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This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at [http://www.bti-project.org](http://www.bti-project.org).


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Executive Summary

Zambia remains one of the least developed countries in Africa, with 75% of the population living on less than $1.25 a day and a life expectancy of 57. The cancellation of a large part of Zambia’s external debt and consistent economic growth have increased the government’s scope to invest in public services. The cancellation of external debt was part of the Heavily Indebted Poor Countries program, which took effect under President Levy Mwanawasa. Meanwhile, the rate of economic growth was 6.5% in 2013 and 7.1% in 2014. However, the increase in investment into public services is yet to have a significant effect on health care and education indicators. For example, only half of primary school students complete primary education. Although recent economic growth rates have been good, there remain several barriers. For example, Zambia’s landlocked situation is a natural obstacle to economic growth. Meanwhile, although the recent influx of agricultural workers from Zimbabwe has boosted agricultural production, this was negated by a poor harvest in 2013. Similarly, although there has been a substantial increase in the export of non-traditional goods, the economy remains heavily dependent on the export of copper. Copper exports account for over 70% of foreign exchange earnings. As a result, the economy is very vulnerable to shifts in the world price of copper. In 2014, the world price for copper fell by 14%.

From 1991 to 2011, the Movement for Multi-party Democracy (MMD) governed Zambia. However, in the 2011 presidential election, the presidential candidate for the Patriotic Front (PF), the charismatic populist Michael Sata, defeated the incumbent president, Rupiah Banda, of the MMD. This led to the country’s second transfer of power. President Sata’s capacity to transform the country during his time in office was hampered by ill health. He died on 28 October 2014. This necessitated a presidential by-election in January 2015, in which the new PF leader, the former Defense Minister Edgar Lungu, defeated the MMD’s Nevers Mumba and the United Party of National Development’s (UPND) Hakainde Hichilema. Although ethnic and regional identities continue to play an important role in political mobilization, the UPND and the PF offered voters a real choice between a technocratic and populist form of politics.
The low voter turnout and a winning margin of only 27,000 votes have undermined President Lungu’s mandate to rule, with President Lungu’s victory disputed by opposition parties. Although all the political parties and the vast majority of the population remain committed to multiparty elections, the Sata government manipulated the legislature, judiciary and media. Furthermore, constitutional reforms to reduce the president’s powers and strengthen the separation of powers have been extremely limited.

Under President Sata, the PF sought to borrow from international markets to fund national development. In 2012, the government secured $750 million through a hugely oversubscribed Eurobond. In 2014, the government secured a further $1 billion through a second Eurobond, though this second Eurobond was less popular. These extra funds were intended to plug the physical infrastructure-funding gap, which was estimated to be $500 million a year by the World Bank. Although progress has been limited in a number of areas, a road-building program is beginning to connect historically marginalized areas of the country. Health care budgets have also increased from around 8% of government expenditure under the MMD to 11% in 2013. These initiatives demonstrate a genuine desire to drive social transformation. However, rumors of widespread corruption continue and Zambia’s Transparency International’s Corruption Perception Index ranking has not improved significantly.

History and Characteristics of Transformation

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

For two legislative periods, a dominant party system emerged that proved not to be conducive to democratic consolidation. The legacy of an authoritarian political culture and ingrained pattern of neopatrimonial governance persisted. 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. For example, during the run-up
to general elections in 1996, Chiluba used his vast political power to amend the constitution to disqualify former President Kaunda from standing in the elections, causing the UNIP, then the major opposition party, to boycott the elections. Chiluba was re-elected with 72.6% of the vote, and MMD won 131 of 150 seats in parliament. A failed coup attempt in October 1997 posed no real threat to the government.

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

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

The 2011 presidential and parliament elections were not fair, though were essentially free. To the surprise of many observers and the opposition itself, Michael Sata and his Patriotic Front were allowed to win – however, only after some backstage wrangling with high-ranking Zambian officials from the electoral commission and probably leaders of the military as well as some international diplomats. Within a short period, the government began implementing a number of reforms that were promised during the election campaign, targeting the labor force of the formal sector and increasing social expenditures in general. Because of the erratic leadership style of President Sata and the lack of consultation with major stakeholders, civil society organizations lost their enthusiasm for the new government. In particular, those civil society organizations that were not given a major role within the new political regime became vocal critics of the government, such as the national newspaper The Post. Faced with this increased criticism, the government demonstrated increasingly greater intolerance and resorted to the same repressive instruments as its predecessors.

The death of Michael Sata on 28 October 2014 necessitated a presidential by-election. The period prior to his death was marked by considerable political uncertainty, as news of the president’s ill
health spread, and the struggle within the Patriotic Front to succeed him began. It initially appeared as if the party would split into two, with one faction led by Vice President Guy Scott and another led by the Defense Minister Edgar Lungu. However, in the end, the PF united behind the presidential candidacy of Edgar Lungu. Despite this, the presidential election was extremely close, with a substantial increase in support for the 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%. However, the PF was able to play on some of the Sata government’s highly visible policies, such as its road-building program. The PF also benefitted greatly from the advantages of incumbency. Moreover, former President Rupiah Banda decided to throw his weight – and resources – behind Lungu late on in the campaign. These factors enabled the PF to retain power by just 27,000 votes.

Zambia’s economic transformation into a free market system began towards 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 biggest challenges was the privatization of the country’s copper mines, Zambia’s prime export earner. The sector was unprofitable due to low and decreasing world prices for copper and general mismanagement and inefficiency. Due to international investment and a recovery in the world price for copper, the profitability of mining sector has been improved, though it remains fragile. The sector has contributed substantially to GDP growth rates of more than 5% over the last decade.

Despite high GDP growth rates, governments have not been able to meet the high expectations of the Zambian population. Living standards for the majority of the population have not improved. Although the rate of poverty has started to decline in recent years. Overall, it is the small proportion of high and middle class population that have benefitted from Zambia’s economic growth. At the same time, there is a common perception that corruption is widespread and largely ignored. The PF has tried to improve the lot of the “common man” with initiatives such as the introduction of a minimum wage. However, these initiatives have largely failed to benefit the many workers within the informal sector.

Major societal groups are still waiting for a new and more democratic constitution that has been promised since the democratic transition in 1991. In 2010, the MMD government managed to derail the fourth constitutional reform process, at least temporarily. Furthermore, since coming to power, the PF government has also failed to keep to schedule. Under President Michael Sata, the PF also rejected the introduction of a “50%+1” clause, which would require a presidential 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.

All citizens have the same civil rights, including immigrants. There is general consensus concerning the nature of citizenship and no serious efforts have been undertaken to deny this right to any specific group. 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. However, this demand for greater devolution does not represent a threat to broader agreement on the legitimacy of the nation-state.

The state is defined as secular. The fact that Zambia was declared a Christian nation in 1996 has had no negative impact on the secular order in general, as religious dogma has had no significant influence on politics or law. The Pentecostal movement initially supported the Movement for Multiparty Democracy effort to overthrow the one-party state. However, the Pentecostal movement no longer has such a prominent role in politics. The Catholic Church has often played an important role in defending human rights. There is no serious discrimination based on religion.

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. Yet, the networks of political parties and public administration are 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 United Nations, 87% of the urban population has access to clean water, but only 46% of the rural population has access to clean water.
2 | Political Participation

Zambia is one of few countries in Africa to have achieved two transfers of power. Most recently, Michael Sata defeated the incumbent, Rupiah Banda, in the 2011 presidential election. This suggests that elections can be free and fair. Furthermore, it supports the broad consensus that the Electoral Commission of Zambia has become more independent and effective. However, the constitution continues to allow the president to enjoy substantial advantages as the incumbent, which in turn confers a significant advantage on the ruling party. This includes control over traditional leaders and the ability to manipulate state offices for partisan ends. It seems likely that electoral manipulation changed the result of the 2001 election, which many commentators believe was won by the opposition United Party for National Development.

The presidential elections in January 2015 were judged by the SADC Electoral Observation Mission to have been “peaceful, transparent, credible, free, and fair, thus reflecting the will of the people of Zambia in accordance with the National Laws and the SADC Principles and Guidelines Governing Democratic Elections.” Electoral violations were reported only in cases of voting registration for some people who had moved, while only isolated cases of violence between rival party supporters were reported.

One noticeable element in the 2015 presidential election was that turnout was the lowest in Zambian history. Although voting was extended for two days because of bad weather leading to poor road conditions, turnout was only 32.4%. This particularly low turnout may have been the result of the collapse of the Movement for Multiparty Democracy and a widespread public perception that neither of the two main parties represented their interests.

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.

While the constitution provides for freedom of association and assembly, this has often been qualified and restricted. For example, opposition parties require a police permit to hold public meetings, while demonstrations and rallies of the political opposition, labor unions and civil society groups have been forcibly dispersed and obstructed by security forces. Following the election of the Patriotic Front (PF) in 2011, tensions between the PF and the opposition UPDN increased sharply. These tensions led to a series of clashes and the arrest of opposition leaders. However, the UPND’s presidential candidate was free to campaign in the run up to the 2013 by-election. However, the PF government’s increased use of the Public Order Act has restricted people’s freedom to assemble, despite a constitutional guarantee.
Zambians generally enjoy free speech, the government tolerates dissent and citizens are not investigated if they criticize the president. There are also a number of more independent sources of news and comments, such as the Bulletin & Record, The Daily Nation and Radio Phoenix. However, most radio and TV broadcasting is state controlled and heavily politicized. Although the Zambian Broadcasting Corporation has sought to diversity its news coverage somewhat, for example, by not always starting with a report on the president’s activity, the state media remains heavily biased. This bias was further compounded by the support of Zambia’s most powerful independent media source, The Post, for the Patriotic Front in 2011. Following the PF’s successful re-election in 2011, The Post was assimilated into the government. This assimilation significantly limited the number of alternative news sources. At present, social media is not sufficiently developed to replace or effectively supplement established sources. The government has sought to use both formal and informal means to block the publication of critical material, for example, by the Zambia Watchdog (an online political blog/gossip page) and the Daily Nation (an “independent” newspaper).

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. However, 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. Consequently, the executive continually manipulates the police, judiciary and legislature. In April 2012, for example, President Sata broke official protocol to suspend three judges for alleged misconduct. 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.

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. He also
appointed Lombe Chibesakunda, as acting Chief Justice of the Supreme Court. This appointment prompted protests from the Law Society of Zambia, which argued that her appointment had not been ratified by parliament and she was older than the constitutionally mandated retirement age of 65. There is a widespread public belief that the ruling party pressured the judiciary to rule in its favor in cases relating to the 2011 general elections.

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. Despite the political motivations behind these prosecutions, there is often substance to the charges. For example, the prosecution of former President Rupiah Banda and his son on corruption charges by the Patriotic Front government was not without foundation. However, prosecutions for the abuse of public office are rare and are almost never used to enforce public propriety. For example, the former Minister of Justice, Wynter Kabimba, ignored a demand by the Anti-Corruption Commission (ACA) to appear at an investigation into alleged corruption, instead he ridiculed the ACA. Unsurprisingly, the level of corruption in Zambia did not change between 2013 and 2014. Under the PF government, the political use of prosecutions has continued. It is widely believed that President Lungu is using allegations of corruption against the Director of Public Prosecutions to pressure the Director of Public Prosecutions into dropping corruption charges against former President Banda. The former president had supported Lungu’s presidential candidacy.

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, with detainees 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 some other African countries, women are often denied the right to inherit land and subject to gender-based violence. Traditional leaders continue to dispense “justice” 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.
4 | Stability of Democratic Institutions

The performance of Zambia’s democratic institutions varies considerably. The legislature has failed to adequately perform its oversight function. This is 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 multi-party politics and elections, and there have been no serious efforts to return to a one-party state. To date, there have been two transfers of power, with third different political parties holding office. However, the political elite’s toleration of dissent has often been lacking in practice. In 2013, for example, government harassment of journalists increased in response to reports of the president’s ill health and instability within the ruling party. One of the main targets was the Zambian Watchdog website. With the website hosted outside of the country, access to the website was blocked by some internet service providers in June 2013. 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.

5 | Political and Social Integration

The Zambian party system is unstable and subject to rapid change, which is associated with high voter volatility. For the last ten years, Zambia has featured a three or four party system. During 2014, 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
damaging internal split between the outgoing leader, former President Rupiah Banda, and the incoming leader, Nevers Mumba. 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, it was replaced by the United Party of National Development (UPND), which rose from third place in 2011 to second place in 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 Bemaphone north and Lusaka, while the UPND polls well in Southern Province) these parties offered voters a clear alternative. While 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. In the run up to the 2015 presidential by-election, both the PF and the MMD experienced significant infighting over the question of who would be the presidential candidate. The MMD largely fragmented into camps loyal to either former President Rupiah Banda or its then leader, Nevers Mumba. This split ultimately led to the MMD winning less than 1% of the vote after Banda took control of the party and ordered its supporters to vote for the PF’s Edgar Lungu. Fierce tensions emerged within the PF between supporters of Lungu and then Vice President Guy. However, the party managed to remain united for the presidential election, though these tensions continue to undermine party unity.

Zambian civil society is relatively weak and largely based in Lusaka. The Catholic Church remains highly influential and is one of the few non-governmental organizations to have a national reach. 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, especially since the reintroduction of multiparty politics. Civil society alliances have come together at key points to protect democracy. 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. Although civil society groups have pressured the government over the new constitution, pushing for the introduction of key clauses such as “50%+1,” they fail to dominate the news agenda or lack the capacity to organize large rallies. Tensions between different civil society groups and between civil society groups and the government are increasing. These tensions are likely to come to a head over the constitution. For example, the Catholic Church has accused the PF of not respecting the constitution, which is a significant development given the crossover between Catholicism and ethnic Bemba constituencies.
There is a strong consensus in favor of democracy. In the 2013 Afrobarometer survey results, democracy was preferred by 90% of Zambian respondents. The distribution was roughly equal between men and women, and between urban and rural areas. At the same time, 93% of respondents reported that they would disagree with an attempt to get rid of elections and parliament. However, 20% of respondents believe that their country is a democracy “with major problems,” while only 27% of respondents believe that Zambia is “a full democracy.” Similarly, while 45% of respondents report being “fairly satisfied” with the way that democracy works, only 23% of respondents stated that they were “fully satisfied.” Trust in public institutions varies greatly. For example, 43% of respondents stating that they trusted the president “a lot,” while only 38% and 29% of respondents, respectively, stated that they trusted the judiciary and legislature “a lot.”

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, in neither rural nor urban areas is there 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.

II. Economic Transformation

6 | Level of Socioeconomic Development

Zambia is a poor country. The vast majority (86.6%) of citizens continue to live below the poverty line. However, there are signs that this situation is improving. The latest official statistics are for 2010, which indicate that actual poverty declined over the five years to 2010, as a result of consistent economic growth. Moreover, improvements are being made year on year. For example, Zambia’s HDI score improved from 0.471 in 2005 to 0.561 in 2013. If this rate of change is maintained, the country can expect to overtake over the next decade countries such as Botswana, which have stagnated. Zambia’s score for the UN Education Index has also increased from 0.538 in 2005 to 0.591 in 2013. The country is now ranked higher than many of its wealthier and supposedly better governed neighbors, including Ghana, Kenya and
Namibia. However, little progress has been made on increasing gender equality. Zambia’s score for the Gender Inequality Index fell from 0.635 in 2005 to 0.617 in 2013. Poverty remains much higher in rural compared to urban areas. There are various cash transfer programs that are designed to help with this, but the coverage is low and gender equality remains limited.

### Economic indicators

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<td>Inflation (CPI)</td>
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<td>Unemployment</td>
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<td>13.2</td>
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Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.
7 | Organization of the Market and Competition

There is freedom of pricing, currency convertibility, freedom of trade and free use of profits. However, market competition operates under a weak institutional framework. Out of 185 countries ranked in the World Bank’s Cost of Doing Business Report, Zambia fell from 94 in 2012 to 111 in 2015. This was caused largely by an increase in the costs associated with registering property. However, small improvements were also realized in the payment of taxes and raising capital. Meanwhile, the government made small efforts to reduce the level of government intervention in the agricultural sector. Although reliable statistics are not available, estimates put the unemployment rate at 50%, with more than one million people working in the informal sector, double the number of people working in formal employment. A fairly strong institutional framework is provided only for strategic sectors linked to the mining industries and also for large-scale commercial farming. More than 65% of the labor force operates outside the tax net, sprawling the informal sector of the economy.

The formation of monopolies and oligopolies is inconsistently regulated. The Competition Commission was established to regulate competition, but is ineffectual and lacks legislative clout. The privatization of parastatals has decreased the number of monopolies. Some of the last state-owned companies, such as the Zambia Electricity Supply Company (ZESCO), have not been privatized but rather commercialized, meaning that they were put under private sector management while the state maintains a majority ownership share. This reversal of privatization policy has been accepted by the IMF, and was partly due to public pressure, as many felt that privatization was a failure. As a result, some monopolies still exist, such as the electricity provider ZESCO. The electricity provider is by law required to seek government approval for price adjustments. In the past, approval has always been granted. There is legislation over cartels, but this needs to be consolidated.

Foreign trade is liberalized in principle, but there are still significant exceptions. The government maintains tight control on the export of corn. However, the government has recently begun to relax its control by allowing the export of 40,000 tons of maize. This is part of a wider strategy to make Zambia the “bread basket” of the region. However, significant barriers remain, including non-trade barriers. At the same time, there is a significant share (an estimated 50% of the recorded trade volume) of unrecorded cross-border trade between Zambia and its neighbors. Unrecorded imports, particularly of manufactured goods from Zimbabwe, have fallen slightly as a result of the stabilization of the currency in Zimbabwe. Despite Zambia’s membership of both COMESA and SADC, exports to the region have not significantly increased in recent years, because of high production and transportation costs.
The banking system and capital markets are differentiated, internationally competitive and oriented, in principle, to international standards. Zambia has some of the most liberal banking regulations in southern Africa, and banks function efficiently. There are about 18 registered commercial banks, including six international ones. There is functional banking supervision and minimum capital requirements. Capital markets are open to domestic and foreign capital, and the stock exchange lists 23 companies at the time of writing, up from 13 in 2012. Historically, domestic investors have tended to borrow capital from outside Zambia to avoid the high interest rates caused by high levels of government borrowing from domestic markets. However, the PF government’s decision to issue two major Eurobonds briefly reduced the pressure on domestic borrowing. For example, the 2014 budget included a 25% deficit, which the government would finance through a combination of international (ZMW 7 billion) and domestic (ZMW 3.5 billion) debt. However, the falling price of copper and the sliding currency encouraged the government to increase domestic borrowing. This increased the maximum effective annual lending interest rate from 21% to 28%. This in turn forced the interbank interest rate to an all-time high of 23.33% and the Bank of Zambia’s overnight lending rate to 23.25%. The government is running a Private Sector Development Initiative in support of the private sector. One major aim is to reduce the cost of doing business in the country, but progress has been limited, as illustrated by the fact that the cost for terminating employees in Zambia is among the highest in the world.

8 | Currency and Price Stability

The government made containing inflation a priority. It has had considerable success, with inflation declining from 18% in 2004 to below 10% by 2010. Since 2010, inflation has remained in single digit figures. Although there has been a modest increase in inflation, from 6.4% in 2012 to 6.6% in 2013 to 7% in 2014, the level of volatility is low. This success has supported the Bank of Zambia’s efforts to formulate and implement monetary and supervisory policies that will ensure stability in price and financial systems to promote balanced macroeconomic development. However, efforts to establish an appropriate foreign exchange policy have been undermined in the last two years. In 2011 and 2012, the Zambian Kwacha appreciated slightly as the price of copper, the country’s major foreign exchange earner, decreased by more than 20%. However, the Kwacha depreciated in the first half of 2013 against major currencies, losing the gains it had made in 2012. In 2014, it depreciated even further as a result of ambiguity over taxes levied on the mining sector, lower economic growth and uncertainty following the death of President Sata. By the end of 2014, the Kwacha and Ghana’s Cedi were the two worst performing African currencies. In late 2013, Standard and Poor’s gave Zambia a negative credit rating outlook as a result of the government’s expansionary fiscal program. The government maintained this approach throughout 2014. At the same time, Standard and Poor’s maintained its
“B+” long-term and “B” short-term ratings for government debt, while stating that there is a more than one-in-three chance that these ratings would be downgraded if the financial situation worsened.

Zambia’s debt situation is considerably better than it was in 2005 due to the Heavily Indebted Poor Countries and Multilateral Debt Relief debt cancellation initiatives. These initiatives reduced the ratio of debt to GDP from 86% to 9%. However, there has been a steady increase in government debt in recent years, with successive governments using Eurobonds to fund domestic infrastructure expenditure. External debt has increased from $3 billion in 2008 to $5.6 billion in 2014. This increase was driven by the government’s issuance of two Eurobonds, including one for $1 billion in April 2014. As a result, the cost of servicing this debt has increased to $315 million, the highest level since 2004. Despite the increase in government debt, the IMF remains supportive of the government’s approach, because the economy’s rate of growth should enable the government to sustain this level of debt. However, the Zambia Institute for Policy Analysis and Research has warned that the country may be heading toward another debt crisis.

9 | Private Property

Property rights are well defined in urban areas. However, property rights in rural areas are often poorly defined. Meanwhile, the property rights of women are often not respected. A large proportion of agricultural land, for example, in Barotseland remains under the control of traditional leaders. Control of land by traditional leaders increases the difficulty of defining and enforcing private property rights.

The new government has renationalized the telecommunications company, Zamtel; the rail company, Railway System of Zambia; the oil company, Indeni Petroleum Company; and the coal mining company, Maamba Collieries. The renationalization of Zamtel resulted in Lap Green suing the government demanding compensation for its stake in Zamtel. This included compensation for a $103 million loan that Lap Green had secured from China for the expansion of Zamtel. The Zambian government pledged to pay back the loan, but the case is due to go before a UK court in 2015. If the government loses the case, it would further damage the government’s reputation with foreign investors.

Since the privatization of state companies is almost complete, private companies represent the backbone of the economy. However, since regaining power in 2011, the PF government has renationalized some companies. The PF government argued that the renationalization of these companies was necessary, because the process of privatizing these companies had been corrupt. As such, these cases of renationalization do not necessarily imply an abandonment of privatization. Indeed, despite fears that President Sata would renationalize the mining sector, the PF
government made no moves in this direction during his time in power. As a result, the private sector increased its contribution to total economic activity from 20% of GDP in 1990 to around 80% in 2005. Nevertheless, there are still some state-owned companies in crucial sectors of the economy. This state-controlled concentration of market power is not only tolerated, but also supported by the government. However, the government has made some progress with privatization: Zambia National Commercial Bank was privatized and Rabobank of the Netherlands has a controlling stake of 49%, with 22% held by the government of Zambia and the rest by private individuals through the Lusaka stock exchange. However, President Sata also ordered the Justice Minister to investigate the sale of the Zambia Railways Limited (ZRL) to Railway Systems of Zambia (RSZ) and New Limpopo Bridge Limited. This investigation generated concern among many privatized, former parastatals that they would be renationalized.

10 | Welfare Regime

There are only rudimentary measures in place to guard against social risks, and these are extremely segmented in terms of area, social stratum and sector. However, the government is attempting to find new ways of protecting citizens. For example, a Minimum Wages and Conditions of Employment Act was passed in 2012. Nevertheless, this type of legislation exacerbates the gap between the “haves” and the “have nots,” as only a small proportion of the population work in the formal sector and have access to benefits, such as retirement packages and public health care. This applies mostly to the urban population (mainly civil servants and mineworkers; apart from parastatal companies, the government does not provide health care to its employees).

Public pensions have not been paid for the past several years, while private pensions and social security schemes cover a very small section of the population. There is no unemployment insurance system and no reliable statistics on unemployment. Although the PF promised that pensions would be paid within 90 days of winning office, the PF government has failed to deliver on this promise, soliciting sharp criticism from opposition leader Hakainde Hichelema.

While there is no real debate on social protection in the country, the government runs an inefficient national social welfare scheme known as the Public Welfare Assistance Scheme (PWAS). PWAS only covers a limited number of beneficiaries and benefits are inadequate. The social cash transfer scheme, which is largely financed by donors, is being implemented as a pilot project in only two provinces (Southern and Eastern) and in very few districts. Government expenditure on health care and education has increased under the PF government. However, this increase is yet to have an effect on social transformation. In 2014, the UNDP reported that the poverty rate in Zambia was over 80%. For the 2014 HDI, Zambia ranked the tenth poorest country in the world.
The government, with the help of donors, has piloted a social protection scheme based on a system of cash transfers in two provinces. A number of institutions, however ineffective, do exist to compensate for gross social differences. Family, clan or village structures are of relevance in this regard only in rural areas, where half of the population lives. But these structures have been put under stress by droughts or other calamities that negatively affect food production. However, in many areas, the traditional extended-family system that has acted as a form of social security has all but collapsed under the weight of structural economic reforms.

Public health care in Zambia is poor both in terms of quality and coverage as a result of under-funding. This has led to failure to contain many diseases, including malaria, tuberculosis and HIV/AIDS, although the infection rates for malaria and HIV have declined in recent years. Despite this decline, malaria and HIV remain among the most common causes of death, and a major source of social and economic disruption.

Politics and public administration in Zambia has not been characterized by the same degree of ethnic exclusion that has affected other African countries. However, all governments have tended to promote individuals from within their own constituencies, resulting in accusations of ethnic bias. This tendency was particularly strong under the presidency of Michael Sata. Indeed, what had previously been known as “family tree” appointments earned the new name “family forest” appointments given the perceived frequency of jobs given to the president’s kin. It is unclear if this trend will continue under President Lungu. However, his weak personal base suggests that he will need to accommodate a wider breadth of communities and leaders within his cabinet. Gender inequality is a far greater problem. Although 99.4 female children are enrolled for every 100 male children at primary school level, just 45.8 females are enrolled to every 100 males at the level of tertiary education. It is therefore unsurprising that Zambia scores poorly on the Gender Inequality Index. In the 2013 Gender Inequality Index, Zambia scored 0.617, on a 0 to 1 scale with lower scores indicating lower inequality. This placed Zambia level with Papua New Guinea and below countries such as Egypt, Burkina Faso and Kenya. Data on gender inequality in Zambia show no strong trend, suggesting that little progress is being made to correct this situation.

11 | Economic Performance

The economic situation in Zambia remains poor, despite considerable recent progress under the PF government. Efforts to diversify economic activity have been limited and the economy remains heavily dependent on copper mining for foreign exchange. As a result, a recent decline in the world price for copper has constrained economic expansion. Furthermore, the country is landlocked increases the cost of imports and exports. Nevertheless, GDP growth remains steady at 6.7%, though this represents a decline from 10.3% in 2010. External debt has increased from S$3 billion in 2008 to
$5.6 billion in 2014. Meanwhile, the total debt surplus has increased from $149.8 million in 2010 to $315 million in 2014. Export growth has remained strong at 17.9%, though this is a decline from 25.7% in 2012. Overall, the government deserves credit for bringing inflation under control, which was at 7% in 2014, but should be criticized for the high level economic inequality. Although there is no recent data available on employment, there are no indications that the level of unemployment has declined.

12 | Sustainability

The PF government came to power with a manifesto that included a significant focus on environmental sustainability. The PF made a commitment to promote environmentally responsible methods of farming, contain pollution by rehabilitating sewerage and drainage facilities, and protect ecologically sensitive areas like wetlands. However, little progress has been made toward any of these goals. The government has signed all major international environmental treaties. However, environmental standards are unsatisfactory, with recorded accidents and continued threats to human health due to pollution of rivers, streams and the air in mine areas. 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. Although ZEMA has produced a number of very detailed reports, it is not clear whether public officials genuinely take the reports into consideration. Overall, public administration lacks a deeply ingrained awareness of environmental issues.

Reliable figures for government expenditure on education are scarce. However, the best available estimates indicate that in 2014 government expenditure on education accounted for 20% of all government spending or ZMW 8.61 billion. Of this, ZMW 1.28 billion was earmarked for the construction of new education infrastructure, including the construction of 53 new secondary schools and the upgrading of 220 schools. The government has also pledged to build 150 extra primary school classrooms in rural areas and to provide an additional 150 teacher houses. Furthermore, ZMW 404.3 million has also been allocated for universities, including the provision of student hostels and the Universities of Zambia, Copperbelt, and Mulungushi. In addition, ZMW 395.2 million was also budgeted for the provision of student grants. This follows a recent trend of greater investment in education. Total investment in education increased from 2.9% of GDP in 2006 to 3.5% to GDP in 2010. As a result of this increased investment, the number of teachers increased from 50,123 in 2002 to 77,362 in 2009. However, this does not make up for decades of under investment in the education sector. Overall, all primary school level participation rates are reasonably high following the introduction of free primary education in 2002, but the quality of education received in many areas remains low.
Transformation Management

I. Level of Difficulty

The government faces considerable structural constraints. The landlocked nature of the country 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. 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 has now embarked on an ambitious program of road building. 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.

Civil society groups in Zambia have a long and proud tradition of checking authoritarian rule. 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. Had President Frederick Chiluba changed the constitution he would have been able to run for a third presidential 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, 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. In addition, there are other civil society sectors that play a more inconsistent role. For example, the media is largely under government control. This was further exacerbated by the strategic alliance between the Post and the PF. The Post was the main opposition newspaper to the MMD government and formed a strategic alliance with the PF when it was in opposition. This alliance provided a strong outlet for alternative messages while the PF was in opposition. However, when the PF won office, this alliance meant that an even greater share of the media was under the state influence. Overall, a number of well-meaning civil society groups exist and do important work, but in general, they lack the capacity to effectively mobilize outside of Lusaka.
Zambia has never suffered a civil war or a prolonged period of ethnic conflict. Although the salience of ethnic identities is typically raised during election periods, and violent clashes between rival party activists are not uncommon, these issues rarely last long. Overall, the use and spread of politically motivated violence is limited. In Western Province, the issue of the status of the Barotseland Agreement has been a recent cause of tension. This followed a pre-election promise by former President Sata to meet some of the demands of the royal Lozi establishment for special treatment. President Sata’s failure to live up to this promise after taking power frustrated many, with radical elements demanding the secession of Barotsland. However, this campaign has failed to mobilize mass support.

II. Management Performance

14 | Steering Capability

Under the PF government, the state pursued a number of objectives, such as increasing employment, raising the minimum wage and physical infrastructure development. While some progress has been made on all three fronts, a lack of clear leadership has led to inconsistencies in policy design and implementation. This lack of leadership has three main components. 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. This obstruction to structural reform is also restricting the government of President Edgar Lungu. The government of President Lungu is divided between populist leaders in the mold of President Sata, economically cautious leaders like the Finance Minister Alexander Chikwanda, and “business friendly” leaders such as the former President Rupiah Banda. Although President Lungu initially pledged to reform the constitution, it is clear that he intends to avoid any reform that might dilute his own power.

The PF government has implemented a number of social reforms that were key election pledges in 2011, including increasing the minimum wage and the tax threshold. At the same time, the implementation of anti-corruption policies has remained weak. Although there have been few allegations of corruption made against former President Sata, in contrast to some of his predecessors. The PF government introduced a radical restructuring of the civil service in its first year in office. The PF
government replaced many civil servants, who were perceived as having close ties to the MMD, with people loyal to the PF. It is evident that some of these new civil servants lack the necessary experience for their position. The government continues to pursue its policy agenda, but is constrained by the limited capacity. There are a number of well respect policymakers within the cabinet. For example, Alexander Chikwanda, the Finance Minister, who has prioritized fiscal responsibility and economic stability. Similarly, Inonge Wina, the Vice President, who is a former civil society leader and Finance Minister. It is likely that Inonge Wina would become Zambia’s first female president if were to replace President Lungu. Furthermore, Lubinda, the Minister of Agriculture and Livestock, is widely regarded as a voice of reason within the cabinet, though he lacks an effective power base. However, the cabinet also features a number of voices that are less supportive of democracy and a market economy. These figures include Chishimba Kambwili, the Information Minister, who is known for his populist political positioning. Kambwili’s populist approach has great resonance with many in the wider population who favor state intervention over free market principles.

The government has a mixed record on policy learning. On the one hand, the Finance Minister has evidently listened to advice from international organizations, such as the IMF. This ability to incorporate international advice into domestic policy-making resulted in positive evaluations for the government’s economic policy from the IMF, especially in 2012 to 2013. Some of the PF’s recent policies also demonstrate the capacity for policy learning from international experiences, as evidenced by the introduction of a minimum wage and the issuance of two Eurobonds. However, some policy learning has been detrimental to democratization. For example, the current president, Edgar Lungu, has clearly learnt from his predecessors how to subvert the constitutional review processes to consolidate his power. The PF also demonstrated during the last election campaign that it has become particularly good at using highly visible policies (e.g. road building programs) to conceal a lack of progress in other policy areas (e.g. corruption within government). Following the election of the PF, the Policy Monitoring and Research Centre (PRMC) was set up in 2012 to pursue the task of “unlocking Zambia’s potential by producing high quality, relevant and timely policy analysis, policy monitoring, and reform proposals.” The PRMC received funding from international donors, which became controversial relationship between the PRMC officials and the PF leadership. The PF government had appointed the first senior PMRC officials. While the PMRC has produced an impressive number of analysis documents, it is not yet clear to what extent these are shaping government policy. Weak monitoring and evaluation policies make it difficult to gauge the effectiveness of reforms.
15 | Resource Efficiency

It is unclear how effectively natural resources are exploited, because some of the contracts governing the mining sector are not publicly available. Despite criticism of foreign investors from the PF while in opposition, the PF has generally accommodated foreign investors while in power. However, due to this accommodation and low capacity within the bureaucracy, it is likely that a considerable portion of Zambia’s natural resources have been exported without being properly accounted and without tax being paid. Furthermore, the recent slump in the world price for copper means that any government attempt to tackle this accounting problem would exacerbate the economic situation for mining companies. In turn, this would likely lower investment in the mining sector, leading to the closure of mines.

Meanwhile, the increasing effectiveness of the Zambia Revenue Authority (ZRA) has increased government revenue. Although wage increases for civil servants and overstaffing within the civil service has offset much of this increased revenue. Public sector salaries remain the largest cost burden for government. The Finance Minister has prioritized fiscal responsibility and has achieved a current account surplus over the last four years. Although this surplus fell from $1,206 million in 2010 to $192 million in 2014. The level of government debt remains manageable, but has increased significantly over the last few years. This increase was due largely to the issuance of two Eurobonds to fund a series of physical infrastructure projects. Further borrowing could make the cost of servicing government debt unmanageable. At the most senior levels of the civil service, political loyalty matters as much as competence. Combined with the failure of the government to clamp down on corruption, this is a substantial drain on public resources. In 2012, the IMF stated, “public financial management reforms are essential to improve budgetary planning and execution and prioritizing spending.” Although some progress has been made to build institutional capacity, for example, by a Norwegian team working with the ZRA and the mining sector, much more needs to be done.

Under President Sata, policy coordination was notoriously limited. Issues that were of close concern to the president or his most influential advisors were pushed ahead, while other policies often floundered without powerful political support. There were two main obstacles to effective policy coordination. The first was the president’s inclination to be personally involved in all significant policy decisions. This severely limited the efficiency of decision-making. The second obstacle was that ministers rarely met to discuss policy decisions outside of formal cabinet sessions. This restricted the capacity for cross-sectoral policy planning and implementation. Routinely unproductive cabinet meetings, especially towards the end of President Sata’s life, further compounded these obstacles. Under President Sata, the government was divided into several factions, with senior cabinet members continuously fighting among themselves, including Wynter Kabimba, Given
Lubinda and Geoffrey Bwalya Mwamba. Following President Sata’s death, the PF nearly imploded due to the intensity of the struggle to succeed him. This struggle split the party in two, with one faction led by Guy Scott (who is a former vice president) and one led by Edgar Lungu (who has since become president). These tensions continue to affect the new PF government. Among a number of competing voices within the new government are the Finance Minister, Alexander Chickwanda, and former President Rupiah Banda. President Banda emerged as a late supporter of Lungu’s presidential candidacy. It is not yet clear whether President Lungu will be strong enough to impose a coherent policy agenda. However, the fact that he relied heavily on support of senior political figures to secure the presidency suggests that he may struggle.

Corruption has been a consistent feature of Zambian political life. The increase in economic and political uncertainty during the early years of the MMD government triggered a rise in corruption. After the fall of the MMD government, charges of corruption were leveled against former President Frederick Chiluba. However, neither the late President Levy Mwananwasa, who launched the investigation, nor his successor President Rupiah Banda were determined to successfully prosecute President Chiluba or secure the return of the stolen assets. In particular, President Banda was more inclined to protect President Chiluba and cultivate a political alliance. This reflects a broader pattern of using corruption allegations to attack political opponents, while protecting others as a means of building political alliances. The politicization of anti-corruption efforts has undermined the legitimacy of these efforts. As a result, public opinion is largely skeptical of anti-corruption initiatives. This pattern has continued under PF governments. For example, President Michael Sata was very vocal about establishing commissions of inquiry to investigate corruption in former President Banda’s government. However, this led to accusations of a political witch-hunt. The failure to successfully prosecute President Banda, who has since built an alliance with current President Edgar Lungu, demonstrates the lack of political will and capacity to promote good governance. When the Anti-Corruption Commission began an investigation into the current 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 Sata subsequently protected him against public criticism. President Lungu has promised to end graft and police have been quick to arrest the Chief Prosecutor on charges of corruption. The charges against the Chief Prosecutor include forgery, contempt of court and taking loans using fraudulent means. However, it remains to be seen whether President Lungu’s reforms will also be undermined by partisan bias. Zambia has never provided state funding for political parties. According to the Electoral Institute for Sustainable Democracy in Africa, the regulation of party financing is weak and the informal funding of parties by wealthy businessmen is common.
16 | Consensus-Building

All major political parties agree that the country should be run as a democracy with multi-party elections. There are rarely calls to move to another form of political system. Zambia is one of a very small number of African countries to have experienced at least two transfers of power.

There is a broader range of views when it comes to the economy. Public opinion polls indicate that the public is broadly in favor of state intervention in key economic sectors, such as mining. However, this does not imply widespread public support for state ownership and a return to the failed socialist experiment of the one-party state. Instead, many Zambians recognize that economic growth requires foreign investment, despite President Sata’s anti-Chinese rhetoric. Overall, the public tends to favor high levels of state intervention in an open economy. While senior PF leaders often use radical language in their speeches, such rhetoric rarely finds form in government policy. Indeed, despite the radical rhetoric of senior PF leaders, the government’s economic policies have retained the approval of the IMF. The PF government has prioritized redistribution, using economic growth to benefit the poor. As such, the PF government’s economic agenda is closer to a social democratic model than the more pro-business agenda adopted by the previous UPND government. There is likely to be little international resistance to this social policy agenda given the economy’s good performance and the high levels of poverty. This social policy agenda will increase investment in physical infrastructure and the social sector, while introducing more economic regulation. President Lungu has yet to clearly set out his own economic priorities, but his populist inclinations suggest that continuity rather than change is more likely.

There are no avowedly anti-democratic actors in Zambia. However, democracy remains fragile and free and fair elections are not guaranteed. For example, in 2001, the ruling MMD presidential candidate, Levy Mwanawasa, was officially declared the winner. However, many commentators believe that Mwanawasa actually lost the presidential election. Successive governments have placed their own survival over the consolidation of democracy. In particular, governments have refused to implement constitutional reform, failed to tackle corruption and interfered in media coverage. Senior PF leaders have been no exception to this trend. For example, senior PF leaders have threatened to use legislation designed to regulate non-governmental organizations as a way of clamping down on opponents. One significant democratic limitation is that the absence of a genuinely free press prevents the public exposure of cases of democratic backsliding.
There are a number of significant social cleavages in Zambia. The first is ethno-linguistic. In the last two elections, Bemba-speaking Zambians overwhelmingly supported the PF, while the Tonga people in Southern Province largely supported the UPND. The second cleavage is urban-rural. In the 2011 elections, Michael Sata performed far better in urban areas, such as Lusaka, where he attracted votes from across different ethnic groups. By contrast, former President Rupiah Banda polled better in the rural areas where the MMD had established a network of patronage. This pattern was repeated in the 2015 election, when the PF’s presidential candidate, Edgar Lungu, performed better in urban areas. However, the salience of ethnic differences is heightened during election periods. Nevertheless, there are a number of factors that serve to contain this cleavage. 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 Michael Sata, have won electoral support across ethnic groups in urban areas. This cross-ethnic appeal has undermined ethnic voting patterns. It has also demonstrated the effectiveness of emphasizing policies that appeal to multiple ethnic groups simultaneously. Third, no cabinet under the multiparty system has been ethically exclusive. Although each cabinet is weighted in favor of the president’s ethnicity, there is typically an attempt to achieve ethnic diversity. For example, the Bemba leaders within the PF supported the presidential candidacy of Edgar Lungu, a non-Bemba. Finally, political elites have not appealed to violence to secure political power. Although presidential candidates have occasionally made provocative speeches, party leaders have been quick to diffuse the situation when tensions threatened to get out of hand. Religious cleavages have not been a significant factor during the period under review, while the declining power of the trade unions has reduced class cleavages. However, there is some evidence that under the PF an increasingly antagonistic form of politics is emerging. For example, during the recent presidential by-election, a number of politically related murders, and over 100 cases of assault and property damage were recorded.

In high profile cases, civil society has proved to be an effective vehicle for the protection of democracy. 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 civil society organizations means that, excluding these crisis moments, civil society struggles to maintain pressure on government. This is most evident in campaigning for constitutional reform. For example, the MMD government agreed that the constituent assembly favored by NGOs was the appropriate institution to author the new constitution. Yet, in the end, the government skipped the constituent
assembly completely and replaced it with its own National Constitutional Conference in 2007, in which most civil society organizations, despite their fundamental criticism, ultimately participated. This pattern has continued under the PF. Initially the PF pledged to implement constitutional reform. However, once in office, the PF has refused to introduce key constitutional reforms, such as the requirement for presidential candidates to win “50%+1” of the vote. Moreover, senior PF leaders, such as Wynter Kabimba, sought to prevent the November 2013 draft constitution from being publicly distributed. In opposition, the PF won support from civil society organizations for reform pledges, but in government, the PF has repeatedly failed to deliver on these pledges. As a result, the early enthusiasm of many NGOs for the PF-government has turned into frustration. This position among NGOs has further hardened following the return of former President Rupiah Banda to political prominence, as a result of his support for Lungu’s presidential campaign.

The government of Zambia has not committed any major human rights violations that necessitate a national program of reconciliation. The one-party state did commit human rights violations, but these were comparatively less numerous and extreme than in other Africa states. As a result, the question of reconciliation largely concerns political torture or molestation suffered by a few individuals. There is also the contentious issue of Barotseland. Many people in Barotseland are angry that the President Sata did not keep his promise to grant the region greater autonomy in return for their political support during the 2011 presidential election.

17 | International Cooperation

Zambia has made good use of international support over the last fifteen years. Securing debt relief as part of the 2005 Heavily Indebted Poor Countries program enabled the government to redirect resources towards the provision of much needed services. Meanwhile, international aid as a proportion of the government budget has declined from around 60% in the early 1990s to less than 10% in 2012. International aid per capita fell from $101.3 in 2006 to $51.3 in 2012. This has forced the government to become more independent of international aid. Although the government 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. For example, the PF government has increased spending on health care and education services, while also introducing a minimum wage. Historically, poverty rates have been stubbornly high. The first independent assessment of a government poverty reduction strategy found that the then MMD government had failed to achieve its goal of reducing overall poverty mainly due to budget constraints and problems of prioritizing development initiatives. However, the increased spending on poverty reduction initiatives under the PF government,
combined with consistent economic growth, is reducing the rate of poverty. Nevertheless, poverty rates remain high and the sustainability of the PF government’s initiatives is unclear. The PF government has been resistant to international pressure for broader democratic reform. Although international donors have done some important work strengthening the electoral commission, efforts to secure constitutional reform have been unsuccessful. Despite pressure from international actors, successive governments have tended to engage the international community, though President Sata’s government was at times highly critical of perceived Chinese, American or British “imperialism.”

The government’s credibility varies across policy areas. For example, the government’s credibility on macroeconomic issues with international actors, like the IMF, is high. Similarly, the successful issuance of two Eurobonds demonstrates that the economy retains credibility in international markets. However, the terms of borrowing for the second Eurobond were significantly worse than for the first. This indicates that international markets are increasingly concerned with the quality of governance in Zambia. It also suggests that the success of the first Eurobond had much to do with its timing, which coincided with a period of economic crisis in the West and extremely low interest rates. As a result, Standard and Poor’s gave Zambia a negative credit rating outlook in October 2013. Standard and Poor’s argued that there was a greater than one-in-three chance of a government default, if the government maintained its expansionary fiscal program. Internationally, Zambia has little credibility for political reform, because successive governments have failed to introduce constitutional reform and reduce corruption. Although President Lungu has promised to fight corruption, it is unlikely that far reaching constitutional reforms will be introduced during his presidency.

Zambia enjoys good relations with its neighbors and successive Zambian leaders have maintained their commitment to several regional bodies. 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). However, it is not always clear that these relationships benefit Zambia. For example, close economic ties with southern African countries, South Africa in particular, have resulted in considerable investment into the Zambian economy. This investment has, for example, taken the highly visible form of shopping malls, which stock major South African brands. While such investment generates new employment opportunities, it also threatens to crowd out Zambian entrepreneurs who lack the capital to compete with South African companies. There are also tensions between Zambia’s membership of SADC and COMESA. Although these regional bodies have overlapping memberships, their rules are not completely aligned. This inconsistency can act as a barrier to regional economic integration. In the past, Zambian leaders have spoken in favor of national liberation and democracy, and have been critical of human rights abuses in Zimbabwe. However, President Sata
developed close ties to President Robert Mugabe (it is no coincidence that President Sata named his political party the “Patriotic Front”). However, the former president’s ability to maintain and build strong ties further afield was undermined by his poor health, which made travel difficult.
Strategic Outlook

Zambia has managed two peaceful transfers of power, which is rare in sub-Saharan Africa. This indicates a consolidation of democracy within Zambia. However, democratization has been undermined by a lack of constitutional reform. Both the Movement for Multiparty Democracy (MMD) and the Patriotic Front (PF) campaigned for constitutional reform while in opposition, but failed to implement any reforms once in power. As a result, the constitution remains top heavy with a substantial amount of power invested in the president. President Edgar Lungu has repeatedly expressed his commitment to the constitutional review process. The priority for domestic political leaders and international donors should be to pressure President Lungu into fulfilling this commitment. For international donors, this will involve linking the provision of international aid to the government’s constitutional reform efforts. However, the danger is that President Lungu will attempt to delay the constitutional review process long enough, so that it can be abandoned once the country enters the 2016 election period. Yet, international donors and civil society groups should be ready to react to this strategy, as previous presidents have also used it.

The PF’s first priority should be to provide stable and consistent leadership. Under President Sata, the government was inconsistent and idiosyncratic, with programs introduced in fits and starts. 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 establishing a settled and competent cabinet. It will also involve expanding a civil service, which is of political interference. If President Lungu can achieve these objectives then he will be in the position to tackle the high level of corruption. Although the economy is growing consistently, high levels of mismanagement and corruption remain substantial obstacles.

Economic transformation is underway, but remains immature. The influx of human and financial capital due to the migration of agricultural workers (particularly white farm owners) from Zimbabwe to Zambia has increased agricultural exports. Meanwhile, the government has demonstrated a real commitment to expanding physical infrastructure. These efforts must be strengthened. 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 to these investments must drive further economic growth through increased productivity and economic diversification. Diversification is the economy’s most serious challenge. To address this challenge the PF will have to remove some of the constraints on entrepreneurs. The government’s practice of borrowing funds internationally, rather than domestically, has freed up the domestic lending market and lowered interest rates has been a step in the right direction. The government should resist the temptation to crowd out the private sector by borrowing heavily from domestic sources.