FINAL REPORT

Drivers for Change in Zambian Agriculture

Defining What Shapes the Policy Environment

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Contents

Acronyms

ACF	Agricultural Consultative Forum
ACP	Agriculture Commercial Programme
ADB	African Development Bank
ADF	African Development Foundation
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immune Deficiency Syndrome
ASIP	Agricultural Sector Investment Programme
BESSIP	Basic Education Sub-Sector Investment Programme
CAP	Common Agricultural Policy
CAS	Country Assistance Strategy
CBO	Community Based Organisation
CIDA	Canadian International Development Agency
CLUSA	Cooperative League of the U.S.A
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
DDP	District Development Programme
DFID	(UK) Department for International Development
EBA	Everything But Arms Initiative
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FDI	Foreign Direct Investment
FRA	Food Reserve Agency
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
GTZ	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation)
HIPC	Heavily Indebted Poor Country
HIV	Human Immunodeficiency Virus
IDA	International Development Association
IMF	International Monetary Fund
MAC	Ministry of Agriculture and Cooperatives
MOFED	Ministry of Finance and Economic Development
NAIS	National Agricultural Information Services
NAMBOARD	National Agricultural Marketing Board
NGO	Non Governmental Organisation
NR	Natural Resources
oda	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PPP	Public-Private-Partnership
PPT	Pro-poor Tourism
PRSP	Poverty Reduction Strategy Paper
PSRP	Public Service Reform Programme
PSCAP	Public Service Capacity Building Project
SADC	South African Development Community
SAP	Structural Adjustment Programme
SAR	Staff Appraisal Report
SEZ	Special Economic Zone
SIP	Sector Investment Programme
SP	Southern Province
SPS	Sanitary & Phytosanitary
SWAP	Sector Wide Approach

TNDP	Transitional National Development Plan
UNDP	United Nations Development Programme
UNIP	United National Independence Party
USAID	United States Agency for International Development
WTO	World Trade Organisation
ZACCI	Zambia Confederation of Chambers of Commerce and Industry
ZAMTIE	Zambia Trade and Investment Enhancement Activity
ZATAC	Zambia Agribusiness Technical Centre
ZCF	Zambia Co-operative Federation
ZCTU	Zambia Congress of Trade Union
ZNFU	Zambian National Farmers' Union

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Executive Summary of Main Findings

1. This report is in fulfilment of a request by DFID (Zambia) for a study of the political economy of the agriculture sector in Zambia (DCP/ZAM/019/2002). The Terms of Reference are at Annex 1. The study team comprised Professor John Farrington of Overseas Development Institute (ODI), and Prof. Oliver Saasa of the Institute of Economic and Social Research (INESOR) at the University of Zambia. It builds on the scoping studies of potential DFID support to agriculture in Zambia of September and October 2002, on other relevant documentation, and on interviews with a range of persons in DFID, other development assistance agencies, government and the private sector. A list of persons interviewed is provided at Annex 2.

2. ***In sum, the evidence here suggests that there is a case for DFID to re-engage in agriculture in a broader 'rural development' perspective in Zambia, given the pivotal role that it can and must play across the income, 'voice', malnutrition and chronic food insecurity dimensions of poverty reduction. However, this is a difficult terrain: there are no simple solutions, and a large number of external agencies are already grappling with many of the issues likely to be of interest to DFID, which makes consultation with them essential. The sector has been affected negatively by the Zambian government's policy weaknesses and inconsistencies, and little progress will be made unless both demands on policy and capacity to prioritise and respond to these are enhanced in both the executive and legislature. The prioritisation of agriculture in the PRSP; the existence, for the first time, of a strong parliamentary opposition; and noticeable improvement in government commitment to decentralisation, all provide an auspicious context for renewed DFID commitment to agriculture.***

3. With the further projected decline in demand for minerals (especially copper), agriculture is seen by many as a potential cornerstone of the economy, and of poverty reduction strategies. The horticulture industry alone employs 10,000 persons and engages perhaps 10,000 more as outgrowers, and has shown a marked increase in export levels, as have other commodities such as cotton products and tobacco. Although conditions are fluid, the prospects for agricultural exports are generally good. There are also substantive opportunities for internal expansion of such industries as milk products, and for the improved management of natural resources related to agriculture, through, for example, conservation farming, or management of agriculture and natural resources in relation to pro-poor tourism. Several potential opportunities resulting from the Zimbabwe crisis have already been lost (e.g. the gap left in global Virginia tobacco markets is already being filled by Latin American countries, and the gap in safari hunting by much-expanded private investment in South Africa). The (approximately) 25 percent decline in the Zimbabwe economy since 2001 means that its capacity to import from Zambia is correspondingly reduced, though there may be occasional opportunities in, for example, sugar and wheat. Partly because of high taxation, Zambian agricultural exports are high-cost, and demand for them within regional trade groups is unlikely to change greatly.

4. Zambia has a long history of policy vacillation in respect of agriculture (indeed, in respect of most sectors). This is attributable in part to limited policy analysis and implementation capabilities, but mainly to tensions between the legislature and the executive arms of government, in which (except for crises such as those marking the beginning of the Economic Reform Programme), the latter is sidelined, and short-term pressures predominantly determine the policy directions taken by the former.

5. For anything but the most self-contained of subsistence farming, the overwhelming influences are not those of agricultural, but of macro-economic policy. Over the last two decades, for instance, interest rates have fluctuated from the seriously negative to the punitive. The Kwacha was, for the most part, generally overvalued (to allow for, inter alia, cheap imports of consumer items to the vocal urban electorate), and taxation on fuel currently accounts for around 70 percent of its pump price.

6. Regulatory/facilitating frameworks are also weak. For instance, the prevalence of traditional land title means that land cannot be used as collateral against loans, and the large-scale introduction of formalised land rights would be likely to provoke conflict with traditional authority. However, there is scope for improving tenure security (including smallholder tenure) without full-scale formalisation. Further, the

enforcement of contracts is weak, with widespread default on payments, whether among commercial agents, or between smallholders and credit suppliers (as is the case in the provision of fertiliser on credit).

7. Agriculture (and on other sectors) are also impacted by lack of budgetary discipline. Annual budgets total around double the revenue that can be assured from known sources. Much of the remainder is anticipated from oda of various kinds, but this comes at various points during the year, often for distinct departmental sub-heads, and often with conditions. Actual disbursements are, therefore, usually well below budget, but unevenly so across sub-heads. Ministers and senior government officials spend much of their time negotiating disbursements from the Ministry of Finance or from donors, to the detriment of their engagement in policy. Furthermore, political fire-fighting leads to expenditure on numerous extra-budgetary items.

8. Agriculture-related privatisation has been fairly smooth and moderately successful on the production and marketing sides, with the rapid growth of outgrower models in areas such as flowers, tobacco and cotton. However, the input supply side has been influenced by a persistent sentiment among politicians that they must do something for their voters, and, despite conditionality-based undertakings, government has supplied some fertiliser to small-scale maize growers every year since at least 1975, often providing credit for which repayment arrangements are inadequate, so that, effectively, it is a subsidy (which has the clearly-perceived political benefit of keeping prices down in the urban areas). The haphazard re-entry of government into markets in these circumstances, generally offering prices below economic cost, has severely negated any private sector interest in taking over input supply roles. The area of fertiliser supply is clearly the most confusing one presently.

9. Donors have at times exerted undue influence on government, and there is a history of weak coordination among donors. Many at various points have resented efforts by the World Bank to 'lead' the donor community. Levels and types of conditionality have varied widely among donors.

10. Policy change is widely seen as the prerogative of the higher political authorities (e.g. the Cabinet, though there has not been much evidence of the kind of policy consistency that one might expect from collective decisions). In reality, particularly before the current government came into power, it has most often been the prerogative of the President. All aspects of the maize economy (input availability and pricing, the price of *mealie* meal to urban consumers, the need for any import, etc.) are clearly seen by the President as his prerogative.

11. In terms of policy process, there are only rare instances in which evidence-based policy, whether or not driven by the demands of one or other stakeholder group, is formulated and seen through to implementation. Most of the exceptions to this rule concern the types of evidence and argument presented by advocacy groups of one kind or another, especially (in the agricultural context) trade or producer associations. Efforts to strengthen the analytical capability of the public sector (through ASIP, for example) so far seem largely to have failed to make policy more evidence-based.

12. The PRSP has been designed in a participatory fashion and stands to make good some of the above deficiencies. For instance, it has some prospect of achieving greater coordination among donors. The statements of intent in the PRSP in respect of agriculture are unobjectionable. The difficulty is that policy dualism of type (a) below is already evident: despite declarations that government intervention in agriculture will be 'transitional, indirect and supportive of the private sector,' there are already indications that it is re-engaging in fertiliser imports.

13. The study team distinguishes three types of policy formulation and implementation (or lack thereof):
    - *policy dualism*: here, policy declarations are made (in response to donor conditionality, for example) which government has little intention of adhering to.
    - *constrained policy intent:* here, sincere policy declarations are constrained either by the budget processes described above, or by unforeseen political circumstances.
    - *reactive policy:* in practice, a high proportion of policy decisions in agriculture appear not to be planned in the best interests of, for example, pro-poor growth, but are a reaction to particular crises or, more rarely, opportunities.

14. Policy implementation faces a substantive and generic problem: even the best-intentioned policy statements are not underpinned by detailed action plans, guidelines or well reasoned changes to existing procedures or legislation. This lack of attention to detail is pervasive, and is found not only in policy design and implementation, but in many other areas, ranging from consultation with the private sector (where meetings rarely generate monitorable action points, or even agreed minutes) to trade negotiating missions, which are poorly prepared and rarely report back to stakeholders in any detail.

15. If policy is easily swayed, can it not be swayed by pro-poor interest groups in a 'drivers of change' mode? In principle, it can, but, for the reasons outlined above, this must be mainly through *demand on the legislature*, not on the executive. Class-interest is already being expressed, albeit in a limited way: urban labour unions (demanding low *mealie* meal prices) represent one such class interest; commercial and export-oriented farmers' associations make other, somewhat diverse, 'class' demands. But beyond these, clearly-identifiable interest groups are few: churches are strong, but rarely make policy demands, and (largely foreign-funded) NGOs tend to limit theirs to (in the present context) demands for food aid – perhaps both feel potentially vulnerable because of their foreign support-base. There is, however, exception to this in the sense that a good number of civil society groups such as Women For Change and AFRONET have formulated quite influential policy positions on good governance and gender/equal opportunity issues. Local government and traditional authority, agricultural labour, and CBOs have all been weak to date, though new efforts towards decentralisation may strengthen local government for the future. Government presupposes that the sectional interest of semi-subsistence farmers lies in subsidised fertiliser for maize but this de-prioritises other (unarticulated) interests such as improved infrastructure, and to get these higher on the policy agenda would be a priority for a donor contemplating renewed support for agriculture. Large sections of the media are (in practice) government-controlled and rarely challenge policy. However, the liberalisation of the media in 1991 has led to an upsurge in private radio and newspapers, which are highly conscious of the importance of freedom of information.

16. There is evidence of an increasing capacity to respond to demands on policy. For the first time since independence, the present government is characterised by a sizeable and potentially healthy Opposition. The Opposition is beginning to hold government to account, and its Private Members' Bills are either being passed or forcing a response from government. There are opportunities for increasing the familiarisation of MPs of all parties with parliamentary procedure, and, through appropriate research facilities, enhancing the quality of evidence-based debate. Although the executive is not a prime mover in policy formulation, it stands to be made even less effective through emigration and AIDS. Donors can usefully support the maintenance and enhancement of skill levels there.

17. The detailed formulation of recommendations on how and where DFID might recommence support to agriculture in Zambia is beyond the terms of references and resources of this study. As and when a decision is taken in principle to recommence support, further studies would have to assess the options in more detail. However, a number of preliminary suggestions are made in the following paragraphs.

18. In keeping with 'drivers of change' concepts, any donor considering support for agriculture would be well-advised to strengthen both the general conditions for more effective policy formulation and implementation, and support more specific groups of policy champions. Agriculture is potentially a concrete, location-specific platform for the development of wider citizenship. In Zambia, there is neither a blank canvas, nor are there 'magic bullets', and so any options for support to agriculture would have to be contextualised in several dimensions, as summarised below.

By sub-sector:

- Commercial growers and exporters already have strong associations, adequate research capability and strong support from donors such as USAID. But careful investigation, in consultation with them and with other donors, may reveal ways in which the more pro-poor aspects of commercial farming (i.e. those which are labour intensive and/or involve outgrowers) might benefit from additional external support. There is also support for broadening the base of environmentally friendly approaches to agriculture which have gained a foothold in the commercial sector, such as conservation farming.

- Policy in the maize sub-sector is regarded by the President as his personal domain, and is subject to frequent vacillations, many of which contravene conditionality commitments; it is not at present a fertile area for donor engagement. However, there is scope for supporting the trend in many areas back to more diversified farming systems, relying on a wider range of staples than maize, and integrating both different kinds of crop production and crops with livestock in "mixed" farming.
- There is substantial scope for improving tourism-focused natural resource management and skills enhancement in ways which are pro-poor, though ways would have to be found of supporting those perceived as 'truly Zambian' in making demands, and, again, numerous donors already support aspects of this sub-sector.
- There is scope for enhancing the production and value-chain of a diverse range of products for the home markets, such as milk products, though this may involve working with medium-scale enterprises well-integrated into markets, but which have strong employment or 'outgrower' linkages.
- Livestock production and by-products such as the dairy sub-sector promise significant rewards in several areas, particularly in Western and Southern Provinces. Donor entry with respect to animal disease control and better husbandry and marketing strategies offer considerable entry points for external support.
- Current concepts of rural development highlight the limits to purely *agricultural* development strategies, and emphasise the need for approaches which generate forward and backward linkages, promote value-addition to agriculture, promote the non-farm economy, including tourism, and stimulate links (and labour flows) between rural and urban areas, recognising that for many, farming is a part-time activity. There is every reason to suggest that in the Zambian case, any support for smallholder farming should be located in this wider context of rural development.

By area:

- Southern Province is particularly vulnerable to drought and considerable effort is required to encourage and support drought-resistant cereals. Livelihoods are particularly threatened in Southern Province due to drought, and the prospects of protection against this merit investigation. Western province has abundant natural resources, and currently registers the highest poverty levels in the country. Donor support could be directed towards those areas in which the province has comparative advantage such as livestock production, fisheries, commercial cashew nut production, and commercial rice production. The Copperbelt Province is particularly vulnerable due to the near-collapse of the mining industry and the further threat posed by the Anglo-American Corporation's recent decision to withdraw. Agriculture and related commerce and processing offer one opportunity to accommodate the displaced/retrenched mining labour force.

By cross-cutting issue:

- There is major scope for a focus on chronic food insecurity and undernutrition, especially in the more outlying areas. This would involve combining growth with social protection initiatives, focusing on staples other than maize, and aiming to enhance protein intake. Ways would need to be found of supporting people in these areas to make demands on government (different from the supposed need for subsidised fertiliser), through, for example, CBOs, selected churches, traditional authority or (strengthened) local government. This would require careful identification of 'policy champions', considerable capacity building, and an effort to replace the inclination of some (especially NGOs) to campaign for food aid by a capacity to demand long-term strengthening of agriculture.
- The HIV/AIDS epidemic poses an enormous challenge for Zambia's development in general and for agriculture in particular. The relationships are complex and multi-directional: for instance, HIV/AIDS reduces food production, and inadequate nutrition further weakens those suffering from HIV/AIDS. The impacts of HIV/AIDS on agriculture are via loss of labour in the most productive age cohorts, the higher involvement of children and the elderly in agriculture, loss of savings and of productive assets, and the severe pressure on local networks for labour exchange and wider support. Specific impacts include: reductions in planted area, yield, and in the diversity of crop and livestock enterprises; shifts towards less labour-intensive crops, and

the loss of agricultural knowledge and farm management skills. If HIV/AIDS is to provide a vehicle for policy demands, it will have to do so at both the general level of providing adequate prevention, treatment and support, as well as at the more specifically agriculture- and nutrition-related levels. Whilst it is potentially a very significant vehicle, the wide social and geographic distribution of the disease, and the extreme pressures facing those seeking better prevention, treatment and support mean that considerable effort and capacity building will be needed if this potential is to be exploited.

1. Introduction

1. This study was commissioned as a 'thinkpiece', as part of the preparations for DFID(Z)'s formulation of a Country Assistance Strategy (CAS). It aims to assist DFID(Z) in considering whether it might re-engage in support to the agriculture and natural resources sector, and if so, what broad form such support might take. Annex 1 gives the Terms of Reference. The study forms part of a portfolio of studies contributing to the preparation of CAS, including others on infrastructure and irrigation, land policy, commerce and poverty, and province-level agricultural data. It builds on two preceding agriculture sector scoping studies led by Beth Arthy in September and October 2002, respectively.

2. The report has three broad limitations:

- First, the economics of agriculture cannot be considered in isolation from the wider macroeconomic picture, particularly the economic and fiscal management. Similarly, agricultural policy (and the politics relevant to agriculture) cannot easily be separated out from wider processes of policy and politics, and the team's capacity (in terms of both time and skills) would have been exceeded if it had been attempted to provide a full account of these.
- Second, agricultural policy interfaces with that in several other specialist areas, including food security, land tenure and HIV/AIDS. Whilst this report refers to common issues between agriculture and these spheres, time constraints prevented a full discussion of the range of policy possibilities in these areas.
- Third, Zambia is a large and diverse country. If DFID(Z) is to pursue re-engagement in agriculture, then the broad suggestions in this paper would need to be followed up by a much more detailed study of the economics and politics of rural and agricultural development in selected provinces and districts.

3. DFID's efforts, within the context of CAS, to establish the best re-entry point to the support of agricultural sector activities ought to be understood in the context of the country's agricultural resource profile as it currently obtains. Zambia's natural resources make the country reasonably well-suited to agricultural production. Although there is only one growing season each year, most parts of the country receive adequate rainfall for the production of arable crops. Approximately 48 million hectares could be considered suitable for agricultural purposes. Large parts of this, while subject to some limitations, have the capacity to produce a variety of arable crops on a sustainable basis. The rest, although not well-suited to crop production, is quite ideal for grazing. And water supplies are sufficient to permit irrigation during the dry season in some of those areas that are suitable for crop production.

4. Zambia is divided into 3 agro-ecological zones which are further grouped in 36 main sub-zones, mainly on the basis of rainfall pattern. Zone I is characterised by low rainfall, short growing season, high temperatures during the growing season, and a high risk of drought. Zone III is characterised by high rainfall, long growing season, low probability of drought, and cooler temperatures during the growing season. Zone II falls in between Zone I and III for most climatic variables. There are great variations in the agronomic features (rainfall, elevation, mean temperatures, vegetation and soils) of the three zones and within zones themselves. The varied nature of these environmental variables makes it possible to grow a wide range of crops throughout the country. Zone I is found in the main valleys of Zambia such as the Luangwa Valley in Eastern Zambia and the Gwembe Valley in the south. It also encompasses parts of Western and Southern Provinces. Zone II is mainly found in the central parts of the country, i.e. Central, Eastern, Lusaka and Southern Provinces and some parts of Western Province. The northern parts of the country consisting of Northern, Luapula, Copperbelt and Northwestern Provinces lie in Region III.

5. Year-to-year variability in rainfall has been important in determining crop output in most parts of the country. Perhaps the biggest constraint to smallholder production is the vulnerability of production to variations in the climatic conditions. Highly variable yields have been obtained from the 1990s droughts particularly in the southern parts of the country. Added to this is the decline in the soil fertility in the areas which have been historically the most productive due to constant cultivation and over-application of fertilizer. This is mostly pronounced in Zones I and II which in recent years have been severely affected by persistent droughts. The recent

droughts may be part of long-term climatic change associated with global warming which may result in more frequent droughts and lower average rainfall in years to come in the southern parts of the country.

6. Official statistics divide Zambia's agriculture into two main sub-sectors: the commercial and smallholder sub-sectors. The latter is further split into small-scale farmers and medium scale or emergent farmers. Medium scale farmers cultivate between 5 and 20 hectares while commercial farmers cultivate above 20 hectares. Small-scale farmers' area of cultivation is below 5 hectares. Commercial farmers are characterised by extensive mechanisation, use high level technology and management, rear mostly exotic breeds and rely heavily on hired labour. Small-scale farmers depend on hand-hoe cultivation and use little of draught power while depending mainly on unpaid family labour. Further, small-scale farmers are characterised by low use of modern inputs. Where these are adopted, it is usually the use of hybrid maize and fertiliser which were over-promoted by past policies.

7. The smallholder sub-sector contributes, on average about 60 percent to agricultural output. Crops currently contribute about 80 percent to smallholder production. Livestock had contributed over 30 percent in the mid-1980s. This has declined, beginning in the 1990s, because of animal losses and sales as a result of droughts. Nevertheless, it is the possession of cattle, and particularly oxen, which makes the difference between a small-scale and an emergent farmer. The crop yield in traditional agriculture are low and are usually half that in the commercial sub-sector.

8. In terms of numbers, commercial farmers are estimated at fewer than 1,500 and farm mostly along the narrow corridor of land following the line of rail and in some parts of Eastern Province. Emergent farmers are estimated to number about 100,000 farm households. These are usually found in Southern, Eastern and Central Provinces. Small-scale farmers number about 600,000 farm households and are naturally more widespread than the other two categories. The farming systems applied vary from location to location and have been historically shaped by agro-ecological conditions. In the context in which the present report is written, it is important to appreciate that commercial (and outgrower) agriculture can have important employment-generation effects, but that many important equity and food security effects will not be achieved without uplifting the status of the smallholder sub-sector, a phenomenon that has been fully recognised in the country's PRSP and the Agriculture Commercialisation Programme, the two documents that currently form the basis of Zambia's agricultural policy.

9. It is becoming clear that increasing the use of draught (and mechanical) power alone will not optimise Zambia's advantage as a land surplus country. Apart from the drive to intensify oxenisation is the need to promote reduced tillage techniques. Education and literacy levels of farmers also play an important role in empowering them to receive and learn new farming practices imparted by extension. The poor health status of the rural population, particularly during the rain season that is usually riddled with malaria when demand for labour is highest, further undermines the already weak HIV/AIDS-prone human capital that is needed for increased agricultural production. Low and declining use of modern inputs has been identified as a major constraint to raising yield rates among smallholders. Farmers tend to use less than the recommended amounts of improved seed and fertiliser as the area cultivated increases. This may be the result of small-scale farmers' lack of access to inputs arising from poor input supply and high prices of inputs, particularly after official subsidies were removed. The collapse of the maize-credit schemes has worsened the problem. Consequently, input usage per hectare has declined since the early 1980s and the decline was particularly marked during the 1990s.

10. Against the above background, Zambia has witnessed high poverty levels even by Sub-Saharan African standards. The country's Poverty Reduction Strategy Paper (2002-2003), approved in May 2002, provides a succinct summary of the factors underlying poverty. Of relevance to the present study is the following:

- Poverty is more prevalent in rural areas than urban (83 percent and 56 percent respectively), and has increased slightly since 1991. HIV/AIDS sufferers, small-scale farmers, women and orphans are particularly poor groups.
- Average annual growth of the economy in 1990-99 was approximately 1% against the 5%-8% per annum necessary to achieve rapid poverty reduction, with only slight diversification from the heavy dependency on a single export commodity – copper.

- The economy faces chronic problems, including annual inflation exceeding 20 percent, instability of the Kwacha, a high external debt burden, high real interest rates and high growth in the money supply, driven largely by government borrowing.
- There are questions over the degree to which the political will exists to address poverty in all its dimensions, and over the extent to which the rule of law is being implemented.
- The agriculture sector has been characterised by: duality between a small number of large commercial farms geared mainly to export, and a large number (approaching 600,000) semi-subsistence farms, with around 25,000 intermediate-scale farms; substantial recent growth in outgrower schemes; wide fluctuations in annual rates of growth, given that most farming is rain-fed; a tripling in the value of non-traditional exports since 1995 (but these still only account for under 15 percent of all exports); high energy and transport costs and high interest charges; an increasing crime rate, raising the costs of farm security; lack of clear policy; inconsistency between policy pronouncements and implementation; weak contract enforcement, and some weakness in business confidence attributable to the very limited progress in the development of markets for land.
- The PRSP commits the government to improvements in all of these areas, but also to encouraging vulnerable groups to grow more food, to setting up public/private partnerships in input supply, and to ensuring that public sector involvement in agriculture is transitional, indirect and supportive of the private sector, rather than direct and competitive.

11. Other considerations are particularly noteworthy and the following ought to be taken into account as DFID ponders whether to recommence support to agriculture:

12. Agriculture is spatially distinct – and in the Kaunda period, efforts to sustain pan-territorial and pan-temporal pricing implemented through parastatals ultimately failed. Most large and medium-scale commercial agriculture is concentrated along the line of rail, including the Mkushi farming block in Central Province and, to a limited extent, in Eastern Province. Export-oriented horticulture is concentrated in these areas, as are outgrower schemes for tobacco and cotton. Northern and Luapula provinces are characterised by higher than average rainfall, whereas Southern Province is below average. A recent study[1] argues that there has been a substantial shift back into a diverse range of crops in areas remote from the main centres of consumption since the reduction in those subsidies which had earlier promoted maize cultivation.

13. HIV/AIDS: The overall prevalence of HIV/AIDS is estimated at 16 percent of the adult population (15-45 age group), with an approximate average of 20 percent in urban areas and 10 percent in rural areas. However, the distribution in rural areas is uneven, being concentrated in areas adjacent to line of rail and main roads. Clearly, food shortages has placed AIDS sufferers under increased stress. The challenges of HIV/AIDS on the public and private sectors of Zambia are also obvious. AIDS threatens the country's capacity building effort: unlike most other communicable diseases, AIDS strikes the educated and skilled as well as the uneducated. Consequently, it reverses and impedes Zambia's capacity by shortening human productivity and life expectancy. The long periods of illness of the skilled personnel in employment result in considerable loss to the employer. In this regard, the AIDS epidemic must be viewed as an immense challenge to capacity building and development.

14. The complex relationship between economic growth and HIV/AIDS is increasingly being recognised: the epidemic affects economic growth and economic growth impacts on the epidemic. In Zambia, the economic shock of AIDS on the labour market has translated into severe loss in economic productivity. Given that AIDS disproportionately affects the working-age population, the quantity and quality of the labour force is affected. The cost of overall production is likely to increase. An indirect effect on all sectors is the drop in consumer spending as the economic effects of AIDS spread throughout society. Correspondingly, a reduced access to income leads to adverse welfare impact on the household as resources for food and other basic necessities dwindle.

15. The impacts on families is tremendous for the epidemic is taking a heavy toll at the household level, especially under ill-conceived home-based care programmes that do not take into full account the cultural, social and economic considerations that may compromise the health safety of the caregivers. This is particularly so in Zambia where most people are poor and are ill equipped to shoulder added expenses of the caring for the sick. At

[1] Zulu et al., 2000.

the household or family level, the impact of HIV/AIDS varies by geographic areas (rural/urban); by socio-economic status and size of the family, and by the number and ages of dependent children. The majority of those who die of AIDS are in their most productive years and often the sole breadwinners in the household or cluster of families. Impacts are felt through the loss of income, changes in the pattern of household expenditure, high expenditures on drugs (when there is access to drugs) and medical services, and dissolution of normal social relationships within the family. Families in Zambia are known to have exhausted their entire savings long before their infected members die, a phenomenon that has a serious adverse effect on poverty levels, in general, and on the nutritional welfare of the household, in particular. The illness and death of economically active adults have resulted not only in higher medical expenses and lower incomes for family members, but also in survivors, especially women and children, having to lose access to land, housing, livestock and other assets (due to the uncaring behaviour of the husband/father's relatives that grab property from the surviving family members). The HIV/AIDS epidemic has also compelled many households and extended families to absorb orphaned children and to care for the chronically ill patients. A UNICEF-supported survey[2] of 1,000 households in Zambia, published in 1998, found that 72 percent of households care for at least one orphan, up from 37 percent reported by a similar survey in 1993. There are some 650,000 children up to the age of 14 years in Zambia that are orphaned because of AIDS.

16. The impact of AIDS on agriculture, the main focus of this study, is enormous as farming communities are depleted of able-bodied workers. Of particular concern is that the agriculture sector employs a large percentage of the labour force and accounts for a major portion of the gross domestic product and export earnings in Zambia. The effects of HIV/AIDS on this sector are, therefore, likely to reverberate throughout the national economy. The influences of the frequent droughts since 1990 and severe flooding in recent years complicate the analysis of the impact of HIV/AIDS on the agricultural sector in the country. Nevertheless, the loss of a productive labour force is currently having one or more of the following consequences:

- Reduction of land use under cultivation, as people are physically unable to work in the field.
- Reduction in crop yields, due to delays in carrying out certain agricultural interventions such as changes in cropping pattern.
- Changes in cropping patterns as some families have been known to switch to less labour-intensive crops.
- Decline in the range of crops per household as AIDS-affected families reduce the number of crops under cultivation to one staple crop.
- Reduction in the ability to control pests such as through weeding and other inter-cultivation measures due to shortage of labour.
- Loss of agricultural knowledge and farm management skills, due to the loss of one or both parents to AIDS.
- Decline in livestock production as the urgent need for cash may force some families to sell their animals.

17. The above state of affairs suggest that Zambia's high HIV/AIDS prevalence levels call for urgent reflections on how best to mainstream responses-cum-interventions into the national development agenda *across* sectors such as health and agriculture. Certainly, there are major resources at local level which remain underutilised in the fight against AIDS. Traditional leaders, for example, (including traditional chiefs, local justices, healers and traditional birth attendants) could be brought much more fully than hitherto into campaigns to advise against high-risk sexual practice.

18. Food insecurity and nutrition: below-average rainfall in certain parts of the country for the 2001/02 agricultural season have prompted some observers to estimate that over US$2 million of emergency food grain imports will be needed,[3] by contrast with others who suggest that the situation is no worse than that occurring periodically in the country.[4] DFID's own estimates suggest that regular imports of some 40,000/tonnes/month of food grain will be needed for several months, but that this is better classified as a part of recurrent cycles of

[2] Cited in UNICEF (1998), *Orphans and HIV/AIDS in Zambia: An assessment of orphans in the context of children affected by HIV/AIDS*, Lusaka, UNICEF. See also Hunter, S. (1997), Orphans and HIV/AIDS in Zambia: An assessment of orphans in the context of children affected by HIV/AIDS, Lusaka, UNICEF; and Orphans and vulnerable children: A situation analysis, Zambia 1999, Lusaka, Study Fund Project.
[3] Oxfam, Lusaka
[4] G. Scott, personal interview, Lusaka, December 2002.

chronic food insecurity rather than acute food shortage.[5] At the time of writing, Zambia had suffered a long gap in the following season's rains (i.e. 2002/03), and clearly the food security situation will be exacerbated if this proves to be a second poor growing season. A reversion to more diversified farming in many areas may make rural communities more resilient in the face of moisture shortages that adversely affect maize, and the (as yet, unquantified) spread of 'new' crops such as disease-resistant varieties of sweet potato, offer further opportunities for diversification. Periodic food insecurity has to be distinguished from chronic problems of under-nutrition, often related to inadequate protein intake. The quality of 'relish' eaten with traditional maize staple is often poor, particularly in the dry season, and the consultants were told of instances in which small producers, using simple water-lifting devices such as treadle pumps, were able to cultivate crops such as pumpkin and amaranth for their leaves, which found a ready local market.

19. The analysis above shows that Zambia faces many challenges in its development effort, in general, and for the agricultural sector, in particular. To address the challenges, a number of actors are expected to play their role in a manner that is inclusive and participatory. For the most part, the country's policy-making processes have been dominated by the political leadership, thus, leaving very little room for other potential 'drivers of change' to have their mark on the policy plane. The next section looks at the policymaking process and analyses who and what the prime movers really are.

[5] Jane Barham, DFID/CHAD, personal interviews, Lusaka, December 2002.

2. The Policymaking Context and Process

20. What is the context within which policy is shaped in Zambia and how is policy initiated? Two contexts - the economic and agricultural policy contexts - are reviewed below. This is followed by the analysis of the policy process. The section ends with the identification of the various policy actors and their relative influence on policymaking.

2.1 The Policy Context

2.1.1 Economic Environment

21. Zambia's policy choices ought to be understood in the context of the country's economic conditions over the years and the degree to which the country circumstances have conditioned policy choices and, to a considerable extent, restricted the policy makers' room for manoeuvre. The unstable policy environment that was characterised by frequent policy shifts over the 1983-91 period has also rendered the politico-economic atmosphere in Zambia unattractive to large scale foreign investors, a phenomenon that, despite the more consistent post 1991 policy stance, has further affected the general investor confidence. The crisis in the copper mining sector is particularly noteworthy and has implications for the level of policy flexibility to the extent that the demand for this product is generally sensitive to the levels of industrial production in the major industrialised consumers. Annex 3 gives the macroeconomc environment that conditions policy choices in the country. Table 1 gives the chronology of Zambia's economc policy shifts.

Table 1: Chronology of Zambia's economic policy changes

PERIOD	ECONOMIC REGIME
Before December 1982	Centralised planning and controlled regime
December 1982 - October 1985	Decontrols and deregulation
October 1985 - April 1987	Highly liberalised regime
May 1987 - November 1988	Return to controlled regime
November 1988 - June 1989	Relaxation of some controls
July 1989 - November 1991	Towards full-scale liberalisation
November 1991 – December 2001	Fully-fledged Structural Adjustment Programme
December 2001 - Present	New Government in power with (a) Guarded approach to liberation/privatisation (b) the re-introduction of national planning and (c) the development of PRSP

22. Agriculture has been singled out in the country's PRSP, the 2002 Government Budget, and the just launched Transitional National Development Plan (TNDP) as the strategic sector for both growth and poverty reduction. For example, from the total 2002/03 budget of K5,676.8 billion, K450 billion (7.9 percent) is earmarked for poverty reduction programmes while the agricultural sector's share has almost trebled from K88 billion in 2001 to K231 billion in 2002. An additional K10 billion has been allocated for input packs for smallholders, and a further K15 billion for outgrower schemes. However, there is very little evidence of detailed action plans, or of the requisite capacity needed to operationalise the major changes in resource allocations towards poverty reduction, let alone evidence that serious effort is underway to build this capacity, a phenomenon that reveals a wide gulf between policy pronouncements and actual realities.

2.1.2 Agriculture policy

23. The early years of independence saw Zambia introduce massive state intervention in agricultural production and marketing, with the aims of ensuring maize self-sufficiency for a large and vocal urban population. It is clear from information collected during this study that the major policy constraints in agriculture are as much macro-economic as they are sector-specific (see Annex 4 for more detail). This section examines some of the main considerations in the development of agricultural policy and forms the policy context within which this study is located. It is clear that Zambia needs to improve agricultural production, productivity and market competitiveness in order to come out of the poverty trap. The strategy should be to exploit forward and backward linkages in the production chain within a rural development context. Zambia has landmass area of approximately 752,000 square kilometres of which 12 percent is suitable for arable use. However, only about 14 percent of the arable land is

presently cultivated. The rainfall pattern defines the country's three agro-ecological regions. Each region has defined characteristics and is suited for the production of a diversity of crops, livestock and fish enterprises. Moreover, Zambia's ground water resources are abundant, estimated at 1,740,380 million cubic metres with the ground water recharge estimated at 160,080 million cubic meters per annum. Irrigable land is estimated at 423,000 hectares but less than 40,000 hectares (or 9 percent) is currently irrigated, mostly by commercial farmers cultivating sugar, wheat and plantation crops. Zambia's land tenure that can be categorised into two main systems: Customary and Leasehold. Leasehold accounts for 6 percent of the total land mass, provides for title deeds for a renewable period of 99 years. This tenure system provides a sense of security and places value on land for commercial transactions.

24. Table 1 gives the chronology of policy shifts in Zambia. It is important to appreciate that this is the macro policy regime within which agricultural policy was developed. Generally, there is little disagreement within Zambia presently that the policy of liberalisation is the right one for revitalising the agricultural sector. There is consensus that the government's pricing and marketing policies in the agricultural sector during the pre-reforms period failed to provide sufficient incentives for increased output by farmers. The state dominance of the agricultural sector at both inputs supply and actual production has evidently discouraged the emergence of private sector-led agricultural development. Complementary to such faulty state policies and interventions has been the weak infrastructure support to the farming community. Moreover, because of the policy bias in favour of maize, infrastructure and service support to the agricultural sector discriminated against other equally rewarding activities in this sector targeted at both the domestic and external markets. Consequently, a badly distorted and lop-sided agricultural sector emerged that has been dominated by a single crop, maize, that has been encouraged even in agro-ecological areas that are not suited for its production.

25. In order to cope with the above realisations, the government began in 1983 to work towards economic stabilisation. In this context, the government decided to eliminate subsidies on maize and fertiliser. By 1994, all consumer subsidies on maize and maize products were completely eliminated and the price of the staple foodstuff (maize meal) liberalised. Additionally, all parastatals that were involved in marketing activities have been either abolished (e.g., the National Agricultural Marketing Board) or are earmarked for privatisation.

26. Moves towards policy and institutional changes focused on the key areas of (a) consolidating the liberalisation of agricultural marketing (primarily the elimination of subsidies to marketing parastatals and, subsequently, their privatisation); (b) strengthening the liberalisation of trade and pricing policy; and (c) streamlining the land tenure system to make it receptive to the policy of liberalisation. In pursuit of these goals and principally in response to the past poor performance of the agricultural sector, the Agricultural Sector Investment Programme (ASIP) was launched in January 1996, focusing on five broad objectives, namely, to ensure national and regional food security; to generate income and employment to maximum feasible levels in all regions; to ensure that the existing agricultural resources base (land, water and air) is maintained and improved upon; to contribute to sustainable industrial development; and to significantly expand the sector's contribution to the national balance of payments by, among other things, expanding agricultural exports in line with international comparative advantage. ASIP was a sector-wide, multi-donor assistance program costing $350 million with a $60 million credit from the World Bank. This programme was intended to bring agricultural policy, institutional initiatives and development investment assistance in agriculture and rural communities from 11 donors under one umbrella with coordination by the Ministry of Agriculture, Food and Fisheries (MAFF). In order to operationalise the above-presented policies, ten strategies were adopted for ASIP, namely, liberalisation of agricultural markets; diversification of crop production; development of the livestock sector; emphasising services to small holders; expanding economic opportunities for outlying areas; improving the economic status of women; improving the use of the available water resources; full utilisation of land suitable for agriculture; helping farmers deal with natural disasters; and emphasising sustainable agriculture. It was seen as the first phase of longer-term program assistance from donors for the agricultural sector. While ASIP was relevant to the strategy of the Bank and other donors, and could potentially lead to substantial improvements in the efficiency with which the government and donors assisted the agricultural sector, it actually failed to achieve most of its objectives.

27. The main problem faced by ASIP was that the necessary institutional capacity to implement the program was not established before approval. This capacity was not firmly in place until three years after approval. The World Bank, which had been the government's main advisor during the preparation and appraisal of ASIP, seriously misjudged the time required for the government to complete the reorganization of MAFF. While some ASIP project components such as the Rural Investment Fund that financed community-identified rural projects were

implemented satisfactorily, a large proportion of both the total project and the Bank-financed components were not implemented satisfactorily.

28. Notwithstanding ASIP's goals, real growth in the agricultural sector has fluctuated significantly mainly due to the sector's high dependence on seasonal rainfall, reduced investments and the failure to strategically position the sector according to its comparative advantage. Because agriculture is predominately rain-fed, its performance has been highly variable and inadequate. The sector's contribution to GDP averaged 18 percent over the past decade. Non-traditional, mainly agriculture-based, exports increased from US $46.5 million in 1995 to US $133.9 million in 1999, thus, demonstrating the enormous export potential the sector possesses. The contribution of agriculture to non-traditional exports did increase from 23 percent in 1990 to 47 percent in 1999. However, this growth is seriously threatened by the lowered competitiveness of the sector due to high production costs arising from the high prices of inputs, especially energy and fertilizer.

29. Trends over the years indicate that the agricultural sector has somewhat accelerated its diversification partly due to the increasing number of out-grower schemes in the country. The value and variety of export commodities have also increased, thanks to improving stakeholder consultations and partnerships, as revealed in the Agricultural Consultative Forum (ACF).[6] However, the ability of the sector to tap the resource endowment to improve the livelihoods of the poor has been constrained by both micro and macro factors. Private sector activities have been limited to a few areas, thus, exposing the long-standing duality of agriculture. High interest rates, escalating inflation, decreasing purchasing power, volatile exchange rates, liquidity constraints and limited credit facilities have combined to limit the impact of the liberalization policies.

30. The most significant recent developments that have constrained growth in the agricultural sector include changing trade practices with the country's regional neighbours; low competitiveness; and an overall reduction in investment inflows to the sector. In particular, the signing of the COMESA FTA implies that products entering Zambia from other member states will not attract customs duty, thus heightening competition from cheap imports. This demonstrates the constraints imposed by national fiscal, monetary and price policies, that are largely exogenous to the agriculture sector, but which make much of agriculture a 'high cost' sector. The sector has also over the years suffered from a reduced level of investment and resource allocation inflows from the state budget and donor contributions. Whilst the four-year budget for ASIP was US$350 million, the actual total disbursement over the period was only 53 percent at US $184 million. Meanwhile, the average government budgetary allocation to the sector was 4 percent of the total national budget.

31. Unfavourable weather conditions (flooding and dry spells); increasing outbreaks of livestock diseases; and overall decline in access to agro-services have all contributed to the slow progress of the sector. Furthermore, inconsistency between policy pronouncements and implementation; poor infrastructure; gender inequality; and HIV/AIDS have also depressed the sector's growth. Low utilisation of land because of cumbersome procedures in obtaining title deeds and lack of incentives for utilisation of idle land and unsustainable agricultural practices also continue to inhibit the sector's growth potential. Whilst Zambia is said to enjoy comparative advantage in the production and export of various commodities, inherent constraints such as high-energy costs and transport costs, driven by high internal taxes and charges continue to hinder agricultural producers' competitiveness. Other factors reducing competitiveness include the high crime rate that has increased the cost of farm security.

32. It is against this background that the PRSP recognises the need to increase the efficiency, competitiveness and sustainability of production while ensuring food security and increased income. Notwithstanding the uniqueness of the requirements of different farmer interest groups, sustainable and broad based agriculture growth with forward and backward linkages to other sectors is expected to form the thrust of the new PRSP approach to agricultural development.

33. A number of important assumptions are made vis-à-vis PRSP intervention in the agricultural sector. First, the PRSP takes cognisance of the fact that, taken together, the initial impact of liberalisation on Zambia's smallholder farmers has been negative especially in an economy where most farmers had access to highly subsidised agricultural inputs and credit before liberalisation. Under such conditions, the main national challenge at the policy level under PRSP is to work out how the private sector can be stimulated to provide inputs, and what transitional support small farmers might need.

[6] Interview with Dr. Mwanauno, Lusaka, December 2002.

34. Second, the new government maintains that the creation of a market economy does not necessarily entail that the state must have no interest or involvement in commodity, input or resource markets. However, such involvement is being perceived under the PRSP to be indirect and supportive rather than direct and competitive. This implies government's preparedness under PRSP to be involved in some transitional functions such as those related to the provision of support services and guaranteeing of national food security. As we discuss elsewhere, there are inconsistencies here between official policy statements and what government does in practice by way of continued direct intervention in agriculture.

35. Third, the market integration of outlying areas is considered by the PRSP as an important step towards enhancing the productivity of the poor. Generally, the agricultural delivery systems shall provide the outlying areas with, *inter-alia*, appropriate and affordable yield-enhancing technologies; key inputs, particularly improved seed and fertiliser; efficient systems of disposing outputs, and affordable finance. In this regard, the government states in the PRSP that it shall continue to encourage the development of an effective farm input supply system by promoting public-private-partnership (PPP) in the input supply sectors, though the features of PPPs are not defined. For the PRSP initiatives in the agricultural sector to succeed in integrating smallholders into the market, and additional efforts are planned to facilitate timely, reliable and relevant information flows to all the main stakeholders as well as from the stakeholder to the major implementation/coordinating agencies.

36. Fourth, the government sees the need to direct special effort towards improving financial services. The facilitation of rural finance is taken to be at the core of any meaningful strategy of empowering smallholders to steadily enter a liberalised and commercialised agricultural sector where competition reigns. In this respect, the PRSP plans to invest effort in understanding how best to bring in the private sector and community-based organisations/associations in the provision of the needed financial services that are so strategic to empowering the poor's productivity. The role of outgrower schemes has proven to be strategic in this regard as a response to the dearth in alternative input supply mechanisms. Thus, the promotion and sustenance of outgrower schemes in ameliorating the input delivery problem of smallholders is expected to receive priority under PRSP mindful, though, that its success is greatly dependent upon improved macroeconomic stability.

37. The Agriculture Commercial Programme (ACP) has replaced ASIP as the policy document governing actions in the agricultural sector. It aims to facilitate sustainable and broad based agricultural sector growth over the period 2002-2005 by focusing on increasing the generation of income from farming through improving access to marketing, trade, agro-processing opportunities, agricultural finance services, improved agriculture infrastructure and serviced land, appropriate technology and information.

38. ACP focuses on increasing the generation of income from farming through improved marketing, trade and agro-processing opportunities; promotion of agricultural finance services for farmers, traders and processors; improved agriculture infrastructure and serviced land in high potential areas; facilitation of appropriate technology; and the provision of information on local and international markets for products with comparative advantage. The ACP document provides a coherent planning framework for agriculture sector activities and general development for the period 2002 to 2005. It is important, nevertheless, to note that the ACP was being formulated at the same time as the PRSP, a phenomenon that has resulted in significant policy harmonisation difficulties and uncertainties. While the ACP formulation team regards the document as the main vehicle for implementing the agriculture component of the poverty reduction strategy, the PRSP, similarly, provides both strategy and action plan for implementing agricultural sector policy in relation to poverty reduction. It is equally important to note that the ACP does not clearly justify the basis upon which its themes during its design were selected.[7] Consequently, there has been lack of prioritisation of areas that require intervention. Moreover, the factors that led to the failure of the predecessor programme (ASIP) have not been adequately addressed, thus, threatening the new policy initiative to face similar difficulties. Caution also needs to be sounded regarding ACP's possible funding difficulties. The implementation mechanism of ACP is also not clearly defined.

39. Finally, let us now try to draw a few broad conclusions based on some of the more recently introduced policy initiatives. While government could be commended for its broad support of the reform process, areas in which it

[7] The working group themes were: marketing and agri-business; food security; input and product standards; agriculture finance; land development and settlement; rural investment fund; extension; soils and crop research; livestock production and health; fisheries, conservation farming; seed multiplication and certification; irrigation; and cross-cutting issues.

has not adhered to the new agenda are significant. Firstly and most notably, although the government's adherence to the reform process has been strong with respect to the liberalisation of output marketing arrangements, it is equally true that its support for the reform of input supply and credit markets has remained quite weak and the involvement of other stakeholders in policymaking at this level has been extremely marginal. In particular, although policy consistency has been much stronger at the level of output marketing, there is evidence that the government is still having difficulties in the area of freeing input supply and credit market development. Government intervention in inputs supply has tended to make the private sector lose confidence in the government's stated policy of retracting from this area in preference for private sector entry. The government has interfered with agricultural markets on a number of occasions during ASIP implementation and beyond. For example, during the 1990s, the state had taken the following steps, contrary to its post-1991 spirit of market liberalisation:

- decreed an export ban on maize during the 1995/96 season using reasons that conflict with conventional economic logic;
- announced in mid-1995 a debt relief package for farmers that were affected by drought without consultation and giving serious reflection on the implications of such action;
- decided to import fertiliser in 1996, contrary to the expectations of private sector operators and donors; and, more recently
- announced in may 1998 its plans to give free handouts of agricultural inputs (mainly fertiliser) to farmers in its resettlement schemes.

40. The above-mentioned debt relief package best illustrates the policy difficulties associated with decisions that exclude the involvement of other stakeholders. The debt cancellation announcement was made without consulting the main agricultural stakeholders, including the business community that extended the loans to the farmers. Moreover, the announcement was made before the relevant administrative and operational structures and procedures were agreed upon and effected. The government envisioned that the required finance for the exercise would be offset against outstanding debts the lending institutions owed government such that no additional funds would be required. The lending institutions felt cheated by the government and expressed their concerns to the government and through the media. They demanded that the government should recapitalise and/or compensate them. By the end of 1996, one and half years since the unilateral government decision, the state was still negotiating with the lending institutions as to who should shoulder the estimated K12 - K15 billion cost of the exercise.

41. The effect of this one decision threatened not only the very survival of the already few institutions that lend to the smallholders (since their recovery rates in that year plummeted) but, equally significant, raised serious doubts in the minds of private sector operators regarding the seriousness and consistency of government policy in this area. Much as some form of relief to the affected farmers may was appropriate, it is the manner in which this was done that seriously erodes both the confidence of the private sector as well as the principle of stakeholder consultation that is so prominent in the current government policy for the liberalised agricultural sector.

42. Similarly, each year since the economic reforms began, the government has intervened in input markets by importing fertiliser. This is done because the government believed that the private sector can not adequately meet market demand. It seems the government tends to under-estimate the capacity of the private sector to bring fertiliser in sufficient quantities. To the contrary, the private sector has already demonstrated its willingness to import agricultural inputs. Privately-operated outgrower schemes, for example, have demonstrated clearly since that they have the resources and interest to supply agricultural inputs if given the right policy environment. To the extent that the government continues with its policy of interference in the markets, the private sector would not be willing to fully enter the fertiliser delivery system especially against the uncertainty over the price effects of such government interventions. Indeed, the government's lack of confidence in the capacity of the private sector has become a self-fulfilling prophecy in the sense that its continuing involvement in the market despite market liberalisation has damaged private sector confidence in this activity and, hence provided further 'justification' of government involvement.

43. Against the above policy experiences, it is important that the government clearly re-defines the roles of the public and private sectors in agriculture in a manner that makes clear their respective roles and functions – as well

as their limits. In such redefinition of respective roles, the starting point should be the recognition of the limited nature of government input, which should be confined to legislation, regulation and co-ordination. Actual implementation of activities should be left to the private sector and the beneficiaries themselves, mainly smallholder farmers. Moreover, in the definition of, and support for, the private sector, the policy framework should make a clear distinction between non-profit organisations that provide development services (e.g. NGOs, Community Based Organisations, etc.), on the one hand, and those that are engaged in commercial activities, on the other.

2.2 The Policymaking Process

44. The success of any policy is largely dependent on the organisational, institutional and regulatory framework within which it is designed and operationalised. Who are the main policy-making agents in Zambia? How far can civil society and other stakeholders influence government policy? Zambia's characteristic weak political institutions and bureaucracy have tended to complicate not only the task of establishing who is in control but also whether the state itself can reasonably be expected to possess the organisational capacity to order its priorities and goals in a way that amounts to a meaningful vision. The absence of strong institutions of democratic representation has evidently left the 'disorganised' state to dominate government action. However, the weakness within the state machinery itself does explain in many cases the dominance of the head of state in the provision and articulation of policy direction or vision. In a situation like this, the needed minimum cohesiveness within government is not usually facilitated and whether, under such conditions, the head of state is in clear control is not always obvious.

45. To what extent has the Zambian experience with structural adjustment, for example, corresponded to the above attributes and how has policy-making fared? To begin with, it is apparent that during the Kaunda phase of SAP (1983-91), the country's economic adversity precipitated by, inter alia, the falling export revenue (mainly from copper); the oil crisis; and the generally poor economic policy, imposed major policy constraints. At that time, the structure of power and decision-making was such that all it took the multilateral agencies and bilateral donors was to convince the President and that was sufficient to have SAP adopted as government policy. But the move by President Kaunda to adopt SAP did not win the support of the most important stakeholders within the government system, particularly the cabinet members (with a few exceptions); the Central Committee of UNIP; the bureaucracy; and the citizens. The exclusion of the bureaucracy from being an active role player in policymaking pertaining to SAP failed to guarantee its efficient implementation. In particular, in the absence of citizens' support of the reform, Kaunda's major political foe, organised labour, played a strategic role in applying pressure on the state to u-turn. The opposition that the trade union movement in Zambia brought to bear on Kaunda's government after SAP was put in place signalled the emergence of a sensitive civil society that ultimately developed enough clout to challenge the government into capitulation. The pressure groups' leverage was further strengthened by the somewhat weak adjustment responses as expressed in terms of the demonstrated poor economic record and the considerable degree to which it negatively impacted on incomes and employment.

46. With respect to President Chiluba's approach to policy-making, particularly in the economic arena, it was evident that the government enjoyed considerable leverage for structural adjustment reforms when it assumed office in 1991 following the renewed popular legitimacy. However, then civil society established the magnitude of 'bad governance' tendencies exhibited by the government, a more united civil society force that included the trade union movement, the church, a good number of traditional leaders, students, NGOs/CBO, etc, united and raised their voices against the style of national leadership. The Anti-Third Term pressure that was championed by a group of church denominations and lawyers (under the umbrella of the 'Oasis Forum') signalled more explicitly for the first time in Chiluba's government that the voice of other 'drivers of change' had to be head. They won.

47. Under the current government of Mwanawasa, it is difficult to speak with sufficient authority regarding the degree to which the policy-making approach is inclusive of other stakeholders especially in the light of the yet-to-be-resolved legitimacy challenges of the last presidential election results. There are, nevertheless, two noteworthy developments during Mwanawasa government's first year in office that signal the increasing pressure of extra-government actors in policymaking. First, Parliament is more representative of the opposition than it has ever been during the history of the country and the government no longer passes its bills unchallenged. Indeed, a number of Private Members' Bills have been sponsored by the opposition and managed to go though in Parliament, a phenomenon that signals positive democratic tendencies. Second, the on-going civil society pressure against the privatisation of the remaining state-owned companies, particularly the Zambia National Commercial Bank and Zambia Electricity Supply Corporation (ZESCO) has recently yielded state capitulation on its earlier

IMF- and World Bank-backed position to go ahead with the disposal of these remaining assets. Irrespective of the current arguments for and against privatisation, the significance of this development is essentially that the state was forced to retract on its earlier position under the immense tide of civil society pressure.

48. In the context of the above state of affairs, what are the noteworthy basic principles that would promote popular participation in policy-making? Throughout history, nearly all societies have grappled with how to make the state reflect the needs and interests of the population and Zambia is no exception. However, effective citizen involvement in policymaking does not come easily for it requires enlightened government intervention, including improving the institutional environment in which varying interest groups co-exist. This also entails increasing opportunities for voice and participation when citizens are permitted to express their opinions, formally or informally, and freely press their demands publicly within the framework of the law and when the state consequently acquires some of the credibility it needs to govern well. Annex 5 gives more detailed analysis of main agents of policymaking in Zambia.

2.3 Roles and Relationships

49. Implementation of the constitutional separation of powers between legislative, executive and judicial arms of government only started in earnest post-1991. The 'newness' of Chiluba's government in 1991 no doubt facilitated a more rapid pace of change, but the business community supporting his government had different interests, generating factionalism (see Annex 5). The Chiluba government's reputation declined as corruption became rampant. Despite the introduction of 'multipartyism' in 1991, it is only in the last year or so that there was a substantive parliamentary Opposition[8], enhancing the prospects that policies will be based less on clientelism and more on 'class interest' issues which are debated fully before entering the statute books. However, this new tension between government and opposition is still fledgling: the knowledge of many MPs of parliamentary procedure needs to be strengthened, and their capacity for collecting evidence on which to base their arguments reinforced.

50. Parliament in Zambia consists of the President and the National Assembly. The latter comprises 150 elected members, either from parties or independents, and eight nominated members. The recent decision by the new government to broadcast live parliamentary debates is one way of enhancing the needed transparency, but a widely held view is that the National Assembly needs to be reformed in several ways in order to increase accountability and transparency further, including:

- Less restriction on the public entering the National Assembly in order to lobby their MPs.
- Amendment of the Constitution in order to empower the National Assembly to exercise its functions to ensure a greater check on the Executive.
- Annual audit of the National Assembly's own accounts by independent auditors and their formal publication
- Regular declaration by Ministers of their assets under the Code of Conduct Act, and prevention of Ministers from doing business with institutions in which they have an interest.
- Empowerment of committees, such as the Public Accounts Committee, to recommend specific sanctions to the Executive concerning individuals directly connected with misuse of public funds.
- Regular training of parliamentarians on constitutional matters to enhance their grasp of democratic principles and strengthen their role as an effective check on the Executive.
- Amendments to part X of the Constitution to empower the National Assembly to do the following:
    - Re-allocate resources within the budget and prioritise or re-prioritise according to the needs of the people and the nation.
    - Determine the upper limits of government borrowing, unlike the situation currently obtaining whereby the Minister of Finance sets the limits by statutory instrument under the Loans and Guarantees Act.
    - Approve major loan agreements before these are signed so that a collective decision is made on behalf of the people of Zambia.

[8] We are conscious of the argument by Saasa (2002) and others to the effect that in a number of Africa languages there is no word to convey 'Opposition' in the parliamentary sense, and that such terms as do exist commonly convey exclusion or marginalisation from the mainstream. This requires that support to parliamentary debate, and extra-parliamentary demands on policy should be designed with caution, but does not rule it out altogether.

- Allocation of adequate resources to the National Assembly so that it can provide MPs with the necessary tools to perform their work. The National Assembly needs technical capacity to question the wisdom, soundness or effectiveness of government actions, policies, budgets and the legislative programme. MPs also need adequate and reliable information to debate and make informed decisions.

51. In the context of the above, one of the emerging challenges in a democratising Parliament with a large opposition presence is how best to equip MPs with the requisite capacity to debate bills meaningfully. At the moment, it is clear that MPs are not sufficiently provided with important information both at the macro level and with respect to their own respective constituencies. This calls for improvement in MPs' access to information that would make their debates on national issues more informed. At present, parliamentarians have no access to the research facilities and/or research assistants that are strategic in informing policy debate, a phenomenon that has allowed 'bad' bills tabled by the government sail through without much challenge.

52. Since the last elections in December 2001, there has been an opposition majority of elected MPs in the House, although with its 8 nominated MPs the MMD has a small overall majority. The opposition is also divided into a number of parties. This situation underlines the distinction between Parliament and the Executive relative to earlier years in which opposition had either zero seats (One Party State), 17 percent (1991-1996) or 13 percent (1996-2001).

53. There is a tendency for backbenchers to cross party lines, particularly on 'populist' issues. Thus:

- An opposition amendment to the 2002 Budget to cut a 20 percent tax on diesel, for the purposes of encouraging agriculture, was passed against the protests of the Minister of Finance in January 2002.
- An opposition motion to affirm opposition to the privatisation of Zambia National Commercial Bank (as agreed with IMF) was passed in December 2002
- An opposition motion to direct Constituency Development Fund money to ward level rather than constituency level was passed in December 2002.

Box 1: Adversarial politics – new initiatives

Three Private Members Bills were drawn up and an attempt made to present them in October 2002 by Dipak Patel, the MP for Lusaka Central and a political innovator. These bills concerned Independent Broadcasting, regulation of State Broadcasting, and Freedom of Information. The executive blocked the bills on the grounds that they had financial implications but, to make the blocking more credible, it was obliged to bring in Government Bills covering the same areas.

A certain amount of 'advocacy' money from donor projects seems to be finding its way into research and consultation aimed at supporting policy initiatives at the Parliamentary level. For example we understand that a professionally developed and drafted amendment to the Wildlife Act of 1998, aimed at restricting the powers and privileges of the Minister in favour of the Zambia Wildlife Authority, is being circulated amongst MPs at the present time.

54. The traditional role of Members of Parliament has been to air complaints from their constituencies. There are signs of a broader national perspective emerging. It will be interesting to observe the influence that Parliamentary muscle-flexing may come to have on the 'turf sharing' between the Executive and the Civil Service.

55. There is a pressing need to strengthen the capacity of MPs to prepare and defend Private Members' Bills:

- There are only weak procedures to guide the sponsorship of Private Members' Bills.
- Private Members' Bills are usually sponsored by an individual MP, usually in the opposition camp, and the level of consultations that characterise such an initiative is significantly dependent on the financial capacity of the MP to organise meetings and, in the process, 'sell' the idea to other MPs.
- The information at the disposal of the initiative is often scanty and rarely benefits from expert knowledge that can be accessed for fees beyond the resources of the average MP.

56. There is thus a need to strengthen the capacity of MPs to develop Private Members' Bills and enhance their ability and competence to present and defend these for smooth passage in Parliament. This calls for the following:

- Expose all MPs to the various steps necessary to lodge a private members bill.
- Facilitate a structure that would better provide research assistantship for the benefit of MPs.
- Facilitate the development and/or strengthening of a database and website for parliamentarians.
- Provide MPs with basic computer literacy.

2.4 Interest Groups[9]

2.4.1 Trades Unions

57. Trade Unions have long been an influential group on Zambian policy. Organised labour under the umbrella of the Zambia Congress of Trade Union (ZCTU) represents about 75 percent of workers in formal employment. Political resistance to colonialism was generally championed by trade unions on the Copperbelt. However, as living standards began to decline from the mid-1970s, the ZCTU assumed something of an opposition role in the one-party state. It was not a coincidence that the ZCTU was among the first civil society groups to openly call for multipartyism, with its leader (Chiluba) taking over the reigns of power in 1991. However, with the reduced importance of the mining sector, the influence of the trade unions has declined significantly. The unionisation of agricultural labour is weak, for many of the same reasons as observed elsewhere: much labour is 'tied' to individual farms through produce-sharing or accommodation arrangements, and so is reluctant to challenge authority, and the labour force is fragmented across long distances and large numbers of farms.

2.4.2 Business Groupings

58. The interests high on the agenda of these differ according to their predominant activity: a high kwacha and low import restrictions being favoured by importers, for instance, a low kwacha by exporters, and high import restrictions by those focusing on production for the domestic market. In relation to agriculture, the principal producers' associations include the Zambian National Farmers' Union, the Zambia Coffee Growers' Association, the Tobacco Association of Zambia, and the Zambia Export Growers' Association. All are extremely active in making policy demands on government. The ZNFU has established 10 district-level branches, almost all in the Copperbelt or eastern province. The ZNFU has clear views on why agricultural growth has been slow in the past (Annex 12), and, working jointly with the Ministries of Agriculture and Finance, in December 2002 submitted a number of budget-related proposals. These included:

- the formation of a National Agricultural Development Committee to be chaired by the Secretary to the Treasury, and aiming to make government proactive in providing rapid, clear and consistent signals to farmers;
- the creation of an Agri-Bank to reduce problems of high interest rates and non-payment of loans facing the industry;
- reductions in the taxation of fuel, electricity and telecommunications;
- clarification of the role of the Food Reserve Agency, and of the role of government in relation to fertiliser supply; and
- numerous proposals for reduced taxation on agriculture-related products and for stimuli to exports.

59. The Zambia Association of Chambers of Commerce and Industry (ZACCI) represents around 85 percent of the formal employers in the country, mainly on the line of rail. It has tried consistently to make policy more evidence-based, but with very little success. Its view, for instance, is that exchange-rate policy has evolved away from the interests of business in recent years, that the government is still tied to a parastatal mentality, that virtually no politician or civil servant has business experience, and that government is extremely weak in the detail of all aspects of policy and its implementation, whether on fiscal or monetary policy, public service reform, the formulation of positions for international trade negotiations, regulatory policy, and so on. ZACCI has tried on numerous occasions to establish consultative mechanisms with government, but generally found poor government

[9] Relevant across all the interest groups discussed here is the question of who qualifies as a 'true Zambian'. The undercurrent in many political statements is that only those of Bantu origin are 'true Zambians'; those of Asian or European origin have lesser status. There is an interesting tension here: those of Asian or European origin (whether in commercial farming, business in general, or the media) frequently make vocal demands on government, yet because of their perceived status, find it difficult to obtain a response. The same perception has undoubtedly been one influence in government's sluggishness or (negative) policy decisions in such areas as wildlife tourism or (especially) safari hunting, which are perceived as white-dominated.

attendance and weak follow-up of agreed action points. ZACCI has campaigned, so far unsuccessfully, for a broadening of the tax base. For instance, the brewing industry is faced with 17.5 percent tax plus 35 percent excise duty on its products, whereas taverns (outside the main urban areas) pay no taxes, but could easily be made to do so through a licensing scheme.

2.4.3 Churches

60. Churches in Zambia have played an important role in influencing major political developments. In 1990 they championed the re-introduction of multi-party democracy in Zambia (culminating in the famous Cathedral of the Holy Cross meeting that brought warring political forces towards an agreement on multiparty system of governance). More recently, the mass political rejection of the 'Third Term' bid by the government of Chiluba was spearheaded by the Oasis Forum that consisted of most of the main Christian denominations in the country, once again confirming the influential role the church in Zambia possesses in rallying the people around what is perceived as the common 'political good.' In this regard, the church has served as an important driver of change in the country. It has also been used by the government since Independence to bring harmony during periods of seemingly insurmountable political stress. However, the influence of the church on agricultural development has varied much by locality, and has been limited mainly to small-scale individual projects. Where these require joint action, this has generally been achieved well by the newer, usually evangelical, church groupings.

2.4.4 NGOs, CBOs and Traditional Authority

61. Traditional leaders are generally assigned rather *ad-hoc* and ceremonial functions and rarely are they an important factor in decision-making or service provision. The growth of local NGOs in Zambia has been quite rapid in the past 20 years, but their capacity to work with communities remains limited. As with the public sector, there is need to strengthen the management skills of NGOs in such areas as financial mobilisation and management, project planning, appraisal, implementation, and M & E. The NGO Technical Services committee is trying to equip other NGOs with these skills, and the NGO Co-ordinating Committee attempts to harmonise their activities. With the advent of democracy and liberalisation, it has been argued that NGOs can play an important role in utilising donors resources for development. As early as its 1993 Technical Cooperation Policy Statement, GRZ accepted, in principle, the channelling of donor resources directly to NGOs when this is found to be the most effective method of services delivery.

62. In this context, there is need to develop a realistic and practical institutional framework that:

- strengthens NGO/government collaboration, information sharing and networking;
- promotes participation of people and NGOs in the formulation and implementation of programmes and projects;
- sets the stage for development of essential legal tools necessary to remove impediments and allow civil society organisations to be better equipped to participate in national policymaking; and
- endorses mechanisms which promote accountability and transparency while preserving the integrity and independence of the NGO sector.

2.4.5 The Media

63. In 1991, the government liberalised both the print and electronic media, resulting in the establishment of some five private independent radio stations and approximately eight private independent newspapers. There are also efforts by the media to create an independent regulatory body free from state control. The Independent Media Association has been fully operational since 28th May, 1998, and is carrying out various public awareness programmes. There are continuing tensions between forces within government seeking to regulate the media, and demands for freedom of access, as for instance in debates over how far government documents should be classified as 'secret'. A number of satirical columns seek to provoke government towards change. These include The Post's 'Another Day in Paradise'. But many of these have authors of European or Asian descent who in some circles are regarded as 'not truly Zambian', so that the allegations or demands they make tend to be downplayed by politicians.

2.4.6 Donors

64. Increasing dependence on external loans and oda has resulted in considerable policy influence by donors and international financial institutions (IFIs). The IMF's negotiating position during the SAP period tended to be

inflexible, particularly in the field of public expenditure. The influence of bilateral Western donors on Zambia's economic policy has come in different forms but has largely been driven by their commitment to the reform process. The Consultative Group meetings (the Paris Club), for example, have been one of the strongest routes through which external actors influence policy in Zambia in areas that currently go beyond economic concerns to encompass 'good governance,' human rights, and the environment. Strict imposition of conditionality has tended to shut off the search for alternatives. Yet these are potentially important, given that the cost of disbursement suspensions has proven to be high, and many projects are unable to survive long interruptions in implementation. Similarly, the multilaterals have not so far paid sufficient attention to appropriate sequencing of prescribed actions: (e.g. liberalization and infrastructure development should go hand in hand; cost recovery solutions to the fiscal problems should be consistent with social concerns; and the public investment plan should be fitted within an agreed medium term development plan and expenditure framework). The PRSP approach is a tacit acceptance that a number of important non-economic considerations were overlooked during adjustment and stabilisation. One of the anticipated benefits of the PRSP is the potential it offers for donor coordination.

2.4.7 Local Government

65. A number of initiatives to empower lower level structures of governance (e.g. provincial administrations and local government authorities) were taken through the 1990s, but were thwarted as the local councils were starved of funds and were not permitted to apply for donor funds other than through central government. Local government planning and management systems, and the information base on which they can draw, need to be improved substantially if deconcentration and devolution are to succeed. There is a long history of donor support to decentralisation (Annex 13). A new policy on decentralisation was adopted by Cabinet in late November 2002. It remains to be seen whether this will be more effective. As in dealings with tribal authorities, two broad sets of pressures appear to influence relations between central and local government: the demands of local government tend to be heeded where they represent blocs of actual or potential voters, and it is traditionally the high population densities in urban areas such as the Copperbelt which have commanded such responses. On the other hand, more remote and scattered rural populations, often of different tribal origins from the ruling elite, represent less of an electoral threat (or opportunity) and so tend to be disregarded. Awareness that they will count for little no doubt discourages these from making demands.

2.5 Coordination among Stakeholders

66. The strengthening of government capacity to co-ordinate its activities at both the level of implementation and monitoring is crucial. Hitherto, in the absence of an effective central co-ordination system, a number of poverty-focused committees have been established to service donor projects. These committees are largely bilateral in composition and attempt to provide a forum for the exchange of views on implementation, but these tend to be poorly attended by government. Meaningful participation by civil society envisaged in the PRSP may well be an ambitious goal given the lack of willingness and capacity both on the government and civil society sides. Constraints include poor quality of available data, weak infrastructure and limited resources for collecting additional data, and low analytical capacity. Non-governmental interest groups are more concerned with day-to-day implementation of their own programmes and are poorly organized for policy dialogue. Zambia has fragmented policy processes (low coordination between different centres of decision making, and between policy formulation and implementation). It is also characterized by high levels of aid dependency and low accountability to domestic actors. Administrative systems have suffered from low morale and weak performance incentives. All these factors threaten the implementation of government policies and require massive capacity building. The government has expressed its commitment to alliances or partnerships with other stakeholders. If government is serious about this, then it provides an opportunity for interest groups coalescing around locally important issues to articulate their demands[10]. Short and cost-effective training programmes targeted at district and sub-district level staff and aimed at strengthening skills in community participation would be one example of institutional capacity strengthening at the local level.

[10] An underlying theme of this report is that, whilst the rhetoric of governments and donors about 'citizenship' is pitched at general and somewhat abstract levels, the local level reality is that people only organise around concrete issues. Potentially, agriculture offers a large number of such issues, the same issue (such as access to markets) being perceived differently among different groups according not only to the social and economic status of the group, but also according to spatial variations in infrastructural, agro-ecological, economic and social conditions.

3. Drivers of Pro-poor Change

3.1 Background

67. A body of concepts and experience is being built up in DFID and elsewhere on the drivers of pro-poor change, particularly on the 'what, how and who?'. Bangladesh provides one of the most recent contexts in which these concepts have been explored.[11] The main arguments from the Bangladesh case are distilled below, and then examined to see how far they, or some adaptation of them, might be relevant to the Zambia context.

68. The main arguments and findings of the Bangladesh study are presented in Annex 7. In essence, it argues that:

- the quality of institutions and governance is the prime influenceable factor that will determine the rate of poverty reduction;
- demand for change is weak and fragmented, and lack of effective demand for change is the central obstacle to pro-poor governance and institutional reform: many of those able to bring about change benefit from the present situation and have little interest in reform, while many of those with a strong interest in change – poor people and women in particular – are weakly placed to bring it about;
- in this context, reform can be stimulated in two linked ways:
  - by promoting *broader processes* of social and economic change (such as education, in particular of women); and
  - by identifying and supporting *champions of change* (including NGOs, community organisations, reform-minded elements of the political parties and of the civil service, the media, the private sector, professional associations, and the research community).

3.2 Common Principles, Contextual Differences?

69. A number of the broad principles deriving from the Bangladesh analysis appear relevant to the Zambia case, though the interpretation of these principles, and the design and implementation of measures for pro-poor change, will be specific to the country contexts. Four principles are common to the two cases:

- the notion that institutions and governance are of prime importance in promoting pro-poor change.
- the pervasive influence of politics and political process on the performance of public sector institutions and on the interface between public and private, and the limited value of conceiving policy process as linear.[12]
- the notion that lack of effective demand for change is a central obstacle to pro-poor reform of governance and institutions
- the need for dual approaches which will promote the broader processes of pro-poor social and economic change, and at the same time support champions of change (which includes the creation of a critical mass in support of reform from among fragmented stakeholders, and identifying ways of addressing vested interests)

70. Important contextual differences[13] include:

- *physical and locational* context – by contrast with Zambia, the high density of settlement in Bangladesh, and dense infrastructure networks
- *social/economic/cultural* context – the high density of community-based organisations and service-providing NGOs in Bangladesh, and high levels of political awareness and activism there; the high

[11] Duncan et al 2002
[12] What is meant here is the perception that the identification of a problem or opportunity, the gathering of evidence on how it might be addressed, and the formulation of policy recommendations based on this, then more or less automatically prompts policy change in the desired direction.
[13] If the arguments in this paper are to be taken forward as a basis for DFID (Z) policy, this crude characterisation will need to be finessed. However, it is sufficient for present purposes.

prevalence of HIV/AIDS in Zambia, and its implications for household structure, and by extension, for capacity to engage in income-generating activity and in matters of citizenship; the unresolved tensions in Zambia between traditional and modern systems of authority in relation to much of economic and social life; the existence of agricultural dualism in Zambia (with an export sector quite distinct from semi-subsistence farming); the restriction of agriculture to a single season in large parts of Zambia, bringing with it the prospect of a regular 'hungry season'.

3.3 Drivers for Change in the Zambia Context

71. This section now examines in more detail two of the four principles outlined above relating to 'drivers of change': the first principle is overarching, and its validity (or lack of validity) will become evident as the others are discussed; the fourth has to do with the nature of pro-poor interventions and so will be discussed later. The emphasis here is on the second and third principles, viz the interface between politics and pro-poor development, and stimulating demand for policy change. In the context of these principles, four ways in which politics interfaces with policy – and, by extension, with pro-poor policy – are presented here. These categories are not entirely watertight – some items are common to more than one. Nevertheless, they serve as an indication of the kinds of policy reality which Zambia currently faces.

3.3.1. The Nature of the Policy Process

73. Policy decisions are influenced by a wide range of political factors, and there is little evidence that a linear, technocratic process has consistently influenced the larger decisions. In the agricultural context, the strongest evidence of this comes from ASIP. Among other things, this sought massive strengthening of policy analysis capacity within the Ministry of Agriculture. Yet, there is little indication that policy (e.g. on fertiliser subsidies, land reform, marketing, food security or a range of other key issues in pro-poor agricultural development) has become more evidence-based as a result of this increased capacity. Indeed, there is a persuasive argument that ASIP in fact helped to undermine public policy analysis capability by paying civil servants 'sitting allowances' and awarding them consultancy contracts for doing what ought to have been their everyday work. Efforts by ZACCI or ZNFU, for example, to engage senior administrators in designing and implementing policy change, although consistent with government's own pronouncements on 'partnership,' have so far yielded little. Although the evidence is limited, it seems to suggest that those making loud enough policy demands to catch the attention of politicians have better prospects of influencing policy. This leads us to suggest that efforts to exert influence on the legislature are more likely to achieve policy change than efforts to influence the executive. At the same time, however, a certain minimum set of skills is needed to work out the implementation detail of new policy. This is constantly being eroded in Zambia through AIDS and emigration, and appears unlikely to reach the necessary minimum level without donor support.

3.3.2 Policy Dualism

74. This entails the existence of a substantial difference (at times, of 180º) between formal policy statements and the reality of policy action, the difference being rooted largely in limited commitment to the formal policy statements in the first place. There are abundant examples in which official statements (often to donors) are then in practice overturned by moves in opposite directions. The PRSP, for instance, has emphasised the primacy of the private sector in relation to agriculture and related services, whereas the press has recently reported government's intention to intervene in fertiliser and grain markets. It is clear that fertiliser market liberalisation will not work for as long as government perceives the provision of fertiliser by the public sector (on credit, whose repayment is unenforced and probably unenforceable) to be a major part of its political settlement with rural people. Often these differences are an expression of deeper unease. For instance, although the government maintains a largely 'open door' policy towards Foreign Direct Investment, there is unease over the repatriation of profits, and over perceptions of 'sharp practice' among foreign investors. This unease finds occasional expression in actual (perhaps, more often, rumoured) restrictions, such as the mooted requirement that foreign investors should renew their licences every 3 years. Other restrictions are rooted more deeply in the structure of society: the pervasiveness of traditional land tenure arrangements[14], for instance, makes foreign companies nervous of the possibility that tenurial agreements might be revoked. Traditional tenure also has negative implications for outgrower schemes, which are considered below. A combination of various underlying forces imposes further restrictions. For instance, policy statements in support of decentralisation are undermined by central government's holding back the funds which have legally been allotted to District Councils. This appears partly a result of concerns that the powers of the centre will be diluted through decentralisation, and partly a result of financial

[14] Together with political statements such as 'every Zambian has the right to land' made in the national press, 30.11.02

crisis (see below). The prospects for obtaining a hearing for any additional pro-poor demands on policy may be enhanced by some of these discrepancies (such as government intervention in input supply) but only in the short term – their overall impact seems likely to be negative.

3.3.3 Constrained Policy Intent

75. By contrast with the above, the focus here is less on policy statements lacking underlying commitment, and more on those which politicians would like to implement, but are constrained from doing so. Two types of constraints may prevent stated policy from being implemented. The most obvious is financial, but another set may broadly be termed 'political'.

- *Financial constraints*: the scope for policy action is constrained by the fiscal exigencies of running a low-income country. Perceptions of political pressures to spend in particular ways and at particular levels (i.e. never below the previous year's level) mean that annual budget estimates typically total twice the amount of expected revenue, the expectation being that the balance will be covered by credits and grants, including oda. In these circumstances, fiscal management becomes highly contingent upon day-by-day exigencies: if a particular credit is to be repaid by its deadline, bonds may have to be sold, foreign exchange markets manipulated, or some other commitment left unmet. Balance of payments support from donors generally requires urgent action, so that there is little scope for checking whether conditionality-related assurances are realistic – an argument which applies equally, even if with less immediacy, to budgetary support. In these circumstances, departmental budgets are little more than a general statement of intent, and a large part of the day-to-day work of ministers is to negotiate with the Ministry of Finance and Treasury to obtain as large a proportion of intended budgets as possible. Without fiscal reform, constraints of these kinds will apply equally to any new pro-poor demand for policy change.

- *Political constraints:* some of these have been alluded to above, such as hesitancy at the centre to decentralise powers, and policy changes for 'firefighting' purposes. Others include the perception that political supporters (or family members) must be given lucrative posts, thereby enhancing the inclination to re-establish parastatals or split ministries into sub-components, with all the problems of coherence that this implies. Constraints in the larger picture include management of the tensions between the interests of the large urban electorate and its rural counterpart. These find expression in agriculture (between urban demands for cheap food, and farmers' demands for higher produce prices), but also more widely in the maintenance of an artificially high exchange rate to facilitate cheap imports for urban areas. There is no immediate 'reform' that will resolve problems of this kind – they will require long-term improvement in the checks and balances that can be exerted through, for example, parliament and the media, and in the meantime will constrain the uptake prospects of pro-poor demands for policy change.

3.3.4Policy as reaction

76. There is abundant evidence of shifts in policy to meet crises (whether economic or political) as they arise. In one sense, this augurs well for reactions to the demands that pro-poor interest groups might make, providing that they can be presented as 'crises'. In another, the degree of policy instability and inconsistency which it implies is not conducive to the formulation of carefully-prepared and budgeted priorities and sequences driven by evidence-based argument.

77. A final observation concerns the regulatory context in which policy is formulated and implemented in Zambia. In such a large, sparsely-populated country with wide discrepancies in wealth between rich and poor, there is evident difficulty in preventing hijack and robbery in remote rural areas (e.g. the murder of a Japanese tourist in Kafue National Park in late November 2002, as this report was being prepared). More generally, there are major weaknesses in the enforcement of contract law in Zambia which constrain normal business practice. A common practice, for instance, is for growers (including outgrowers) who receive credit at the start of the year against sale of the crop to the credit provider, in fact sell it to third parties (in the case of tobacco, occasionally across the border in Malawi) and so avoid credit repayment. Weaknesses in contract law prevent any effective redress by the credit provider, other than to withdraw his/her services in future to the detriment of the sector. At a higher level, one might ask 'whose law?' – much land is under traditional rule, which prevents freeholding and has variable rules over leaseholding, which makes conventional fixed-term lease contracts difficult, and prevents title to land from being used as a collateral for loans in many areas. Further, some of the distinctions between what land is

under traditional and what under 'modern' authority appear to be obscure and open to interpretations based on political convenience.

4. International/Regional Trade Prospects

4.1 Introduction

78. Conceptually, the direct effects from trade that can influence development are that it can:

- improve the allocation of domestic resources by permitting it to specialise according to its comparative advantage
- increase the efficiency with which domestic resources are used by providing a stimulus to use resources more efficiently, which requires the 'price signals' of trade to be transmitted to producers, and requires adequate markets for e.g. credit, and adequate physical, social and institutional infrastructure
- bring new technology, and new knowledge of markets and marketing techniques
- increase the stability of incomes, providing that exports are not narrowly concentrated into a small number of volatile commodities
- generate the capital to allow increased investment

79. But the impact of trade on development depends not only on how much trade, but also on what is traded. Comparisons over the last 50 years suggest that countries still dependent on trade in a few primary commodities are the slowest-growing. Diversification of trade involves a set of general economic measures including high saving and investment, public investment in infrastructure, health and education, and in some cases, specific trade promotion. An essential element is finding the capital to invest to establish new forms of production and trade.

80. Historically, Zambia has fallen into the category of countries dependent on a few commodities, highly vulnerable to international price fluctuations, and achieving low/moderate growth rates. Its recent diversification into new exports (e.g. horticultural products and cut flowers) marks a turning point, but if the country is to succeed, new initiatives will have to be devised in ways which overcome two further disadvantages. The first relates to the small size of its economy, and therefore the limited extent to which it can achieve economies of scale in exports. The costs of storage, processing, transport and communications infrastructure per dollar of exports are all likely to be higher in the Zambian case than among larger competitors. Further, Zambia produces few of the necessary food packaging materials necessary for adding value locally, so that most products have to be exported in bulk and re-packed at destination. The second disadvantage is that Zambia's landlocked status imposes additional costs. Depending on value:weight ratios, the costs of land transport to a seaport can add anywhere between 50 percent and 120 percent to the cost of exported products.

81. Overall trade prospects for developing countries are overshadowed by persistent distortions in global markets. For instance, subsidies by OECD countries to their own producers amount to around US$1 billion/day, which is equivalent to the aggregate GDP of sub-Saharan Africa, and more than six times the global volume of foreign aid. Despite pressure for reform by some countries (including the UK), the US Farm Bill passed in 2002, and French pressure to maintain CAP subsidies at current levels, mean that the major distortions are likely to remain well into the medium term.

82. New food safety regulations introduced by the EC cover both domestic and imported produce, but impose new burdens on developing countries in terms of pesticide use and storage and marketing conditions which they are ill-equipped to bear. No-one would wish to dispute the importance overall of food safety regulations, but there have to be questions over whether the standards recently introduced by the EC have at least as much to do with supermarkets' preferences for shelf life and uniformity as with consumer welfare. The likely extension of 'ethical' standards to developing country exports represents a further potential threat, and whilst OECD economies can respond without much difficulty to, for example, demands for improved animal welfare or labour standards, these are much more difficult for developing countries to respond to.

4.2 New International Trade Provisions

83. In late 2000, the EU offered the 49 Least Developed Countries[15] tariff- and quota-free access for 'everything but arms'. Despite the caveats it contains (for instance, to guard against 'massive increases in imports') this represents a substantive opportunity. However, it discriminates against other, still poor, but not 'least developed' countries, and there are cases in which some countries (e.g. Senegal) have sought to have themselves included in the 'least developed' category in order to take advantage of provisions such as these. The justifications for these special preferences are that least developed countries' needs for special treatment to gain access to markets are greater, and that, because of their weak negotiating capacity, they should be provided with blanket provisions, rather than required to negotiate on a case-by-case basis.

84. There is disagreement among analysts over how far the least developed countries will be able to take advantage of provisions such as these, how far they will disadvantage poor countries which are not 'least developed', and how far they may disrupt regional agreements covering a mix of least developed and other countries. However, it is already apparent that some reconfigurations are taking place to exploit these opportunities. For instance, Mauritius, a major sugar exporter which faces quotas on its exports to the EU, has shown an interest in investing in sugar production in Mozambique, whose sugar exports would be admitted tariff- and quota-free under the new arrangements.

4.3 Zambian diversification in relation to global and regional trade agreements

85. A comprehensive report on Zambia's policy options in relation to these has just been prepared (Page, 2002) and it is not proposed to cover the same ground here. The main findings of the Page report are summarised in Annex 8. The main points arising are:

- The need for clearer negotiating policies and priorities, with a limited agenda and a firm timetable.
- The need to diversify out of copper, but the limited prospects offered by many agricultural products, whose prices are falling. Exceptions may include sugar and cotton, where changes in EU and US preference regimes may have created opportunities[16]. The prospects of entering markets in which Zimbabwean production has recently declined (such as tobacco) are seen as limited and at best temporary. Tourism may offer prospects for expansion.
- Increasing its production for home consumption should also be part of its strategy because of the high costs of imports, attributable to both high transport costs and to the fact that aid inflows help to keep the Kwacha exchange rate artificially high.
- As a small economy, Zambia must adapt to the groupings to which it is already committed, in particular COMESA and SADC.
- One important aim in its regional and preferential agreements should be to strengthen their enforcement and dispute settlement sides. It could also use action in the WTO to guarantee its long-term access to the EU.
- In SADC, it needs to consider the implications of opening its market to South Africa.
- In the WTO, where it has important interests to defend in rules and in the provisions for Least Developed, and a relatively strong national competence in intellectual property and GMOs, it should use its limited negotiating resources more effectively.
- It must create effective coordination of information and policy within the government and between the government and other interest groups, clear lines of responsibility for all aspects of trade policy, and analytic capacity to assess policies and proposals.
- Technical assistance, from donors and through exchange of information with more effective trade ministries in the region, could make policy more effective, but the first steps have to be in formulating policy.

[15] The definition of 'least developed' is not designed as a direct measure of poverty or trade advantage, but is a UN designation, defined periodically through its Economic and Social Committee. The definition is based on some unusual criteria, including one that excludes countries having a population in excess of 75 million, so that the country with the largest number of poor people globally (India) is excluded.

[16] Certain other non-traditional products, such as cut flowers, are not subject to the same long-term price decline as agricultural commodities, and clearly also have market potential, but are not covered in the Page report

5. The Context for Increasing Demand on Policy

5,1 Introduction

86. Five points are picked up here for further analysis:

- first, we re-visit some of Page's analysis regarding trade prospects
- second, we suggest that the prospects for pro-poor tourism be further investigated;
- third, we suggest that stronger attention be given to enhanced production for domestic consumption which might otherwise be met by imports, especially in areas weakly-integrated into markets[17];
- fourth, care is needed in dealing with more liberal trade with South Africa; we take the example of supermarkets to illustrate why;
- fifth, in Annex 10 we examine the concept of Special Economic Zones in relation to export promotion

5.2 Zambia's Trade Prospects

87. Tables 2 and 3 give Zambia's external flows and the country's balance of payments position, respectively. Page (2002) is undoubtedly right in general terms to warn against diversifying out of one set of commodities (minerals) facing poor long-term price prospects, into another (agricultural commodities). However, there may well be good short-term prospects for some agricultural commodities as market conditions change. Since relative agricultural prices vary within and across years, it is impossible to make precise predictions here. However, some broad types of opportunity can be indicated:

- the decline in production of many commodities in Zimbabwe in principle offers opportunities both for filling the niche they occupied in export markets (as with tobacco) and for exports direct to Zimbabwe. The Zimbabwe Commercial Farmers' Union in January 2001 estimated that there would be, for instance, a 50 percent reduction in commercial plantings of maize (around 10 percent overall) and a 25 percent reduction in cut flowers. With the worsening violence surrounding land in Zimbabwe during 2001/02 estimates such as these would undoubtedly have to be revised downwards. In practice, however, the (approx.) 25 percent reduction in Zimbabwe's GDP in 2002 severely reduces its purchasing capacity and several of the export niches it occupied have already been filled by others. For instance, Virginia tobacco exports from Latin America have increased, and private ranches in South Africa are said to have invested US$ 190m recently in an effort to capture the ex-Zimbabwe safari hunting market. The ZNFU perceives opportunities in exporting wheat to Zimbabwe, but there are difficulties in identifying how this would be paid for, and Zambia's own uncertain situation regarding food staples through to the second quarter of 2003 make even short-term prospects difficult to predict.
- The share of agricultural products in overall non-traditional exports has increased from around 20 percent in 1993 to some 50 percent in 2000, rising in overall value from US$46.5m to US$133.9m. These include a number of export products which are new for Zambia, including cut flowers and paprika, with a substantial increase in tobacco. There are undoubtedly opportunities for further exports of products such as these both within the Region, and to the EU and US where concessions can be obtained. Again, it is difficult to make predictions, since much depends on the outcome of individual negotiations (as Page indicates) and on the pace at which agreed removal of barriers (e.g. in COMESA) is actually achieved. However, two factors suggest that the prospects may not be as rosy as some reports suggest: one is that Zambia is a relatively high-cost producer, partly because of the high import content of much construction, manufacturing and processing, partly because of fiscal distortions, which, for instance, mean that tax accounts for almost 70 percent of the retail price of fuel. The other is that Zambia's capacity to maintain the (increasingly stringent) sanitary standards applied to the import of plant and animal products into OECD countries has been eroded. For

[17] We resist here the term 'import substitution' since it is not sufficiently nuanced to capture the real economic benefits of producing for domestic consumption in areas which are remote and weakly integrated into the physical and institutional infrastructure necessary for rapid economic growth, and which face high import parity costs, especially for staples.

instance, Zambia is not licensed to export meat products to the EU, and there are doubts over its ability to meet US pest risk assessments on paprika under a broadened AGOA agreement.

- There are important prospects for import substitution in some areas, such as dairy products, which are largely imported from South Africa. This would depend on the implementation of adequate sanitary measures, and the installation of adequate infrastructure for cooling, pasteurising and sterilising. However, experience from Latin America has shown that it is also among the first types of smallholder product to suffer as supermarkets increase their share of food markets, and safeguards would have to be introduced against this.

Table 2: Zambian External Flows

	1995	1996	1997	1998	1999	2000
Aid (percent of imports of goods and services)	104	36	30	21	42	49
Exports of goods and services (percent of GDP)	36	31	30	27	23	31
Imports of goods and services (percent of GDP)	40	39	35	39	41	46
Foreign direct investment, net inflows (percent of GDP)	3	4	6	6	5	7
International tourism, number of arrivals (thousands)	163	264	341	362	456	574
International tourism, receipts (percent of total exports)	3.3	5.0	5.7	7.6	9.2	9.7
Real effective exchange rate index (1995 = 100)	100	105	125	115	112	113
Source: World Bank (2002) *World Development Indicators*						

Table 3: Zambia's Balance of Payments, 1997-2000 (USD millions)

	1997	1998	1999	2000*
Trade Balance	**54**	**-153**	**-99**	**-191**
Exports, fob	**1,110**	**816**	**759**	**800**
Metal Sector	808	520	467	521
Copper	621	365	372	441
Cobalt	185	155	95	80
Non-traditional exports	304	296	288	279
Imports, cif	**-1056**	**-971**	**-870**	**-1008**
Metal sector	-289	-221	-121	-170
Fertilizer	-50	-54	-2	-13
Petroleum	-87	-42	-115	-176
Maize	-12	-108	0	0
Other	-617	-547	-632	-549
Services Balance	**-264**	**-179**	**-211**	**-225**
Current Account Balance	**-448**	**-573**	**-483**	**-578**
Capital and Finance Account Balance	**25**	**284**	**342**	**129**
OVERALL BALANCE	**-377**	**-403**	**-348**	**-176**
Source: Bank of Zambia data from MOFED, 2001. *Data for 2000 are preliminary				

5.3 Pro-poor Tourism

88. Tourism overall accounts for almost 10 percent of the total value of foreign earnings, having risen from 3.3 percent in 1995, but remains much smaller in absolute and relative size than tourism in other countries in the Region (Kenya, Botswana, South Africa). Whilst the collapse of the Zimbabwean economy offers good prospects for increased tourism, recent critiques[18] suggests that high costs (especially of fuel and transport) and limited range of products (including the lack of coastline) will continue to constrain the sector. However, they also suggest that major opportunities are being lost through underinvestment in the majority of reserves, and political and bureaucratic mismanagement. These include collusion in poaching in the Kafue reserve, the halting of safari hunting, previously worth US$10m and with very large potential, inadequate liaison with neighbours (such as Zimbabwe, over border controls at the Victoria Falls) and a series of attitudinal problems which cast tourists in the light of gullible visitors to be fleeced at every turn, instead of assets to be nurtured.

89. Pro-poor tourism (PPT) is a tourism that generates net benefits for the poor. PPT is not a specific product or sector of tourism, but an overall approach. Rather than aiming to expand the size of the sector, PPT strategies aim

[18] Two columns in The Post series *Another Day in Paradise* by Dipal Patel and Guy Scott entitled, respectively: 'Why Zambia Wildlife Authority's bosses must resign' and 'Following the Honeyguide' of 14 October and 25 November 2002.

to unlock opportunities – for economic gain, other livelihood benefits, or engagement in decision-making – for the poor.

90. It may seem out of place to consider PPT within the present study. However, PPT is often intimately bound up with access to and use of natural resources, embracing water, forest and wildlife, and the use of these frequently has implications for agriculture or other natural resources (such as domestic livestock) which are of no interest to tourists, but an integral part of rural livelihoods.

91. A fuller description of possible PPT strategies is given in Annex 9. These strategies are not mutually exclusive, so that one or more may be pursued within any one setting. For the Zambia context, perhaps the most likely levels of intervention would be at the following levels:

- *Policy Level*
    - integration between poverty, growth, tourism, and rural development planning – to maximise the consideration of poverty issues in tourism plans
    - modification of the investment framework for tourism and provision of incentives for pro poor investment
- *Destination level (e.g. Livingstone)*
    - market access by poor entrepreneurs – a matter of siting, planning permission, qualifications, and related issues set by local authorities.
    - the definition and implementation of local rights over assets
    - and business issues such as: training, products, partnerships with private sector, and access to marketing.

5.4 Enhanced production in weakly-integrated areas

92. Much of the discussion in the Scoping Paper (Arthy et al, 2002) has been concerned with the sectors and areas that offer strong scope for enhanced production. Whilst improvements in these (largely) commercial farming areas can reduce poverty through employment, price and second-round income generation effects, they are likely to exert only a limited direct impact on the poor *as farmers*. Nor are they likely to draw in more than a very small percentage of the large majority of the rural poor who are located in areas well beyond the line of rail.

93. It has recently been argued that the distinction between areas well- and weakly-integrated into the physical and institutional infrastructure necessary for engagement in wider markets is perhaps more important than others,[19] and that distinct strategies are often needed to address poverty in weakly-integrated areas. Such areas are characterised by widespread market failure. Farrington and Gill (2002) conclude that:

- growth-focused visions tend to underestimate the gulf between areas well- and weakly-integrated into markets;
- weakly integrated areas contain the majority of the poor in many countries, are often the most ecologically fragile, and often the most prone to civil strife;
- the impacts of growth on these from well-integrated areas will at best be gradual;
- social protection measures do not represent a viable, large-scale alternative to production enhancement: in most countries they are unaffordable other than on a limited scale, and difficult to target. They should therefore be reserved for those in severe need (i.e., the destitute);
- orthodox growth-promoting measures do not fit well into the livelihood strategies of people living in weakly-integrated areas – they tend to focus on maximising production per unit of land, when stability of production is at least as important to the poor;
- there are many ways in which appropriate agriculture strategies can offer both production gains and social protection – and there is nothing new in, for instance, crop breeding strategies for difficult areas

[19] Such as classifications purely by distance (e.g. ‘remote’), or by agro-ecological characteristics (e.g. ‘complex, diverse and risk-prone’).

which emphasise drought tolerance or pest and disease resistance, in 'conservation farming' approaches, or in systems approaches which consider how different components of crop and livestock production systems can complement each other to reduce vulnerability;

- however, livelihoods analysis suggests a wider view – for instance, for many poor households – especially those with limited land – access to water for domestic purposes is more important than access for agricultural purposes, and should be prioritised. Further, the interaction between small towns and their hinterlands is of crucial importance to those poor households who rely on casual employment or petty trading for part of their livelihoods and ways of improving these links need to be considered in approaches to rural development;
- public goods are at the heart of many of the ways of supporting rural households in their efforts to combine production and social protection; the public sector will therefore have to be engaged in delivering these. It will also have to make good the pervasive market failures which make it difficult for the private sector to operate effectively. Certainly, there is no case for assuming that the private sector will deliver the range of interventions necessary to support 'production with social protection' strategies.

94. For Zambia, this analysis suggests that we should be concerned over a number of issues, including:

- the extent to which the dominant concern among policymakers with maize has crowded out other issues of importance to the poor within the agricultural system;
- the ways in which maize has spread to areas only marginally suited for it to the near-exclusion of other crops[20];
- the potential instability of incomes resulting from the pre-eminence of maize;
- the limited support to integration of arable farming with other elements of agriculture, livestock or tree crop production;
- the limited strategic thinking and planning on matters of local transport and communications infrastructure (for instance) that would facilitate livelihoods-enhancing links between rural towns and their agriculture/natural resource hinterlands.

95. It is not that these desirable characteristics have *never* featured in the Zambian agricultural and rural economies – many of them have been central to a large number of donor-assisted programmes over the last twenty years. The difficulty is that they have not been consistently integrated into the policies *supplied* by government, and since rural people do not associate the provision of these with government, nor have they been incorporated into policy *demand*.

5.5 Supermarkets and trade with South Africa

96. Although at first sight they may appear to have little to do with rural poverty, evidence on the conduct of supermarkets in Latin America, where they are most strongly established, suggests that they offer both opportunities and challenges for smallholder farmers, which need careful policy intervention if they are to be pro-poor.

97. Supermarkets occupy roughly 60 percent of the national retail sector in Latin America, and around half this level of the sales of fresh fruit, and vegetables, with a particularly high share of dairy products. They offer opportunities to broaden and deepen retail markets and so enhance overall demand, as they have done with the creation of new dairy products. However, they also pose a large number of challenges:

- the larger ones are parts of regional or global chains which can switch procurement rapidly in response to slight variations in price, thereby greatly exacerbating the market instability faced by national producers;

[20] However, a report by Michigan State University (Zulu et al, 2000) identifies substantial shifts from maize into other crops, including cotton and cassava in the 1990s, partly attributable to the difficulties encountered by farmers in accessing inputs for maize, especially fertiliser.

- many impose higher quality and safety standards than those imposed by government; these are particularly difficult for small producers to meet, and it is estimated that the inability to maintain cold chains to their specifications has driven 100,000 small farmers out of formal milk markets in the region;
- other procurement and payment practices (e.g. relating to packaging, scheduling, volumes, uniformity and so on) have threatened the livelihoods of many more;

98. The spread of supermarkets is slower in sub-Saharan Africa and S Asia, but there seems no reason why it should not follow a similar trajectory. Within these two regions, their growth is fastest in southern Africa. For instance, the South Africa-based Shoprite chain has a total turnover approaching US$2bn, and has 294 supermarkets, including seven recently purchased under Zambia's privatisation programme.

99. Policy issues for the Zambian government – and donor support may be necessary to resolve these – will include questions of: how to support local farmers to 'gear up' to the markets that supermarkets offer and the standards they are likely to impose; how to regulate business practice (e.g. in relation to payment schedules) that optimise retailer-supplier relations; how to prevent collusive behaviour and promote competition among supermarkets (the fact that one chain has purchased seven in Zambia does not augur well in this regard); and how to promote competition between supermarkets and traditional traders or markets. Whilst many of these issues are subject to market forces and/or to government regulation or facilitation, there may well also be a role for donors to support government in policy analysis and groups of farmers, merchants and traders in responding to the opportunities that supermarkets offer – whether in conventional products, new ones such as novel dairy products, or non-conventional such as organics.

6. Identifying and Supporting the Potential Demand for Policy Change

100. Against the analysis thus far in this report, one might ask not only whether there is potential demand for policy change, but if there is, and it is successfully articulated, would it make any difference to people's lives, given the window-dressing and fire-fighting nature of much policy in Zambia? In one interpretation, this is a cynical view; in the interpretation we prefer here, it is a view which requires such support as DFID might give to 'policy champions' to be targeted even more carefully than might normally be the case.

101. The Arthy et al Agriculture Scoping Study of 9-14 September 2002 notes the reported success of the ZNFU in lobbying government for policy reforms on the basis of policy studies, which are of interest even though 'it does not yet represent the interests of the poorest of farmers'. It also notes the emergence of (as far as we can see) a very few NGO-led grass-roots farmers' organisations who 'are starting to engage in improving the quality and impact of 'policy demand''.

102. Here we take our lead from the Arthy et al study, but seek to go beyond it in two directions:

- first, we suggest getting away from the view that DFID would scarcely impact on the rural poor if it did little to support them *as farmers*. The rural poor can be categorised as farmers, labourers and the destitute. To some extent, their interests differ: farmers are interested in high crop prices and low labour costs; labourers in high wages and low food prices. The destitute are particularly interested in low food prices. These groups will also be affected differentially by different kinds of agricultural policy: support for highly mechanised export crops (e.g. wheat) is likely to benefit only large farmers, though there may be second-round effects on the economy if this results in higher in-country saving or expenditure. Support for labour-intensive export crops (tobacco; vegetables, cut flowers; sugar – horticulture alone employs some 10,000 out of a total 480,000 Zambians in formal employment) should benefit farm labour to a high degree. Support to labour intensive internally-consumed food crops (primarily maize at present, but there are overwhelming arguments for diversification into other crops, including sweet potato and such leafy crops as cassava, amaranth, and pumpkin, whose leaves can be harvested for 'relish' to accompany the maize staple), will benefit farmers across the spectrum, but also labourers and consumers.
- second, picking up from earlier arguments that actual agricultural policy differs widely from official statements, largely because of political and fiscal realities, we propose an approach that supports and helps to bring together fragmented voices in making demands for improved policy, but largely focused on politicians, not on the public administration.

103. Lastly, in keeping with 'drivers of change' concepts, any donor considering support for agriculture would be well-advised to strengthen both the general conditions for more effective policy formulation and implementation, and support more specific groups of policy champions. Agriculture is potentially a concrete, location-specific platform for the development of wider citizenship. In Zambia, there is neither a blank canvas, nor are there simple solutions, and so any options for support to agriculture would have to be built up through consultation with other donors and with indigenous actors, within and outside the public sector, and contextualised in several dimensions:

- ***By sub-sector***
    - Commercial growers and exporters already have strong associations, adequate research capability and strong support from donors such as USAID[21]. But careful investigation, in consultation with them and with other donors, may reveal aspects in which the more pro-poor aspects of commercial farming (i.e. those which are labour intensive and/or involve outgrowers) might be supported.

[21] For a summary of USAID activities, see Annex 11.

- Policy in the maize sub-sector is regarded by the President as his personal domain, and is subject to frequent vacillations, many of which contravene conditionality commitments; it is not a fertile area for donor engagement;
- There is substantial scope for improving tourist-focused natural resources management and skills enhancement in ways which are pro-poor, though ways would have to be found of supporting those perceived as 'truly Zambian' in making demands, and, again, numerous donors already support aspects of this sub-sector;
- There is scope for enhancing the production and value-chain of a diversifying range of products for the home markets, such as milk products, though this may involve working with medium-scale enterprises well-integrated into markets.
- Current concepts of rural development highlight the limits to purely *agricultural* development strategies, and emphasise the need for approaches which generate forward and backward linkages, promote value-addition to agriculture, promote the non-farm economy, including tourism, and stimulate links (and labour flows) between rural and urban areas, recognising that for many, farming is a part-time activity. There is every reason to suggest that in the Zambian case, any support for smallholder farming should be located in this wider context of rural development.

- ***By area***

Southern Province is particularly vulnerable to drought and considerable effort is required to encourage and support drought-resistant cereals. Livelihoods are particularly threatened in Southern Province due to drought, and the prospects of protection against this merit investigation. Western province has abundant natural resources although it currently registers the highest poverty levels in the country. Donor support could be directed towards those areas in which the province has comparative advantage such as livestock production, fisheries, commercial cashew nut production, and commercial rice production. The Copperbelt Province is particularly vulnerable due to the decline of the mining industry and the further threat posed by the Anglo-American Corporation's recent decision to pull out of the largest mining activity. Agriculture and related commerce and processing offer one opportunity to accommodate the displaced/retrenched mining labour force.

- ***By cross-cutting issue***
  - There is major scope for a focus on chronic food insecurity and undernutrition, especially in the more outlying areas. This would involve combining growth with social protection initiatives, focusing on staples other than maize, and aiming to enhance protein intake. Ways would need to be found of supporting people in these areas to make demands on government (different from the supposed need for subsidised fertiliser), through, for example, CBOs, selected churches, traditional authority or (strengthened) local government. This would require careful identification of 'policy champions', considerable capacity building, and an effort to replace the inclination of some (especially NGOs) to campaign for food aid by a capacity to demand long-term strengthening of agriculture.
  - The HIV/AIDS epidemic poses an enormous challenge for Zambia's development in general and for agriculture in particular. The relationships are complex and multi-directional: for instance, HIV/AIDS reduces food production, and inadequate nutrition further weakens those suffering from HIV/AIDS. The impacts of HIV/AIDS on agriculture are via loss of labour in the most productive age cohorts, the higher involvement of children and the elderly in agriculture, loss of savings and of productive assets, and the severe pressure on local networks for labour exchange and wider support. Specific impacts include: reductions in planted area, yield, and in the diversity of crop and livestock enterprises; shifts towards less labour-intensive crops, and the loss of agricultural knowledge and farm management skills. If HIV/AIDS is to provide a vehicle for policy demands, it will have to do so at both the general level of providing adequate prevention, treatment and support, as well as at the more specifically agriculture- and nutrition-related levels. Whilst it is potentially a very significant vehicle, the wide social and geographic distribution of the disease, and the extreme pressures facing those seeking better prevention, treatment and

support mean that considerable effort and capacity building will be needed if this potential is to be exploited.

104. In conclusion, there is need strengthen the capacity of policy champions and rural interest groups to make demands on policy, but many such groups are in their infancy and much will have to be done to strengthen them. There is also a need, and an unparalleled opportunity, to increase the capacity to respond to demand on policy. For the first time since Independence, the present government is characterised by a sizeable and potentially healthy Opposition. The Opposition is beginning to hold government to account, and its Private Members' Bills are either being passed or forcing a response from government. There are opportunities for increasing the familiarisation of MPs of all parties with parliamentary procedure, and, through appropriate research facilities, enhancing the quality of evidence-based debate. Although the executive is not a prime mover in policy formulation, it stands to be made even less effective through emigration and HIV/AIDS. Declining public sector effectiveness will become an even greater barrier to effective policy response unless skill levels can be enhanced and new cohorts of public servants trained. Unaided, it will take some time for Zambia to re-establish an effective capacity for in-service and inception training, and donors clearly have an important interim role to play here.

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ANNEXES

Annex 1: Terms of Reference

Agriculture in Zambia: Drivers for Change
Defining What Shapes the Policy Environment

Background

1. Zambia's PRSP identifies agriculture as the engine of growth for Zambia. With the decline of the copper industry and few alternatives, the government of Zambia has placed a renewed emphasis on developing the agricultural sector as the vehicle for economic growth and for enhancing the lives of the poor.

2. Zambia has significant agricultural potential: abundant under-utilised land and a high land to population ratio (only 14 percent of the 42 million hectares of arable land that is potentially available is currently actually used for agricultural production). Poverty statistics also point to agriculture as a prime livelihood strategy for most of Zambia's poor: more than 50 percent of Zambia's population of ± 10 million is rural, and 83 percent of rural people are poor, compared to 56 percent in urban areas. Any policy that strengthens and builds on poor people's current livelihood options must include agriculture

3. There are grounds for optimism: a new government that says (in its PRSP and elsewhere) that it has placed agriculture at the top of its priorities, growing consensus regionally about the importance of free trade in a market economy, recognition of the private sector and the need for foreign investment, a determination to learn from the mistakes of a failed Agricultural SIP.

4. Yet, there remains the legacy of a sector accustomed to a long history of government subsidy and government-led input supply and market regimes, the sector is highly politicised, state intervention in markets persists in some key areas, governance remains weak and government capacity is poor (despite 65 percent of the Agriculture SIP reportedly being spent on capacity building within the Ministry of Agriculture), stakeholders unanimously describe sector policies as lacking focus and consistency. All this adds another layer of complexity in determining sector support strategies

5. Policy remains key to creating a productive environment for agriculture but there are few signs in Zambia that policy and planning within the Ministry are shaping growth despite a continuing donor involvement in this area. There is rarely a straight linear relationship between evidence and policy improvements in agricultural growth.

6. DFID has not engaged in the agricultural sector in Zambia for some years. However, in line with its commitment to supporting the government of Zambia's priorities as described in the PRSP, DFID Zambia is currently examining options for a renewed engagement in the sector to inform its new Country Assistance Plan. Two brief scoping missions have taken place to assess opportunities. Refer to reports from these missions for recommendations. Building on this work, DFID Zambia requires an assessment of the political economy shaping the sector.

The Terms of Reference

DFID Zambia requires a deeper understanding of the political economy shaping the agriculture sector in Zambia. Key questions to address include:

The policymaking process

- What have been the key ideological influences shaping decision making in the past and what are the predominant ideologies dominating the sector today?
- Where do policy decisions originate; is it a straight supply-led process or is there an effective demand for policy and if so where does this originate?
- Are there established formal channels for setting policy or is the process more ad hoc and reactive?
- What is the context within which policy is shaped and what is the process (es) that initiates the development of a policy line?
- What are the criteria that are used to sift a multitude of possible options to set policy priorities?

- How has agricultural planning and policy over the previous decade helped to shape growth in Zambia, (examples of where they clearly have and have not would inform the debate)?

Roles and relationships

- Describe the institutional roles and relationships within the sector (politicians, bureaucrats, donors, civil society, private sector, labour etc):
- Who have been and who are the key influencers in policymaking (gvt, civil society, private sector etc). Who are the champions for change whose ideas currently predominate in setting priorities for policymaking?
- What has been the role of donors in influencing policymaking?
- What are the relationships between stakeholders ie government and private sector, politicians and bureaucrats etc? How sensitive is government to stakeholder interests?

Drivers for change

- What are the key drivers for change shaping the direction of agricultural policy? This should consider:
  - The renewed priority placed on agriculture as an engine for growth in the PRSP
  - The collapse of the copper mining industry
  - The Zimbabwe land turmoil
  - The food security crisis
  - The proposed review of the 1995 Land Act
  - The opportunities presented by the collapse of Zimbabwean high value horticulture exports
  - The opportunities and threats of the new trade rounds
  - Others
- To what extent is decentralisation affecting or not policy demand?
- What are the external driving forces shaping the direction of agricultural growth in Zambia (regional, pan African and internationally)

The team, timeframe and outputs
DFID Zambia requires a team comprising of Zambian and international consultants who combine skills in political economy, agriculture and governance. The study will be carried out over a period of four weeks (combining desk study and in-country visit). This study must be completed by end December 2002. Key outputs will include:

- a mid term power point presentation to the DFID Z team
- a draft report to be presented to DFID Zambia (and key stakeholders?) for comment
- a final report incorporating comments by end December. The report should be no longer than 30 pages plus supporting annexures. It must include an executive summary (4 pages maximum).

Reporting lines
The team will report to Richard Montgomery (Deputy Head of DFID Zambia) and Beth Arthy (Regional Environment Adviser, DFID CSA)

16th October 2002

Annex 2: Persons Met by Study Team[22]

Dr A. Mwanaumo	Coordinator, Agricultural Consultative Forum
Dr G.G. Chabwera	Former President, Zambia Confederation of Chambers of Commerce and Industry (ZACCI)
Mr A.K. Banda	Director, Planning, Ministry of Agriculture and Cooperatives
Dr H. Gunther	Chief, Agriculture and Private Sector, USAID
Mr S. Zyambo	Executive Director, Zambia National Farmers' Union
Hon. Batuke Imenda	Member of Parliament (Zambia), Lukulu East Constituency (former Director, Lusaka Province Cooperative Union)
Dr. F. Mwape	Lecturer, Department of Agricultural Economics, University of Zambia

[22] In addition, John Farrington met a large number of small farmers, traders and processors in Eastern Province during 15–17 November.

Annex 3: The Economic Environment

Economic Environment

Zambia's policy choices ought to be understood in the context of the country's economic conditions over the years and the degree to which these have conditioned policy choices and, to a considerable extent, restricted the policy makers' room for manoeuvre. Zambia, a country with a population of slightly over 10 million inhabitants, has an economy that is historically dependent on copper mining. The country's fortunes declined significantly during the mid-1970s as a result of a number of factors that included such external shocks as the post-1974 rise in oil prices and decline in copper prices. As revealed in Table A3-1 that summarises the country's economic growth over a 30-year period up to 2000, it is clear that although significant growth has been registered since 1996, this has not been sufficient to offset the huge decline in per capita income of more than 50 percent in real terms between 1970 and 2000. The growth of the agricultural sector, having doubled its share of GDP during the 1990s, signalled a major change in the sectoral composition of GDP, with mining assuming a less dominant position. Zambia's metal exports, for example, declined from about 90 percent of the country's total merchandise export receipts in the early 1990s to 65 percent by 2000. During the same decade, the share of non-traditional exports, mainly agricultural exports, increased from 4 to 12 percent of total merchandise export receipts. This state of affairs reveals not only the collapsing importance of the mining sector but, on the positive side, an element of agriculture-driven economic diversification, particularly towards higher value exports crops.

Table A3-1: GDP Growth and Investment, 1971–2000

	1971-1980	1981-1990	1991-2000	1991-1995	1996-2000
Average annual growth rate:					
GDP at market prices	1.0	1.0	0.6	-1.6	1.4
Agriculture	2.0	3.7	4.4	7.0	1.7
Industry	1.6	2.5	-0.5	-6.3	4.5
Of which: manufacturing	1.5	4.3	1.3	-3.0	4.9
Mining and quarrying	-0.6	-3.5	-13.3	-12.3	-17.9
Services	-2.4	-0.6	2.8	-2.9	5.1
Non-mining GDP	1.2	1.4	2.2	-1.9	3.2
percent of GDP:					
Gross Domestic Investment	28	15	16	13	17
Public	n.a.	5	8	5	9
Private	n.a.	5	6	7	6
Change in stocks	n.a.	4	2	1	2

Source: World Bank Africa Region database, derived from GRZ/CSO data. 1971–90 rates are based on a 1977 constant price GDP series. 1991–2000 rates are based on a 1994 constant price series.

The unstable macroeconomic environment in Zambia has tended to compromise foreign investor confidence in an economy. The unstable policy environment that was characterised by frequent policy shifts over the 1983-91 period has also rendered the politico-economic atmosphere in Zambia unattractive to large scale foreign investors, a phenomenon that, despite the more consistent post 1991 policy stance, has further affected the general investor confidence.

The crisis in the copper mining sector is particularly noteworthy and has implications for the level of policy flexibility to the extent that the demand for this product is generally sensitive to the levels of industrial production in the major industrialised consumers. As such, prospects in the demand for this mineral depend, to a considerable degree, upon the strength and duration of world economic recovery. Consequently, Zambia's heavy dependence on copper mining for its merchandise export revenue has, thus, made the country quite vulnerable to the vagaries of the world recovery, in general, and the international metal exchange markets, in particular. Copper price on the world market has declined by more than 40 percent since mid-1997 at the onset of the Asian crisis. The decline is explained principally by the western commercial stocks that have doubled over the 1997-98 period to 1.2 million tonnes. Current forecasts predict that it will take several years for world copper prices to recover to the 1997 average of 100 cents a lb. In January 1999, the World Bank actually warned that, as a result of excessive supply of metals on the world market, it might take several years of rapid economic growth to wear off existing surpluses of copper and to provide conditions for a rise in prices.

Another important consideration in any discussion of Zambia's economic prospects that has a bearing on who is principally in charge of politico-economic policy in Zambia relates to the country's level of external indebtedness. The stock of Zambia's debt remains enormous with debt service absorbing a significant share of resources meant for critical developmental programs. A highly indebted country like Zambia has limited access to private international capital markets, hence, has difficulties in obtaining credits for investments since its creditworthiness is compromised by its indebtedness. Zambia's external debt stock has progressively been increasing in recent years, reaching US$6,310.5 million at the end of 2000. It increased to US$7,270.1 million as of December 2001 principally due to the Paris Club creditors' decision not to grant Zambia the anticipated debt relief amounting to US$770 million under the Naples and Cologne Terms. The expansion in private sector debt also contributed to the rise in the 2001 external debt stock that increased from US$473.5 million in 2000 to US$832.3 in 2001 (75.8 percent increase).[23] This was mainly due to increased external borrowing by the new mining companies following the completion of privatization in this sector. Under these conditions, Zambia has been classified as one of the severely indebted low-income countries. Table A3-2 gives Zambia's external debt stock over the 1997-2001.

Zambia has been unable to service its debt from its own resources. Consequently, the country's debt is being serviced by cancellation and forgiveness; rescheduling (Paris Club debt); further borrowings from the soft window (IMF and the World Bank); and grants (multilateral and bilateral donors). As of 2001, the World Bank and the IMF combined accounted for 84.5 percent of Zambia's total multilateral debt and 46 percent of the country's total external debt stock.

In 1996, the IMF and the World Bank launched the Heavily Indebted Poor Countries (HIPC) Initiative on debt, under which the most indebted poor countries' external debt to multilateral institutions could be given some relief. This has now become another window at which international financial institutions negotiate with Zambia the terms under which its debt service payments are rescheduled. However, despite the relief that Zambia may get under the HIPC Initiative, estimated at about US$3.5 billion, its debt, even after HIPC has been applied, will still remain unsustainably high. Zambia's worsening debt burden largely explains why, to a large extent, donors are more predisposed to giving the country grants rather than loans. Equally noteworthy, a significant level of external resource flow to Zambia goes towards debt servicing as part of balance of payments support.

Table A3-2: Zambia's External Debt Stock, 1997 – 2001 (US$ million)

	1997	1998	1999	2000	2001*	percent Change 2001/2000	percent Share in total debt
Bilateral	3,296.90	3,477.80	2,676.40	2,390.20	3,091.76	29.4	42.5
of which							
Paris Club	2,816.50	2,998.50	2,405.00	2,131.40	2,713.85	27.3	37.30
Non-Paris Club	480.40	479.30	271.40	258.80	377.90	46.00	5.20
Multilateral	3.152.40	3,172.70	3,375.10	3,446.82	3,346.04	(2.90)	46.00
of which							
ADB/ADF	327.00	257.00	320.70	316.66	318.66	0.60	4.40
World Bank	1,450.20	1,547.60	1,668.30	1,736.43	1,837.06	5.80	25.30
IMF	1,205.50	1,205.20	1,219.20	1,245.40	992.00	(20.30)	13.00
Others	169.70	162.90	166.90	148.33	198.32	33.70	2.70
Total Govt. Debt	6,449.30	6,650.50	6,051.50	5,837.02	6,437.80	9.50	88.50
Private and Parastatals	303.30	278.20	455.90	473.49	832.30	75.80	11.50
Total External Debt Stock	6,752.60	6,928.70	6,507.40	6,310.51	7,270.06	15.20	100.00

* Preliminary
Source: GRZ, *Economic Report 2001*, Lusaka, Ministry of Finance and National Planning, February 2002, p.58.

In the light of the above and against the adverse developments in the traditional copper mining sector, agriculture has emerged as the country's strategic sector for both growth and poverty reduction and has been singled out in the country's PRSP, the 2002 Government Budget, and the Draft Transitional National Development Plan (TNDP) as a priority area. In terms of thrust, for example, the 2002 budget places emphasis on agriculture in line with the PRSP prioritisation. Out of the total budget amount of K5,676.8 billion, K450 billion (or 7.9 percent) is earmarked for financing new or enhanced activities in priority poverty reduction programmes while the agricultural sector's share has almost trebled from K88 billion in 2001 to K231 billion in 2002. An additional K10 billion has been allocated to 'vulnerable-but-productive small-scale farmers for the distribution of input packs to

[23] GRZ, Economic Report 2001, Lusaka, Ministry of Finance and National Development, February 2002, p.55.

enable them to grow food crops for their subsistence.' An additional K15 billion has been earmarked for outgrower schemes.

Despite the above positive developments at the budgetary allocation level, there is very little evidence that the requisite capacity needed to operationalise the major changes in resource allocations towards poverty reduction is present, let alone evidence that serious effort is underway to build this capacity, a phenomenon that reveals a giant gulf between policy pronouncements and actual realities. For example, the absorptive capacity of existing poverty safety nets, especially in the backstopping ministries (e.g. Ministry of Community Development and Social Services), is so weak that one wonders how much of the earmarked resources for poverty programmes shall be absorbed and applied in an effective and transparent manner. The same can be said of the K231 billion allocated for the agriculture sector (in the 2002 government budget) that is barely recovering from the disastrous performance of ASIP.

Annex 4: Agricultural Policy Environment

For the performance of the agricultural sector, much is explained by the policy shifts over the years. During the pre-adjustment period (1964-1983), the marketing and producer price policies had a serious adverse effect on the performance of the agricultural sector. The marketing of most agricultural commodities was monopolised by the parastatal sector and government-instituted and controlled co-operatives. The National Agricultural Marketing Board and, later, the co-operative unions exclusively handled the marketing of most cereals. Grain milling was also, by government policy, the exclusive preserve of three parastatals. With respect to the handling of agricultural inputs, Nitrogen Chemicals of Zambia Limited, another parastatal, monopolised fertiliser production and importation. Seed marketing was exclusively assigned to Zamseed, another parastatal. Overall, it was the National Agricultural Marketing Board (NAMBOARD) and later the Provincial Co-operative Unions and the Zambia Co-operative Federation (ZCF) that possessed the virtual monopoly over most agricultural inputs. Moreover, for all the controlled agricultural commodities, the government regulated both the procurement and sale prices. Transport rates were also determined by the government. Hence, in order to maintain uniform prices of controlled goods and services, the government had to extend subsidies. The producer price for the country's staple crop (maize) continued to be set by the government so that it remained the same throughout the country (pan-territorial) and throughout the year (pan-temporal).

There is little disagreement within Zambia presently that the policy of liberalisation is the right one for revitalising the agricultural sector. There is consensus that the government's pricing and marketing policies in the agricultural sector during the pre-reforms period failed to provide sufficient incentives for increased output by farmers. The state dominance of the agricultural sector at both inputs supply and actual production discouraged the emergence of private sector-led agricultural development. Complementary to such faulty state policies and interventions was the weak infrastructure support to the farming community. Moreover, because of the policy bias in favour of maize, infrastructure and service support to the agricultural sector discriminated against other products, whether for domestic or external markets. Consequently, a badly distorted agricultural sector emerged that was dominated by a single crop, maize, that was encouraged even in areas that were not suited for its production. Thus, the government policy of self-sufficiency in the country's staple food crop (maize) has been achieved at a great expense to other crops. National food security had also been threatened by the policy-induced restraint on crop diversification.

In order to cope with the above realisations, the government began in 1983 to work towards economic stabilisation and liberalisation. Zambia's policies under structural adjustment revolved around fiscal management that aim at balancing the budget by way of, inter alia, gradual reduction and eventual elimination of the large budget deficit. In this context, the government decided to eliminate subsidies on maize and fertiliser. By 1994, all consumer subsidies on maize and maize products were completely eliminated and the price of maize meal (the staple food) liberalised.

Another fiscal policy decision under the structural adjustment programme in Zambia that has had considerable impact on the level of government subsidies in the agricultural sector is the policy of privatisation. To implement this policy, all parastatals that were involved in marketing activities have been either abolished (e.g. NAMBOARD) or privatised. Zambia's trade with the world has also been liberalised. Access to foreign exchange for exporters and importers has been liberalised while administrative and other non-tariff barriers to trade have been substantially reduced or eliminated altogether. Related to this is the policy decision that exports of all agricultural commodities, as long as they adhere to health regulations, are freely permitted. Similarly, in order to expose Zambia to the competitive external market, imports of agricultural commodities and inputs (e.g. fertiliser and seed) are allowed. The government strives to set tariffs low enough in order to avoid the creation of barriers to trade in farm products. In this respect, the government's economic reform programme identifies as among the main agricultural sector's objectives the need to expand the sector's contribution to the national balance of payments by, among other things, expanding agricultural exports in line with international comparative advantage.

The Agricultural Sector Investment Programme (ASIP), launched in January 1996, was positioned within the above policy environment. The policy and institutional improvements under ASIP focused on outstanding reforms in the key areas of (a) consolidating the liberalisation of agricultural marketing; (b) strengthening the liberalisation of trade and pricing policy; and (c) streamlining the land tenure system to make it receptive to the policy of liberalisation.

Notwithstanding the above, there is growing realisation that government withdrawal and the subsequent take-over by the private sector of tasks that were previously the monopoly of the state sector often takes time especially under conditions where private initiative is held hostage to a legacy of past inhospitable state-market relations. One crucial consideration here is that, in the short-term, market liberation tends to be disruptive particularly in countries where the policy regime for a long time disregarded market considerations in the determination of prices for inputs and outputs. The private sector's improved income from output may not necessarily be forthcoming in the short-term especially since liberalisation often does entail sudden increase in input expenditure almost across the board. The removal of transport subsidy for fertiliser in the Zambian case, for example, has resulted in a sudden increase in the price of this vital input, a phenomenon that led to the collapse in fertiliser utilisation levels particularly among smallholders in outlying areas. Similarly, the Zambian government withdrawal from the delivery of agricultural credit has led to a further crisis especially given the slow response from the private sector to fill the void left open by retracting state, a development that is less a function of the low capacity of the private sector *per se* and more to do with the non-conducive government policy inconsistency.

Taken together, the initial impact of liberalisation on Zambia's smallholder farmers has been negative especially in an economy where most farmers have had limited opportunities to access both agricultural inputs and credit *before* liberalisation. Under such conditions, the main national challenge at the policy level under ASIP was how best to help smallholders, particularly those in the outlying areas, to benefit from inputs and credit under conditions that are evidently uncertain regarding the degree to which market forces, at least during the transition, would automatically correct this imbalance in delivery.

One consideration that has scantly been acknowledged in policy-induced interventions that target smallholders in outlying areas regards the important question of *regional differentiation*. There is no single, fit-all, appropriate institutional development or production model for all the regions of Zambia. Policy makers and planners, however, often refer to smallholders and outlying areas as if they were homogeneous. They have centrally allocated resources with little regard to the variability of provinces, districts and communities and hardly an allowance is given for possible shifts in resource demands during the course of implementation. Everyone seems to agree that differentiation *between* regions and *among* communities of the same regions ought to be considered at the planning level and yet the planning modalities hardly reflect this reality.

Under a liberalised economic regime, social and economic differences within communities shall remain marked. Different constraints and opportunities will obviously emerge for different smallholder sub-groups that possess different types and levels of assets. To illustrate this important factor, one observes that in the marginal and outlying areas, smallholders' response to fertiliser application has tended to be quite low mainly because of the high cost of this input (due, primarily, to high transportation cost) and/or weak extension messages. In the better integrated areas, on the other hand, the demand for fertiliser application is greater and the cost of the input is lower. Thus, the types of intervention for the two categories of smallholders have to be different. The areas with lower potential may well be advised to (a) utilise in a better manner the locally-available resources (e.g. soil and water conservation methods) and (b) limit their market orientation and production intensification until the basic conditions of effective market entry are facilitated.[24] The areas with higher potential, by contrast, would better be served by fuller integration into the market and work towards expanded output.

Against the above realisation, while the common policy goal is currently to liberalise production and, consequently, integrate farmers into the market economy, a certain level of realism ought to be brought in particularly in the light of the existing major institutional and infrastructure-related constraints that bedevil the agricultural sector. Radical differences in strategy between more resource-endowed and less resource-endowed areas are, thus, a necessity and the speed of transition to market-based production ought to vary according to respective region's prevailing market/resource orientation.

[24]It may sound unatural resourcesealistic to advise smallholders in 'unatural resourceseachable' hinterland to de-emphasise production intensification and limit their market orientation. Any yet it would be equally illogical to encourage farmers to use inputs that are beyond their reach (due to cost and distance) and expand output that will have little chance of being purchased/collected due to the non-response of the market as a result of, *inter-alia*, poor infrastructure services.

Perhaps the greatest institutional challenge for smallholder agricultural development is in the area of rural finance that received almost no attention thus far, particularly under ASIP despite its having been identified as one of the 14 sub-programmes. The need to urgently facilitate the availability of credit to smallholder farmers is reinforced by the fact that since the market reforms were effected, the capacity of institutions that lend to farmers has declined considerably. The government withdrawal of its support to agricultural financial institutions, complemented by the low rates of loan recovery by these traditional credit institutions, continued to cripple input supply during the entire period of ASIP implementation. For all smallholders, access to credit has declined considerably throughout the country. The facilitation of rural finance, thus, seems to be at the core of any meaningful strategy of empowering smallholders to meaningfully enter a liberalised agricultural sector. And yet, there is no visible effort towards the facilitation of the emergence of farmer organisations that could play an important role in the provision of micro-credit at the community level.

Equally important in the area of developing an enabling policy and legislative environment is the challenges posed by land use and land tenure systems. As of now, more than 90 percent of farmers in Zambia have no title to the land that they cultivate. Consequently, there is no security of tenure for the majority of farmers. This considerably reduces the motivation to invest substantial amounts of money in land improvements and agriculture-related physical infrastructure on such land. It also prevents the average smallholder farmer access to loanable capital for production beyond the subsistence level. Currently, although the 1995 Land Act tries to address some of these issues, and despite the sudden surge in applications for title deeds, land administration procedures have remained both protracted and over-centralised.

The Agriculture Commercial Programme (ACP) that is assumed to have replaced ASIP as the policy document governing actions in the agricultural sector aims to facilitate sustainable and broad based agricultural sector growth by focusing on increasing the generation of income from farming through improving access to marketing, trade, agro-processing opportunities, agricultural finance services, improved agriculture infrastructure and serviced land, appropriate technology and information.

In terms of targeting and prioritisation, Zambia's current agricultural strategy under PRSP in agriculture is two pronged. On the one hand, priority assistance shall be provided to small-scale producers who currently constitute 84 percent of the poor. Under PRSP, interventions in support of small-scale farmers include assistance towards small-scale irrigation, credit, better extension and enhanced access to markets. Also to be encouraged are sustainable farming methods such as soil conservation and animal disease control. On top of this, Zambia intends to draw small-scale producers into commercial agriculture principally through outgrower schemes where large-scale estates are expected to support surrounding small-scale farmers in input provisioning and in marketing of output.

Moreover, the government states in the PRSP that it '…shall provide the outlying areas with appropriate and affordable yield-enhancing technologies; key inputs, particularly improved seed and fertiliser; efficient systems of disposing outputs, and affordable finance' and that it '…shall continue to encourage the development of an effective farm input supply system by promoting public-private-partnership (PPP) in the input supply sectors. The facilitation of rural finance is singled as being strategic in smallholder welfare improvement.

Annex 5: Main Agents of Policy-Making: Historical

The success of any policy is largely dependent on the organisational, institutional and regulatory framework within which it is designed and operationalised. Without an enabling institutional environment, even very well qualified and experienced human resource can register little impression regarding the realisation of the set policy goals and objectives. Equally noteworthy, the degree to which the functional structures are linked to the other organs whose inputs are strategic to the overall realisation of the set goals is important. In this regard, the process of identifying the major stakeholders and a clear appreciation of their respective roles *vis-à-vis* the accomplishment of the set policy objectives is fundamental to both the realisation of desired results and the legitimisation of the goal itself.

Who are the main policy-making agents in Zambia and to what extent does the government possesses the leadership that is able to develop, adopt and defend a coherent and well-conceived 'larger national project' expressed in the form of a vision for the country as well as being able to 'sell' this vision to other stakeholders? How far can civil society and other stakeholders influence government policy? Zambia's characteristic weak political institutions and bureaucracy have tended to complicate not only the task of establishing who is in control but also whether the state itself can reasonably be expected to possess the organisational capacity to order its priorities and goals in a way that amounts to a meaningful vision. The absence of strong institutions of democratic representation has evidently left the 'disorganised' state to dominate state action. However, the weakness within the state machinery itself does explain in many cases the dominance of the head of state in the provision and articulation of policy direction or vision. Because of the one-man-show approach to `vision-making', the policy that emerges is usually scantly understood and appreciated by the rest of the country's leadership and, as a result, the state usually fails to defend it through, for instance, discrediting alternative 'projects.' In a situation like this, the needed minimum cohesiveness within government is not usually facilitated and whether, under such conditions, the head of state is in clear control is not always obvious.

To what extent has the Zambian experience with structural adjustment, for example, correspond to the above attributes and how has policy-making fared? To begin with, it is apparent that during the Kaunda phase of SAP (1983-91), the country's economic adversity precipitated by, inter alia, the falling export revenue (mainly from copper); the oil crisis; and the generally poor economic policy, imposed major policy constraints. In this regard, two further questions could be posed. Firstly, to what extent did internal economic realities during this period, particularly the sharp worsening of economic conditions force the government to adopt SAP? Secondly, was there any noticeable existence of a national project during that period and if so, to what extent was it known, accepted and supported both within the government system itself and the civil society at large?

Firstly, the assumption that a country without a free legislature; a free press; or normal liberal rights is much less open to interest group influence than one with `thicker' or `denser' institutions of civil society seemed to hold true for Zambia at the time when SAP was adopted for the first time. To begin with, the centralisation of power in the President and the attendant 'rubber stamp' parliament during the one party system of political governance provided enormous leverage for the head of state to manipulate the various organs of the state in a way that maximised his political authority over economic policy-making. Kaunda managed to manipulate to his advantage the political competition between the two bureaucracies (Cabinet and the Central Committee of his ruling party) and sided with either one of them depending on which one best represents his political survival. This style of decision-making was evident when the decision to adopt SAP in 1985 was made and during the subsequent policy reversals that followed. For example, when the multilateral agencies (particularly the IMF and the World Bank) convinced the President in 1985 that SAP was the only viable option left to correct the worsening economic conditions in Zambia, the locus of influence and control in economic policy-making shifted from the UNIP Central Committee that was anti-reforms to the Cabinet where the Minister of Finance and the Central Bank governor, in particular, supported the reform measures. Parliament was largely irrelevant in this power game.

Against the above realisation, the structure of power and decision-making was such that all it took the multilateral agencies and bilateral donors was to convince the President and that was sufficient to have SAP adopted as government policy. By all accounts, it was the President who secured the adoption of SAP. Only he supported it in the Central Committee; and only he, the minister of finance, and the governor of the central bank supported it in meetings of the cabinet.

Overall, therefore, the initial move by President Kaunda to adopt SAP did not win the support of the most important stakeholders within the government system, particularly the cabinet members (with a few exceptions); the Central Committee of UNIP; and the bureaucracy. The citizens were not even an issue under the Second Republic style of decision-making especially since their parliamentary representatives were largely irrelevant in the centralised policy-making system. However, the very policy-making process that resulted in the adoption of SAP in 1985 actually worked against the prospects of its being attractive to the state as a whole and credible to the citizens. It is here where the paradox lies for in a centralised state in which power is very concentrated (and in which policy implementation requires leaving little discretion in the hands of the lower-level bureaucracy), it may only be necessary to win over a few agents of the state provided that those are the right ones. But the very centralisation that facilitates winning acceptability for the reform among policy-makers often diminishes the reform's credibility to the citizenry. This was what largely explained the failure of the first SAP attempt covering the 1985-87 period. Firstly, throughout the October 1985 to April 1987, there was evidently no consensus within the government itself regarding the road the state had taken and Kaunda was increasingly being isolated by a good number of his Cabinet ministers and those in his ruling party's Central Committee most of whom did not even understand the economic logic behind the reform, let alone defend it publicly.

Secondly, given the political system's centralised decision-making structure and its inevitable exclusion of the bureaucracy from being an active role player, the support for the reform only from the president (and a handful of his technocrats) was not sufficient to guarantee its efficient implementation. Hence, it was not surprising that the elements of the reform were being implemented reluctantly by those in the government bureaucracy. Indeed, many of the agents of the state could not see their own direct benefit from the reform particularly in so far as its supposedly 'short-run' transitional costs (that turned out to be 'long-term') threatened the security of their real incomes since the nature of the fiscal adjustment that was necessary entailed substantial retrenchment in public finances.

Thirdly and perhaps more importantly, in the absence of citizens' support of the reform, Kaunda's major political foe, organised labour, played a strategic role in applying pressure on the state to u-turn. Immediately Kaunda announced the more comprehensive SAP in October 1985, ZCTU assumed the role of the citizens' spokesman and challenged the austerity measures, particularly those pertaining to a wage freeze; price decontrols; removal of subsidies; and retrenchment. The political discontent that mounted burst out in food riots on the Copperbelt in December 1986 resulting in loss of life, for which SAP was blamed. Political support for the entire IMF/World Bank Programme was evidently lost especially amongst the average wage earner and the unemployed. Following the food riots, the three months that followed witnessed persistent labour unrest and ZCTU's calls for the abandonment of SAP were more frequent. It did not come as a surprise, therefore, that Kaunda chose Labour Day (May 1, 1987) to announce his government's decision to abandon SAP and its replacement with the 'home grown' New Economic Recovery Programme that was founded on the slogan: 'growth from our own resources.'

The opposition that the trade union movement in Zambia brought to bear on Kaunda's government after SAP was put in place signalled the emergence of a sensitive civil society that ultimately developed enough clout to challenge the government into capitulation, particularly considering that the latter's political survival was at stake following such intervening developments as the liberal wind of change that swept the continent calling for democracy and good governance. The pressure groups' leverage was further strengthened by the somewhat weak adjustment responses as expressed in terms of the demonstrated poor economic record and the considerable degree to which it negatively impacted on incomes and employment. Kaunda's 1987 decision to halt adjustment demonstrated not only the absence of a strong and internally cohesive government that was capable of 'selling' its vision of adjustment to the people and to itself but, equally important, the non-home grown character of the reform design. This conclusion is reinforced by the fact that the president actually sided with his opponents in May 1987 when he decided to unilaterally abandon SAP and criticised the IMF and the World Bank for being insensitive in their conditionalities.

Lastly, what about President Chiluba's approach to policy-making, particularly with respect to the economic arena? The government of Chiluba not only accepted SAP but accelerated its implementation pace when it assumed power in 1991. A number of factors seem to explain this. Firstly, the 'newness' of the government had provided a positive recipe, albeit temporary, for a considerable level of flexibility in matters of economic policy. It is evident that the government enjoyed considerable leverage for structural adjustment reforms when it assumed office in 1991 following the renewed popular legitimacy. In Zambia, it was not even the question of the conscious willingness of the opposition to temporarily hold its political fire as is traditionally the case when a new government takes power. On the contrary, the magnitude of the popular demand for change proved to be so overwhelming that the opposition virtually died out. During this 'political honeymoon' period, Chiluba's government could do things that were violently opposed under Kaunda, a phenomenon that suggested that newly formed governments are more likely to be better adjusters than old ones. The new government was quick to take advantage of this and undertook the sweeping liberalisation and stability measures that included enhanced speed in the privatisation of state assets with minimum squabbles from civil society.

The 'newness' of the government, while exerting an important influence on the state's policy manoeuvrability, was not the only major explanatory variable behind the acceptance and speed of SAP since November 1991. A closer look at the economic situation when the government assumed power and after that suggested that the adversity was so overbearing that it was easy for President Chiluba to convince many, including his political rivals, that there simply was no other alternative economic programme than SAP to reverse the trend. While the cost of adjusting was evident, particularly its adverse effect on vulnerable groups, it was equally recognised that the cost of not adjusting could even be worse.

Against the above realisation, there is little disagreement regarding the role of the perceived and real economic crisis in explaining why the new government's commitment to SAP has been so thorough and overwhelming. The existence of a hospitable external environment that extended considerable goodwill to the 'new model' of democratic transition in Africa (as Zambia was coined immediately Kaunda peacefully handed over power) evidently served as an additional catalyst for enhanced commitment to SAP. There also seems to exist an element of consensus within government over this vision. This state of affairs is reinforced by the fact that powerful interest groups that supported and benefited from economic liberalisation included those within government itself. The initial composition of Chiluba's Cabinet in 1991 was dominated by prominent businessmen who had everything to gain from the policy of liberalisation. The behaviour of some of them with respect to their taking personal advantage of the government's liberalisation measures, had not only put them into corruption-related disrepute but also attracted many donors to exert considerable pressure on President Chiluba to contain his team's 'bad governance' tendencies. The unceremonial 'political demise' of Chiluba and the attendant corruption-laced controversies surrounding him and his former ministers seem to originate from this political background.

What is the role of the private sector in all this? The centralised policy-making style during both Kaunda's and Chiluba's tenures significantly limited the business community's influence in national decision-making. Perhaps the most important starting point in analysing the relationship between business and government is the major economic reforms of 1968 and 1969 when the government sought both ownership and control of the country's major economic activities - through expropriation of foreign private assets. While the number of companies that were nationalised were relatively few, they accounted for a considerable proportion of national output and the disruption that policy created made private investors, both established and potential, become unsure of the security of their investment in Zambia.

At another level, during the economic regime of controls, private business complained against the government bias in favour of the nationalised sector (the parastatals) as the system compromised free competition. In particular, under the government policy of price controls, companies were not allowed to recover their production costs in a way that would guarantee a fair return on their investments. This problem, coupled with foreign exchange scarcity in an economy that encouraged import intensity resulted in reduced installed capacity utilisation. Since the major competitor of private business - the state sector - was cushioned by government subsidies, the average businessperson's faith in, and support for, government policy was severely reduced and a confrontational stance was set in motion.

Private business sought ways of circumventing government controls by involving itself in what were perceived as illegal 'coping strategies' such as acquiring foreign exchange from the black/parallel market, a phenomenon that strengthened the Kaunda government's perception of the business community as being undesirable. It was, therefore, not unexpected that private business not only formed coalitions with vocal members of parliament to wage a war against the government's policy of controls but was also implicated in the 1981 failed coup attempt. The strong presence of private business interests in Chiluba's government bore testimony to their initial opposition to the former government which they played an active role in displacing in 1991.

Notwithstanding the above, it is worth noting that, compared to organised labour, private business in Zambia has been unable to provide a strong and unified approach to exerting influence on policy-making. This is largely because of one factor specific to Zambia. Each industrial sub-sector in the country has tended to plead for its own special needs and requirements and has generally preferred to lobby with the government independently of other sectors. For example, in the SAP's area of trade policy, there has been a strong division among industrialists regarding trade liberalisation. While those that depend significantly on imported raw materials and other inputs have tended to support SAP's policy of import liberalisation, another lobby, constituting mainly traders, tend to seek protection from cheaper and more appealing incoming imports, mainly from South Africa. Consequently, such industrial associations as chambers of commerce and industry and their mother body, the Zambia Confederation of Industries and Chambers of Commerce (ZACCI) have always suffered from low membership and hardly represent an influential and strong lobby either in favour of, or against the government's adjustment measures.

Pockets of resistance against some of the government policy measures have over the years been registered by the business community but, in most cases, these have not really amounted to a threat to the government's resolve, whenever this was achieved, to implement its programmes as it sees fit. The lack of effectiveness of the private sector's effort to raise alarm over some of the government's policy inconsistencies does confirm its weak bargaining position. In the agricultural sector, for example, the government is still having difficulties in the area of freeing input supply and credit market development. Consequently, state interventions in input supply has persisted amidst in policy stance of liberalisation. Voices from the business community against this state of affairs have not really impacted on the government's posture over this issue. The private sector's call on the government is, nevertheless, legitimate: the state must avoid making policy shifts that send negative signals to the other stakeholders regarding its commitment to articulated policies. In this respect, the level of political will, willingness and ability of the principal policy makers to sustain, in a consistent and predictable manner, the expressed policy choice is fundamental to the creation of investor confidence in the country's liberalised regime.

In the context of the above state of affairs, what are the noteworthy basic principles that would promote popular participation in policy-making? In the first place, it is clear that governance is all about the whole society working together whilst exercising political, economic and administrative authority to manage the nation's affairs. The laws, rules and regulations that govern the interaction of various actors in the political arena significantly influence the nature of the relationships that emerge and whether those relationships adhere to the people's defined acceptable norms of good governance. For the government to facilitate a hospitable environment where good governance obtains, what is required is, inter-alia, the political will, integrity, and honesty that are needed to manage change as well as to facilitate the implementation and upholding of the outputs of the change.

One fundamental lesson from the above is that democracy must accommodate the interests of the majority and minority, the poor and the rich, the privileged and the disadvantaged. In this respect, a state that ignores the needs of large sections of the population in setting and implementing policy is not a capable state. And even with the best will in the world, a government is unlikely to meet collective needs efficiently if it does not know what those needs are due to operating in isolation. The process of strengthening institutions, particularly institutions that enhance the democratic tradition, must, thus, begin by bring the government closer to the people. Basically, this means bringing *popular voice* into policymaking. In the right setting, it also means greater decentralisation of government power, authority, and resources.

Throughout history, nearly all societies have grappled with how to make the state reflect the needs and interests of the population and Zambia is no exception. However, effective citizen involvement in policymaking does not come easily for it requires enlightened government intervention, including improving the institutional environment in which varying interest groups co-exist. What then are the merits of increased civil society participation in the political life of a nation? Fundamentally, increasing opportunities for voice and participation can improve state capability when citizens are permitted to express their opinions, formally or informally, and freely press their demands publicly within the framework of the law and when the state consequently acquires some of the credibility it needs to govern well. States that achieve credibility are then allowed more flexibility in policy implementation and have an easier time engaging citizens in the pursuit of collective goals.

Against the above background, where does Zambia find itself? The quality of political change *vis-à-vis* democratic development has so far demonstrated that while the overall direction of change has generally been positive, it has not been problem-free. The Public Service Capacity Building Project (PSCAP) summarizes characteristics of the public service in Zambia as including, *inter alia*: (i) highly centralized decision-making; (ii) weak accountability; (iii) poor policy implementation due to lack of resources; (iv) compressed salaries with no performance-based pay or promotion; (v) suppression of dissent and avoidance of risk; (vi) unpredictable budget flows; and (vii) public monopoly of service provision.[25] Transparency International's Corruption Perception Index has also placed Zambia within the bottom quintile (i.e., perception of high corruption) of countries surveyed. This may reflect the poor remuneration and morale of civil servants.[26] It also suggests that only limited progress has been made in the 1990s toward the objective of promoting greater public sector efficiency and improved governance through the country's Public Service Reform Program (PSRP) that was launched in 1993 with support from UNDP. To improve political and economic governance, ministerial restructuring was launched and the civil service was downsized by nearly 20 percent between 1997 and end-1999, largely through elimination of ghost workers and high rates of attrition due to resignations and the HIV/AIDS pandemic. The World Bank's input here included an IDA loan towards a public service reform objective, namely 'to improve the performance of the public service by reforming pay and employment practices and improving management controls.' Despite high relevance, the efficacy of the PSRP in achieving this goal was negligible. Conditions were not results-oriented and structural adjustment lending was not used to support the adoption of draft policies on administrative and fiscal decentralization, as well as devolution of decision-making to local governments and communities. This consequently undermined attempts to decentralize and devolve public services, a phenomenon that led to *ad hoc*, and sometimes even conflicting, responses across sectors. Progress has been particularly weak in the redefinition of the new role of the state, revising human resources and remuneration policies, promoting decentralization, and enhancing planning, budgeting and expenditure management. Similarly, through adjustment lending, the World Bank has been instrumental in helping government to modify the cash budgeting system put in place in 1993 to help restore fiscal discipline. It is, however, apparent that the cash budgeting system has outlived its usefulness. To the extent that it rests on top-down decision-making and tends to encourage unpredictable cash releases, it has run contrary to efforts to introduce bottom-up, results-based budgeting and medium-term planning. Expenditure management systems are also particularly weak in line ministries and local governments, a state of affairs that calls for enhanced capacity-building in the areas of budgetary reform and public expenditure management. PSCAP is currently attempting to address these issues.

It is noteworthy that the extent of accommodation of non-government actors in the policy-making process is fundamentally influenced by the legislative environment and how demanding it is on the state to account for its actions. For the state to govern effectively and legitimately, the principles of constitutionalism must, therefore, reign. The concept of constitutionalism is basically about a political, social and legal order founded on accepted fundamental rules for governance of polity. These rules define the institutional structures of the State, and how they relate to each other, and between the State and the people. They further define the powers, functions, duties and privileges of State institutions in relation to each other and between the State and the individual and the public at large. Constitutionalism also imposes limitations on the exercise of powers of the State especially of executive power, i.e. limitation by law. The will of the people must be the basis of the authority of government. Constitutionalism demands that governments should respect and operate in accordance with the law as opposed to acting arbitrarily. It requires that those wielding power must not become authoritarian and impervious to the concept of public accountability.

The 1991 Zambian Constitution, as amended in 1996, embodies the doctrine of the separation of powers in order to enhance democracy, accountability and transparency and for the upholding of the rule of law in Zambia. The establishment, composition, functions and powers of the three main organs of the State, namely, the Executive, the Legislature and the Judiciary, are clearly defined in the Constitution of Zambia. The doctrine of separation of powers follows the basic principles underlying a constitution, which is to limit government authority and regulate the political processes of a State. The question that has raised some concern in the Zambian case is whether the checks and balances provided in the Zambian Constitution are effective in controlling abuse or misuse of power by any one organ of the State, especially during the pre-2002 period when the ruling party consistently held a majority position in the National Assembly. There is, therefore, need to ensure that all State organs are able to check and balance any excesses or arbitrariness of powers by any one organ of the State. In this regard, there is a growing civil society call for constitutional review that would enable the country to recast the provision of the supreme law in a manner that enhances good governance and democratic development.

The Legislative power of Zambia is vested in Parliament, which consists of the President and the National Assembly and it is here where policy decisions are often upheld. A representative legislature that is strong,

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[25] World Bank, *Project Appraisal Document: Public Service Capacity Building Project*, Report No. 19239-ZA, p 8.

[26] The index for Zambia was 2.6 (on a scale of 0–10)—or 75th out of 91 countries surveyed for 2001.

effective, responsive and forward looking is an asset to a democratic state. There is, however, a general feeling in Zambia today that the National Assembly needs to be reformed in order to make it more accessible to the people.

Annex 6: ASIP as an Illustration of the Policy Roles of Different Actors

A look at the manner in which the Agricultural Sector Investment Programme (ASIP) was conceived and implemented would shed light on how policymaking and implementation in the agricultural sector have been effected. Perhaps the most important starting point regards the degree to which the government, through its Ministry of Agriculture, adequately conceptualised ASIP in the context of the country's structural adjustment programme and who was really involved in this. Since 1995, the World Bank support for sector-wide approaches (SWAPs) has been central to its strategy for poverty reduction in Zambia and, in this regard, it played a strategic role in the introduction of Sector Investment Programmes (SIPs) in Zambia's agricultural sector. SIPs are designed to bring the government and all major donors together under a common sector policy framework and medium-term investment programme and Zambia was an early innovator in adopting SWAPs.

It is clear that no serious reflection/conceptualisation was made by the government prior to the launch of ASIP at the level of how best to prepare an enabling policy environment to which the private sector should respond. It seems the assumption was that the broad-based liberalisation policy environment put in place at the macro level was sufficient to ignite the needed supply and demand responses from the private sector *vis-à-vis* ASIP. Because of the absence of a well-articulated policy argument that links the current macroeconomic policy regime to the form of liberalisation challenges and opportunities in the agricultural sector, even the facilitative role of the government under ASIP was not defined in sufficient detail for the benefit of both sub-programme managers and the other stakeholders whose active involvement was dependent on the clarity and consistency-cum-predictability of government policy choices. The Staff Appraisal Report (SAR) that was prepared by the World Bank and that formed the basis of much of the conceptualisation that guided policy and implementation was evidently insufficient in terms of both *policy guidance* (regarding who should undertake what, at what speed, within what time frame, and under what preconditions) and *actual implementation* (at the level of the requisite detail of the 'proposed actions'). The role of the private sector and the limitations of the government were defined in the SAR in such broad terms as to make ASIP's operational value quite limited. The main beneficiary from ASIP (the smallholder farmers) were neither consulted nor adequately informed/prepared for the new Programme. To the extent that the government adopted this document as the basis for its activities under ASIP, its limitations equally reflected the analytical leadership frailty of the Ministry of Agriculture that adopted it. It also called to question the somewhat over-arching influence of the World Bank when the ASIP structure and *modus operandi* were finally adopted by the government. Because of the inadequate role specification, the policy matrix in the SAR did not provide an adequate basis for the achievement of the set ASIP objectives. For example, the only action that was proposed under Marketing, Trade and Pricing Policy was the leasing out of all excess storage capacity, a prescription that was highly inadequate for the realisation of the document's stated set of objectives.

Another important consideration about the capacity of the Ministry of Agriculture to manage ASIP activities regards the degree to which the system had allowed for sufficient co-ordination with other stakeholders in the agricultural sector during the implementation phase. The experience during the entire period of ASIP had revealed the importance of co-ordination between ASIP activities and procedures, on the one hand, and those that are being undertaken elsewhere within and outside the Zambian government system, on the other. The slow pace of the Ministry of Agriculture restructuring seemed to have its root explanation in the almost stagnant restructuring of the civil service as a whole. Restructuring, especially to the extent that it requires substantial amount of financial resources in retrenchment packages, has continued to move at a snail's pace in Zambia. Given the fact that ASIP was primarily a government-cum-World Bank driven strategy with little co-ordination with other stakeholders in the agricultural sector, the speed and content of the public sector reforms continued to have far-reaching consequences on the Programme's success.

A related consideration is that decentralisation of power and authority to district and sub-district levels was recognised to be essential to the success of ASIP. While effort was directed towards this by the implementing ministry (Ministry of Agriculture), no corresponding action was being taken in most other ministries. This was largely due to the slow pace at which the process of decentralisation (both devolution and deconcentration) at the macro level has moved within the context of public sector reforms. Consequently, there has been very little inter-sectoral co-ordination and collaboration in place, a phenomenon that has made the Ministry of Agriculture not being able to really bring other ministries to its support. Such portfolios of government as Education; Science and Technology; Local Government; Finance; and, perhaps more importantly, Lands, have had very little link and co-ordination with the Ministry of Agriculture during the ASIP implementation period. And yet, as is evidently clear, these ministries' activities are intimately linked to the functions and activities of ASIP. Related to this is the weak

ASIP intra- and inter-Sub-programmes integration and co-ordination. Sub-programme managers complained of little co-ordination of their activities.[27]

The other issue that has an important implications on the leadership capacity of the Ministry of Agriculture concerned the redefinition of the role of the donor community under ASIP, particularly with respect to how their resources were to be utilised and accounted for. To some extent, this had a lot to do with the capacity of the government to co-ordinate donor resources and activities. First and foremost, it was evident that there was little agreement among donors prior to the ASIP launch regarding how they should interface/collaborate within this new framework. There were repeated signals from some donors indicating that they felt marginalised by the World Bank during both the conceptualisation of ASIP (and subsequently the resultant organisational structure that the Ministry of Agriculture adopted) and during its implementation. This concern was further reinforced by what was perceived as lack of continuity in staffing and management guidance on the part of the World Bank (leading to what has been referred to as the loss of 'institutional memory'). The Ministry of Agriculture's perceived failure to guide the World Bank so as to secure the effective participation of other donors in the ASIP processes also raised concern among other stakeholders, something that resulted in the questioning of the Ministry of Agriculture's capacity and/or preparedness to manage donor co-ordination more effectively. The manner in which the well-represented ASIP Steering Committee[28] was dissolved by the then Minister of Agriculture seemed to have worsened some of the donors' concerns regarding the evident marginalisation of other major stakeholders in ASIP processes.

Perhaps the most important message from the above is that although the government assumed that at most bilateral donors were committed to ASIP as the appropriate strategy (they were collectively expected to meet 60 percent of the Programme budget), the ASIP Mid-Term Review revealed that there was no common consensus among cooperating partners on the basic fundamentals of the Programme. As the recent World Bank review conceded as it took a post-mortem of ASIP,

> 'Agriculture is the sector in which consensus has been most difficult to achieve between GRZ and donors, as well as among the donor community. Again, this may reflect a lack of consensus worldwide, particularly on the role of the state in agriculture, as well as insufficient capacity within GRZ to analyze policy options in the Zambian context. Core policies on input supply, output marketing and research and extension services have lacked clarity and consistency over time. This, coupled with weak financial management, made donors reluctant to consider pooling of resources and common implementation arrangements. Thus, ASIP retains a larger set of discrete, donor-funded projects that benefit from better coordination and integration into national programs. BESSIP has drawn lessons from earlier stand-alone education projects, and now provides a framework for collaborative support from 13 donors.'[29]

Signs emerged to the effect that the assumptions regarding the justifications for programme (rather than project) approach to agricultural development still begged consensus at the level of both logic and actual implementation modality. The role of the government, particularly in terms of which areas it ought to have participated in, was increasingly being questioned. For example, such ASIP sub-programmes as Rural Finance and the Rural Investment Fund were cited by both the private sector and many donors as belonging to the private sector and should, thus, not be allowed to be run under the government umbrella.

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[27]The following co-ordination problems were identified during the course of the ASIP Mid-Term Review:
Rural Investment Fund (RIF): *(a)* co-ordination with Financial Management Unit is problematic leading to RIF proposing to establish its own accounting unit; (b) weak link with the private sector.
Marketing and Trade: *(a)* link with RIF is weak particularly in the area of infrastructure development; (b) weak co-ordination with the Food Reserve Agency that is perceived to have operated beyond its original mandate; (c) weak link with the private sector.
Fisheries: *(a)*artificial splitting of fisheries extension from research; (b) weak link with the Irrigation Sub-programme and RIF; (c) weak liaison of the implementation committees of the Fisheries and the Land Husbandry sub-sectors; (d) weak link with the private sector, especially in fingerling production.
Land Husbandry: *(a)* weak inter-sectoral co-ordination with, say Ministry of Lands; *(b)* limited recognition within MAFF.

[28] Apart from government officials, It also included the private sector and NGOs.

[29] World Bank (2002), Zambia: Country Assistance Evaluation, Operations Evaluation Department, World Bank, Washington, May.

The discovery during the Programme's Mid-Term Review that ASIP as a concept was scantly understood by most people, particularly in the rural areas, was a clear signal of the need for the government to begin a more aggressive approach to 'packaging' and 'marketing' the *programme approach* in a manner that would effectively enlist the required support from the other stakeholders. The frequent changes of Ministers at the Ministry of Agriculture did introduce a certain sense of policy implementation instability to the extent that each new Minister came up with different interpretation and approaches to ASIP implementation. Since ASIP was launched, shifts in Ministry of Agriculture political leadership had witnessed differences in the interpretation of how the programme ought to have been implemented. One of the Ministers (Edith Nawakwi, the same one that dissolved the more representative committee mentioned above) actually perceived the ASIP programme as requiring a complete re-launch even before the findings of a Mid-term Review were known, thus, suggesting an implementation direction that was more impulsive than a product of a detailed study of the Programme's strategy weaknesses and opportunities. Experience elsewhere has shown that policy consistency is more likely to be stable when the political and technical heads of a given portfolio are allowed to remain in their positions long enough to be able to have a more informed appreciation of the problems and challenges at hand against which more proactive reorientation of the activities could be agreed upon and effected.

The World Bank's own evaluation of the performance of SWAPs in Zambia revealed mixed signals. The vision in agriculture under SWAP, the World Bank reported in its 2002 report, '…has been less clear - particularly regarding the role of the public sector - but the SWAP has ultimately been supported by 12 major donors, bringing greater coherence and coordination to nearly 180 disparate, donor-funded projects.'[30] In its conclusion, the Bank reported that the outcome of ASIP has been 'modest to unsatisfactory'; institutional development impact as being 'modest;' and its sustainability as being 'uncertain.' In fact, following the ASIP mid-term review, the World Bank '…shifted to narrower, pre-defined funding priorities – more in keeping with a traditional investment project than with the time-slice financing ideally envisioned under a sector investment loan. The intent was to improve implementation performance, and create clearer links between financial inputs and outputs/outcomes in key areas.'[31]

An additional precondition to effective and informed policy-making is the existence of timely, reliable and relevant information flowing to all the main stakeholders as well as from the stakeholder to the major implementation/co-ordinating agencies. Presently, the information dissemination mechanism in Zambia's agriculture sector is not sufficiently developed to allow for a smooth flow of relevant messages and data, particularly to the lower levels. The current poor performance of the under-funded National Agricultural Information Services (NAIS) confirms this reality. One noteworthy aspect is that the private sector, albeit at a small scale, participates in the delivery of extension messages, principally driven by their respective market demands. Some NGOs are also increasingly entering the agricultural extension service delivery process. This development does signal the importance of the government putting in place a more facilitative legislative and policy environment for the entry of more private sector players in this field. It is an area that promises to reduce direct government involvement in services delivery, a phenomenon that adheres to the Government's stated policy of partnership enhancement with the private sector.

Lastly, it was clear that for ASIP to have succeeded and for the implementers to have been able to take up the challenges demanded of them by the Programme, the regulatory framework should have been supportive. In this respect, one of the objectives of ASIP was to modernise the laws to support current development requirements. In the review of agricultural legislation, three acts were specifically mentioned as requiring attention. These were the Credit Act of 1962 (in order to improve credit services to smallholder farmers); the Co-operative Amendment Act (to facilitate take-over of government operations by co-operatives); and the food Security Reserve Agency Act (to provide mechanisms for combating transitory food insecurity).

[30] World Bank (2002), Zambia: Country Assistance Evaluation, Operations Evaluation Department, World Bank, Washington, May.
[31] World Bank (2002), Zambia: Country Assistance Evaluation, Operations Evaluation Department, World Bank, Washington, May..

Annex 7: Drivers of Policy Change – the Bangladesh Exploration

The policy scoping study for DFID in Bangladesh[32] suggests that:

- the quality of institutions and governance is the prime influenceable factor that will determine the rate of poverty reduction;
- there is a particular need focus on institutions that support and strengthen the needs and capabilities of women;
- the evidence from four strategies that might contribute to poverty reduction (sustainable growth; empowerment; access to assets, markets and services; and security) indicates that the poverty focus of (especially) certain advocacy and service-providing bodies has been impressive. However, many others are either ineffective, or are used for purposes that serve predatory and often corrupt patron-client relationships rather than development objectives;
- improving institutional performance, not least in the public sector where there are deep-seated and systemic problems (many with their roots in the political process), is needed not only for overall development, but also for the effective use of aid;
- lack of effective demand for change is the central obstacle to pro-poor governance and institutional reform: many of those able to bring about change benefit from the present situation and have little interest in reform, while many of those with a strong interest in change – poor people and women in particular – are weakly placed to bring it about;
- in this context, reform can be stimulated in two linked ways:

➢ by promoting *broader processes* of social and economic change (such as education, in particular of women);

➢ and by identifying and supporting *champions of change* (including NGOs, community organisations, reform-minded elements of the political parties and of the civil service, the media, the private sector, professional associations, the research community and the Bangladeshi diaspora).

- while the principal responsibility for change lies with citizens of Bangladesh, development partners can play constructive roles.

The Bangladesh study examines these propositions in relation to several areas of policy and practice: improving access to services and markets; infrastructure; social protection; achieving the rule of law; public financial accountability; policy analysis and decision-making; and making local government effective.

Several emerging themes are discussed:

- stimulating demand for improvement in governance;
- creating a critical mass for reform from among often fragmented stakeholders;
- identifying and finding ways of addressing vested interests;
- and the ways in which donor agencies need to strengthen some of their own capacities and change ways in which they work if they are to promote reform more fully.

To promote demand for pro-poor change via the two mechanisms outlined above (strengthening *process* and supporting *champions of change*), the Bangladesh study recommends action to:

- strengthen the political process;
- increase the accountability and effectiveness of government;
- strengthen civil society and the media,

[32] *Bangladesh: Supporting the Drivers of Pro-poor Change* by Alex Duncan, Iffath Sharif, Pierre Landell-Mills, David Hulme and Jayanta Roy. June 2002

- strengthen the capacity of the private sector, for instance, to press for improvements in the rule of law, infrastructure, and contract enforcement to help strengthen the policy analysis work of the major business chambers and to foster improved business ethics and, especially, a non-partisan collective business advocacy stance.

To support Bangladesh in moving in these directions, the study recommends that development assistance should be based on four mutually reinforcing elements:

- First, continued funding of key pro-poor social and economic services providing particular attention to governance and institutional aspects
- Second, a greater emphasis on systematic and long-term (perhaps 20 years) support to underlying socio-economic changes and to agents for reform in Bangladesh that will increase pressure on public institutions.
- Third, continuing to work with government to reform public policies and institutions, but on a strategically highly selective and collaborative basis, with an emphasis on governance.
- Fourth, support to Bangladesh in a range of international (and possibly regional) fora, on such issues as trade, environment, and migration.

Annex 8: Priorities for Trade Policy[33]

- Zambia needs clear priorities, a limited agenda, and a firm timetable to meet existing negotiations.
- Zambia must diversify its exports out of dependence on a single mining product for which demand is falling, but avoid moving into agricultural products whose prices are falling. Exports to examine:
  - Tourism, because of its recent good performance
  - Sugar and cotton, where changes in EU and US preference regimes may have created opportunities
- Increasing its production for home consumption should also be part of its strategy because of its high transport costs (landlocked) and high exchange rate (because of aid inflows).
- Given the nature of its exports, it must preserve and enhance its access to both regional and international markets, but it already has good access which needs to be recognised, and used, more than to be improved: raising awareness and encouraging existing suppliers could avoid distortions and be effective.
- As a small country, it must adapt to the organisations to which it is already committed, in particular COMESA, with a technical approach to integration, and SADC, with a more political one.
- It should avoid dissipating its negotiating resources where its interests are limited, for example additional bilateral agreements within the region or new arrangements with the EU.
- One important aim in its regional and preferential agreements should be to strengthen their enforcement and dispute settlement sides. It could also use action in the WTO to guarantee its long-term access to the EU.
- In SADC, it needs to consider the implications of opening its market to South Africa.
- In the WTO, where it has important interests to defend in rules and in the provisions for Least Developed, and a relatively strong national competence in intellectual property and GMOs, it should learn to use its limited negotiating resources more effectively.
- It must create effective coordination of information and policy within the government and between the government and other interest groups, clear lines of responsibility for all aspects of trade policy, and analytic capacity to assess policies and proposals.
- Technical assistance, from donors and through exchange of information with more effective trade ministries in the region, could make policy more effective, but the first steps have to be in formulating policy.

Summary of issues requiring policy and action

Background to trade policy
Zambia's progress towards export diversification has been slow, and has faltered in the last five years. It must finally accept that copper exports are likely to fall, and that its present level of dependency is dangerous. There must be a permanent commitment to diversify into new goods and services.

Zambia's principal export markets are the EU, South Africa, and the other regional markets, but for its imports it is increasingly dependent on South Africa. The importance of non-traditional markets has fallen in recent years.

Exports must be based on expectations about demand and evidence of existing production or interest, not simply on surveys of natural resources. Both the urban (and mining) nature of Zambia's population and the uncertain prospects for world agricultural reform suggest some caution about relying on agriculture.

[33] *Source*: Page (2002) *Streamlining Zambia's Trade Agreements to Support Export Diversification.* Report prepared for the World Bank.

The high transport and other trading costs faced by Zambia as a land-locked, small, economy, with its exchange rate held up by aid inflows, mean that some of this diversification may be into new production for national production (to replace imports), both food and manufactures.

It has prospects for two types of export diversification: enlarging markets for goods already produced for the domestic market and using Zambia's comparative advantages to export new goods to new markets. This dual structure has not been fully recognised.

It appears to have decided that foreign investment cannot or should not be a major driver of new exports, making it almost entirely dependent on local initiatives.

The stated objective, based on natural resources, is diversification into agriculture and tourism, although recent food production has been discouraging and the distribution of land and the type of labour available raise questions about the ease of moving into agriculture.

Trade policy can provide a supportive, but unspecific, environment for export diversification or it can be targeted on specific sectors or markets. Current Zambian policy uses targeted negotiations by market, but in support of domestic production policies which are much more general and fail to take account of international policy. This weakens policy coherence.

Policy is hindered by lack of analysis:

- The prospects for two products where changes in policy have created new advantages (cotton to other African countries to meet AGOA rules of origin and sugar under the EU EBA regime) do not seem to be fully recognised.
- Other exports apparently considered promising – tobacco, coffee, and wood products – face poor long-term prospects and policy constraints.
- There has been little analysis of what explains recent growth where there have been successes (e.g. in tourism)
- The prospects for manufacturing for the local market may be better than those for some types of processing of export commodities.

The principal obstacles to exports appear to be poor infrastructure, both physical and legal, suggesting that external negotiations should have limited priority, except in a few highly policy-dependent commodities (e.g. textiles, food).

Making trade policy

The contraction in manufacturing and the general stagnation that followed trade liberalisation in the early 1990s have led to a distrust of trade and of regional liberalisation. Although other changes like the disruption surrounding privatisation and the fall in copper income may at least share responsibility for Zambia's poor economic performance, there is not sufficient analysis of trade to answer these suspicions.

There is also distrust of large firms (and foreign firms), while small firms are too weak to export, and government policy is hesitant.

There is thus no strong mandate for using trade policy, in particular to promote diversification and growth, and much trade policy in the past has come from outside: structural adjustment and the momentum of regional negotiations.

There is no institutional coordination, by negotiation or by topic, and therefore a fear that current obligations and the interaction of future negotiations are not fully understood. There is no effective way to translate concerns or suggestions about domestic measures that could contribute to trade into trade policy. Policy makers are therefore failing to use all available information about trade prospects and trade policy needs.

Both business and other non-governmental interests are increasingly doing their own research and policy analysis, and pressing for formal consultation. The lack of a formal system means that policies can still be defined and implemented on the basis of incomplete consultation.

For trade policy to be made more coherent, a framework of national objectives, clear lines of responsibility for trade policy, and effective consultation are all needed.

Zambia's trading arrangements

WTO

Zambia has not been as active here as some other equally small developing countries. Although its trade pattern (or pessimism about the Doha Round) could suggest that it has limited interests, it does not appear to have identified the areas where it might be affected (subsidies, SPS, services, tariff binding, anti-dumping, WTO rules, for example) or the types of request and offer it might make.

Given its dependence on preferences and its participation in a number of regions, it should probably take a particular interest in binding the preferences for Least Developed countries, securing agricultural reform and restrictions on agricultural quotas, and in avoiding any change in the rules for regions that could restrict differential liberalisation by Least Developed members, but this last is an area where it must be particularly careful to analyse its interests across all the regions which affect it.

It may want to support greater technical assistance for removing domestic barriers to trade, rather than for preparing for the possible 'new issues' in the WTO.

The strong interest and level of informed debate in the areas of intellectual property and GMOs suggest that these may be priority areas in the negotiations.

In the past Zambia has followed the leadership of (all) the groups of which it is a member. If it develops its own positions, it will need to consider both which fit its interests most closely and the strength of its regional commitments.

There has been no progress towards joint negotiation by SADC, COMESA, or any of the groups of which Zambia is a member.

COMESA, SADC, and other developing country groups

COMESA already offers free trade among about half its members (including Zambia), and trade at highly preferential terms for most of the rest. But its planned move to a customs area in 2004 is likely to be slowed by the delays in completing the FTA and by difficulties in agreeing on the common tariff.

It has a long record of step-by-step practical interventions in trade, including trade in services, and an experienced Secretariat.

The FTA is under strain because of the difficulties posed by Zimbabwe's drop in demand and its dual exchange rate, but the immediate issues seem resolvable, and COMESA intervened, although not as effectively as some Zambians wanted.

SADC is only now freeing trade among its (non-COMESA) members, and some industry-specific quotas and rules of origin mean that trade under its rules will remain less free than under COMESA rules, so that it does not supercede the COMESA FTA. The presence of South Africa, more developed than other SADC countries, but in a customs union with one of the Least Developed, plus the parallel COMESA FTA, have led to a complicated asymmetric structure which places additional strains on border controls and rules of origin.

South Africa is the principal non-COMESA SADC country where Zambia expects gains, although it is too early to identify these. It could also (later in the eight year transition period) be the source of greatly increased imports, but in contrast to the fears and complaints about COMESA, there does not seem to be either analysis or concern about this.

SADC has plans and COMESA has some actual interventions in services, but neither has taken a position on services in the WTO, and Zambia has not analysed how to pursue its regional and its multinational services interests.

Institutionally, SADC has been weaker, and more concentrated on infrastructure and industrial initiatives, but it is acquiring stronger trade structures.

The restrictions and delays remaining, especially in SADC, mean that in principle there is still reason to pursue more liberal, more rapid, agreements with those members willing to do so. Given limited negotiating capacity and the disadvantages of complexity, it is less clear that Zambia has strong interests in doing so, but it has intermittently pursued a range of possible combinations.

Zambia is also looking at an agreement with India: as this is a major market for some products to which it does not have access under any existing agreement, the arguments may be stronger for this.

COMESA and SADC and the different relationships within them create what appears to be an incomprehensibly complex structure of access regimes, within each, between them, and between each and the rest of the world. This would create major problems of negotiation and of analysis for trade negotiators, if they tried to analyse the net impact of any measure, given all the others, but causes less difficulty for traders: in practice it is not difficult to ascertain the possible rules for any bilateral transaction and choose the most favourable.

The supposed conflict between COMESA and SADC is less important than some of the inconsistencies created by other bilateral relationships, and less important than it was, with growing efforts to play down differences and to make practical arrangements for coordination.

There remains a difference between the technical emphasis of COMESA and the greater political role of SADC, both as a focus within the region and in relations with the rest of the world.

Zambia has probably benefited more from COMESA so far (if only because it offered markets for its national-type goods sooner, while preferences in developed countries provided markets for its export-type goods). It believes that it has suffered from liberalisation to COMESA, but this is not well demonstrated, and the risks of competition, and even dumping, from South Africa may be greater. It may need to consider how to reduce those risks.

The complexity of multiple agreements is a burden, but it would be easier to reduce it by cutting back on bilateral negotiations than by making what would be a major political statement of rejecting either SADC or COMESA.

Relations with the EU and the US

Zambia faces a new regime and a choice of regimes for the future in its relations with the EU. It now receives the most favourable elements of both the old Lomé regime (time-guaranteed access and favourable rules of origin, but some exclusions) and the new EBA (access for all its goods, including improved access for sugar, but without security).

Zambia could retain EBA access, but would need to find a way of securing or binding this to give certainty to new exporters.

The alternative proposed by the EU, EPAs, has been altered since first proposed, to include services and to offer more differentiation by need, so Zambia would need to judge what more it could negotiate, what the costs of offering reciprocity would be, and then choose between this and EBA.

The choice is complicated by the condition imposed by the EU that the negotiation be with regions, although neither COMESA nor SADC had legal competence to negotiate, and the members have different interests in their relations with the EU (Least Developed and others; those with and without sugar quotas; more and less dependent on tariff revenues; more or less vulnerable to trade diversion....).

Various configurations of the negotiations are possible, including differentiation between Least Developed and other developing countries, with or without regional agreements.

Zambia must keep aware of the possible positions with the objective of preserving its present access under EBA, if possible securing a contractual commitment for this. To judge what it should offer to secure this, it would need to analyse the impact of offering full or partial or staged reciprocity on its economy. It has not started this analysis.

Before entering any negotiation of an EPA, it would need to consider whether it had the negotiating and analytic competence to engage in another complex negotiation and to coordinate it with those to which it is already committed: WTO, SADC, COMESA..., and to ensure that it was compatible with other access offered to it, for example in AGOA.

For either a 'bound' EBA or a preferentially asymmetric EPA, a change in WTO rules would be necessary, so Zambia needs to develop and press a position there.

Lack of readiness to negotiate, reduced interest from the EU, and a general revival of special and differential treatment may mean that EPAs cease to be an active possibility, so that of all its negotiations, this may be one which Zambia can safely neglect, although the EU's deadlines will make this more difficult.

Zambia has only just started to use AGOA, but it is likely to benefit as a supplier of yarn to other African countries, and could export more if it can comply with strict SPS standards.

Although there are no formal negotiations, modifications in the scheme could change its advantages (for example, in rules of origin or SPS standards) so that it cannot be entirely neglected.

The promotion of AGOA by the US and by advisers in Zambia is a potentially stimulating example for encouraging use of other special export access.

Source: Page, S Streamlining Zambia's Trade Agreements to Support Export Diversification. Report prepared for the World Bank. October 2002.

Annex 9: Overview of Pro-poor Tourism Strategies

Strategies for pro poor tourism can be divided into those that generated three different types of local benefit: economic benefits, other livelihood benefits (such as physical, social or cultural improvements), and less tangible benefits of participation and involvement. Each of these can be further disaggregated into specific types of strategies.

Strategies focused on economic benefits include:

- Expansion of employment and local wages: via commitments to local jobs, training up locals for employment
- Expansion of business opportunities for the poor. These may be businesses/entrepreneurs that sell inputs such as food, fuel, or building materials to tourism operations. Or they may be businesses that offer products directly to tourists, such as guiding, crafts, tea shops etc. Support can vary from marketing and technical support (e.g. by nearby mainstream operators), to shifts in procurement strategy, or direct financial and training inputs.
- Development of collective community income. This may be from equity dividends, lease fee, revenue share, or donations, usually established in partnership with tourism operators or government institutions.

In general, staff wages are a massive boost to those few that get them, small earnings help many more to make ends meet, and collective income can benefit the majority, but can often be misused. Thus all three types are important for reaching different poor families. Strategies to create these benefits need to tackle many obstacles to economic participation, including lack of skills, low understanding of tourism, poor product quality and limited market access.

Strategies to enhance other (non-cash) livelihood benefits generally focus on:

- Capacity building, training and empowerment
- Mitigation of the environmental impact of tourism on the poor and management of competing demands for access to natural resources between tourism and local people
- Improved social and cultural impacts of tourism
- Improved access to services and infrastructure: health care, radio access, security, water supplies, transport.

Such strategies can often begin by reducing negative impacts – such as cultural intrusion, or lost access to land or coast. But more can be done to then address these issues positively, in consultation with the poor. Opportunities to increase local access to services and infrastructure often arise when these are being developed for the needs of tourists, but with some consultation and adaptation could also serve the needs of residents. Strategies for capacity-building may be directly linked to creating boosting cash income, but may also be of more long-term indirect value, such as building management capacity of local institutions.

Strategies focused on policy, process, and participation can create:

- More supportive policy and planning framework that enables participation by the poor
- Increased participation by the poor in decision-making: i.e. ensuring that local people are consulted and have a say in tourism decision making by government and the private sector
- Pro-poor partnerships with the private sector
- At the minimum: increased flow of information and communication: meetings, report backs, sharing news and plans. This is not participation but lays the basis for further dialogue.

Implementing these strategies may involve lobbying for policy reform, involving the poor in local planning initiatives, amplifying their voice through producer associations, and developing formal and informal links between the poor and private operators. Table A9-1 summarises this typology of PPT strategies

Table A9-1: Types of PPT strategies

Increase economic benefits	Enhance non-financial livelihood impacts	Enhance participation and partnership
More specifically:		
• Boost local employment, wages • Boost local enterprise opportunities • Create collective income sources – fees, revenue shares	• Capacity building, training • Mitigate environmental impacts • Address competing use of natural resources • Improve social, cultural impacts • Increase local access to infrastructure and services	• Create more supportive policy/planning framework • Increase participation of the poor in decision-making • Build pro-poor partnerships with private sector • Increase flows of information, communication

Source: Caroline Ashley, ODI, November 2002

Annex 10: Special Economic Zones and Diversification for Exports

In July 2002, a Malaysian consulting company commissioned by the World Bank presented a 'Diversification Strategy for the Copperbelt Province of Zambia'. Citing its surveys which revealed 'extremely low' domestic investor confidence in the country, the report argues that the objective for a diversification strategy for the Copperbelt has to be to 'establish an investor friendly policy regime'. The strategy document argues that its tight geographical focus, its consultative approach, its consistency with the PRSP, and the strong stakeholding in it by the 'new deal' government in Zambia are likely to contribute to its success.

The SEZ strategy is seen as transitional, to 'jump start' economic growth in a planned, focused and integrated manner. It is predicated on 'intensified efforts' by GRZ to undertake macroeconomic and structural reform, to keep inflation below 5 percent p.a., to keep interest rates down, and to stabilise the Kwacha, whilst undertaking prudent fiscal planning and resource management, and strengthening governance. It contains five components:

- The establishment of a Special Development Zone which will aim to attract foreign direct investment through a package of tax incentives, comprehensive infrastructure (including international-standard utilities, industrial estates, residential, educational and leisure facilities) and simplified business registration and regulatory procedures
- Targeted investment in mining, agriculture and manufacturing, and corresponding policy support
- Infrastructure development
- Human resource development
- The establishment of a Special Development Zone Authority which will provide the institutional support to facilitate and manage the economic transformation process.

Whilst conceding that the Copperbelt has few of the physical, locational, economic or social advantages that characterise many other SEZs, the report (somewhat disingenuously) argues that these are compensated by the availability of 'rich natural resources and huge potential for export-oriented agricultural and manufacturing production'.

The report contains no economic analysis in support of its claims. Of most interest in the present context is its assumption that the design and implementation of policy can be improved sufficiently to allow the necessary economic and other preconditions to be put in place. This would require substantive policy change, and we have argued elsewhere in this paper that such change is unlikely, at least in the short term, so that the basis for a successful SEZ is simply unlikely to be in place. In addition, a recent analysis (Page, 2002) suggests that actual government policy (as distinct from policy statements) disfavours FDI, and places greater emphasis on national initiatives.

Annex 11: USAID Support to Agriculture in Zambia

USAID support to the agriculture sector has grown from $1m in 1996 to $7m in 2001. USAID's strategic objective in supporting the agriculture sector is to 'increase incomes of selected rural groups'. In pursuit of this objective, it is working with the Ministry of Agriculture and Cooperatives (MAC) and other interested stakeholders in many areas, including:

- Policy dialogue
- Information gathering for policy framework improvements
- Small farmer outreach services
- Training

Policy dialogue: USAID has supported the Agricultural Consultative Forum (ACF) since 1998

Policy Framework Improvements: USAID is supporting tripartite research and capacity building (MAC, ACF and Michigan State University). One objective is to increase the capacity of MAC to collect and disseminate agricultural input and output data as required for policy decisions.

Small Farmer Outreach Services: these involved 60,000 smallholders by the end of 2001, and include:

- an $8.5m project managed by CLUSA in Southern, Lusaka, Central and Copperbelt provinces to encourage group business development, market linkages and access to fully costed input credit, technology and linkages to markets
- support to the Conservation Farming Unit of the ZNFU
- a recently-completed $3.6m project with CARE based in Livingstone which focused on livestock health and the provision of drought tolerant seed varieties
- a $3.9m World Vision Integrated Agroforestry Project in eastern province
- establishment of the Zambia Agribusiness Technical Centre (ZATAC) to provide sustainable market linkages between small farmers and large agribusinesses ($6.6m)
- establishment of the Zambia Trade and Investment Enhancement Activity (ZAMTIE) to reduce internal and external barriers to trade and investment and foster linkages between internal and external stakeholders ($4.8m)

Training: including the training of 1759 Zambians from public and private organisations on long and short term training between 1996 and 2001.

Environment: in addition to elements of the above activities, USAID is also supporting a community-based NATURAL RESOURCES management and sustainable agriculture programme in the game management areas around the Kafue National Park ($5.5m)

Microfinance: USAID via the University of Maryland provides support to the Bank of Zambia for small loans to entrepreneurs in rural and peri-urban areas (almost 3000 individual loans totalling over $400,000/yr)

Business development: USAID supports the Zambia Chamber of Small and Medium Business Associations whose membership has grown from 4200 to 7700 companies in the past year. The Chamber provides business development training and lobbies for an adequate enabling environment for small business. In Livingstone, USAID supports links between small businesses and suppliers to the tourist industry through the International Executive Services Corps.

Annex 12: Zambia National Farmers Union Perception of the Reasons for Failure in the Agriculture Sector

ZNFU's perception of the reasons for failure in the agriculture sector

ZNFU's perception of the reasons for past failure of agriculture includes the following:[34]

1. Overemphasis on production with no link to markets;
2. failure to re-orient the sector from a controlled to a liberalised economy;
3. absence of an appropriate marketing structure;
4. high cost of finance;
5. undefined roles of politicians, civil service and the private sector;
6. inconsistent policy statements and policy reversals;
7. low quality of physical infrastructure and services such as extension;
8. inadequate structure of taxation and incentives;
9. high costs of production;
10. budget allocations to agriculture are used to service previous debts (e.g. FRA);
11. weak institutional linkages and conflicting roles;
12. inconsistent policy messages to farmers, especially from the President;
13. weak implementation plans;

[34] Adapted from: ZNFU Budget submissions for 2002, Lusaka Dec 05 2002.

Annex 13: Donor Support to Decentralisation

A number of donors have come forward to support the decentralisation programme. For instance, UNDP assistance in Eastern Province aims to improve the planning and implementation capacities of district councils, presently the lowest of three levels of government in Zambia. It is also designed to pilot participatory approaches to the allocation, planning and use of development funds in the context of recently approved decentralisation policy. In this respect, the support is directed at assisting the government in defining and testing alternative approaches to allocating fiscal transfers to district governments; participatory planning within a representative local government structure; and stimulating the involvement of local contractors (private sector, NGOs, etc) and other service providers in the design, construction/supervision and management of infrastructure-based services. The World Bank is supporting the process of developing a pay policy and package. The Canadian International Development Agency (CIDA) is supporting capacity building activities under the Public Service Training Systems Project. UK Government, through DFID, also supported planning and management capacities of the local government system at the district level for three years (1994-97). The German Technical Cooperation (GTZ), through its District Development Programme in Southern Province (DDP-SP) is also giving an operational feel to the national initiatives in the area of decentralisation and the strengthening of local government. The main task of DDP-SP is to strengthen the local government institutions by assisting the district administrations to build up capabilities for effective data management, planning and co-ordination of all development activities, including those by government departments, NGOs, Community-based Organisations (CBOs), and the private sector; empowering the communities in the respective districts to effectively participate in the process of social and economic decision making by initiating and coordinating a participatory community development approach; and improved delivery of basic social services.

Donor agencies and NGOs at local level have been piloting approaches towards service provision, often outside the plans and priorities of local authorities, and with little coordination among them. Now that decentralisation has been approved by the Cabinet, specific guidelines are needed that will define, in operational terms, the extent and limits of actions by local government authorities and other stakeholders, and determine new planning and financial management systems and how these are to be handled between the centre and the lower level authorities.

Annex 14: Zambia's Membership of Regional and Global Organisations

Table A14-1 provides a summary of the organisations of which Zambia and its neighbours are members. Zambia is a member of 5 organisations in all, with some differences from the configuration of organisations of which its trading partners are members. This means that Zambia's negotiating position has to be defined differently for the different organisations, depending on which of its trading partners are also members, and which commodities are concerned. From the interviews we held, there is reason to believe that Zambia's efforts to negotiate are not of high quality. Certainly, a number of interviewees indicated that reports back from these meetings were rarely made to the commercial sector or to its representative organisations.

Table A14-1: Membership of regional integration arrangements and WTO LDCs

Country	COMESA	SADC	IOC	EAC	IGAD	SACU	WTO	LDC	RIFF
Angola	■	■					■	■	
Botswana		▒				▒	■		
Burundi	■						■	■	■
Congo DR	■	■					■	■	
Comoros	■		■					■	■
Djibouti	■				■		■		
Egypt	■						■		
Eritrea	■				■			■	
Ethiopia	■				■			■	
Kenya	■			■	■		■		■
Lesotho		▒				▒	■	■	
Madagascar	■		■				■	■	■
Malawi	■	■					■	■	■
Mauritius	■	■	■				■		■
Mozambique		■					■	▒	
Namibia	■	■				■	■		■
Réunion			■				■		
Rwanda	■						■	■	■
Seychelles	■	■	■						■
Somalia					■			■	
S. Africa		▒				▒	▒		
Sudan	■				■			■	
Swaziland	■	■				■	■		■
Tanzania		■		■			■	■	■
Uganda	■			■	■		■	■	■
Zambia	■	■					■	■	■
Zimbabwe	■	■					■		■

Source: Pearson, 2002

Annex 15: Agricultural Policy and the Food Crisis

Evidence on the extent of the current food crisis in Zambia remains piecemeal. Evidence assembled by DFID/CHAD in late 2002[35] suggests an import requirement of some 40,000 tonnes per month over several months. The monthly amount is not unusual, but its duration may be exceptional. What is clear is that necessary imports will be below the level of US$2 million estimated by e.g. Oxfam. It is also clear that there have been exaggerations: UNICEF Ambassador, Roger Moore, for instance, was misled into believing during a November 2002 visit to Southern Province that people were so hungry that they were forced to eat roots with which they were unfamiliar, and so were trying them out on old people first, in case they proved poisonous, and reported this in a CNN interview. It is also worth bearing in mind that surpluses of maize were such in the 2000 harvest that it brought only US$50/tonne in villages close to urban centres (and was unsaleable at any price in more remote villages), and sold at US$100 in urban centres, against a long-term norm of US$200-250.

Zambia's history is one of self-sufficiency in basic staples, year-in, year-out, but with considerable variation across years and across areas. Given a reasonably agile government, such deficiencies could be met by imports from neighbouring countries, and/or through something like the Food Reserve Agency proposed in the early 1990s. However, in the event, this did not function for its intended purpose, instead being used largely by politicians to import fertiliser for distribution either free or on subsidy (since there were no adequate provisions to collect the credit attached to it) to friends, relatives, political allies and the electorate at large.

[35] Jane Barham, pers. comm.