

Zambia

Status Index (Democracy: 6.50 / Market economy: 5.64) 6.07		Management Index 5.49	
HDI	0.394	Population	11.3 mn
GDP p. c. (\$, PPP)	877	Population growth¹	2.8 %
Unemployment rate	-	Women in Parliament	12.7 %
UN Education Index	0.61	Poverty²	63.7 %
		Gini Index	52.6 (1998)
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003).			

A. Executive summary

Zambia is one of the least developed countries in Africa with approximately 63.7% of the population living below the international poverty line. After 27 years of authoritarian leadership with a state controlled economy, the country has gone through a political and economic transformation process, which started in 1991 when, for the first time, a democratically elected government took office. During the period of review there were no significant changes in both democratic consolidation and economic transformation. Political stability has decreased slightly because the last general elections (December 2001) were not entirely fair. President Mwanawasa won only 29% of the vote cast, which means that he only received the support of 19.5% of registered voters. In addition to these meager results, his party failed to win a majority of seats in parliament negatively affecting the president's legitimacy and the government's efficiency. Furthermore, a power struggle with the incumbent president divided the ruling party.

The principles of a democratic system of government can be observed. There are no violent conflicts, no veto players and there is a high acceptance of the democratic order. The judiciary is independent and there is a working separation of powers. In addition, there is a tradition of civil society and a general agreement on the values and benefits of democracy and a market economy. But there is also a tendency to a more autocratic style of leadership the president shows. He resists the political contributions of civil society and opposition parties. There is a market economy, which is based on copper and more recently food and agricultural products.

The international donors who play a major role in Zambia have enforced economic reforms. About 17% of the GDP comes from official development aid, which means that the country is extremely dependent on aid and has no alternative other than to comply with donors' policies. However, their weak point is implementation. The political will to implement reform policy is sometimes not present. The fight against corruption – one of the main goals of the president – has

lost momentum. This has compromised the credibility of the government domestically and internationally. A major obstacle to development and poverty reduction is the fact that social security measures are not available to most of Zambia's citizens.

In total, little progress was achieved between 2002 and 2004 in consolidating the democratic system. Economic reforms have gone further, but the economic environment is still far from what was initially targeted; the standard of living of the vast majority of the population has decreased over the years. This could theoretically, and by principle, be a threat to the young democracy, but since there is no alternative to the democratic order and there are no relevant veto players worth naming, Zambia will continue on its bumpy way to development and the consolidation of democracy.

B. History and characteristics of transformation

Economic and political transformation processes took place simultaneously. The foundations for the free market system were only laid in 1991 when President Chiluba took over the government. Before 1991, the Kaunda regime believed in a state-controlled planned economy. Only isolated and occasional measures were taken to open up the economy. Private ownership was tolerated, however. Democratic transformation began in October 1991 when the authoritarian regime of Dr. Kenneth Kaunda, which had ruled the country since its independence from Great Britain in 1964, was voted out in democratic general elections. The former trade unionist and leader of the Movement for Multiparty Democracy (MMD), Fredric Chiluba was elected state President. His party managed to win a two-thirds majority in parliament: Chiluba won 75.8% of the votes while his MMD party won 125 of 150 seats in parliament. This overwhelming success was caused by the fact that it was the first time since 1968 that multiparty elections were conducted (Zambia was de jure a one-party state between 1972 and 1990). Also this success can be attributed to the fact that there was a chance to vote Kaunda and his party out of office. Chiluba managed to unite opposition against Kaunda. As the chair of the then powerful Zambian Council of Trade Unions (ZCTU), he had a lot of support from miners in Copper belt and workers on the rail line. The miners were unhappy with their deteriorating living standards.

The dominant power base of the new government eliminated parliamentary opposition (that is due to the majority of parliamentary seats of the ruling party MMD); this was detrimental to the political transformation process of the nation. The government was able to amend the constitution at will since it had the necessary two-thirds majority of votes in parliament. The opposition was too weak to effectively control the government. This became very clear especially during the run up to general elections in 1996 during which Chiluba used his vast political power base to move to a more authoritarian leadership style. He used his

powers to amend the constitution in order to disqualify the former president Kaunda from standing in the elections, which resulted in a boycott of the major opposition party, the United National Independence Party (UNIP). Chiluba was re-elected with 72.6% of the votes and MMD won 131 of 150 seats in parliament. However, all relevant political and social actors have been included in the democratic system of government. A coup attempt in October 1997 was not a real threat to the democratic order. It was carried out rather unprofessionally by a handful of drunken soldiers. However, it had a negative impact on the consolidation of democracy because the government used the incident to temporarily limit democratic basic rights.

Chiluba failed in his massive effort to amend the constitution in order to allow him to stand for a third term of office. Since he was not allowed to stand again in the December 2001 elections, he handpicked his successor, Levy Mwanawasa, who narrowly won the presidential election with a relative majority of the votes (28.7%) over the second candidate who had only 34,000 votes less than he did. The opposition challenged the results and there were strong hints that the elections were rigged. Only in February 2005 did the Supreme Court rule that the election results would not be nullified. The MMD secured only 77 of 158 seats in parliament and had to co-opt other Ministers of Parliament (MPs) into the government camp in order to get a majority. Another problem was a split within the MMD after Mwanawasa turned against his mentor and tried to deprive him of his power base. A vocal anti-corruption policy was used to attack and bring down Chiluba and his close allies. However, the opposition parties were not able to take advantage of the weakness of the government because they were not able to unite either.

The economic transformation into a market system started at the end of 1991 with the change of government. In order to combat a serious economic crisis the government was in dire need of loans from the World Bank and IMF, which were bound to the introduction of significant economic reforms. One of the biggest challenges was the privatization of the copper mines, Zambia's prime export earner. The sector was troubled with low and decreasing world market prices for copper, mismanagement and inefficiency and therefore was not profitable. The privatization of the mines turned out to be very difficult because of homemade mistakes. Chiluba – in his ten years of rule (1991-2001) – was not able to meet the high expectations of the Zambian population. He was not able to overcome the economic crisis and to raise living standards. Meaningful reforms were thwarted by corruption, political patronage, an overburdened bureaucracy and inefficiency. Despite some positive changes that were put in place after Mwanawasa's government came into power in 2002, the economic and social conditions are still far from what they could be.

C. Assessment

1. Democracy

1.1. Stateness

There is clarity about the Zambian nation's existence as a state, with adequately established and differentiated power structures. Zambia has virtually no competition, such as guerilla movements or clans, which could challenge the state's monopoly on the use of force. All citizens have the same civil rights including immigrants who have lived in Zambia legally for some time. The preponderant majority fundamentally acknowledges the state's constitution. The state is largely defined as a secular order. The fact that Zambia was declared a Christian nation in 1996 has no negative impact on the secular order; and religious dogmas have no noteworthy influence on politics or law. Although the Pentecostal movement is very strong in Zambia, it does not play a prominent role in the country. Churches as a whole are slowly taking the position as a watchdog for socially disadvantaged people and the fight against poverty and injustices. Each church group reminds the government about its social and cultural responsibility. Religious minorities are not affected in their right of freedom of worship.

The state has a differentiated administrative structure throughout the country, making it possible to extract and allocate state resources on a broad basis. Administrative structures have basically improved in their transparency making it possible to draw out any corrupt vices, especially in urban areas and quite differentiated rural areas.

1.2. Political participation

General elections are held and accepted in principle as the means of filling leadership positions. However, there are some constraints on the principle of equality. International observers and the opposition heavily criticized the last presidential elections in December 2001. Opposition candidates challenged the results in court, but the court proceedings were lengthy. Only in February 2005 did the Supreme Court turn down a petition to nullify the election's results. The government used state resources for its campaign.

The democratically elected president and parliament have the effective power to govern. There are no veto powers or political enclaves. The military is under control of the civilian government.

There is unrestricted freedom of association and of assembly within the democratic order. However, there is a dominant government influence on state

owned media. Newspapers critical of the government sometimes face indirect sanctions or are tried in court. The case of the columnist and satirist for *The Post* newspaper, Roy Clark, is one good example. Roy Clark, a British national, wrote an article that President Mwanawasa did not find amusing and threatened to deport him. The courts of law, however, saved Roy from being deported, which speaks for the independence of the courts. President Mwanawasa, however, did not accept the ruling of the court and issued certain statements in the media, which bordered on interference of the independence and autonomy of the courts of law. But in general there is *de jure* no violation of the freedom of the press.

Zambia has one state-owned television and radio station. There has been a boom in radio stations following the liberalization of airwaves in 2002. Two daily papers are state-owned and pro-government, but there are a number of independent newspapers and periodicals.

1.3. Rule of law

There is a working separation of powers in Zambia. There are no significant restraints on the basic functions involved in the separation of powers, especially mutual checks and balances. Contrary to the Chiluba government, the Mwanawasa administration does not have a two-thirds majority in parliament. The opposition is stronger and in a better position to check the government. Also, the influence of the secret service has decreased. The judiciary is established as a distinct profession and operates relatively independently despite some questionable rulings and judgments in high-profile political cases. The strength and independence of the judicial system is being seriously tested by the trial of former President Chiluba and former civil servants. Mwanawasa interfered in the case due to preliminary irregularities and fired the director of public prosecutions, which was unconstitutional. The crux of the matter here was basically the pressure that Mwanawasa had from the donor community, which was pushing for convictions. At the beginning most of the accused were acquitted due to a lack of evidence.

Despite the fact that the president (upon recommendation by the Judicial Commission of Zambia) appoints the judges on the bench at the Supreme and High Courts, the judiciary in Zambia is independent.

The reality and functionality of the judicial system speaks for the high degree of independence. However, the young Zambian democracy needs to address these issues in its constitutional review. For example, the right of the president to appoint the Director of Public Prosecutions (DPP) is theoretically dangerous. This became apparent in the case of Chiluba, who fired the DPP. And also Mwanawasa often cautioned the DPP through the media to at least attain convictions. At the

time of this writing, many corrupt former high-ranking officials of the Chiluba era have not been prosecuted.

On the one hand, the government seems to be reluctant to prosecute misdeeds of the former regime, but on the other hand, the judiciary has frequently passed sentences that were totally in opposition to the government. Many times government officials are cautioned and at times thrown behind bars to enforce the law. The appointment procedure may need repealing, but in function the judicial system is to some degree independent.

In general, compared with the time before 2002, there are no significant restrictions on civil rights.

1.4. Stability of democratic institutions

Democratic institutions fundamentally perform their functions. Although the Mwanawasa government had in the beginning of its term no majority in parliament, it was rarely defeated because of co-optation of opposition members and later by winning by-elections, which provided government with a working majority. The judiciary is largely free from extensive, counterproductive frictions. This also applies to the administration. Civil servants are bound to implement government policy or face sanctions. There are only isolated cases of counterproductive actions. The performance is, however, compromised by limited material and human resources.

All relevant political and social players accept democratic institutions as legitimate.

1.5. Political and social integration

The party system is fundamentally established, but still somewhat shaky. There is a moderate fragmentation with four bigger and three small parties represented in parliament. The parties are mainly focused on personalities and not manifestos or ideology. There are tendencies to “clientele-ism”. The two main opposition parties were founded only in 1998 as breakaways from the ruling MMD by politicians who had fallen in disgrace with Chiluba. The former single party UNIP has a regional stronghold in the eastern province of Zambia and some vocal factions in Lusaka province. UNIP is in the process of breaking the umbilical cord from the “Kaunda Syndrome”. The opposition is not united; polarization is moderate. Voter volatility cannot be judged because there has been only one election (2001) in this constellation. However, voter volatility in the case of UNIP seems moderate. The bigger parties are substantially rooted in society. There is, however, only a weak link between the political parties and the rural population.

De jure, parliament is the most important forum of political debate but it has to be observed that the weight, which party leaders have in the media compared to the parliamentary whips or faction heads, is unbalanced. It is apparent that the public pays more attention to statements by party leaders than to statements by MPs. De facto; there is more political deliberation in the media. Therefore, parliament's general influence and its system of checks and balances are limited.

The network of interest groups is relatively closely knit but dominated by a few strong interests, producing a latent risk of pooling conflicts. The dominant societal interest groups are the Christian churches. They vocally challenge the government on economic, social and political issues and strengthen in this way the transparency and control of government policy. Civil society organizations have an integrating effect that is aimed at bridging social cleavages. Consent to democracy is high, and political protests do not tend to call the constitutional framework into question. However, the population's trust in politicians and political parties seems to be low. This does not mean that people who are dissatisfied with the performance of politicians wish an end to the democratic order. There is a robust, but heterogeneous web of autonomous, self-organized groups, associations and organizations, and solid trust among the population. The civil society has grown even stronger since 2002 because of the fact that Zambia's government failed to provide social security and fight poverty effectively. People organize themselves rather than relying on the state in order to improve their situation.

As surveys conducted by the Afrobarometer reveal, general support for democratic values is high (around 80%) in Zambia although satisfaction with the actual democratic government is considerable lower (around 60%).

2. Market economy

2.1. Level of socioeconomic development

The relevant indicators show that the level of socioeconomic development is low and does not permit adequate freedom of choice for all citizens.

The HDI decreased between 2000 and 2002. Social exclusion is quantitatively and qualitatively rather marked, and to some degree structurally ingrained. Significant social exclusions are caused by poverty, gender discrimination (especially in rural areas) and – to a lesser extent – education. The GDI has further decreased from 0.424 in 2000 to 0.375 in 2002.

Only about half of the population is in some form of employment. Income distribution is highly skewed, with a majority earning very little. For instance, 63.7% of the population is classified as poor. Subsistence agriculture is the

biggest single employer. About 2 million people are subsistence farmers. Informal trading is believed to employ over 1 million, but there are no reliable statistics. Between 2002 and 2004 there was no significant improvement in the government's effort to reduce these huge social disparities. In addition, development imbalances in the provinces have not been reduced.

2.2. Organization of the market and competition

Market competition has a strong institutional framework, but the rules of the game are not always uniform for all market participants. There are a quite huge number of people engaged in the informal sector. Although reliable statistics are not available, Economic Intelligence Unit (EIU) estimates show that there are more than 1 million people in the informal sector, which is more than double the number of people in formal employment (2002: 424.000).

There is freedom of pricing, currency convertibility, freedom of trade and free use of profits. The formation of monopolies and oligopolies is regulated inconsistently. The ongoing privatization of parastatals has decreased the numbers of monopolies. However, there are still some monopolies (for instance, the electricity provider and the Zambia Telecommunications Company, or ZAMTEL). The electricity provider is by law requested to seek approval of prices by government. In the past approval has always been granted. There is legislation on cartels, but this needs to be consolidated.

Foreign trade is liberalized in principle, but there are still significant exceptions. The tariffs are, in regional comparison, very high. There is a significant share (an estimated 45% of the recorded trade volume) of unrecorded cross-border trade between Zambia and its neighbors. Unrecorded imports, particularly of manufactured goods, from Zimbabwe have reached significant levels because of currency distortions in Zimbabwe.

The banking system and capital market are differentiated, internationally competitive and oriented in principle to international standards. Zambia has some of the most liberal banking regulations in southern Africa and the banks function efficiently. There are 14 operational commercial banks including four international ones. There is a functional banking supervision and minimum capital requirements. Capital markets are open to domestic and foreign capital. There is a stock exchange with 13 listed companies. Domestic investors mostly borrow money from outside Zambia to avoid high interest rates. The domestic banks usually borrow money from the state through treasury bonds.

2.3. Currency and price stability

Controlling inflation and an appropriate foreign exchange policy are recognized goals of the economic policy, but have not been consistent over time and do not have an adequate institutional framework. The principle framework of the Bank of Zambia is to formulate and implement monetary and supervisory policies that will ensure price and financial systems stability in order to promote balanced macroeconomic development. In general it has failed to implement these ambitious goals because inflation rates have consistently remained high, as has money supply growth. This is because the Central Bank is not fully independent and is thus prone to political spending whims. Monetary policy was focused on achieving inflation targets of 20% at the end of 2004 and 15% in 2005. The exchange rate of the Kwacha to the U.S. dollar was stable between 2003 and 2004. External debts were slightly reduced from 2002 to 2003 but marginally increased in 2004. There is a culture of policy stability that is not institutionally safeguarded, but enforced by the donors and their financial institutions. When general elections are due, there is, however, risk of populist policy changes in order to mobilize political support from the electorate.

2.4. Private property

Property rights and the regulation of property are well defined in terms of acquisition, benefits, use and sale. They are limited solely by basic liberal rights. Private companies are viewed institutionally as the primary engines of economic production, and are given appropriate legal safeguards. The privatization of state companies is almost complete. There is, however, a noteworthy state owned monopoly: the electricity supplier and telecommunication landline phones. However, any pending privatization proceeds under criteria of medium-term profitability to the national economy, and consistently with other market principles.

2.5. Welfare regime

There are only rudimentary measures to avert social risks and these are extremely segmented in terms of area, social stratum and sector. Only some people who are in formal employment have some access to retirement packages and health care. This applies mostly to the urban population (for instance, civil servants or mine workers). There are no unemployment insurance system and no reliable statistics on unemployment. The country cannot combat poverty systematically on its own. Family, clan or village structures are of relevance only in the rural areas where half of the population lives. But these structures are put under stress when there is a drought or other calamities, which negatively affect food production. There are a number of institutions to compensate for gross social differences, however insufficient. Women have access to higher education and public office, as long as

they come from somehow privileged families and live in urban areas. Zambia has no capacity of delivering proper medical care; hence it is very difficult to accommodate people living with HIV and AIDS. This has a negative impact on the fragile welfare system.

2.6. Economic performance

Growth of per capita GDP is moderate. It grew between 2000 and 2002 by 7.7%. The inflation rate remained stable at a high level but with a trend downwards. For 2005 the EIU expects a year-end inflation target of 15% after 18% in 2004. This is not an unrealistic achievement because of donor influence on spending policy. Employment rates in the formal sector are relatively low and had been cut in years previous to this report. The government laid off a significant number of public servants in order to comply with the austerity budget. There is still a budget imbalance but with a trend to decrease. The debt burden has decreased by 13% between 2002 and 2003 and slightly increased by 3.7% between 2003 and 2004. After a chronic trade imbalance with higher imports than exports, this trend changed in 2004 when exports were greater than imports by 6%. This was due to a rise in copper prices and increasing agricultural exports. The macroeconomic data are only moderately positive, but these seem, on balance, controllable.

2.7. Sustainability

Ecologically compatible growth is taken into account in important portions of economic life, but tends to be subordinated to growth efforts. There is an institutional framework (Environmental Council of Zambia), which in some cases is vocal and active. But there is no deeply ingrained awareness of the environment or nature. This was somehow initiated and enforced by donors.

Institutions for education, training, and research and development are present in significant segments but remain inconsistent on the whole. Since the 1990s, there is a trend showing that access to education and its perceived value have deteriorated. In 2002 the government introduced a free and ongoing donor-funded basic education policy. This led to a 9% increase in primary school enrollment in 2003. But secondary school enrollment remained low at 17% compared with 79% for primary schools. Funding for higher education fails to keep pace with enrollment. There are only two universities.

Despite rising student numbers, the numbers of teachers are falling a factor owed to the incidence of HIV and AIDS, and the lure of better-paid jobs abroad. In addition, in 2004 the government created a policy to lay off teachers in order to cut public expenditure. The teachers are not motivated because of low salaries. Teaching and learning materials are insufficient. Despite all these negatives, the

adult literacy rate has increased from 68% in 1997 to 80% in 2002. Qualitatively, investment in education and training is below average. Public expenditure on education was only 1.9% of the GDP from 1999 to 2001.

3. Management

3.1. Level of difficulty

The structural constraints on governance are high in Zambia. This is mainly caused by widespread and extreme poverty. To be specific, 63.7% of the population is living below the poverty line of \$1 a day, 87.4% below \$2 a day. The figures reveal that poverty is not restricted to the rural areas but exists in the urban areas, too. The pandemic HIV and AIDS infections are another structural constraint on governance. The prevalence of HIV infection is estimated at 16.5% of the population between the ages of 15 and 49 years (2003).

There is an educated labor force but a lack of funds to employ them.

There is a moderate tradition of civil society. The Christian churches are strongly rooted in society and play an active role in public life. In addition, there are a number of active NGOs and a civic culture of moderate participation in public life, especially in the urban areas. There are no irreconcilable ethnic, religious or social cleavages. However, social cleavages exist but are reconcilable. There have no violent incidences observed. All relevant actors respect the democratic constitution.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	3
System of government:	<i>Semi-presidential</i>	Electoral system disproportionality:	28.3
		Latest parliamentary election:	27.12.2001
		Effective number of parties:	2.9
1. Head of State:	<i>Levy Patrick Mwanawasa</i>	Cabinet duration:	
Type of government:	<i>unified government</i>	Parties in government:	1
		Number of ministries:	21
		Number of ministers:	21
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i; p_i is the share of parliamentary mandates controlled by party i. For presidential/ semi-presidential systems, the geometric mean of presidential election and parliamentary election disproportionality is calculated. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

The political leadership pursues long-term aims, but it sometimes postpones them in favor of short-term political benefits. It seems that the president is often more busy reacting to daily political trivialities reported in the press than developing long-term perspectives. Mwanawasa never had any national plan apart from Heavily Indebted Poor Countries (HIPC) funding goals, PRSP and structural adjustment programs in which the question of ownership remains critical.

The leadership seeks to build democracy and a market economy. There was no change of government and no elections under the reporting period. Therefore it is difficult to prove the commitment of the government to long-term aims.

President Mwanawasa had no alternative than to cooperate with donors in order to overcome the economic crisis. The country is extremely dependent on donor funding which reached more than 17% of the GDP in 2002. His economic reform policy is focused on pleasing the donors. On the other hand, the president has had to strengthen his political power base, for example to co-opt enough members of parliament into his camp in order to secure sufficient support for his government and policy. Corruption and wasting resources go along with the effort to win political support. Austerity programs are not popular with the people negatively affected by them. This means the risk is quite high that in the run for the next general elections due in December 2006, the economic reform policy will be slowed down and temporarily reversed.

The government is committed to democracy and market economy, but has had only limited success in implementing its announced reforms. This is due to the fact that administrative structures are inefficient. Sometimes the political will to implement reforms is not present. The announcements are sometimes made prematurely in order to please the donors.

The cabinet is oversized and ministers have been chosen along political lines, not based on their qualifications. A constitutional review is under way, but time frames have not been specified. The political leadership - especially the president - shows little willingness and ability to learn. Policies are rigidly enforced, and the routines of policy making do not enable innovative approaches as long as those do not come from the donor community. Mwanawasa shows a slight tendency toward a more authoritarian leadership style than his predecessor. He usually excludes the opposition from decision-making and ignores civil society with the explanation that they - in contrast to him - were not elected to run the country. This shows – especially in consideration of the fact that only 28.7% of the people who participated in the elections in 2001 voted for him - an incorrect understanding of democratic principles.

3.3. Resource efficiency

The government uses most of available resources efficiently. The number of public employees has been significantly reduced. There is no over-staffing, as it used to be in the past. But the civil service wage bill is still high (2004: 8% of the GDP). The services offered by the state have improved, but are still far from what is possible. There are a number of politically motivated dismissals and new appointments, but this is mostly restricted to top level officeholders. There is a competitive recruiting procedure, which limits political influences. Top appointments have to be confirmed by the Parliamentary Public Appointments Committee. So there is some transparency, but of course there is still political influence.

There is no balanced state budget, but a consistent deficit around 4% of the GNP. Governmental promises to introduce a cash budget system, which would in theory make a deficit impossible, have not been followed up with action because of its political implications. The level of state debt is manageable. There is relatively low deviation of actual budget expenditures from the associated planned expenditures. The overrun of budget in the 2003-2004 period was corrected in 2004 by cutting expenditures. There is also an effective auditing system.

Decentralization still shows significant shortcomings. There is no financial autonomy. Funds are allocated by the central government. The local government structures are quite inefficient and politicized, but there have been improvements: in the field of transparency and public review of its activities. The government tries to coordinate conflicting objectives and interests, but it has only limited success. Intra-governmental frictions, redundancies and gaps are significant. The coordination style is hierarchic-bureaucratic and centralized. The president tries to implement economic reforms and at the same time he knows that the very same reforms in the short run are able to make him lose his political power base. The proof will come in 2006 when the next elections are due. Since the government is the most important single employer and the easiest way to get access to prestige, power and wealth, politicians are usually more interested in their personal interest than in their country. They are conforming as long as it suits their interests. This means that the political will to continue with the economic reform policy is volatile.

In the fight against corruption the government seeks to provide all integrity mechanisms. Most of them are functioning. However, this fight is selective. As a rule, corrupt officeholders are prosecuted under established laws, but also slip through political, legal or procedural loopholes. There are hints that this selectivity is determined by political affiliations. There are doubts that the judicial system can properly handle the substantial, politically sensitive caseload. The public welcomes the fight against corruption and significant improvements have been achieved in the public's perception. Officeholders and politicians are aware

of the anti-corruption campaign and are very careful not to be perceived as corrupt. It has, however, been difficult to prosecute allegedly corrupt officeholders in a court of law. The incomplete trial of former President Chiluba is one example of this.

3.4. Consensus-building

All major political actors agree on building a market-based democracy. There are no veto powers and no significant resistance to this goal. Although the political leadership is trying to prevent cleavage-based conflict from escalating, it cannot reduce existing divisions because it does not include the opposition parties into the decision-making process. However, since the government had to co-opt opposition politicians some kind of informal coalition building is present. There are no religious conflicts in the country. The major parties have ethnic and regional strongholds. The political leadership tries to promote social capital, but fails to attain or strengthen interpersonal solidarity and civic engagement. This is partly due to the fact that the government is viewed as using too much political favoritism, nepotism and “clientele-ism” that contradict its official engagement to promote social capital. Solidarity among the people – especially in the urban areas – is limited. This field is left to the churches and NGOs. The political leadership of late frequently ignores civil society actors and formulates its policy autonomously. This is because of the government’s limited ability to handle criticism, to consult and take advice.

The question of reconciliation between the victims and perpetrators of past injustices does not play a role in Zambia, although Zambia experienced a mild autocracy in the past. The question of reconciliation has to do mostly with past political torture or molestation suffered by individuals. Due to the current political environment civil society allows the perpetrators to confess their deeds and ask for forgiveness. However, in the Zambian case, most political differences did not necessarily lead to torture. Mwanawas categorically says he has nothing to reconcile regarding Chiluba since he has just constitutionally accorded him the opportunity to clear himself from allegations of corruption in court. Kaunda says he has nothing against Chiluba and has forgiven him as a Christian, but he says forgiveness is not complete unless Chiluba reveals more about corruption in his former government.

3.5. International cooperation

The political leadership makes well-focused use of international aid for the needs of transformation, and demonstrates a substantial ability to learn and to utilize international assistance for its domestic policy agenda. With more than 17% of its GDP is donor funded (2002), the government is highly dependent on foreign

assistance. The political leadership complies with the goals of poverty reduction strategies and development laid out by the donors. Currently, it is too early to judge whether the PRSP is working.

The whole process has been centered on the consolidation of the budget. It was only in 2004 that Zambia officially attended to some of the fiscal goals that the IMF and World Bank set for it. Even the synergetic effects from HIPC funding remain marginal (for instance in medical care: HIV anti-retroviral treatment). Domestic economic reforms are donor-driven. The domestic input on development programs is de facto limited. There is some improvement in the economy, but whether the implementation of the reforms will be done well and will have a sustainable effect remains to be seen. Some reforms suggested by the donors are officially welcomed, but delayed or frustrated when they seem not to be in line with political opportunities. However, the international donor community considers the government credible and reliable. The commercial risk ratings are still low, but there is a trend toward improvements.

Foreign investment has decreased from 6.2% to 5.3% of the GDP between 1990 and 2002. This demonstrates that private foreign investors are still not fully satisfied with the political and economic environment. The political leadership actively and successfully builds and expands as many cooperative international relationships as possible. It promotes regional (South African Development Community or SADC, Common Market for Eastern and Southern Africa or COMESA, African Union or AU) and international integration. It has cordial relations to its neighbors and is involved in the peace talks in the Great Lakes region.

4. Trend of development

4.1. Democratic development

In the period between 2001 and 2004, the stateness, political participation and the rule of law have remained at their former levels of quality. Political participation was, however, compromised by the fact that presidential elections held in December 2001 were considered unfair. This affected the political legitimacy of the president who won the elections with a narrow margin of less than 2% over the second candidate. The level of consolidation of democracy has not changed significantly. The institutional stability as well as political and social integration have neither grown substantially nor deteriorated.

4.2. Market economy development

The country's level of development has declined drastically by -0.042 (HDI) between 1997 and 2002. This is due to the policy of President Chiluba, which affected social services, (for instance, access to health facilities and education). The institutional framework for market-based action has not changed significantly. Overall economic development has improved both quantitatively (between 3.5% and 4.6% from 2000 to 2005) and also qualitatively. There was a significant increase in exports driven by the export of food products (in the past Zambia was an importer of food) and improved world market prices for copper, which is the biggest export earner. Due to the political crisis in Zimbabwe, many white farmers have settled in Zambia and grow tobacco, which is also contributing to the increase of exports. Imports show some volatility. Inflation is still high but improving. Tax revenue remains stable on a low level because of Zambia's lax fiscal policy. There is still a significant budget deficit and an imbalance on the current account. Zambia is still highly dependent on donor funding.

Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	3,6	4,9	3,3	5,1	4,6
Export growth in %	-1,3	16,8	3,7	23,6	n/a
Import growth in %	12,4	28,1	-7,7	20,0	n/a
Inflation in % (CPI)	26,0	21,4	22,2	21,4	18,0
Investment in % of GDP	n/a	n/a	n/a	n/a	n/a
Tax Revenue in % of GDP	15,8	18,1	16,2	15,6	n/a
Unemployment in %	n/a	n/a	n/a	n/a	n/a
Budget deficit in % of GDP	-4,1	-8,1	-3,3	-5,1	-3,9
Current account balance in billion \$	-0,275	-0,441	-0,312	-0,421	-0,119

Source: Economist Intelligence Unit Country Profile Zambia 2004 and Country Reports 2003 and 2004. For 2004: EIU estimates.

D. Strategic perspective

Political development will gradually focus on the general elections due in December 2006. There is a chance for Mwanawasa to be re-elected with support from the rural population. The rural voters support his government because of the implementation of programs to supply subsidized pesticide and seeds, which contributed to a doubling of the maize harvest from 2003 to 2005. However, in urban areas his support has been undermined by the implementation of tough economic austerity policies, for example the public sector pay freeze. There is the risk of continued political instability caused by the split within the ruling party (MMD), which divides it into two camps, one in favor of the former President Chiluba and another loyal to the ruling president. The opposition is divided and

weak. The electoral system of relative majority voting seems to work in favor of the government.

The greatest risk to Mwanawasa's re-election would be a collapse of the trial of Chiluba and other former government officials that forms the heart of his campaign against corruption. The initial accusations against Chiluba have gradually been dropped. It could appear to the public that the anti-corruption crusade is not more than a political witch-hunt. In addition, little has been done to combat the petty corruption in which junior civil servants engage in on a daily basis. This would not only damage Mwanawasa's reputation inside, but also outside the country.

Economic reforms will continue to play a major role. The government agreed with the IMF in 2004 to reduce non-priority spending and not to increase the civil service wage bill. Implementing this will face difficulties because trade unions are likely to go on strike over such a policy. The privatization of state-owned companies is affected by a lack of commitment, particularly as the elections approach. There is a strong probability that the government will increase public spending in the run up to the elections, which could cause problems with the IMF. Domestic borrowing will be the main source of financing in 2006 when pre-election spending will strain relations with donors. The real domestic growth will be above 4% because of a strong growth in copper mining driven by two large new copper mines that were recently opened.

One of the major constraints to economic reform is the political situation and a slowing down of the reform policy is likely to appear in 2006 in order to strengthen the political support base for the president and his party. The prime aim of the government will be the reelection and political reform policy is clearly subordinated to this target. The fight against corruption has lost momentum and it is not very likely that Chiluba and other high-ranking office holders will finally be made accountable for what they have been accused of. It seems that the fight against corruption has been used as a welcome strategy to strengthen the president's power base against his predecessor. It is, however, important that the international donor community continues to support economic reform programs. For example, Zambia's tax regime should considerably be reviewed, since it is one of highest in the whole of southern Africa. Development plans and strategy papers should be initiated by Zambia and funded by donors but it is necessary to take care that they are not imposed directly or indirectly on the country.