public services, economic affairs, education and health, are projected to shrink as a percentage of the total 2019 budget, as compared to 2018. Defense, public order and safety will secure increasing share of the total budget in 2019, the rationale of which remains unclear.

Public debt continues to grow, in part because some of the contracted debt has been used to finance recurrent expenditure rather than invest in productivity. One consequence of ballooning domestic debt is the crowding out of capital for the private sector. Along with low GDP per capita and the absence of an agreement with the IMF on a bailout package, there is a serious prospect of debt distress. A number of structural factors generate barriers to higher levels of sustainable growth, including the lack of diversification in the economy and Zambia’s position as a landlocked country, which increases the costs of exports and imports.

Output strength



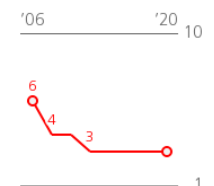
12 | Sustainability

The Patriotic Front government has consistently stressed the importance of environmental stability and made this a manifesto commitment. However, limited progress has been made toward any of these goals. Previously, environmental issues causes were the responsibility of the Environmental Council of Zambia (ECZ). However, the ECZ was recently restructured into the Zambia Environmental and Management Agency (ZEMA), which is responsible for conducting environmental risk assessments for new projects. ZEMA appears to carry more authority than the ECZ. However, the implementation of policies on environmental protection and sustainability has been undermined by a lack of political will and corruption. For example, President Lungu asked the lands, environment and natural resources ministry to provide greater oversight of the timber business to prevent the depletion of forests, which he said had been losing around 270,000 hectares every year. But a report published by the Centre for International Forestry Research (CIFOR) on the production and trade of mukula (rosewood) timber in June 2018 revealed that an estimated \$1.7 million worth of bribes were paid to government officials to facilitate the export of mukula logs. It estimated that the total lost amounted to 100,000 cubic meters per year, equivalent to revenue of \$3.2 million.

Contemporary and reliable figures for literacy and educational achievements are difficult to source. However, the U.N. Education Index suggests a relatively consistent picture, with Zambia improving gradually from 0.577 (2014) to 0.580 (2017). This figure remains low, given it is a 0-1 index, in which 1 indicates the highest educational level. The small improvement from 2014 to 2018 may reflect higher educational expenditure during the early years of the PF government. However, there is evidence that the government's commitment to education has waned under President Lungu. Having comprised 20% of total government spending in 2016, education spending fell to 17.2% in 2016 and 15.2% in 2018. Responding to the potential for trade union action in 2018 by lecturers who are frustrated by low salaries and the underfunding of their institutions, Minister of Higher Education Nkandu Luo warned that the government would not take industrial action lightly. In recent months, the reputation of the ministry of education has been further undermined by the arrest of a number of individuals suspected of being involved in a ZMW 3 million money laundering scam that involved raising checks under false names and laundering the proceeds through the purchase of properties and vehicles. At the same time, the presence of poor-quality teachers, some of whom cannot read and write, remain a serious challenge. In 2017, over 500 teachers were found with fake qualifications, and the teaching service commission found that problem had still not been eradicated in 2018. No reliable figures for research and development are available beyond 2018, when it equated to 0.3% of GDP.

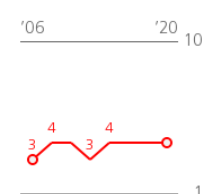
Environmental policy

3



Education policy / R&D

4



Governance

I. Level of Difficulty

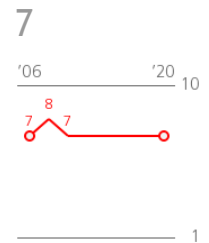
The government faces considerable structural constraints, exacerbated by rising debt, which has limited the policy options available to it.

The main challenge facing Zambia include the landlocked nature of the country, which increases the cost of imports and exports. Meanwhile, the economy's historic dependency on copper mining has made it difficult to diversify into other industries. Despite low copper prices – which fell to a recent low on January 3, 2019 of \$5,810 per ton, although it then rallied to \$6,000 by the end of the month – little has been done to change this. The government has initiated a new program designed to transform the agricultural sector, but it has met with limited success. In 2018, poor rains led to a contraction of agricultural output by 35%. Poverty remains chronic with 80% of the population living below the poverty line.

Weak physical infrastructure has been a major historic limitation on economic growth, though the PF government's ambitious program of road building has provided new connections to a number of parts of the country. Although this has improved the situation to some extent, the cost of transport remains high. Furthermore, the poor quality of education remains a serious concern. Poor educational standards mean that much of the adult workforce is low skilled, with the recent expansion of primary education yet to alter this situation. HIV/AIDS is estimated to affect 12.7% of the adult population, with around 1.1 million people living with the disease and 200,000 requiring Anti-Retroviral (ARVs) drugs. Malaria is also a major problem and accounting for 8,000 deaths a year, with 50% under five years old.

Low copper prices and high government expenditure has led to rising debt. Central bank reserves have fallen considerably from \$2.4 billion in 2016 to \$1.7 billion in 2018, which corresponds to just 2.5 months of imports. The debt burden, which is already estimated to be 60% of GDP, and is projected to rise further this year, is already unsustainable.

Structural
constraints



Civil society groups in Zambia have a long and proud tradition of checking authoritarian rule but are now significantly weakened. Historically, churches and trade unions played a key role in the overthrow of the one-party state and preventing former president, Frederick Chiluba, from changing the constitution in 2001 to secure a third term. This collective memory of resistance combined with the breadth of trade union and religious networks mean that civil society can be a potent force.

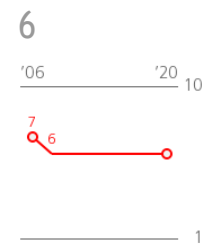
However, over the last 15 years a number of factors have undermined the strength of civil society traditions. First, the privatization of the mining sector (undertaken by the first MMD government) and the informalization of the labor force (i.e., the increasing proportion of the labor force that work in the informal economy) have weakened the trade unions. Second, a number of civil society groups have played an inconsistent role due to their partisan affiliations. For example, some of the major human rights and democracy groups were seen to have supported the Patriotic Front party in opposition, and then to have become quite close to the government when it was elected, which initially resulted in them being less willing to speak out against abuses.

Third, and more recently, the government of Edgar Lungu has become increasingly hostile toward independent civil society groups. As a result, members of parliament from his government have threatened to deregister the Law Association of Zambia. The media also remains constrained: although The Mast newspaper has taken on the critical mantle from the now defunct Post newspaper, its circulation is small. The position of religious organizations has also become increasingly difficult. For example, in October 2018, a meeting of clergymen in Ndola to discuss the proposed budget for 2019 was disrupted by the police, who detained some of the organizers. However, it is also significant that when secret talks between Lungu and opposition leader Hakainde Hichilema were held toward the end of 2018, the meeting was convened by the Catholic Church.

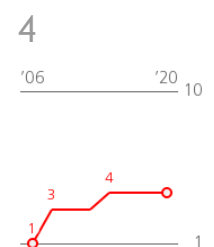
It is important to note that while a number of well-meaning civil society groups exist and do important work, in general they lack the capacity to effectively mobilize outside of Lusaka. Most notably, a PF member of parliament recently took a bill to parliament that sought to deregister the Law Association of Zambia, one of the few independent and effective civil society bodies still operating.

Zambia has never suffered a civil war or a prolonged period of ethnic conflict. It has also, thus far, proved immune to the rise of religious extremism. Overall, the use and spread of politically motivated violence is limited. However, there are a number of concerning trends. One is that the 2016 general election witnessed greater political violence than in the past, causing considerable consternation among Zambian commentators. Although this was generally localized and did not result in political instability, it represents a worrying increase in the use of violence as a political strategy. Most notably, campaigning was halted for 10 days in Lusaka following the death of an opposition supporter. A commission of inquiry was appointed to examine the causes of political violence before and after the election, and how such violence

Civil society traditions



Conflict intensity



could be averted, but the continued harassment of opposition leaders and supporters by the security forces has called into question whether the government has the political will to deal with this challenge.

The aggressive stances adopted by President Lungu and to an extent the opposition have exacerbated these fears. By refusing to recognize the president, the opposition significantly increased the political temperature. By taking a hardline stance against protests, and arresting Hichilema on trumped up charges of treason in April 2017 – he was only released in August after negotiations brokered by the Commonwealth – Lungu has enraged opposition supporters and generated concerns that his government will become more repressive as it loses popularity, with further political clashes likely as we head toward the next general elections. Additionally, the sentencing of an activist to six years in prison for contempt of court has reinforced perceptions that the courts are willing to clamp down on freedom of expression to maintain the status quo, exacerbating concerns of future political confrontation.

II. Governance Performance

14 | Steering Capability

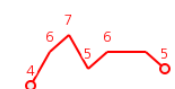
Prioritization has historically been a challenge for Zambian governments, which have struggled to decide between implementing the reforms needed to reduce dependence on copper and using the proceeds of copper to improve public services. This was exacerbated during the Michael Sata presidency for three reasons. First, President Sata's idiosyncratic leadership style and ill health meant that there was no clear political leadership during the last year of his life. The struggle to succeed him as the PF's leader and presidential candidate generated instability within the party. This leadership struggle was compounded by President Sata's tendency to play one faction off against each other and to rotate ministers. Second, wholesale changes to the civil service following the election of the PF reduced the capacity of the bureaucracy to pursue the government's policy goals, when a clear political direction was provided. Third, powerful political and economic interests obstructed the introduction of reforms to key economic sectors, such as the removal of distortions in the agricultural market. Although agricultural output grew, in part due to Zambia's willingness to take in some of the farmers displaced from Zimbabwe during the land reform era, the country has not felt the full benefit of this due to the negative impact of poor rains and armyworm, which led to a fall in output by 35% in 2018. President Lungu and successive ministers of finance have stated that coming to an agreement with the IMF over an economic rescue package is one of the government's top priorities, but this has yet to be achieved. A major barrier is the failure of the government to focus on

Question
Score

Prioritization

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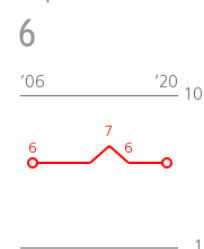
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long-term political and economic stability rather than short-term political expediency and personal gain. For example, in October 2018, Africa Confidential reported that the government was in the process of signing a \$400 million deal with Israel, funded by a loan from Israel's Hapoalim Bank, for high-tech aviation equipment including a new presidential jet. Israeli contractor Elbit Systems is also said to have a number of large contracts for the supply of military and surveillance equipment including Skylark mini-drones, and F-5 supersonic jet fighters. The country can ill-afford these purchases, but the government is determined to ensure that it is able to withstand a surge in popular protests against the president.

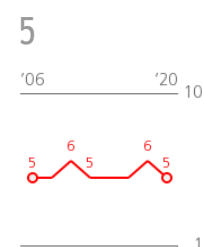
The PF government has performed better when implementing policy goals such as the introduction of a minimum wage, and a road building project, but has largely failed to implement plans to reduce government spending, access financial assistance from the IMF, or reduce the country's reliance on copper exports. Perhaps most significantly, there is a lack of clarity and implementation when it comes to government policy regarding the mining sector. At times the PF government responds to economic difficulties and popular pressure by suggesting that it will take a tougher line in terms of both measuring how much copper is exported and taxing companies. However, the government often fails to implement these plans, in part because of stern resistance from mining companies. Changes of key positions, such as that of the minister of finance, have done little to improve the situation with regard to the IMF, although the African Development Bank has reported that the government is now planning to change the mining tax regime, raising royalties by 1.5% and cutting tax deductions on mineral royalties from corporate taxes. However, these taxes may prove to be unsustainable if copper prices remain low and mining companies threaten to withdraw. The government appears to have engaged more effectively with the Chinese government, and the restructuring of Chinese debt combined with a commitment to borrow directly from the Chinese government rather than through contractors to reduce the cost of debt servicing has generated essential financial breathing space.

In the past, there has been considerable learning from international experience. Most notably, the PF introduced a minimum wage and issued two eurobonds to fund investment projects. It has also, at times, increased investment in areas such as health. However, there has been a lack of willingness to learn key lessons when it comes to the risk of impending debt distress, and the need to moderate government spending. This has meant a repetition of many of the mistakes made during the one-party state era and also during the presidency of Frederick Chiluba. There are also worrying signs that the lessons that President Edgar Lungu is learning from abroad are anti-democratic. Most obviously, he recently followed a precedent set by presidents in countries such as Burundi and Rwanda of pushing for a third term and has aligned himself with authoritarian neighbors such as Zimbabwe. The government appears to be making its own financial difficulties worse by transferring funds from key areas of social spending to meet debt repayments, repeating a classic feature of previous

Implementation



Policy learning



debt crises. For example, the PF is said to have taken funds from government pension and salary schemes in order to meet debt payment deadlines, generating future problems with the pensions budget and resulting in a delay in the payment of some pensions and civil service salaries.

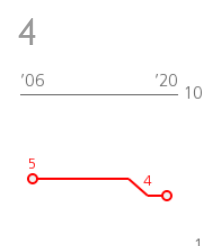
15 | Resource Efficiency

Evaluating exactly how efficiently Zambia's natural resources are used is complicated by the lack of transparency in the sector. As in the past, efforts to reduce the country's reliance on exports have met with little success, in part due to a lack of investment and the way that government intervention distorts the economy, but also due to bad luck: armyworm and poor rains hurt agricultural output in 2018, leading to a contraction of 35%. Continued economic difficulties help to explain why the government missed its target for reducing the current account deficit in 2018, along with a refusal to moderate expenditure. As a result, the IMF has warned that Zambia is one of 18 African countries that is at risk of debt distress.

Despite the PF's anti-foreign investor rhetoric while in opposition, it has sought to accommodate foreign investors while in power. However, the government has also alternated its position on key issues such as whether or not to increase mining taxes. The Zambia Revenue Authority (ZRA) has at times been directed to pursue mining companies for the alleged underpayment of taxes, but mining companies are said to have hit back, threatening to pull out of the country if a greater tax burden made the sector unprofitable. The inconsistency in government policy has generated considerable uncertainty, especially as it seems likely that the government will seek to generate greater revenue from the mining sector as its debt burden rises. In particular, the African Development Bank has reported that the government is planning to change the mining tax regime, raising royalties by 1.5% and cutting tax deductions on mineral royalties from corporate taxes, although this change had not come into effect by the end of 2018.

The civil service has recovered from the rapid changes in personnel that accompanied the PF's 2011 election victory, and the Zambia Revenue Authority (ZRA) has made significant improvements over the last decade, but political interference in the bureaucracy, and a lack of decentralization remain areas of concern. The government has indicated that it is willing to improve efficiencies in the civil service, most notably by announcing efforts to remove up to 7,000 "ghost workers" from the civil service payroll.

Efficient use of assets



Policy coordination has been a consistent challenge for the Patriotic Front government. Under President Michael Sata, inconsistency, a desire to play a role in all decisions, and his ill health hampered quick and effective decision-making. Things did not improve when Sata was replaced by Edgar Lungu for two reasons. First, Sata's death and the succession battle that it generated created a major rift within the PF that led to considerable instability in the government and the cabinet. Second, Lungu immediately faced major political challenges – facing a presidential by-election in 2015 and then a general election in 2016 – that has distracted him from focusing on economic issues. Opposition parties and some business leaders have also accused the government of manipulating the economy for political ends. Toward the end of 2018 and early 2019, the government stated that it was worried that civil servants were collecting paychecks without actually attending work and delivering services.

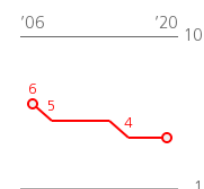
Effective policy coordination has also been undermined by consistent changes in key ministries. In February 2018, Felix Mutati was replaced as finance minister by Margaret Mwanakatwe, a former minister of commerce (Mutati was rotated from the finance ministry to the ministry of works and supply). The timing of the move, which came during protracted negotiations with the IMF over an economic bail out, led to speculation that the president hoped that Mwanakatwe would be able to secure the concessions from the IMF that Mutati had been unable to. Later that year, Mwanakatwe confidently stated that the IMF deal, which had been causing her insomnia, was no longer keeping her awake because she was confident that an agreement would be reached. However, by the end of 2018 no deal had been signed. This reflects the fact that while Mwanakatwe is tasked with securing an agreement, the opportunity to do this is undermined by the lack of consensus within the government regarding whether or not to make the concessions demanded by IMF negotiators.

In October 2018, Mwanakatwe announced that she would be reconstituting the tax policy review committee to scrutinize tax implementation matters, most notably mining tax issues. It is likely that government policy in this area will continue to be driven by the need to increase revenue and bow to public pressure to take a stronger position against foreign investors.

Corruption has long been a challenge in Zambia and anti-corruption programs have often been used to attack political opponents, leading to accusations of witch hunts and generating public skepticism. Most notably, the former president, Rupiah Banda, escaped prosecution for the abuses committed during his time in office, and later formed an alliance with President Edgar Lungu. Similarly, when the Anti-Corruption Commission began an investigation into the then minister of justice, Wynter Kabimba, the minister refused to be questioned by the commission without the attendance of party cadres. This refusal represented a clear flouting of the rule of law, which is even more shocking as Kabimba is a lawyer. President Lungu has promised to end graft, but has made limited progress in this direction. In September 2018, a

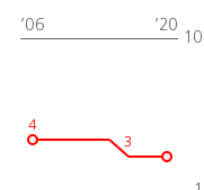
Policy coordination

4



Anti-corruption policy

3



number of international donors cut off aid to Zambia after allegations that around \$4.2 million in donor funds had been misused. President Lungu subsequently sacked the relevant minister, Emerine Kabanshi, replacing her with Olipa Phiri who committed to working with the auditor general to restore accountability.

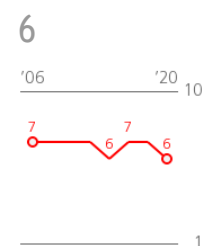
There is an active Anti-Corruption Commission, although it usually targets junior and mid-level officials and is consistently criticized by opposition parties for politicizing its investigations in favor of the ruling party.

16 | Consensus-Building

Zambia is known for achieving a higher degree of consensus – in terms of public policy, support for democracy and avoiding the use of political violence – than many other African states. However, this has always been marked by considerable disagreement over how to engage with foreign investors, how best to reduce the country’s reliance on copper exports, and the appropriate degree of decentralization. Over the past few years, these tensions have been exacerbated by growing disagreement over government economic policy. This tends to focus on three areas. First, although all main political actors remain rhetorically committed to democracy, opposition parties have questioned President Lungu’s eligibility to stand for the presidency in the 2021 general elections on the basis that it would represent an unconstitutional third term in office (the first being the year he served as president to complete Michael Sata’s term in office after his untimely death in 2014). In addition, the growing repression used by the government to marginalize the opposition and civil society groups suggests limited commitment to democratic norms and values in reality.

Second, while both main parties pay lip service to the need to balance the books and reduce the country’s debt burden, the government’s refusal to conclude a deal with the IMF has increasingly frustrated opposition leaders such as Hakainde Hichilema, who depicts himself as a more business-friendly candidate. Third, the significant amount of money owed to Chinese lenders – which comprises around a quarter of government debt – has led to growing criticism of China’s role in the country. Most notably, rumors that Zambia had already fallen behind on debt repayments and was consequently poised to sell off key assets to China led to rumors that the state-owned timber company Zambia Forestry and Forest Industries Corporation (Zaffico) was to be sold to China. This is believed to have been the main trigger for a riot in Kitwe in November. The PF government therefore finds itself in the difficult position of having to defend and protect China and its interests in Zambia – which the government has become more reliant on as a result of the deteriorating relationship with western donors – and reconciling this with its campaign against foreign investors when in opposition. Thus, while all parties would publicly identify reducing debt, increasing jobs and deepening democracy to be key goals, in reality there is growing disagreement on how this should be achieved, and increasing evidence that the government lacks a genuine commitment to all of these goals.

Consensus on goals



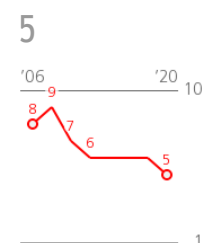
There are no avowedly anti-democratic actors in Zambia. However, democracy remains fragile and recent elections appear not to have been free and fair. This was particularly the case in 2016, when the opposition claimed to have been engineered out of the presidential election, following a heated campaign and narrow victory for President Edgar Lungu. Although international observers found no obvious evidence of fraud, the decision to effectively throw out an opposition electoral petition on a technicality, having previously indicated it would be heard, undermined the credibility of the process. In turn, this encouraged opposition leader Hakainde Hichilema to refuse to recognize Lungu as the elected president, which in turn led the government to arrest Hichilema on trumped up charges of treason.

At present, the greatest risk of democratic backsliding appears to be that the government will create an increasingly imbalanced political playing field in the run-up to the 2021 general elections. Already, organizations and individuals who speak out publicly against the president risk intimidation and arrest. According to Amnesty International, in 2018: “The authorities cracked down on critics, including human rights defenders, journalists and opposition political party members. The Public Order Act was used to repress rights to freedom of expression, association and assembly. The police used unnecessary and excessive force against peaceful protesters and failed to address violence by groups close to the government. The judiciary came under verbal attack from the president.”

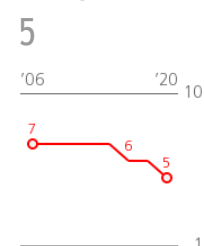
The loudest advocacy for democratic reform comes from opposition parties and civil society groups, despite the pressure they face from the government. In this context, the most significant actor is probably the Catholic church, which has been vocal in criticizing any democratic backsliding by the government.

There are a number of significant social cleavages in Zambia. The first is ethnolinguistic. In the past, Bemba-speaking Zambians have overwhelmingly supported the PF, while the Tonga people in Southern Province have largely supported the UPND. However, successive governments have failed to retain the Bemba vote while in power, which has often precipitated the victory of opposition parties in the following elections. A number of factors have historically worked to prevent ethnic tensions from spilling over. First, under the one-party state, former President Kenneth Kaunda favored a policy of ethnic inclusion, rejecting the winner-takes-all strategy adopted in Kenya. As a result, Zambia has never experienced significant ethnic violence and relations between the different ethnic groups have been generally good. Second, several political leaders, such as former president Michael Sata, have won electoral support across ethnic groups in urban areas. This cross-ethnic appeal undermined ethnic voting patterns. Third, no cabinet under the multiparty system has been ethnically exclusive. Although each cabinet is weighted in favor of the president’s ethnicity, there is typically an attempt to achieve ethnic diversity. Finally, political elites have tended not to use violence to secure political power.

Anti-democratic actors



Cleavage / conflict management

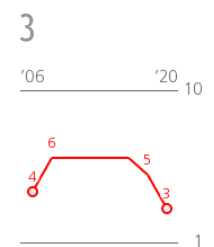


The major source of concern in 2017 and 2018 was a significant increase in the political temperature as government and opposition leaders engaged in a dangerous game of political brinkmanship. Government leaders alleged that opposition activists were behind a number of fires and acts of sabotage, leading President Lungu to invoke emergency power in July 2017. However, opposition leaders accused the government of starting the fires on purpose to legitimize its efforts to remove some of the checks and balances on the executive. Together with continued sensitivities around the status of Barotseland, a region of Western Zambia that has seen an increase in secessionist sentiment in recent years, there is a genuine prospect that the increasingly hostile and careless strategies being invoked by political leaders will exacerbate ethnic tensions. In December 2018 for example, the Barotseland Post announced plans for a “tweet for freedom” campaign to use social media to “highlight the anguish of the Barotse people regarding the long-standing and unresolved pre-independence Barotseland Agreement 1964, demanding that it be resolved now!”

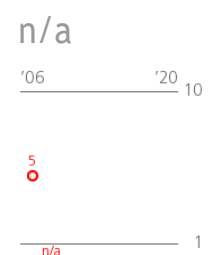
Zambian civil society is known for being one of the more effective associational spaces in sub-Saharan Africa. For example, the OASIS Forum, a collaboration between church organizations and trade unions, was crucial in preventing former President Frederick Chiluba from changing the constitution. President Chiluba had attempted to change the constitution in 2001 so that he could secure a third presidential term. However, declining trade union power and the limited organizational capacity of Lusaka-based NGOs has weakened civil society, as did the co-opting of some civil society leaders into government during the first year of the PF government. More recently, the relationship between NGOs and the PF has become increasingly adversarial. In addition to calling into question the existence of the Law Association of Zambia, the government has sought to use the Public Order Act to prevent opposition rallies and some civil society meetings on the grounds of public safety. In 2018, a number of individuals were arrested for attempting to hold public meetings on a range of issues, including environmental pollution and the government budget. At the same time, journalists who criticized the government were regularly harassed. By the end of 2018, it was becoming increasingly clear that the PF government lacked patience for civil society organizations that were not in full agreement with its policy.

The government of Zambia has not committed any major human rights violations that necessitate a national program of reconciliation. However, there were clearly errors made during the 2016 election that caused considerable frustration to opposition leaders and supporters, most notably the long delay in the declaration of the official results and the failure of the Constitutional Court to hear an opposition election petition regarding the results. In the two years since the election, the government has failed to adequately address the issue. There has been no serious investigation of the alleged torture that Hichilema and others suffered during their arrest and detention. The status of the western region of Barotseland is also yet to be settled. Former president Michael Sata played on demands for greater autonomy to mobilize support

Civil society participation



Reconciliation



in the region during his successful election campaign in 2011, but the PF subsequently refused to make any significant concessions. In November 2018, the Zambian media reported that the Litunga, King of Barotseland, “feels that the Zambian government is undermining his authority over his Kingdom and that he is now threatening to support separatists in their push for Barotseland independence from the unitary state of Zambia.”

17 | International Cooperation

Zambia has historically made good use of international support. Under President Mwanawasa, Zambia developed a reputation for effectively managing its international relations. However, this has changed under President Lungu, with the government failing to broker a bailout package with the International Monetary Fund that is necessary to revive the economy.

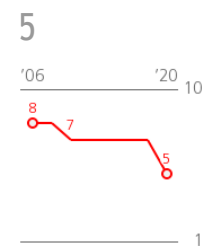
International aid as a proportion of the government budget has declined from around 60% in the early 1990s to less than 5% today. In line with this, international aid per capita fell from \$101.3 in 2006 to \$51.3 in 2012. In 2018, the UK joined Sweden and Ireland in halting aid programs following evidence of fraudulent activity in relation to \$4.7 million of donor funds.

In turn, this has forced the government to become more independent of international aid, although it continues to engage productively with international organizations and development agencies, including the IMF, DFID and USAID. A common area of agreement between the PF government and international donors has been the issue of poverty alleviation, and to a lesser extent infrastructural development.

However, the government’s refusal to make the basic decisions necessary to reduce spending, balance the budget and so be able to finance debt repayments has frustrated the International Monetary Fund. As a result, IMF officials have refused to sanction the release of a \$1.3 billion rescue package. In late October 2018, the finance minister, Margaret Mwanakatwe said that the IMF deal, which had been causing her insomnia, was no longer keeping her awake because she was confident that they would reach agreement soon. However, an IMF staff visit on 12 November saw little progress.

Relations with the IMF are said to be particularly bad after the government demanded the removal of the IMF’s resident representative to Zambia, Alfredo Baldini. While the government argued that Baldini should be removed after overstepping his authority, the IMF believes that it is because the government is not committed to resolving the financial crisis and the situation had become embarrassing for President Lungu.

Effective use of support



Corruption has also impacted Zambia's relationship with donors. In September 2018, the UK government suspended aid entirely over fears that it was being misused.

Although individual countries have mobilized against armyworm to varying degrees of effectiveness, relatively little cross-border learning has been done at the regional level. However, Zambia has made good use of the African Development Bank, which provided \$500,000 at the end of 2018 to fund the procurement of chemicals to protect crops.

The government's credibility on macroeconomic issues is waning as a result of a growing debt burden and a slow response to a mounting economic crisis. Economic growth fell slightly from 4.1% in 2017 to 4.0% in 2018 and is projected to rise to only 4.2% in 2019. This will be insufficient to provide jobs for the large number of young people entering the job market, or to enable the government to service debt payments. Although the current account deficit has fallen from a high of 9.3% in 2015 to 7.1% in 2018, this is still some way short of the official target of 6.1%.

The country is now considerably more indebted than it was when it secured HIPC debt relief. It is estimated that debt repayments now account for over 25% of all domestic revenue raised by the government. There is also a significant risk that rising interest rates in the United States will push up the cost of dollar denominated debt, causing further challenges.

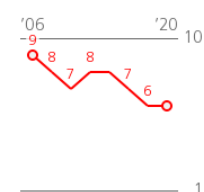
Partly as a result of these concerns, Standard & Poor downgraded Zambia's long-term local and foreign currency sovereign credit ratings from B to B-. However, while Standard & Poor stated that it did not expect to raise this rating in the next year, it noted that the long-term outlook for the economy was stable.

Zambia is a member of the International Criminal Court, but has expressed criticisms of the court alongside many other African countries. President Lungu announced in 2017 that Zambia would undertake consultation on whether the country should withdraw from the court. The public consultations revealed overwhelming support for remaining a member of the ICC, and so plans to withdraw have been shelved.

Zambia enjoys good relations with its neighbors, and successive Zambian leaders have maintained their commitment to several regional bodies. Relations with Zimbabwe have been particularly warm since the Patriotic Front government came to power, due to the close relationship between Robert Mugabe and Michael Sata. The death of Sata in late 2014 and the fall of Mugabe in 2017 complicated matters, but the relationship remains healthy. Most notably, following the 2018 election controversy in Zimbabwe, Zambia refused to accept the asylum application of opposition leader Tendai Biti, who claimed that he was at risk of arrest and torture. This move led to considerable international criticism, but endeared President Lungu to the new Zimbabwean administration under President Mnangagwa.

Credibility

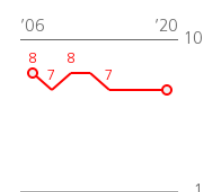
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Regional cooperation

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Zambia is a member of the South African Development Community (SADC), the African Union (AU) and is the host country of the Common Market for Eastern and Southern Africa (COMESA). This dual membership can create tensions. Although these regional bodies have overlapping memberships, their rules are not completely aligned. This inconsistency can act as a barrier to regional economic integration.

Zambia enjoys political benefits from being a member of the SADC and AU. Most notably, in 2018, President Lungu supported muted regional responses to compelling evidence of democratic backsliding and electoral manipulation in Zimbabwe and the DRC, respectively, and the favor was repaid when these bodies failed to speak out against his jailing of opposition leaders and intimidation of civil society.

One effort to promote cross-border trade and strengthen regional integration is the plan to build the Kazungula Bridge between Botswana and Zambia. President Lungu stated his commitment to this plan in early 2017, although progress has been hampered by concerns on the Botswanan side that plans for new roads and a railway line will harm the environment. At the end of 2018, it was estimated that the bridge would open in the next 24 months.

Regional responses to major threats such as armyworm, which threatens to undermine agricultural output in a number of Southern African countries including Malawi, Zambia and Zimbabwe, have been disappointing.

Strategic Outlook

The two peaceful managed transfers of power indicate some consolidation of democracy. However, deeper democratization has been undermined by a lack of thoroughgoing constitutional reform. The constitution remains top heavy with a substantial amount of power invested in the president. Although President Edgar Lungu has expressed his commitment to the constitutional review process, the 2016 constitutional amendment failed to substantially alter the balance of power between the three arms of government. Justice Minister Given Lubinda announced in 2018 that his ministry would submit a Constitutional Review Bill to address inconsistencies. However, to date, the PF government has provided little clarity on what would be addressed by these changes.

The priorities for domestic political leaders and international donors should be to pressure President Lungu to ensure that recent gains (such as the 50%+1 vote threshold) are not rolled back, enshrining a new bill of rights and enacting further progressive changes. For international donors, this will involve linking the provision of international aid to the government's constitutional and institutional reform efforts. Equally, the current pressure exerted by the executive on the judiciary, media, the political opposition and civil society must be discouraged by local and international partners. The use of defamation legislation to curb online criticism of the president should be strongly condemned. The use of the new Cybersecurity and Cybercrimes Draft Bill should be monitored as it provides the administration with new tools to monitor and clamp down on dissent.

The PF's first priority should be to provide stable and consistent leadership and policy predictability. President Lungu has the opportunity to develop a more considered style of government, with a more coherent and better communicated policy agenda. This will involve maintaining a settled and competent cabinet. It will also involve expanding a civil service free from political interference. Reversing the recent trend of awarding large procurement deals in uncompetitive tenders to politically aligned firms is also essential. If President Lungu can achieve these objectives, then he will be in the position to tackle the high level of corruption in Zambia. Widespread financial mismanagement and corruption remain substantial obstacles to economic growth – as does the currently decentralized mode of debt accumulation – and in a fiscally constrained environment, the government will need to ensure that increasingly scarce funds for social welfare are not diverted. International donors should continue to use public pressure to ensure that those found liable for the diversion of public funds are held accountable – as with the 2018 aid freeze.

The government has previously demonstrated a genuine commitment to expanding physical infrastructure. These efforts must be strengthened, but contracts must be transparent and contractors held accountable. The two Eurobonds issued by the government to raise funds to invest into the economy were a success, but this has significantly increased the cost of borrowing. To prevent another debt crisis, the returns on these investments must drive further economic growth through increased productivity and economic diversification. Given the current uncertainty around

the IMF bailout program, the government will need to demonstrate its credibility and willingness to reform. This will include rebuilding relations with the IMF, which currently lacks a resident representative in Zambia, and avoiding further debt accumulation in order to reopen channels of communication and access the necessary funds to prevent a debt default.

Important social welfare programs such as the Fertilizer Input Subsidy Program (FISP) and cash transfer schemes should be ring-fenced in order to maintain the gains achieved with regard to poverty reduction and sustainable livelihoods. Diversification remains the economy's most serious challenge, and the government needs to encourage the development of export agriculture, in particular, to drive diversification. Deeper thought and effort must be invested into finding effective regional solutions to the major barriers to agricultural growth such as poor rains and to a lesser extent armyworm, which threaten to erode the gains made in this area in recent years.

If the current trend toward ethno-regional and partisan favoritism in contracts and appointments continues, the government may find itself facing increased restlessness in opposition-supporting regions and a resurgence of activism around the secession of Barotseland. In order to maintain positive relationships with donors and prevent increased political and regional polarization, the ruling party should return to a more democratic and consultative governance approach; engaging with civil society rather than attacking them and avoiding the persecution of opposition politicians and critical media outlets.