

THE PATH AWAY FROM POVERTY

**An Easy Look at Zambia's Poverty Reduction Strategy Paper
2002-2004**

CIVIL SOCIETY FOR POVERTY REDUCTION

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FOREWORD

The document has been prepared by the Civil Society for Poverty Reduction (CSPR), a network of civil society organisations hosted by the Jesuit Centre for Theological Reflection (JCTR) whose core purpose was to ensure strong and effective civil society participation in Zambia's Poverty Reduction Strategy Paper. The network came together in October 2000. Its current activities include but go beyond the PRSP to issues of poverty on a broader level. The network draws its membership from various organisations involved in poverty reduction throughout Zambia, including those representing various interest groups affected by and working around the different faces of poverty.

This book is a popularised version of Zambia's first PRSP covering the period 2002-2004. It does not comment on the PRSP – it just reports in easy-to-read English language what is in the final PRSP as approved by Government. This does not mean that CSPR agrees with everything in PRSP – we surely have questions about some emphases, priorities, interpretations of history etc. But that is something for the groups who use the book to get into. We published this summary because we want to create an understanding of what is in the PRSP. The popularisation and dissemination of the summarised PRSP is one way of doing this.

The preparation of the PRSP certainly had its challenges, but its implementation has even greater ones. We can point out the need for political will and commitment, relevant capacity for effective implementation and monitoring at national, provincial, district and community levels, heavy reliance on donor resources etc – all challenges that must be met for a successful PRSP.

Finally CSPR would like to thank the United Nations Development Programme (UNDP), German Technical Services (GTZ) and our other cooperating partners who have supported the preparation and dissemination of this book. Further we acknowledge the work of Charlotte Harland, the consultant engaged to work with PRSP in popularising the document, and Felishano Bwalya, the illustrator.

Let us work together to see poverty reduction become a reality for Zambia!

Besinathi Phiri Mpepo
Coordinator, CSPR

How to contact us

Our postal address is:

Civil Society for Poverty Reduction
Post Net Number 302
Private Bag E891
Lusaka
Zambia

Our contact numbers are:

Phone: 01-290154
Fax: 01-293489
E-mail: cspr@zamnet.zm

1. Introduction

What is the “Poverty Reduction Strategy Paper”?

The Poverty Reduction Strategy Paper is a national plan to reduce poverty and increase incomes for all Zambians. It is usually known as the “PRSP”.

The PRSP plans to give all Zambians a chance to engage in farming, to get employment, or to start their own businesses. The PRSP supports better access to basic services, especially health and education. PRSP also focuses on improving infrastructure - like roads, water and fuel - for all citizens.

There have been many other national plans before, but the poor have not felt the results. In the past, it was just assumed that any big project would eventually show benefits to the poor. But this usually didn't happen, and the benefits (if any) went to the owners of the projects. So when Government designed the PRSP, it was careful to learn from the previous problems.

The PRSP addresses the problems of the poor directly, and ensures that all citizens really see the benefits of improved services and increased access to employment and business.

Who wrote the PRSP? You wrote the PRSP!

Many, many people have contributed to the PRSP. It is a national document that belongs to all Zambians.

The PRSP planning process took two years to complete. Each key section was drafted by a “working group” that included Government Ministries, NGOs, international organisations and donors, Churches and any other relevant organisations. The drafts were discussed at Provincial Consultation workshops throughout the country, with local leaders, traditional Chiefs, officers and development workers, and ordinary men and women. A national summit was held to get

contributions from a cross section of professionals. Each working group finalised their sections after these consultations. The whole process was supported by an expert team at the Ministry of Finance in Lusaka.

The Cabinet finally approved the PRSP in 2002, making it an official national policy document.

What is “Civil Society for Poverty Reduction”?

In most villages, communities and compounds of Zambia, you will find some sort of organisation. There might be a Church, a women's group, an NGO, a farmers' association, or a Health Committee or PTA. They might be very local, or part of a national or international organisation. The activities might be development work, care for vulnerable people, advocacy or lobbying, or religious activities. They might get funding from outside, or they might not.

If you add these together, this is Zambia's "civil society".

Government realised that the PRSP needed the active participation of civil society. Civil society has the knowledge and experience that can ensure the success of the PRSP. So the NGOs, Churches and other civil society organisations came together to form "Civil Society for Poverty Reduction" or CSPR. It is a networking organisation, bringing its members together into a clear voice in the PRSP process. CSPR has participated in the working groups and consultative forums throughout the PRSP process.

Now that the PRSP has been approved, the next job for CSPR is to monitor implementation. CSPR will be constantly checking if PRSP is really reducing poverty. If there are problems in implementation, CSPR will be there to demand the necessary changes, and ensure that the lives of the poor are changed for good.

Is Zambia the only country doing this?

No, Zambia is not the only country writing a PRSP. Other poor countries have realised that most of their citizens are just getting poorer. Many of the countries have got huge debts, which mean that they can't manage effective development programmes for their citizens.

The international community has also seen this, and come up with a programme called the Highly Indebted Poor Countries Initiative (HIPC). In this programme, each country has to write a PRSP. Once this is agreed, money that should have been used for debt repayment is used for poverty reduction programmes instead. HIPC funds will be planned and spent through the national budget. The budget reflects national priorities, that have been adjusted to highlight poverty reduction. Other Government sectoral programmes are also reflected in the budget.

CSPR sees this as a real opportunity for poverty reduction and development. Like any programme, if we simply wait and watch, it might fail. But if we participate fully at all stages, we can ensure that our programme succeeds.

What is this book about?

The PRSP is for all Zambians, and belongs to all Zambians. This booklet summarises the PRSP, and highlights its main issues, policies and programmes. If you read this booklet, you will then know what Government will be implementing under PRSP.

CSPR has published this booklet because it is important that everyone knows what is in the PRSP.

If we know what to expect, we will know if Government has succeeded in delivering its promises.

The PRSP is a long and complicated document. This summary is quite long too, because we have included all the chapters of PRSP. We suggest you read the first five pages to know what the PRSP is about, and how it is structured. After that, read the rest of the book if you wish, or choose the subjects that most interest you.

Ideas for Community Leaders

This book is for everyone. But we know that not everyone can read! The responsibility of helping all citizens to understand will fall to community leaders – the

teachers, priests, health workers, development workers, retirees and local leaders. Please, help to ensure that everyone knows about PRSP.

The PRSP is long. Don't try to rush into complicated explanations! First, read this booklet through yourself until you are comfortable with the contents. You can then talk about it with others, preferably in several sessions. The first session could look at the background, at our national poverty, and at the PRSP approach. Then you could ask community members what they would most like to discuss – agriculture or mining? Health or education? HIV/AIDS? Governance? Gradually, you can move on and cover all the issues. As you discuss each issue, encourage the group to compare what is written here with their own experiences, and how they think they can make their opinions known to political leaders such as their MPs.

2. Zambia Today - Poverty & the Economy

Before discussing solutions, let's look at the problems facing Zambia today. This section looks briefly at why the nation has got poorer over the past thirty years, and the effects on Zambians.

Zambia's Poverty

In any economy, you produce things to sell outside the country (export) for hard currency, and use the income to buy (import) what you need. Zambia's economy has mainly depended on export earnings from the copper. Today's problems started in the 1970s, when copper prices fell, whilst the price of oil (a major import) rose. Suddenly, Zambia earned less and spent more.

Government saw that depending on copper was not reliable, and wanted to strengthen the national economy. The choice was either to *increase* earnings from exports or *decrease* spending on imports. Government decided to try to reduce the need for imports by developing local industries to produce these items. This proved to be the wrong choice.

The problem was that we tried to produce goods that were already being produced more efficiently elsewhere. We did not develop in agriculture, tourism and other industries where Zambia has natural advantages, and could build constant international demand for our products. The new industries did not do well, and Government poured in subsidies to keep industries going. We spent huge sums on industries that were failing, and still ignored the best opportunities for economic development.

To make it worse, Zambia borrowed funds from international partners to maintain living standards and to develop new industries, but these loans were not repaid. This is the international debt, quoted at US\$ 6.5 billion in the PRSP, which now hangs over us. Our economic growth was the second lowest in Southern Africa in the 1980s, and the lowest in the 1990s. We have consistently been amongst the lowest in the world, even compared to war zones and countries with no obvious economic advantages at all.

This failed industrialisation strategy was Zambia's path to poverty. The international community had supported this strategy with their advice as well as loans. Their participation in the PRSP process shows that they accept their share of responsibility for economic failure. In Zambia's case, there were also special costs arising from the prolonged liberation struggles in the region, particularly South Africa and Zimbabwe, which contributed to our debt burden and resulting poverty.

We might like to believe that low economic growth at least makes us a little bit richer. But if the economy grows by less than the population, we have all got poorer! And that is exactly what has happened in Zambia. Since independence, the economy grew very little, whilst the population has grown from 3 million to 10 million. The result is that we now earn about half as much per person as we used to in the 1960s and early 1970s.

The People's Poverty

Poverty is not just statistics – it's about people. In Zambia, poverty forces three-quarters of the population to survive below the poverty line. Poverty is not just having no cash. We also look at "human poverty", which means low life expectancy,

lack of decent education, and poor access to basic needs, including secure food supply, health care, education, water, sanitation and housing.

In Zambia, 73% of the population are poor or extremely poor. In the rural areas, 71% of people live in extreme poverty, twice as many as in urban areas (36%). In 1998, around two-thirds of households reported that they have changed their diet or reduced on food because of their economic problems. This shows us that most households are failing to survive in a decent way.

Child poverty is increasing, often related to HIV/AIDS. We find children working, street children, orphans and child-headed households, who are all very vulnerable. Over a million Zambian children now classified as “orphans or vulnerable children”. One in every three primary aged children do not attend school, either because they are unable to find fees or are busy working for cash or in the home.

Women are also vulnerable to extreme poverty, and households headed by women face great problems. This is because women have less education, less formal employment and more domestic responsibilities, which all prevent them from earning a good income.

The poor have been made even poorer by HIV/AIDS. AIDS mainly hits adults who should be the chief earners in their households. Instead, they become dependents themselves. Zambia has growing numbers of dependents, and fewer people to depend on.

The PRSP provides opportunities for employment or business for people who are waiting for a chance to work. But PRSP also recognises that in some households, there is no one ready to respond. In a household of grandparents and grandchildren, no one is fit to work, and sometimes no one has been to school. The PRSP will increase access to education, health and welfare so that over time, each household can improve its capacity to participate in new opportunities.

3. The PRSP Approach

A good plan must be realistic. If a budget is limited, only the highest priorities with the most impact should be selected. The PRSP has a limited budget, and its planning process involved many of these difficult choices. It contains only the most important and effective activities.

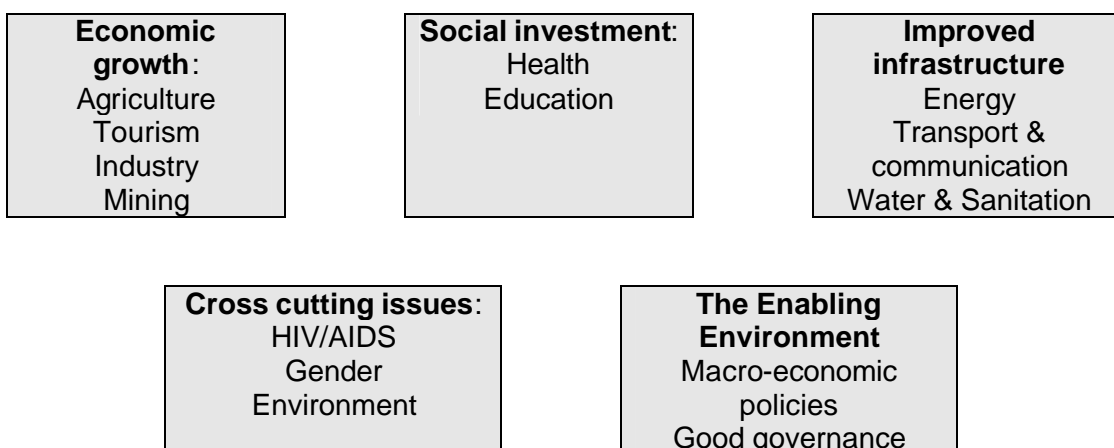
After much debate, the PRSP was focused on five key sections:

The main purpose of the PRSP is to promote sustainable economic growth, and to improve social services and infrastructure.

The PRSP identifies HIV/AIDS, gender, and the environment as crosscutting themes that affect all other sectors.

The PRSP also promotes good governance and improved public sector management, which will provide an enabling environment for implementation.

The PRSP process has designed programmes in each of these underlined sections. The key areas for intervention are:



The rest of this booklet describes the background and activities in each section.

The PRSP is a three-year plan from 2002 to 2004. During this time, the Ministry of Finance will be coordinating implementation and monitoring activities. Civil Society will be carrying out participatory monitoring activities. Monitoring will inform us of what is happening, so we can improve management or change the planned programmes as needed.

Poverty reduction cannot be completed in three years. After 2004, we will move forward to a second PRSP. This will be “stage two”, involving new activities that build on the successes of this first stage, and learn from any failures.

The total budget planned for the period 2002-2004 is US\$ 1.2 billion.

4. PRSP and Economic Growth

Sectors for Economic Growth

In the past, the Zambian economy depended too much on copper mining. We now know that this was not a good approach for two reasons. Firstly, it is risky to build the nation on a single industry, in case the copper price falls again. Secondly, not all of us can be miners! Depending on copper means we ignore many other potentially profitable activities throughout the country. The PRSP supports the expansion of national economic activities beyond mining, to other areas where Zambia has potential for growth.

Economic Growth 1: Agriculture

Agriculture is the “sleeping giant” of Zambia’s economy. Agriculture could be a driving force for economic growth and development in the nation, but in reality it is failing. Production is low and the use of natural resources is inefficient. Zambia uses only 14% of its potential arable land, and less than 10% of its irrigation potential. Most rural households suffer from poverty and hunger.

Many farmers complain that Government no longer supplies inputs and buys maize from them. But this system had to end, because it cost the Government too much money and forced farmers to grow maize even where other crops were more suitable. So even if Government now steps in to assist farmers, it cannot go back to the old system. The new “liberalised” system has challenged farmers, because fertiliser and other inputs are expensive. Some farmers cannot afford them, because their production levels are too low to meet the costs of repayment. The new system has also suffered from constant changes, where Government has not stuck to clear policies on inputs and marketing.

Farmers in remote areas find it particularly difficult to access credit and inputs. Poor infrastructure means that their access to markets is very limited.

Agricultural extension services have not assisted farmers to expand, diversify or respond to the challenges of the new agricultural sector.

Zambia’s farmers have also suffered from cheap imports from neighbouring countries. Our towns fill up with “dumped” produce, sent here because of our liberal foreign exchange regulations. Regional agreements stop us from charging tax on these imports, which end up cheaper than local produce.

Discussion point:

Do you agree that these are the main problems for agriculture?

What will PRSP do for Agriculture?

PRSP will strengthen the liberalisation process. First, the Government will set (and stick to) a transparent, level playing field. Clear policies will be widely publicised, so we know how inputs and marketing will be managed, and how the sector will operate. Barriers to agricultural development will be removed, including legal problems with land tenure, loan repayments / contracts.

PRSP identifies increased production of food crops, export crops and produce that can be processed or value-added in Zambia. The PRSP will identify local opportunities for farmers, to promote appropriate programmes in each place, whether

remote or not. The result will be improved household food security, increased incomes and a reduction in poverty.

Activities for Agriculture

PRSP activities are organised in five groups:

Targeted Food Security

Some poor farmers could produce food for their families, but lack adequate inputs and knowledge. The PRSP will provide them with inputs and training / extension for household food security.

Promote Improved Technology

Farmers can benefit from using appropriate technology to increase crop and animal production. These include animal draft power, and techniques to reduce disease and increase production. New ideas for irrigation, crop storage and soil and water conservation will help farmers improve efficiency and profit.

Land Utilisation and Infrastructure Development

The PRSP will expand the land used for agriculture by identifying new farm blocks. This land can benefit local, resettled and even commercial farmers. Activities will include land demarcation, and the construction of roads, power, dams and irrigation facilities.

Strengthen Markets, Trade and Agri-Business

The PRSP will support the creation of agricultural export zones, where trade in profitable export crops is promoted through extension services, business skills development, market information, incentives for investors and the promotion of outgrower schemes.

Improve Finance and Investment Climate

The PRSP includes an "Agricultural Development Fund" (ADF) to provide credit at affordable rates to a greater number of farmers. The ADF strictly enforces repayment. As farmers start to repay, more private investment in outgrower schemes will be encouraged.

Economic Growth 2: Tourism

Zambia has fallen far behind our neighbouring countries in tourism development. As a nation, we could earn significant income from tourism. And Zambia enjoys natural advantages in this business – we have the Victoria Falls as well as world-class National Parks, which can attract many international tourists.

The particular advantage of the tourism business for poverty reduction is that it uses remote rural areas, where most people are very poor. In remote areas, there are only limited opportunities for other activities like farming. There are natural resources (like wildlife) that should be conserved, and are attractive to tourists. Where tourism develops, local people get employment and business opportunities, as well as benefiting from improved communication, infrastructure and even social services. So tourism is the best means of raising local incomes and conserving Zambia's wildlife at the same time.

Why hasn't Tourism Developed in Zambia?

Some of the reasons why tourism has not developed in Zambia relate to other sectors too. It is hard to get loans to start any business, and extra problems are created by poor infrastructure and communications (especially in rural areas), and the lack of trained workers.

The tourism business also suffers from its own problems. The bureaucratic load of licenses, permits and fees etc are very burdensome. Customary land tenure and the system of leasing hunting areas for a few years only make any venture risky. Zambia is an expensive destination, and the complete lack of high quality hospitals reduces the number of tourists who are prepared to come. Since the sector is underdeveloped, there are few activities and choices for tourists, making other destinations more attractive.

Tourism Development Policy

The tourism development policy is based on the private sector leading the growth of the tourism sector. There are no plans for any more state-owned hotels and lodges! The role of the Government is to help the private sector to develop the tourism business, by improving infrastructure, making the investment process easier, and identifying where investors can get loans for developing new facilities.

PRSP Activities for Tourism

PRSP will undertake national programmes to promote the growth of the tourism industry, and will also carry out specific activities in five zones.

National Activities

The national activities will focus on attracting investors to Zambia, and ensuring that good tourism businesses thrive. This will include developing training opportunities in all necessary skills, to help Zambians to get skilled jobs in tourism. PRSP will encourage partnerships between international investors, local investors, and communities. PRSP will also support conservation of heritage sites, museums and natural resources.

Zonal Activities

PRSP has identified five key zones for investment, developing the major National Parks and surrounding Game Management Areas (GMAs).

Priority Zones for Tourism Development

- Livingstone & surroundings
- Kafue National Park & GMAs
- Lower Zambezi National Park & GMAs
- Luangwa National Parks & GMAs
- Lusaka & surroundings

In all of these, the key priority for PRSP will be improvement of infrastructure, particularly roads. A number of bridges and airstrips have also been identified. Other facilities will include visitors' centres, improved water and sanitation, and (in Lusaka) conference facilities.

Economic Growth 3: Industry

Zambia's industrial and manufacturing sector have only ever been small. In the 1970s, industries focused on making goods to reduce the need for imports. Unfortunately, the raw materials for most of these industries had to be imported. They did not use Zambian raw materials. So Zambia was still import dependent, and did not build strong markets for local products.

The industrial and manufacturing sectors have suffered from other problems too. It has been hard to compete in regional markets, because other countries try to block foreign products, or provide subsidies to their own producers that mean we can't compete. Our skilled workers have left for work in other countries, and our remaining labour force is neither cheap nor exceptionally skilled.

Because Zambia's industries were inefficient, many jobs have been lost. Since 1995, 86% of jobs in the manufacturing sector have been lost. The situation is very bad, but some encouraging signs can still be found. The future lies in industries based on the processing of Zambian raw materials, including agricultural produce. These are stable and have the potential to expand in future.

Future Directions in Industry

Industry and manufacturing can help to expand the Zambian economy, and can provide employment to many people. PRSP will invest in industries that process Zambian raw materials into export products. As well as facilitating large-scale investments, PRSP will also invest in small and medium scale enterprises. To support Zambian industry, Government must ensure that the regional playing field is level, so we can compete with neighbouring countries without unfair disadvantages from tariffs, duties, subsidies or the costs of services, power etc.

Activities in Industry

Investment Promotion

Zambia needs good investors in agriculture and industry. To attract local and international investors, the PRSP will set up attractive opportunities such as new farming blocks and industrial areas, with improved electricity, roads and telecommunications. The PRSP will also increase the monitoring of investors, to make sure that they stick to their licenses and agreed conditions.

Trade Policy & Export Promotion

Expanding the agricultural sector depends on exports. For this, we need to make sure that Zambian products have fair access to markets in other countries. The PRSP gives the opportunity for Zambia to ensure that regional and international trade agreements are used favourably. It also provides for improved testing and measurement facilities, to test Zambian products as well as checking on imports.

Micro, Small and Medium Enterprise Development

Developing small businesses is essential for poverty reduction. For this, the PRSP will support technical training, business management skills, credit facilities, product marketing and provision of necessary land / sites for various enterprises. Government is a big purchaser of services, and will purchase goods & services from small businesses where possible, especially in health and education.

Rural Industrialisation

Rural industries will focus on agro-processing. The PRSP will support viable projects, especially those that are labour intensive and close to farm blocks and outgrower schemes. PRSP will assist with road rehabilitation and power supplies to agreed sites.

Credit Facilities

For any business, getting funding is a problem. Medium and long-term loans are hard to find, and interest is very high. Key reasons for this are the regulations and risks facing the lending institutions. New policies will make it easier for them to lend

money for development, and so improve access to loans for small and large-scale business.

Skills, Science & Technology

PRSP will improve skills amongst workers by re-introducing the apprenticeship system, and the Master Craftsman scheme. Incentives will be given to employers who invest in workers' training. PRSP will rehabilitate scientific and technological institutions at our Universities as well as agencies such as the National Science & Technology Council, and the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA).

Economic Growth 4: Mining

Large Scale Copper Mining

When Zambians talk of mines, they think of the Copperbelt and its large-scale mining industry. Historically, this has been the heart of the Zambian economy. But in recent decades, production declined and prices fell, and the nation suffered from its over-dependence on a single industry.

The privatisation of the mines was intended to overcome problems with poor management and low levels of production. The privatisation process was completed in 2000, but in fact the story is not yet finished. Problems with the investors at Luanshya as well as the 2002 Anglo-American Corporation pull-out have forced Government to re-consider the future of these mines.

The second PRSP from 2004 will support the development of a new large-scale copper mine at Lumwana in North-Western Province. The benefits of this new mine will include new employment in impoverished areas, new infrastructure, power, road and rail networks, and new markets for the province's farmers. The second PRSP will also fund rehabilitation of road and rail in key mining areas. However, the first PRSP focuses on the often-ignored small-scale mining sector.

Small Scale Mining

Mining is not only about copper. Zambia also has exciting potential in small-scale mining. Currently, this sector is mainly gemstones, but it could expand to include minerals for agricultural and industrial purposes (e.g. lime). There are various valuable deposits in many parts of Zambia, including many very remote areas. Developing small-scale mining in remote areas will be particularly valuable for poverty reduction, as economic activity always brings improvements in communications, markets and social services.

To date, small-scale mining has been plagued by illegal activities, including illegal mines, illegal traders and illegal exports. This exploits rural miners and the nation as a whole, as Government cannot collect taxes and fees that should be paid for our gemstones.

PRSP and the Mining Sector

The PRSP will focus its investments in mining on the small-scale sector, in four key programmes that aim to expand and regulate small-scale mining.

Sysmin "Sysmin" is the name of the mining diversification programme. Through Sysmin, PRSP will assist small-scale miners to increase production of gemstones, and of other minerals. This assistance will include information on where deposits can be found, business skills, finance and equipment, and infrastructure. Sysmin will

build the proper regulation of small-scale mining, and ensure that illegal activities are stopped.

Gemstone Exchange Scheme

PRSP will reactivate the former Gemstone Exchange Scheme, which will help to ensure that markets are fair, profitable and legal. Producers will be able to get help in valuing their products, and to find competitive buyers. This will reduce the risk of exploitation by illegal traders, particularly of remote rural producers. The Gemstone Exchange will also check that all taxes and other fees are paid.

Mining Community Development

Gemstones and other mining products are Zambia's natural resources. If a miner is selling this natural resource, the profits should be shared with the owners of the resource, which means the nation as well as the local community. Paying tax shares profits with the nation as a whole. For the local communities, PRSP will support a community development programme, where small-scale mining companies will also make payments to a local development fund.

5. PRSP and Social Investment

Sectors for Social Investment

In the past, most Zambians could access decent basic services (such as education and health). There were also many other “extra” services – ranging from agricultural extension and veterinary services, to probation and vocational training.

Since the economic downfall of the 1970s, social services have had less and less funding. Even as funds reduced, Government did not focus on basic services only, but spread funds very thinly across the full range of services. Nothing has actually been scrapped – but all sectors have deteriorated to a very low level of performance.

The PRSP recognises the importance of a wide range of social services. However, funds should be targeted effectively on the most important priority areas. The PRSP therefore aims to make a significant impact on the two most critical areas for poverty reduction.

The key areas for social investment are health and education.

Social Investment 1: Health

Zambia – A Nation that Suffers

Zambia is terribly affected by ill health. The deadly combination of HIV/AIDS, poverty and malnutrition means that we suffer very badly from malaria, maternal deaths, child deaths, respiratory disease, diarrhoea, measles and many others. In fact over the last ten years, the nation has suffered more and more, as we have more illness and shorter lives than almost any other nation on earth.

Most Zambians have experienced the links between poverty and health. If someone is sick, they can't work. Instead of earning money, the family must now find extra money for health care. They may fail to pay for food, school, transport and other items. This means other family members might get sick, and are less likely to be able to work. This is the “vicious cycle” of poverty and disease.

Many Zambians are malnourished. They don't get enough food, and miss certain vitamins, iron and iodine. This means that people get sick quickly and are more likely to die from any illness. Children, women, elderly people and the disabled are most likely to suffer from malnutrition. Malnutrition is part of the “vicious cycle”: poverty leads to hunger; hunger leads to sickness; sickness leads to poverty.

The Health Reform Programme was started in 1992, and appeared to be one of the best programmes in Africa. But Zambians have got sicker, and the health services are not noticeably better. Why is this?

The answer is mostly about money. The Reform Programme set out to provide a “basic health care package” to all Zambians. This package is supposed to be adequate for most health needs. But the proper funding for these services has not been available, so there is no reliable access to the basic package. Zambians have not received the planned services, whilst the health situation has got worse and worse.

Another factor has been health charges. Since 1993, there have been charges for health services, with some key exemptions (see box). The problem has been that

most people do not know about all the exemptions, and not all have been implemented. There was also supposed to be a link between health and welfare so that genuinely poor people would get free services, but this scheme has not operated effectively.

The result of the poor services and health charges mean that fewer people access public health services. People might go to private clinics, traditional healers or just buy medicines themselves.

WHO IS EXEMPT FROM HEALTH CHARGES?

Patients who are under 5 or over 65 years old

Patients needing:

- Immunisation
- Antenatal, pregnancy, birth & postnatal care
- Family planning services

Patients suffering from:

- TB
- HIV/AIDS
- Sexually transmitted diseases
- Cholera and dysentery
- High blood pressure
- Diabetes

The result is that sickness is more common than health, and early deaths outnumber long lives.

PRSP & Health

The Health Reform Programme did not fail because it was a badly designed programme – it is a good plan! It didn't work out because it did not have sufficient resources to offer a decent basic health package. PRSP will support the existing programme, by providing the resources that have up to now been unavailable.

Basic Health Care Package

The basic health care package will provide a decent level of health care to all Zambians. The PRSP will provide funding that will support these services. Patients will still pay fees, but the existing exemptions will remain (see box above). New exemptions that target particular diseases (e.g. malaria) or particular social groups (e.g. street children, orphans) will be introduced. Public awareness campaigns will help everyone to know what services they can access free of charge.

Improved Health Management

Better management of health services can benefit patients without costing a lot. PRSP will assist in ensuring that health staff and funds are fairly distributed around the country, so that vulnerable groups and remote areas are well served. Drug supply will be improved so that health centres get enough of the right sort of drugs in good time. PRSP will also improve infrastructure, replace obsolete equipment, and provide staff training.

Public Health Priorities

PRSP will tackle five key areas of public health:

- Malaria – combing mosquito control, preventive programmes, treatment ;
- HIV / AIDS - including TB and other sexually transmitted diseases;
- Reproductive Health – an integrated approach including family planning, pregnancy, delivery, post-natal, teenage pregnancy and other issues relating to women’s health;
- Child Health – focussing on common childhood diseases that can be prevented or cured;
- Epidemics – monitoring and controlling any epidemic that might break out.

Nutrition

Improving nutrition is like reducing poverty – it involves lots of different stakeholders! For nutrition programmes to work, the various stakeholders must be co-ordinated to follow a clear nutrition strategy. The PRSP will support the National Food and Nutrition Council, to improve performance and promote improved nutrition.

Social Investment 2: Education

Education in Zambia Today

The PRSP shows us that there is very little good news concerning Zambian education. From pre-school children right through to the students of University of Zambia, the situation is really very bad. For girls, the situation is worse than for boys at every stage. Since education is essential for sustained growth and development, the PRSP is committed to changing this gloomy picture.

About one-third of Zambia’s primary aged children do not go to school. They stay away because school is expensive, or far away, or because they have to work. For those that do attend, the dropout rates are high, affecting girls in particular after grade 4. Children affected by HIV/AIDS are also likely to drop out. For those that stay in school, the number of teachers is constantly shrinking, and in rural areas it is easy to find schools with only one teacher. Children are often hungry, which reduces learning and development. The schools have little or no funds for books or other learning materials.

There is a grave shortage of places in secondary schools. For every ten children that pass grade 7, only one will still have a place in grade 10.

Training and higher education also suffer from a shortage of places. Of those that finish secondary school, there are very few places at UNZA, Copperbelt University and other training colleges. The vocational and technical training institutions are very run down, with old equipment, inadequate staff, and inappropriate courses.

Discussion Point

Are the education services today the same as when you were a child?
What are the main differences?
What will be the effect of these

PRSP Support to Education

There are six key activities in PRSP. There will also be a significant expansion in the HIV/AIDS programme, as part of the PRSP “cross cutting issues” programme on HIV.

BESSIP Extension

The BESSIP programme is the “Basic Education Sub-Sector Investment Programme”. BESSIP is a partnership between the Ministry of Education, the World

Bank, and other donors. It has been working to improve services in grades 1 to 7, tackling key problems such as infrastructure, staffing, education materials, improved access for vulnerable groups, and health and nutrition. Under PRSP, BESSIP programmes will continue and expand to cover pre-school as well as grades 8 and 9. New programmes will also offer distance learning and evening classes to increase education access to dropouts and adults.

Equity Programme

Equity means that all Zambian children should have equal access to education opportunities. At present, equity is lost for poor children, for girls, and for orphans and disabled children. Equity has been a sub-programme under BESSIP, but this has not highlighted these issues effectively. Under PRSP, the new Equity Programme will give special attention to ensure that appropriate education is available to all children.

Literacy

The PRSP will overhaul the national literacy programme by improving services at community level, especially for vulnerable groups. Literacy programmes will be tied to evening classes, distance learning and other continuing education opportunities.

Skills Training

The Technical Education and Vocation Training Authority (TEVETA) is responsible for offering appropriate training throughout the country. Under PRSP, TEVETA will identify training needs and skills gaps, develop courses and train staff members.

High School Improvement

The new Education Policy is turning primary schools into basic schools, extending up to grade 9. Grades 10 to 12 will now be known as High School. PRSP will help upgrade High Schools by improving infrastructure, curriculum, staffing and education materials.

Universities & Colleges

The PRSP will help Zambia's Universities and Colleges to improve their education programmes. Students will get a high quality education in subjects that will help them find good jobs on graduation. PRSP will help Universities and Colleges improve staffing and management.

6. PRSP and Infrastructure

Infrastructure Development

Infrastructure supports economic growth, as well as improved social services. Without good infrastructure, every development is frustrated with time consuming delays, unnecessary expenditures, ill health and environmental degradation. The PRSP has accorded a high priority to investing in infrastructure priorities in the sectors of transport and communications, energy and water & sanitation.

Infrastructure 1: Transport & Communications

Zambia's Transport Problem

Problems with transport and communications help keep Zambia poor. Whether by rail or road, transport is expensive and unreliable. This affects industry, making Zambian goods expensive in the region. It affects agriculture, as inputs are delayed and expensive, and produce cannot be collected from remote farmers or transported for a reasonable cost. It affects the poor, as they have problems reaching schools and hospitals, and these institutions rarely receive visits and deliveries from outside.

Much of Zambia's development has taken place along the "line of rail". Zambia Railways and TAZARA link Zambia to Tanzania and to the Southern Africa network. But the railways have broken down, and most bulky imports and exports (as well as domestic cargo) now use roads. But the heavy use of the roads means they break up quickly.

In most places, road transport is the only option. The tarmac roads do not even reach every district, and nearly 80% of gazetted roads are made of gravel or earth. The quality of most roads is very bad – a result of many years of poor maintenance. This has a direct effect on the rural poor, isolating them from markets and services.

Even air services affect the poor. Private air transport operators do not run a full range of services to rural tourism centres. This reduces the tourism industry, and therefore reduces the benefits from tourism for the poor.

Water transport is important in some places in Zambia. The use of some waterways for regional transport could be increased for more exports of Zambian products (e.g. Lake Tanganyika). Other waterways are only used for local economic purposes (e.g. in Western Province, or Lake Bangweulu), but poor maintenance and harbour facilities have limited the development of water-based activities.

For most people, communication services means telephones and postal services. The introduction of mobile telephones doubled the number of phone users in Zambia, but this is restricted to urban areas. In many district towns, phone services are expensive and quality is bad. Outside the towns, phones are very rare. Even postal services are unreliable in many places. There is almost no way of communicating with most rural places, which helps to maintain poverty.

PRSP Activities for Transport & Communications

PRSP prioritises improvements in transport & communication. This will support improvements in all other sectors.

Road Improvement

Road improvement is prioritised in PRSP. This will focus on rehabilitation and maintenance of existing roads. Some new roads may also be needed to support new development areas (e.g. new farm blocks, mines, tourism areas).

Road Transport Once better roads are available, PRSP will work with communities and private sector to improve transport services in rural areas. A variety of forms of transport (including animal-draft power) will be promoted. Communities will be encouraged to participate in improved maintenance, upgrading and transport management.

Road safety

Zambia's poor road safety record costs the country lives, skills and money. The PRSP will assist Government to implement road safety standards more effectively, including better vehicle examination, safer road engineering and strict enforcement of road traffic laws and regulations.

Civil Aviation

The PRSP will contribute to the upgrading of key airports to encourage tourism development. The PRSP will also support activities aiming to attract international carriers into Zambia, and to expand domestic air transport services.

Waterways

The PRSP will support the development of a comprehensive waterways plan. The plan will expand safe, efficient and clean water transport services, with the expansion in private sector investment, and upgrading of ports to regional standards.

Communications

The PRSP will improve telephone services in rural areas, and in tourism locations. This will serve farmers and residents in remote areas, and make Zambia more attractive to foreign investors and tourists.

Infrastructure 2: Energy

There are two subjects in the energy sector. One is the large-scale production of electricity, for use in Zambia and for export. The other is the distribution and use of various energy sources in Zambia, including wood fuel, oil (diesel & petrol) and electricity.

Producing Electricity on a Large Scale

Zambia has great potential to supply electricity in the region. Although the cost of building power stations and power lines is expensive, the industry can be very profitable over many years. The industry employs many people, and provides power that facilitates many other jobs, and supplies schools / hospitals etc as well as homes. Generating electricity is therefore good for the economy and good for poverty reduction.

Currently, Zambia produces about a quarter of the electricity that we possibly could using hydropower. The major plants are Kafue Gorge, Kariba North Bank and Victoria Falls. These plants are in need of rehabilitation, with additional improvements to the distribution line. A project has been on going since 1998 to carry out these works.

Zambia needs to produce more electricity for domestic consumption and for export. To meet this challenge, there are plans to build a second power station at Kafue

Gorge, and another at Itezhi-Tezhi. This will increase national production by 45%. These projects are being financed through private sector investment.

Zambia needs to improve transmission lines to Tanzania and to Democratic Republic of Congo (DRC). These will carry exports from Zambia and DRC to East Africa and South Africa. These projects will be funded from the private sector investment with some donor support.

Meeting Zambia's Energy Requirements

Most people in Zambia have poor access to modern energy. The poor usually depend only on wood fuel / charcoal, which harms the environment and is bad for health. Energy supplies to agriculture and industry are often inefficient, expensive or just impossible, which reduces production and employment. But Zambia has ample natural energy resources, including wood fuel, coal, hydropower and renewable energy sources (e.g. solar power, wind power), and can import oil products.

PRSP aims to reduce poverty by increasing efficient access to appropriate energy sources.

Discussion Point

What forms of fuel are used in your community? What are the costs, advantages and disadvantages of each? What would improve community fuel

Government has already started to rehabilitate power stations and transmission lines. This will improve the reliability of power supplies to households, industry and farmers. The TAZAMA pipeline and Indeni Refinery are also being modernised. This will improve the availability of affordable petroleum products to all users.

The PRSP has identified three key activities that will improve access to energy:

Improving Efficiency of Wood Fuel

Zambia uses so much fire wood and charcoal that our environment is threatened with deforestation. The process is wasteful, because production and use are both inefficient. PRSP will promote better charcoal burning techniques and improved stoves so that each tree cut produces more energy. Alternative fuel sources for home use will also be studied.

Rural Electrification Programme

The Rural Electrification Programme will increase access to electricity. At present, very few households have access to electricity, which affects health, reduces the possibilities for irrigation and other farming activities, and means that households use a lot of labour for moving water, collecting wood etc. The Rural Electrification Programme will increase access to ZESCO but may also promote solar power or small-scale local hydropower stations as appropriate.

Electrification of Mkushi Farm Block

This programme will provide ZESCO to farmers in Mkushi farm block and to surrounding traditional farming areas. Electricity will enable the farmers to increase production.

Infrastructure 3: Water & Sanitation

Zambia has rich water resources, with adequate rainfall, rivers, lakes and underground water. There is enough water to meet all possible needs, although in some places this might be difficult at times.

Despite these resources, most people in Zambia do not have reliable access to safe drinking water, adequate sanitation, or water for crop irrigation, livestock or industry. Women and children spend many hours unproductive collecting water. As we saw in the chapter on energy, water is rarely used to generate electricity for local use.

Government has been reforming the water sector since 1994, resulting in new policies, objectives, activities and institutions.

- The *objectives* of the new policy are to improve the management of water resources, improve access to clean water and sanitation (in rural and urban areas), and promote the use of water for economic benefits.
- The *activities* needed to achieve these objectives have been set out in the Water Resources Action Programme.
- *Implementation* is through nine new commercial water companies that have been set up to improve urban water supply, and the WASHE programme that works in rural provinces, districts and communities. The Water Board supervises the management of water resources, whilst the National Water Supply and Sanitation Council (NWASCO) regulates the provision of water and sanitation.

Despite all these reforms, the new policy is not yet successful. The new water companies do not have funds to invest in water provision, and face problems collecting payments for water bills. The poor face particularly high water charges, and may be forced to use unsafe water. In rural areas, slow improvements in provision of safe water are matched by constant breakdowns and failures in maintenance. Adequate sanitation is limited to less than 20% of the population.

Discussion Point

How far can community initiatives go to clean up urban compounds?

PRSP Activities for Safe Water and Sanitation

The main objective is that PRSP will provide access to safe water and sanitation to 5 million more people, which will extend services to virtually all citizens. This is an ambitious but important goal. This will be realised through two activities:

Rural Water Supply & Sanitation

The PRSP will support WASHE activities where they are on going, and will establish new rural water programmes where none exist. All rural areas that do not have safe water and sanitation already will be targeted. PRSP will emphasis public education and community management of water supplies.

Urban Water Supply & Sanitation

The PRSP will support the existing urban water supply programmes, and assist the commercial providers to extend reliable services to all residents. PRSP will also support a new peri-urban water & sanitation programme, to ensure that all communities benefit from improved services.

PRSP will also work to improve management of water resources, including national and large-scale management, as well as local and community based water management.

Water Resources Action Programme

PRSP will support improved planning, management and monitoring of national water resources. This provides vital oversight and information for the regulation of all water supply and utilisation.

Kafue River Basin Pilot Project

For most sectors, planning and management of resources and activities is done by Province and District. But we cannot control nature, and Zambia's rivers cut across these boundaries regardless – Kafue River touches six Provinces! The PRSP will support a pilot project to improve the planning, utilisation and monitoring of water in the Kafue River Basin, with a single management structure.

Dam Construction

PRSP will construct new dams and rehabilitate existing dams in drought prone areas. Multi-purpose dams will be targeted, that support irrigation, livestock and domestic water supply.

7. The Cross Cutting Issues

Cross Cutting Issues

The PRSP has identified three “cross-cutting issues”. These are HIV/AIDS, the environment and gender. These are called crosscutting because they can’t be taken as isolated issues, because they affect all other sectors. If these issues are not tackled, the successes in other sectors will be very limited. Supporting these activities is essential for poverty reduction.

Cross Cutting Issue 2: Gender

Zambia, as in many countries throughout the world, women are more vulnerable to poverty as well as social and cultural disadvantages. Women get less access to education, employment and economic opportunity, and female-headed households are poorer, with greater levels of food insecurity and malnutrition.

Without uplifting women, Zambia is wasting half its human resources! After all, sustainable economic growth depends on everyone. Future development will require the full participation of both women and men. PRSP will address gender issues as a vital part of national development.

There are five key areas where gender imbalances negatively affect women, and hold back national development. These are as follows:

Women’s Economic Activities

Women’s economic success benefits themselves and their children. Women’s incomes provide food security, and pay for health and education. PRSP will promote women’s economic activities through specially targeted programmes. The programmes will strengthen and expand women’s businesses by ensuring access to credit, training, advice, appropriate technology and marketing support.

Women’s Access to Property

Government will remove any legal barriers to women’s development. In particular, women must have equal rights to land, asset ownership, property rights, inheritance and natural resources. PRSP will promote programmes that enable female-headed households to obtain affordable housing.

Women, Information and Education

Women have less education, less training and lower rates of literacy. This prevents them from developing businesses, caring for families or being fully productive in agricultural activities. PRSP will promote education and training for women at all levels, including formal opportunities and community based programmes. Extension programmes directed at women will increase access to traditional knowledge and new information. These programmes will help women make informed choices for economic, reproductive and domestic empowerment.

Women and Financial Services

Women and the poor have very limited access to financial services. These include credit, and also business advice, banking services and savings schemes. PRSP will increase access to financial services, especially for rural women, and expand markets and business opportunities for the poor. PRSP will particularly support community-based approaches such as credit networks, traditional savings schemes and group activities.

Women and Decision Making

Important decisions are often biased in favour of men. This may be because women are not represented in decision-making, or because information used to help make a decision does not show how men and women might be affected differently. PRSP will promote women's participation in decision-making, and support improved data gathering and analysis of information for decision-making.

Cross Cutting Issue 1: HIV/AIDS

It is often said that there is no single household in Zambia that has not been affected by HIV/AIDS. It truly feels as if the negative effects of the epidemic have impacted on every aspect of our lives.

HIV/AIDS can affect and infect everyone. But there is special relationship between HIV/AIDS and poverty. Poor people have less education, and may lack vital information and skills to protect themselves from HIV. Uneducated girls are particularly vulnerable. HIV/AIDS mainly affects young adults and parents, so families lose the patient's income and labour. The epidemic has also produced nearly one million orphaned children. Many will suffer trauma from losing their parents, as well as shifting into new households, and dropping out of school. Others are vulnerable to abuse and or to joining the growing number of street children.

The national economy is affected by HIV/AIDS, where strong growth would need a skilled and healthy workforce. Instead we have many workers who are patients. Even workers who are healthy are troubled by responsibilities for funerals, patients and dependents. In farming, there is less labour for cultivation and weeding in each household as people are sick or need to care for the sick. This means less food and lower incomes. Farming equipment, land and livestock are sold to get cash to reduce immediate problems, which pulls the family further into poverty.

Government services are affected by HIV/AIDS. In schools, 1600 teachers died of HIV/AIDS in 1999 – around one in twenty of all teachers in a single year! That means that newly trained teachers are only just enough to replace experienced teachers, not to expand the total. HIV patients overwhelm the health services, and there are not enough resources to assist them.

Zambians are very well aware of the effects of HIV/AIDS. The problem is that not enough has been done about it. In 2002, Government created the National HIV/AIDS Council to co-ordinate the National Strategy on HIV/AIDS. PRSP is supporting activities identified as part of the National Strategy.

The PRSP has three "first priorities" for HIV/AIDS activities, as follows:

Reduce New HIV/AIDS Infections

The number of HIV/AIDS infections must be reduced. This needs us to change our behaviour, and avoid engaging in risky activities. PRSP will support renewed education programmes for high-risk groups (youth, sex workers, soldiers, traders, truckers, prisoners and refugees). PRSP supports condom programmes that increase awareness and availability throughout the nation.

Reduce Socio-Economic Impact of HIV/AIDS

Knowing that a family member is HIV positive helps reduce the impact of the disease. Further transmission can be prevented, and "positive living" can extend healthy life expectancy. PRSP will support voluntary counselling and testing, which informs people of their HIV status and provides psychological support and vital information to people with HIV. PRSP will support home-based care, and strengthen links between

home-based care programmes and health centres. PRSP aims to increase access to home based care activities to 75% of patients. PRSP also supports the Anti-Retroviral treatment programme that is being actively pursued by Government, and will become involved in this programme when it is finalised.

Improve the Quality of Life for Orphans and Vulnerable Children

Community programmes for the care for orphans have developed over the past decade. With a little more funding, many could provide much more care. This will ensure that children are fed and that they attend school, and will also address some of the emotional and psychological trauma of being orphaned. PRSP will support these initiatives through NGOs, community organisations, churches and other community based groups.

PRSP also identifies four “second priority” programmes that provide better health services and reduce the risk of infection for children, youth, women and high-risk group:

Improved Services for Sexually Transmitted Diseases

At present, most patients that come to a health centre with an STD do not get a complete package of treatment and health education, which causes further infection. The PRSP will tackle these problems through drug procurement, training, monitoring and education for traditional healers.

Prevention of Mother to Child Transmission

PRSP will expand programmes that prevent infection of babies to a national scale. This involves training health staff, improving HIV testing facilities, supplying necessary drugs and educating the public.

Prevention of TB

One of the biggest dangers for people with HIV is TB. There are now medicines that can stop people with HIV from getting TB. PRSP will increase the lives of people with HIV by providing these medicines.

Drug Supply

The basic health package includes some important drugs for HIV patients, especially for diarrhoea and TB. PRSP will provide other drugs that are useful to HIV patients but are not in the basic health package.

Cross Cutting Issue 3: Environment

Poverty and environment are closely related. Rural people are often dependent on natural resources for livelihoods. The rural poor cannot invest in their environment, or use natural resources in a sustainable manner. As a result, their incomes are unsustainable, as they fell trees to sell charcoal, fish right through the year, or use agricultural methods that will degrade the soil. When the resources are finished, the future is bleak. Environmental sustainability is essential for agricultural and rural development.

For urban people, a poor environment affects health and family welfare. Poor housing, dirty water, inadequate sanitation facilities, piles of rubbish and air pollution are all common in Zambia's towns and compounds. This environment promotes disease, which in turn promotes poverty. A cleaner environment is necessary for health and economic development.

Since 1994, Government has had the National Environmental Action Plan (NEAP). This has identified the key problems, and provides a framework for key actions. The NEAP points to the five most critical environmental problems in Zambia as:

- Water pollution & inadequate sanitation
- Soil degradation
- Air pollution (especially on the Copperbelt)
- Wildlife depletion (fish and game)
- Deforestation

PRSP Activities for the Environment

Existing programmes are tackling these problems in some places. Zambia has several good programmes that promote environmental programmes at community level. Some of these are listed in the box.

However, in most cases activities are restricted to pilot programmes in limited geographical areas. The PRSP will focus on strengthening on-going activities and expanding successful pilot programmes to full-scale operation.

PRSP will also supplement the National Environmental Action Plan and its activities, by contributing a poverty reduction focus. Existing policies and activities will be reviewed to see if they reduce poverty. This review will help appropriate adjustments to be made, to ensure that they reduce poverty in future.

Zambia's Good Record in Environmental Programmes

- Community Based Natural Resource Management – including ADMADE, and SLAMU
- Sound farming practices for poor rural farmers – including CLUSA, the Conservation Farming Unit and SCAFE
- Forestry programmes such as the Zambia Forest Action Programme (ZFAP), the Provincial Forest Action Programmes in four provinces, and the revenue collection activities in Chibombo and Masaiti

8. The Enabling Environment

The Enabling Environment

This booklet has described many programmes that aim to reduce poverty for millions of Zambians. But if conditions are not right, none of these programmes can succeed.

For success, we need a stable and equitable society, based on the rule of law. In these conditions, hard work will yield profits whilst corruption and exploitation will fail. Good investors will come to Zambia, and assist in bringing fair growth to the nation.

The PRSP has identified two key areas that will create an enabling environment.

- Good Governance
- Macro-Economic Policy

Enabling Environment 1: Good Governance

Governance includes many aspects of how a nation is run, and of how its citizens live. Good governance supports poverty reduction, whilst bad governance deprives citizens of income, social services and education, and of the opportunity to speak and participate. Governance is not just a concern for Governments. It affects all of us. Let us look at what good and bad governance are in practical terms.

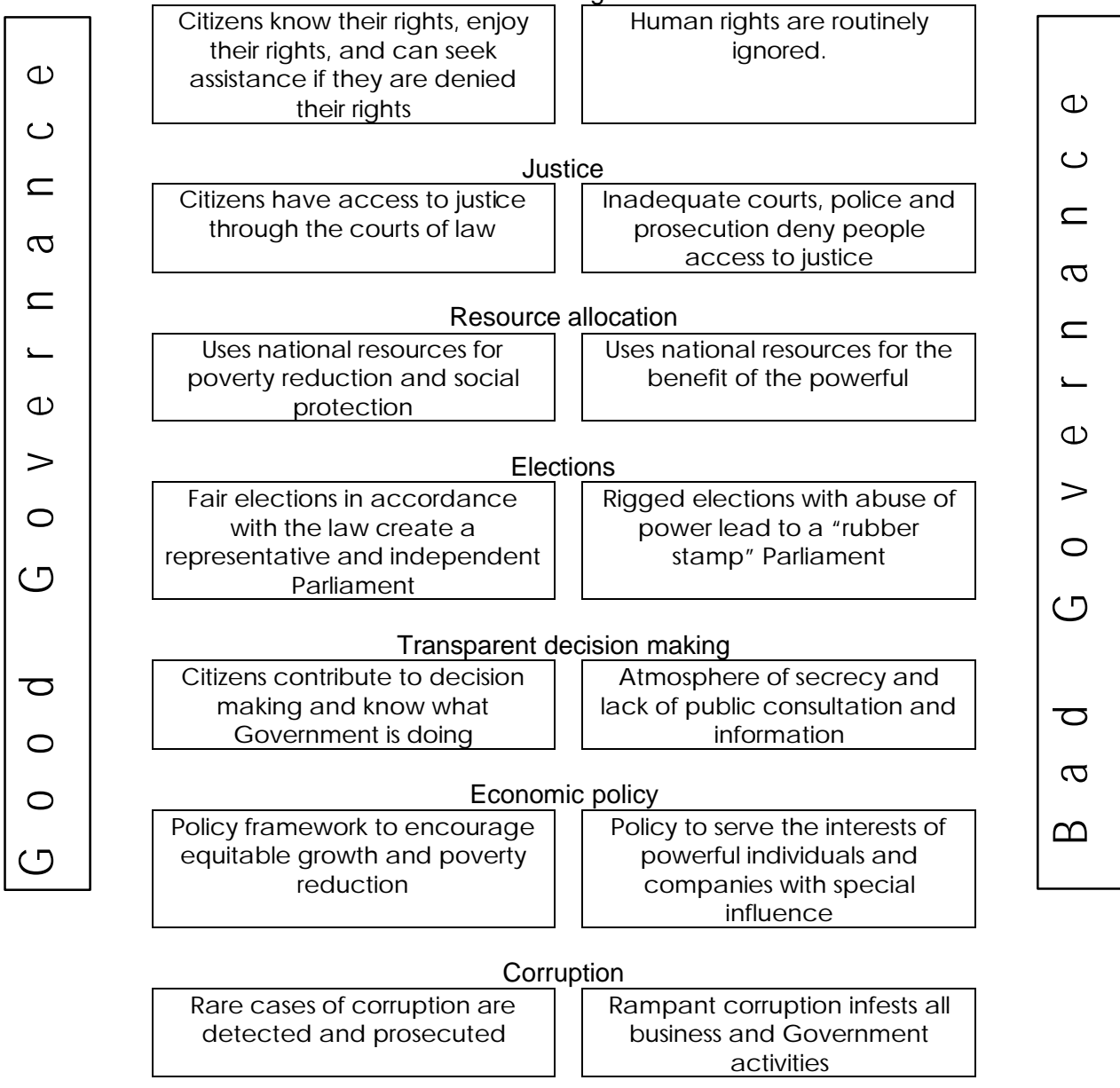
The Government has a very large “National Capacity Building Programme for Good Governance” document. However, the programme is so large and complicated that most of the activities cannot be implemented.

The PRSP process discussed governance with participants throughout the country. As a result of these consultations, PRSP has focussed three critical areas for poverty reduction.

PRSP Support for Good Governance

Promote Democratic Decision Making

For many years, Government has talked about decentralisation. But statements about decentralisation are not matched with the staff and resources needed for effective performance. Government revenues are used up at national level, and only occasionally do we find few pennies reaching district level. So central Government makes promises that the district staff are unable to deliver. PRSP will promote decentralisation, contributing to the design and implementation of a new decentralisation programme. This is a top priority for Government.



Discussion Point
 How does your community participate in decision making over issues that affect them?
 Do all members of the community have the same opportunity to participate?

Efficient, Equitable and Transparent Management of Public Resources Much has been said about problems in managing public resources. In the budget, the priorities of the poor may be pushed aside; Government financial procedures are not correctly followed; misuse and poor prioritisation never favours the poor; audit and implementation of financial controls are weak. To overcome these problems, the PRSP will promote "zero tolerance" of corruption and abuse of resources, and will

build the capacity of the civil service to operate efficiently. Social safety net programmes will be strengthened, and targeting of the vulnerable will be transparent.

Justice for All

All citizens must enjoy their human rights, constitutional rights and full access to the law. The PRSP will promote justice for all by increasing the availability of courts, justices and prosecutors. The legal system will be simplified to make it quicker and more easily understood by all citizens.

Enabling Environment 2: Macro-Economic Policy

Managing Zambia's Economy

“Macro-economic policy” means how you manage the whole national economy. Managing any national economy involves tricky choices, and feels like a balancing act. Economic policy affects how the economy grows, which sectors grow the most, and whether you can attract investment. Government must collect enough tax to pay for all the services it offers, but not so much that businesses are unable to grow because they are over-taxed. Government will sometimes need to borrow money to fund its activities, but borrowing too much pushes up interest rates and may create a debt problem.

Macro-economic management has a complicated vocabulary – “quasi-fiscal deficit”, “monetary policy”, “budget deficits” and “intra-regional trade tariffs”- that cannot all be explained here. But the PRSP has identified some objectives and priorities for macro-economic policy that are essential for poverty reduction. These are highlighted below.

Why do we need foreign investors? Zambia is a poor country, and few people have savings in the bank. If there are no savings, the banks have no money to lend businesses for new investments. So we need to encourage investors to bring in money from outside to build businesses in Zambia. The right sort of businesses will make profits for the investors, but also reduce poverty and promote economic growth in Zambia. When the Zambian economy is bigger we can expect more local funds for investments, and will depend less on foreign money.

What sort of businesses will help to build the Zambian economy? The best businesses employ Zambians to produce goods for export. This builds our workforce, generates foreign exchange, and contributes tax to Government. Businesses that are not so useful include those that use natural resources unsustainably (e.g. exporters of valuable timber species) or that just import foreign goods (e.g. retail shops). We also don't need local or foreign “investors” that try to get huge tracts of land or funny concessions through corruption.

How do we get the right investors? We make it easy for the right investors to come to Zambia, especially when they have partnerships with local businesses. We can offer incentives for businesses that will invest in production and export development (incentives are usually discounts on taxes for some years), but not for importers of luxury goods. We implement “zero tolerance” on corruption, which attracts good investors, and sends bad investors elsewhere.

How can Zambia export more? Firstly, Zambia must find markets where we have strengths. It is no use trying to produce something that other countries can produce better or cheaper. When we have the right products, we must ensure that exporters enjoy a “level playing field”. This means that we must not allow other countries to send products freely into Zambia whilst charging our producers excessive duties for

taking products to their countries. There are agreements to prevent these problems, but we have to make sure we use them. At present, other countries are being smarter than Zambia in protecting their producers.

What is happening to the kwacha? The kwacha has been getting weaker and weaker for years, so we need more and more kwacha to buy a dollar. This is called devaluation. Devaluation pushes prices higher and higher, which is called inflation. High inflation means that interest rates must be high, or else you would be repaying less than what you borrowed! High interest rates means that businesses can't afford to borrow money to expand. All this has to be sorted out for the economy to grow, and so PRSP will tackle these problems.

Are there any unseen problems? Well, Government has massive debts. There is the much-discussed international debt, as well as the less well-known "domestic debt". Domestic debt is what Government owes to private suppliers, the pension schemes, ZESCO and Zamtel and others. In addition, there are the unseen debts that were run up by parastatal companies such as ZCCM and Zambia National Oil Company. These companies ran up huge losses, which must be repaid by Government. Getting out of all this debt will be a very expensive exercise, and it uses today's scarce resources to pay for yesterday's expenditures, with no benefits. The PRSP also commits Government to making sure that we don't get into any more of these bad debts.

So can we really improve the situation? Yes we can! The road is hard, but it is essential for poverty reduction. Government will control inflation, improve budgeting, prioritise poverty reduction, improve financial management, collect taxes, clear debts, and encourage sustainable economic growth.

It will take time, but gradually improvements will be made.

If we all work hard, when we tell our grandchildren about the days when Zambia was such a poor country, they will not believe us!

9. Implementing the PRSP

Funding

We have seen the many programmes that have been identified as part of PRSP. All of them cost money, and some of them cost a lot of money. Programmes that will have the greatest and most cost-effective impact on poverty reduction have been chosen.

The PRSP is largely dependent on donor funds. When these funds produce the planned economic growth and poverty reduction, Zambia will be less dependent on donors. PRSP accepts this temporary dependence as a means to achieve sustainable growth. Donor funds will be complemented by funds from the private sectors, civil society and any other local sources.

Implementation

PRSP is not a big project with its own implementation structures. It is a national strategy. It gives direction to Government and other programmes, and fund many existing programmes. The actual activities will be run through appropriate ministries or through partnerships with NGOs or the private sector.

Monitoring

PRSP is clearly focussed on poverty reduction, through economic growth and social investment. This means that PRSP wants to see fewer poor households, more children in school, lower levels of TB, more people in employment, more safe water for more households and other goals outlined in this booklet. Monitoring will track progress towards these goals.

As we move to the second PRSP, the monitoring information will be used to select activities that have a clear impact on the poor, and to leave out ineffective activities.

Civil Society & PRSP Implementation

NGOs, Churches and other civil society organisations came together to form “Civil Society for Poverty Reduction” to participate in the PRSP process.

Now that the PRSP has been approved, the next job for CSPR is to monitor implementation. CSPR will be constantly checking if PRSP is really reducing poverty. If there are problems in implementation, CSPR will be there to demand the necessary changes. In this way, we will ensure that the lives of the poor are changed for good.

10. Afterword

We hope that this book has provided a good understanding of Zambia's PRSP and we suggest that you build upon this understanding by using this book in discussion groups, lobby and advocacy, monitoring of the implementation of the PRSP and also in preparation to contribute to the second PRSP. CSPR will be monitoring the implementation of the PRSP at various levels by following the allocations and disbursements of funds and evaluating the impact of the PRSP programmes on the ground. We will be prepared to input to the second PRSP after the year 2004.

As we plan the next PRSP, we will need the feedback of everyone who has been involved in different programmes, all over the country, at community level, district, provincial and national level, and from NGOs, Churches & religious groups, community organisations, and Government.

You are part of civil society! If you have any views, comments, questions or suggestions on PRSP, and on its implementation, its effects on your communities and its future, you can let us know through your local organisations or by contacting us directly. We look forward to hearing from you!

It is important to realise that poverty is more than an economic problem – it's a moral problem. Any delay in addressing the problem dents deeply the human dignity of the majority of our people.

United in the fight against poverty!

CSPR