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CHAPTER 1

DEVELOPMENTS IN THE GLOBAL ECONOMY

1.1 Overview

1. In 1999, the world economy showed some signs of recovery in total real output. This follows a slowdown recorded in 1998 which was attributed, to a large extent, to the Asian crisis as well as the Russian and Brazilian financial crises which, it was feared would lead to a global recession and widespread credit crunch. Generally, there was return of confidence in the world financial markets. In addition, the volume of world trade and commodity prices also witnessed marginal improvements.

1.2 Performance of the Global Economy

(i) Economic Growth and Policy

2. Growth of the global real Gross Domestic Product (GDP) in 1999 was estimated at 3.0 percent. This represents an increase over the 2.5 percent recorded in 1998. Real output in major industrialised countries stood at 2.6 percent compared to 2.2 percent in 1998. Newly industrialised Asian economies saw a rebound in real output from –1.8 percent in 1998 to 5.2 percent in 1999. Growth in Economies in Transition remained sluggish as the group only recorded 0.8 percent while that of Africa is estimated to have slowed down to 3.1 percent from 3.4 percent in 1998 [Table 1.1].

3. Generally as a major policy achievement, world inflation has been brought down to its lowest level in 40 years. Associated with this, the dispersion of inflation rates across countries has diminished. These developments reflect the strengthened international consensus fostered by experience of the alternative, mainly drawn from the centrally planned economies and also peer pressure and demonstration effects among countries [Tables 1.1., 1.2 and 1.3].

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(ii) Employment

4. Unemployment levels continued to be relatively high in the majority of the economies in 1999. During this period the advanced economies experienced a slight decline in unemployment rate from 6.7 percent in 1998 to 6.5 percent in 1999. This slight fall was accounted for by the decline experienced by the other advanced economies from 8.1 percent in 1998 to 7.5 percent in 1999.

5. The marginal decline in the unemployment rates of developed market economies was attributed to the strengthening of their economic activities. Among all developed market economies, Japan continued to experience an increase in unemployment rates of 4.1 percent and 5.0 percent in 1998 and 1999, respectively.

6. Due to poor economic performance in both economies in transition and developing countries unemployment has continued to be a serious problem.

Table1.1: Overview of the World Economic Outlook Projections

	Current Projections			
	1997	**1998**	**1999**	**2000**
	(Annual percent change unless otherwise stated)			
World Output	**4.2**	**2.5**	**3.0**	**3.5**
Advanced economies	3.2	2.2	2.8	2.7
Major Industrial Countries	2.9	2.2	2.6	2.4
United States	3.9	3.9	3.7	2.6
Japan	1.4	-2.8	1.0	1.5
Germany	1.8	2.3	1.4	2.5
France	2.3	3.2	2.5	3.0
Italy	1.5	1.3	1.2	2.4
United Kingdom	3.5	2.2	1.1	2.4
Canada	4.0	3.1	3.6	2.6
Other Advanced economies	4.2	2.1	3.5	3.6
Developing Countries	5.8	3.2	3.5	4.8
Africa	3.1	3.4	3.1	5.0
Asia	6.6	3.7	5.3	5.4
Middle East and Europe	4.5	3.2	1.8	3.1
Western Hemisphere	5.3	2.2	0.1	3.9
Countries in transition	2.2	-0.2	0.8	2.8
Russia	0.9	-4.6	6.0	2.0
World trade volume (goods and services)	**9.9**	**3.6**	**3.7**	**6.2**
Imports				
Advanced economies	9.2	4.8	5.9	5.9
Developing economies	11.4	-1.3	1.1	7.2
Countries in transition	7.0	2.9	-2.7	8.2
Exports				
Advanced economies	10.3	3.2	3.0	6.2
Developing countries	11.4	4.9	2.4	5.6
Countries in transition	5.0	5.9	2.7	7.2
Commodity Prices				
Oil (In US Dollars)	-5.4	-32.1	27.7	7.8
Non Fuel (In US Dollars)	-3.3	-14.8	-7.2	3.4
Consumer Prices				
Advanced economies	2.1	1.5	1.4	1.8
Developing countries	9.2	10.3	6.7	5.8
Countries in transition	28.2	20.9	39.3	18.1
Six-month LIBOR (in percent)				
On US dollar deposits	5.8	5.5	5.4	6.1
On Japanese yen deposits	0.7	0.6	0.2	0.2
On Euro deposits	3.5	3.7	3.0	3.5

Source: International Monetary Fund, 1999

Table 1.2: Advanced Economies: Real GDP, Consumer Prices, and Unemployment

	Real GDP				Consumer Prices				Unemployment		
	1997	1998	1999	2000	1997	1998	1999	2000	1997	1998	1999
	(Annual percent change and percent of labour force)										
Advanced economies	3.2	2.2	2.8	2.7	2.1	1.5	1.4	1.8	6.8	6.7	6.5
Major Industrial countries	2.9	2.2	2.6	2.4	2.0	1.3	1.4	1.7	6.5	6.2	6.2
United States	3.9	3.9	3.7	2.6	2.3	1.6	2.2	2.5	4.9	4.5	4.3
Japan	1.4	-2.8	1.0	1.5	1.7	0.6	-0.4	0.0	3.4	4.1	5.0
Germany	1.8	2.3	1.4	2.5	1.5	0.6	0.4	0.8	9.9	9.4	9.1
France	2.3	3.2	2.5	3.0	1.3	0.7	0.5	1.1	12.5	11.6	11.3
Italy	1.5	1.3	1.2	2.4	1.7	1.7	1.5	1.6	11.7	11.8	11.7
United Kingdom	3.5	2.2	1.1	2.4	2.8	2.7	2.3	2.2	5.7	4.7	4.8
Canada	4.0	3.1	3.6	2.6	1.4	1.0	1.5	1.7	9.2	8.3	8.0
Other Advanced Economies	4.2	2.1	3.5	3.6	2.4	2.5	1.4	2.1	7.8	8.1	7.5
European Union	2.6	2.7	2.0	2.7	1.8	1.4	1.3	1.5	10.4	9.6	9.1
Euro area	2.4	2.8	2.1	2.8	1.6	1.2	1.0	1.3	11.7	10.9	10.3

Source: International Monetary Fund, 1999

Table 1.3: Selected Developing Countries: Real GDP and Consumer Prices

	Real GDP				Consumer Prices			
	1997	1998	1999	2000	1997	1998	1999	2000
	(Annual Percent Change)							
Developing countries	5.8	3.2	3.5	4.8	9.2	10.3	6.7	5.8
Africa	3.1	3.4	3.1	5.0	11.1	8.7	9.0	6.9
Asia	6.6	3.7	5.3	5.4	4.8	8.0	3.1	3.5
Middle East and Europe	4.5	3.2	1.8	3.1	23.1	23.6	18.3	13.1
Western Hemisphere	5.3	2.2	0.1	3.9	13.2	10.6	9.8	7.6
Brazil	3.7	0.1	-1.0	4.0	6.0	3.8	4.6	4.8
Mexico	7.0	4.6	3.0	5.0	20.6	16.7	17.1	11.2
Countries in transition	2.2	-0.2	0.8	2.8	28	21	39	18
Russia	0.9	-4.9	0.0	2.0	15	28	88	23

Source: International Monetary Fund, 1999

(iii) World Trade

7. The volume of world trade grew by 3.7 percent in 1999 as compared to 3.6 percent recorded in 1998. This growth was a reflection of an increase in demand for tradable goods and capacity by exporters to meet demand.

(iv) Commodity Prices

8. In 1998 weak oil and non-oil commodity prices on the international market were experienced as a direct consequence of the Asian Crisis. In 1999, however, declines in many other commodity prices were arrested, providing relief for some commodity-exporting countries affected by the ripple effects of the slowdown.

9. The marginal improvement in the oil and non-oil commodity prices was a result of strong rebounds in all crisis hit Asian economies. In addition, the lower than expected economic downturn in Brazil and Russia contributed to the recovery in the prices.

(v) Exchange Rates and Asset Markets

10. Reflecting the improved economic outlook and a recovery in investor confidence during 1999, domestic financial markets and asset prices in many emerging market economies continued their rebound through mid- July. In a number of countries, interest rates fell near or below pre-crisis levels. The currencies of Indonesia, Korea, Thailand and the main Central and Eastern European countries strengthened, with a few exceptions. Exchange rates in other countries, including Brazil and Russia, stabilised.

11. Emerging equity markets, in East Asia and Russia in particular, extended the rally seen in the early months of 1999, outpacing the gains in the fastest rising industrial country equity markets. The rebound in domestic financial markets and asset prices was, however, not matched by the narrowing of yield spreads in international credit markets.

1.2.1 Economic Situation in Developed Market Economies

12. Overall in 1999 the economic conditions in most major industrial countries remained favourable. However, growth slowed down in some countries like the United Kingdom, Germany and France while Japan and Canada experienced positive growth. This performance was characterised, by continued strong growth in the United States of America, harmonisation of macroeconomic policy in the European Union and the improvement in the Brazilian and Russian financial markets.

1.2.2 Developments in Economies in Transition

13 The recent crises in emerging markets have widened the differences between stronger and weaker transition economies. Exports slowed down throughout the region, strongly in countries with substantial trade links with Russia, but there have been marked differences in countries' resilience and policy responses in the face of this and other related shocks.

14. During 1999, economic activity in Russia weakened in the wake of the 1998 financial crisis. Continued economic and political uncertainties led to further capital flight and a sharp decline in foreign direct investment compared to pre-crisis levels. However, higher oil prices on the international markets had a positive effect on the current account balance and on government revenues.

15. The Russian crisis led to a general downgrading of growth projections for neighbouring countries. In most countries in the region, currencies depreciated, inflation increased, and fiscal positions deteriorated. However, there were notable differences in countries' responses to these developments. In Ukraine, for example, additional measures were taken to improve tax collection, control public spending, and put fiscal performance back on track. Firm monetary policies were maintained and reforms in a number of key areas including the banking sector were continued.

1.2.3 Developments in Developing Countries

16. During the year under review, the economies of the developing countries, especially in Middle East and Africa, were influenced by three developments namely, the movements in commodity prices, structural reforms and improvements in trade and regional co-operation.

17. The increase in oil prices that began in March 1999 helped improve the external balances, fiscal position, and short-term growth prospects of oil-exporting countries. On the other hand, the persistent weakness of non-oil commodity prices continued to constrain growth in many other countries, especially in Africa.

18. Secondly, pressures for structural reforms increased, partly due to increased economic difficulties brought about by depressed commodity prices in recent years. Thus, increased official attention was given to preparations for, and in some cases the implementation of, the privatisation of public utility and transportation companies and to public sector reforms and other structural measures intended to improve the business and investment environment. The full implementation of such reforms is expected to yield substantial benefits for the two regions' longer-term economic prospects.

19. Thirdly, in 1999, several positive developments in trade and regional co-operation were achieved. For example, the West African Economic and Monetary Union implemented the common external tariff; tariff reductions were introduced under the Pan-Arab Free Trade Agreement. Furthermore, Morocco, Tunisia, and South Africa concluded trade agreements with the European Union. Other developments included a range of bilateral trade liberalisation measures and plans for establishing free-trade areas in 2000 in the Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC).

20. Another important development was that some countries, particularly in Africa benefited from the reductions in their external debt mainly under traditional debt relief mechanisms (Paris Club debt relief mechanism). Countries obtaining debt relief under the Highly Indebted Poor Country (HIPC) initiative used the resources freed up from debt service to increase public spending on poverty reduction programmes. On the other hand, armed conflicts that involved directly or indirectly around one-third of the countries of sub-Saharan Africa were a major impediment to building political and economic stability.

1.2.4 Developments in Southern Africa

22. The SADC has enormous economic potential with 200 million people and combined GNP of US $190 billion. In spite of this potential, 40 percent of the population still live in conditions of abject poverty. The challenge for SADC therefore has been how to increase the pace of economic growth to reduce poverty. It is estimated that SADC economies will have to grow by more than 6 percent every year to have a dent in poverty.

23. SADC countries have over the years embarked on economic restructuring. The rewards of these efforts have been reflected in fast growth for most of the SADC economies. Growth was mainly hampered by on-going armed conflicts in Angola and the Congo DR.

24. In 1999, there was significant recovery in the SADC region with all the economies registering positive economic growth rates, save for the Congo DR which stagnated. So far as a result of sound macro-economic policies, the SADC region has performed remarkably well even in the wake of the Asian financial crises of 1998. Growth peaked at 4.1 percent in 1996 before declining to 2.2 percent in 1997. The Asian crises caused further decline to 0.9 percent growth in 1998. However, in 1999 there was an upturn to 1.5 percent reflecting general recovery in the biggest economy, South Africa

26. Compared with the rest of Africa, the SADC region continued to fall below the Africa average and that of advanced countries. As already stated, there will be need to give fresh impetus to growth if SADC is to attain faster and stronger growth in the years ahead. This calls for maintenance of the current sound economic policies in addition to raising domestic savings which have hitherto restricted investment to around 20 percent of GDP. For faster growth, it is estimated that investment spending would have to increase to at least 35 percent [Table 1.4].

Table 1.4: Gross Domestic Product (GDP) real growth rates in SADC

	1981 - 1990	1996	1997	1998	1999*	1990 weight
			(In Percent)			
Angola	2.1	12.1	5.9	1.7	2.0	6.5
Botswana	16.9	7.0	6.9	8.3	5.2	2.5
DRC	0.7	0.9	-6.4	-3.5	0.0	6.6
Lesotho	3.9	12.7	3.5	-5.8	4.0	0.4
Malawi	2.2	12.0	5.3	6.2	4.0	1.3
Mauritius	4.9	6.0	5.2	5.6	5.5	1.9
Mozambique	0.1	6.4	6.0	9.9	6.0	1.4
Namibia	-0.6	2.1	2.4	2.6	3.0	1.7
Seychelles	3.6	1.5	7.9	3.0	3.0	0.3
South Africa	1.5	3.1	1.7	0.6	1.0	67.7
Swaziland	6.6	3.9	3.8	2.5	3.0	0.6
Tanzania	3.3	4.2	3.3	4.0	4.0	2.6
Zambia	1.0	6.5	3.5	-1.8	2.4	2.6
Zimbabwe	4.2	7.0	2.0	1.6	1.0	3.9
SADC	1.6	4.1	2.2	0.9	1.5	100.0
SSA	2.3	5.5	3.9	2.7	2.9	-
Africa	2.5	5.8	3.1	3.4	3.1	-
Advanced Countries	2.4	3.2	3.2	2.2	2.8	-

SOURCE: Data on Sub-Saharan African (SSA), Africa and Advanced Countries were derived from the IMF World Economic Outlook (October 1999); otherwise, SADC Member States.
**** Preliminary***

27. With regard to inflation, significant gains have been attained. Most countries now have single digit inflation as a result of reduction in the size of budget deficits to less than 6 percent of GDP. Inflation is expected to fall further down in 2000 as the SADC economy fully recovers from the effects of the Asian financial crises of 1997 and 1998.

28. With regard to the external sector, the balance of payments is expected to improve further with a reduction in the overall deficit as the commodity prices for gold, diamonds and non-traditional exports rebound. Copper prices are expected to hold steady. In addition, a general recovery in the world economy is expected to cause a surge in demand for SADC exports. As a result of these developments, an average growth rate of 3 percent in GDP is expected in the SADC region in 2000.

1.2.5 Impact of Global Developments on the Zambian Economy

29. The marginal improvement in the oil and non-oil commodity prices on the International market led to the worsening of the economy's trade balance. Though, the copper prices picked up marginally during the year the expected increase in copper export receipts was not enough to offset the increase in oil prices which somewhat, increased the import bill for the country and contributed to the soaring of inflation.

30. The global and regional economic developments provide the background against which the subsequent chapter highlights economic developments in the Zambian economy during 1999.

CHAPTER 2

DEVELOPMENTS IN THE ZAMBIAN ECONOMY

2.1 Overview

1. During the year under review, Government's policies and measures were aimed at putting the economy back on a sustainable growth path and attaining macro-economic stability. Accordingly, the real economy was estimated to increase by 4 percent while targeting inflation at 15 percent. The completion of the privatisation of the remaining major assets of Zambia Consolidated Copper Mines (ZCCM), and poverty reduction were also important objectives.

2. By the year-end, preliminary growth rate in the economy was 2.4 percent and a significant reduction in inflation was achieved. Inflation closed at 20.6 percent in 1999 from 30.6 percent the previous year. Furthermore, an agreement on the privatisation of the major assets of the Zambia Consolidated Copper Mines (ZCCM) was reached, thereby completing the final phase in the return of the entire mining industry to the private sector.

3. While progress continued to be made in generating positive economic growth and macroeconomic stability, the incidence of poverty amongst the population remained high, at 73.3 percent. This represented an increase of 2.9 percentage points from the poverty level in 1996.

2.2 Domestic Output and Demand for Goods and Services

2.2.1 Aggregate Domestic Output

4. In 1999, the total value of goods and services, measured by Gross Domestic Product (GDP), was estimated to have increased by 2.4 percent, from K2,360.4 billion in 1998 to K2,418.0 billion [Table 2.1]. The rise in GDP was accounted by the increase in the agricultural sector, which registered a robust growth of 13.7 percent over 1998. The economy also benefited from a stable macro-economic environment, provided mainly by the relative abundance in food supplies, stable exchange rate and resumption of balance of payments support by donors.

5. The agriculture, forestry and fishing sector rebounded from the devastating effects of the 1997/98 El~Nino weather phenomenon and recorded an increase of 13.7 percent in real value added, from K386.7 billion in 1998 to K439.6 billion in 1999. Its share in total domestic goods also increased in real terms from 16.4 percent to 18.3 percent during the year under review .

6. Most of the increase in the sector's value added arose from a favourable performance in crop production, mostly of maize, rice, mixed beans, seed cotton, soybeans, etc. Favourable weather conditions experienced during the 1998/99 production period impacted

positively on crop production. Additionally, the sector benefited from a relatively good supply and distribution of crop inputs.

7. In addition to growth of the agriculture sector, the manufacturing sector, transport, trade and financial intermediaries' sectors were among the major other sectors that contributed to the overall increase in aggregate output during the year under review. The mining sector, however, continued to exert a pull-down effect on the overall real-value added.

8. The manufacturing sector continued its trend of increasing output sine 1996. In 1999, real vale added was estimated to have increased by 2.8 percent, from K247.2 billion in 1998 to K254.2 billion in 1999. Preliminary data shows that real value added increased from K247.2 billion in 1998 to K254.2billionin 1999, representing an increase of 2.8 percent. The continued implementation of economic reforms such as privatisation and liberalisation of trade and investment helped to improve efficiency and productivity in many sub-sectors, enabling operators to withstand foreign competition.

9. Further, the suspension of duty on some imported industrial inputs and improvements made in the classification of some inputs and raw materials in the tariff structure provided an impetus to the performance of the sector.

10. At a sub-sector level, the overall increase in the manufacturing sector was accounted for mainly by favourable performance in the food, beverages and tobacco (6.0 percent), textile and leather (5.5 percent), paper and paper products (5 percent). The positive performance of the food, beverages and tobacco sub-sector was mainly due to output increases in the dairy, beef, milling and beverages industries. Improved efficiency and productive gains in these industries following privatisation enabled them to withstand adverse competition. In the textile and leather sector, foreign demand continued to be the main source of growth.

11. Two other major sub-sectors of the manufacturing sector, however, did not perform well. These were the chemicals, rubber and plastics, and fabricated metal products. Real value added in these sectors declined from K18.7 billion in 1998 to K18.5 billion in 1999 and from K7.3 billion in 1998 to 5.9 billion, respectively. The delay in the sale of ZCCM was the main factor contributing to observed decline in the fabricated metal products industry. Changing lines of business by large establishments from manufacturing to trading and the closure of Indeni Refinery Plant due to fire had negative bearing on the performance of the chemicals, rubber and plastics sub-sector.

12. In the transport, storage and communications sector, real value added was estimated to have increased from K145.77 billion in 1998 to K149.7 billion in 1999, representing a growth rate of 2.8 percent. The increase in the sector's value added was accounted for mainly by favourable performance in the road transport for cargo and passenger traffic. The increase in domestic production, mainly crop production, and continued improvements in the road infrastructure, were the main factors that contributed to the increase in value added in the road transport sub-sector.

13. On the other hand, the rail transport continued with its unfavourable trend of declining output since 1995. During the year under review, real value added declined by 12.1 percent. Continued decline in rolling stock and poor state of the rail lines, both in absolute terms and

in comparison to the relatively better state of roads explained the poor performance of the sub-sector.

14. There were increases also in the output of trade and financial intermediaries' sectors. Value added in the trade sector, engendered mainly by trade and investment liberalization, increased by 9.8 percent to K470.3 billion in 1999 from K428.5 billion the previous year. In the financial and insurance sector, a 10 percent real growth was registered in 1999 over 1998. Relative stability in the banking and insurance sector coupled with steady return of confidence in the domestic economy helped to raise performance of the sector.

15. However, performance in the mining sector was poor, as real value added decreased by 24.8 percent. Slack copper and cobalt production, as well as depressed metal prices during the year were the main factors that contributed to reduction in mining value added. Copper production declined from 298,942 tonnes in 1998 to 260,296 tonnes in 1999, representing a 12.9 percent decrease. Similarly, the output of cobalt fell by 34.3 percent, from 5,016 tonnes to 3,296 tonnes between 1998 and 1999.

16. Metal production continued to be constrained mainly by inadequacies in technical and capital factor mixes resulting from many years of lack of investment at ZCCM. Thus negatively affected both the mines' operational efficiency and productivity. Additionally, production at some of the newly privatised mines was below 1998 level. This was mainly due to production constraints arising from under capitalisation. Industrial and labour unrest at one of the privatised mines also partly contributed to the negative performance of the sector..

17. Low and fluctuating metal prices in 1999 continued to exert a negative influence on value added in the mining sector. The average price of copper at the London Metal Exchange in 1999 was US $0.71 per pound, compared to US $0.75 per pound in 1998. Cobalt prices also declined from an average of US $22.2 per pound in 1998 to US $17.5 per pound in 1999. The unfavorable price developments were caused mainly by the continuation of contagious and ripple effects arising from the 1997-1998 Asian, Russian, and Brazilian financial crises.

Table 2.1: Gross Domestic Production by Sector of Origin, K' Billion

Kind of Economic Activity	1994	1995	1996	1997	1998	1999*
Agriculture, Forestry and Fishing	302.2	403.0	400.4	379.9	386.7	439.6
Agriculture	109.0	204.9	203.2	189.7	191.4	239.0
Forestry	106.5	110.7	115.1	119.8	124.5	129.5
Fishing	86.7	87.3	82.1	70.4	70.7	71.0
Mining and Quarrying	373.9	270.9	278.5	284.5	213.0	160.2
Metal Mining	369.0	266.3	274.0	279.8	208.5	155.7
Other mining and quarrying	4.9	4.6	4.5	4.7	4.6	4.5
Manufacturing	219.8	219.0	231.1	242.8	247.2	254.2
Food, Beverages and Tobacco	134.6	140.8	144.3	138.6	146.0	154.8
Textile, and leather industries	24.9	22.0	27.1	39.1	42.4	44.8
Wood and wood products	20.4	18.6	18.1	19.6	19.2	19.3
Paper and Paper products	5.7	4.5	4.8	7.2	7.3	7.6
Chemicals, Rubber and Plastic products	18.1	16.2	20.6	22.5	18.7	15.5
Non-metallic mineral products	4.1	4.4	4.7	4.1	4.5	4.4
Basic metal products	1.8	1.8	3.1	3.3	1.3	1.3
Fabricated metal products	9.7	10.1	7.9	8.0	7.3	5.9
Other Manufacturing n.e.c.	0.6	0.6	0.5	0.5	0.5	0.6
Electricity, Gas and Water	72.2	71.1	67.1	69.9	67.9	70.0
Construction	111.5	107.8	95.9	123.7	111.2	123.7
Wholesale and Retail trade	332.1	297.0	395.2	412.9	428.5	470.3
Restaurants, Bars and Hotels	36.1	38.0	41.2	44.1	45.8	45.0
Transport, Storage and Communications	133.8	125.0	134.5	134.2	145.7	149.7
Rail Transport	13.7	13.2	13.1	10.0	11.4	10.0
Road Transport	52.1	49.3	57.6	59.5	67.7	71.1
Other Transport and Allied Services	20.2	19.2	21.8	23.1	24.6	26.2
Communications	47.8	43.3	42.0	41.6	42.0	42.5
Financial Intermediaries and Insurance	182.8	218.1	200.1	200.7	201.6	221.7
Real Estate and Business services	113.0	122.2	141.2	158.9	179.1	183.6
Community, Social and Personal Services	178.7	176.6	182.4	183.1	178.8	175.8
Public Admin. & Defence; Public & Sanitary services	103.0	102.3	104.2	104.3	101.4	99.2
Education	47.3	46.9	47.8	47.9	46.5	45.2
Health	11.9	11.8	12.0	12.0	11.7	11.3
Recreation, Religious,Culture	7.5	7.4	7.6	7.6	7.4	7.1
Personal Services	9.1	8.2	10.9	11.4	11.8	12.9
Less: FISIM	(105.0)	(125.3)	(115.0)	(115.4)	(115.8)	(127.4)
TOTAL GROSS VALUE ADDED	1,951.1	1,923.2	2,052.5	2,119.2	2,089.6	2,166.4
Taxes on Products	289.6	261.6	276.3	286.4	270.8	251.7
TOTAL G.D.P. AT MARKET PRICES	2,240.7	2,184.8	2,328.8	2,405.6	2,360.4	2,418.0
Real growth rates		-2.49	6.59	3.30	-1.88	2.44
Real GDP per capita (1994 prices)	255,785	239,824	246,431	245,974	233,702	231,825

Source: Central Statistical Office

**** Preliminary; based on partially available data, likely to undergo revision.***

2.2.2 *Aggregate Supply and Demand for Goods and Services*

18. Preliminary data indicated that aggregate supply in nominal terms, consisting of domestic production and imports, increased by 26.2 percent from K8,394 billion in 1998 to K10,595 billion in 1999. The increase in aggregate supply was occasioned by a rise in the production of domestic output at 24.7 percent, and through an increase in imports. Nominal imports of goods and services were estimated to have increased from K2,362 billion in 1998 to K3,073 billion in 1999, an increase of 30.1 percent [Table 2.2].

Table 2.2: Aggregate Supply and Demand for Goods (K' Billion)

	1996	1997	1998	1999	% Change 1999/98
TOTAL SUPPLY OF GOODS and SERVICES	**5,487.0**	**6,956.0**	**8,394.0**	**10,595.0**	**26.2**
Gross Domestic Product	3,951.0	5,141.0	6,032.0	7,522.0	24.7
Imports of Goods and Services	1,536.0	1,815.0	2,362.0	3,073.0	30.1
DEMAND FOR GOODS and SERVICES					
Domestic Demand	**4,249.0**	**5,407.0**	**6,785.0**	**8,920.0**	**31.5**
Government Final Demand	722.0	898.0	952.0	1,008.0	5.9
Private Final Demand	3,020.0	3,761.0	4,847.0	6,598.0	36.1
Gross Capital Formation	444.0	671.0	891.0	1,197.0	34.3
Increase in Stocks	63.1	77.3	95.0	116.7	22.8
Foreign Demand	**(298.3)**	**(267.0)**	**(752.0)**	**(1,399.0)**	**(86.0)**
Exports of Goods and Services	1,237.4	1,548.0	1,610.0	1,674.0	4.0
Imports of Goods and Services	(1,535.7)	(1,815.0)	(2,362.0)	(3,073.0)	30.1

Source: Central Statistical Office

19. An analysis of aggregate demand for the goods and services that were supplied during the year indicates that domestic demand accounted for more than 80 percent of the total supply. A further decomposition of domestic demand point to the predominance and increase in nominal private consumption expenditures, which in 1999, stood at 61.1 percent as compared to 57 percent in 1998. Government final demand and gross capital formation accounted for 9.8 percent and 11.8 percent, respectively, of the total available goods and services [Table 2.3].

Table 2.3: Relative Demand

Demand For Goods And Services	1996	1997	1998	1999
	(In Percent)			
Domestic Demand	77.4	77.8	80.8	83.8
Government Final Demand	13.2	12.9	11.4	9.8
Private Final Demand	55.0	54.2	57.4	61.1
Gross Capital Formation	8.1	9.7	10.8	11.8
Increase in Stocks	1.2	1.1	1.1	1.1
Foreign Demand				
Exports of Goods and Services	22.6	22.2	19.2	16.2
Imports of Goods and Services	28.0	26.0	28.2	29.7

Source: Central Statistical Office

2.3 Public Finance

20. The major objectives of the fiscal policy in 1999 were to reduce public domestic debt so as to increase liquidity available to the private sector, safeguarding and maintaining important expenditures in the social sectors and minimising the dependence on external aid. This meant achieving a surplus on the domestic budget amounting to almost 1.25 percent of GDP (excluding funding to ZCCM). A positive budget balance (excluding ZCCM payments) of K57 billion was achieved against an annual target of K107 billion. This translated into a surplus/GDP ratio of 0.01 percent against an annual target of 1.25 percent.

21. The budget estimate for the year 1999 was K2,227.7 billion out of which K1,460 billion or 65 percent was to be internally financed. However, domestic revenues raised stood at K1,322 billion, missing the target by 9.6 percent. Shortfalls in domestic revenue during the course of the year meant that some of the fiscal targets could not be achieved.

i) Revenue and Grants

22. Preliminary figures indicate that K1,322 billion was collected against the target of K1,460 billion representing a short fall of 9.6. percent. The short fall in the domestic revenue was partly attributed to mainly to discretionary exemptions given to ZCCM and also to non-payment of tax dues by some parastatal companies. Furthermore, the poor performance of ZCCM, which had huge debts with a lot of companies, had a spill over effect on these companies' ability to pay tax. Administrative and structural problems encountered in collecting non-tax revenue were responsible for the low performance of the non- tax revenue.

23. All the revenue categories with the exception of income tax recorded less than the targets. The income taxes recorded a surplus of 0.4 percent. Trade taxes collection namely customs duty and import Value Added Tax (VAT), under-performed by 18.6 percent due to low volume of imports. Similarly the performance of taxes on goods and services (i.e. excise duty and domestic VAT) were below target by 14.9 percent and 7.0 percent, respectively. This was due to the low domestic demand in the economy. Non-tax revenue collection was below the estimated target by almost 50 percent. This was attributed to inadequate enforcement mechanisms.

24. The targeted for grant estimate during the year under review was K767.7 billion. This brings the total revenue and grants estimate to K2,227.7 billion.

ii) Expenditure

25. Most expenditure categories and arrears were reduced relative to the budgeted figures. This situation arose from the 11.1 percent shortfall in revenue and the shifts across expenditure categories which were made to fund arrears that increased from the budgeted K23 billion to K122 billion.

26. Preliminary figures for the budget indicate that domestic expenditure had reached K1,251 billion by the end of 1999 against K1,353 billion that was budgeted. Of the K1,251 billion amount, K996 billion was for current expenditures and K123 billion was for capital expenditure. In the current expenditure category, wages and salaries were at K402 billion as compared to the

target of K395 billion. Expenditure on wages and salaries was above the target due to wage adjustment, which were more than what was budgeted for. Transfers, which included funds to grant aided institutions, pensions and contributions to international organisations accounted for 17.7 percent of the current expenditures. Expenditure on operations by government departments accounted for 17.5 percent of the current expenditures while interest payments absorbed 10.3 percent.

27. Government released an amount of K51 billion towards the public service retrenchment programme against K81 billion budgeted for. The K30 billion shortfall in the funding of the PSRP was due to shifts in funding, under performance of the revenue collection, and partly due to the increased funding government made amounting to K99 billion above the budgeted figure of K23 billion, for settlement of arrears incurred by various government institutions. The increased amount on arrears payments was to fulfil government commitments to clear arrears by December 1999 [Table 2.4].

Table 2.4: Central Government Budget Performance (K' Billions)

	1997 Actual	1998 Actual	1999 Target	1999 (Actual*)
REVENUE AND GRANTS	**1,283**	**1,594**	**2,227.7**	
DOMESTIC REVENUE	**1,023**	**1,183**	**1,460**	**1,322**
Tax Revenue	**967**	**1,090**	**1,400**	**1,271**
Income Tax	**327**	**387**	**480**	**481**
Company Income Tax	60	71	117	94
Personal Income Tax	236	304	352	373
Extraction Royalty	31	12	11	13
Domestic Goods and Services	**352**	**393**	**532**	**474**
Exercise Tax	168	216	262	223
Domestic VAT	184	177	270	251
Trade Taxes	**288**	**309**	**388**	**316**
VAT on Imports	110	158	165	168
Import Tariffs	136	127	223	146
IDF	42	24	0	2
Non-Tax Revenue	**56**	**92**	**60**	**29**
Fees and Charges	39	38	28	15
Privatisation Receipts	2	10	10	0
Other	15	44	22	14
Grants	**260**	**411**	**767.7**	**-**
O/W Project Grants	249	316	-	**-**
EXPENDITURE AND NET LENDING	**1,293**	**1,676**	**1,353**	**-**
Current Expenditure	904	**1,032**	**1,013**	**996**
Wages and Salaries	324	307	395	402
Public Service Retrenchments	2	116	80	51
RDCs	137	147	187	174
Transfers and Pensions	127	166	192	176
Agriculture Expenditure	3	15	17	17
Interest of Public Debt	**312**	197	-	-
Domestic Interest	115	79	70	103
Foreign Debt	97	118	-	-
Other Current Expenditures	**98**	**84**	**72**	73
Awards and Compensations	14	12	5	5
ZRA	33	36	52	54
Contingency	21	12	12	12
Others	31	24	3	2
Capital Expenditure	**390**	**586**	**-**	**-**
Domestically Financed	70	139	170	123
O/W Counterpart Funds	48	67	-	-
Foreign Financed	320	447	-	-
Contingency	0	70	147	-
Change in line Ministries' Balances	**(21)**	**0**	**-**	**-**
Payment of Arrears	**(69)**	**(35)**	**23**	**122**
BUDGET BALANCE (cash basis)			**-**	**-**
Domestic Balance	64	**122**	-	-
Overall Balance	(100)	**(186)**	**107**	57
Gross Domestic Product	**5,169**	**6,015**	**-**	**7,263.5**

Source: ***Ministry of Finance and Economic Development***
**** Preliminary***

2.4 Monetary and Banking Developments

(i) Monetary Developments

28. During 1999 monetary policy continued to be aimed at reducing inflation and attaining a stable and competitive exchange rate mainly through Open Market Operations (OMO) and auctions of Treasury bills.

29. During the year under review, preliminary assessment indicated that monetary conditions were tight. This was reflected in the restrained growth in reserve money of 14 percent compared with 30.9 percent in 1998 and an expansion in broad money of 22.7 percent, same as 22.6 percent registered in 1998. Reserve money rose from K303.8 billion as at end of 1998 to K346.2 billion in 1999. The increase was mainly on account of an equivalent of K114.8 billion net purchase of foreign exchange by the Bank of Zambia in order to build up foreign exchange reserves. The other factor that contributed to the expansion in reserve money was the increase in demand for currency in the economy and the financing of the crop-marketing season following an improved harvest. In this regard, currency in circulation grew by 9.7 percent from K195.7 billion as at end of 1998 to K214.7 billion in 1999.

30. Broad money, defined to include foreign currency deposits, increased from K1,105.2 billion in 1998 to K1,355.7 billion as at end of 1999. The net domestic assets, of which net domestic credit to the economy is a larger component, expanded by 5.1 percent from K3,479.1 billion in 1998 to K3,656.1 billion in 1999, largely explained the expansion in broad money supply in 1999. Furthermore, during the review period, net foreign assets improved by 3.1 percent from negative K2,373.9 billion in 1998 to negative K2,300.4 billion in 1999.

31. Net domestic credit increased by 25.2 percent from K1,126.7 billion at the end of 1998 to K1,410.6 billion in 1999. The rise in domestic credit was mainly explained by increases in the banking system's net lending to public enterprises, the central government and private sector. Mainly as a result of financial problems in the mining sector during the year under review, credit to public enterprises went up by 75.6 percent from K124.4 billion in 1998 to K218.4 billion in 1999. Credit to the central government rose by 12.7 percent from K575.8 billion in 1998 to K648.9 billion at the end of 1999, largely for external debt service purposes. Thus, the commercial banks' credit to the public sector rose by K206.4 billion to K721.3 billion. The Bank of Zambia foreign exchange loan to government also increased by K230.9 billion to K858.7 billion. Similarly, total banking sector's credit to the private sector in nominal terms increased by 32.6 percent from K338.4 billion at the end of 1998 to K448.6 billion in 1999 [Table 2.5].

32. Of the net domestic credit outstanding at the end of 1999, 46 percent was accounted for by the central government, 31.8 percent by the private sector while the remaining 22.2 percent went to public enterprises.

Table 2.5: Monetary Developments, 1997-1999

(End of period)	1997	1998	1999			
	December	December	March	June	September	December 1/
(in K'billion)						
Net foreign assets	-1,129	-2,374	-2,282	-2,293	-2,295	-2,300
Bank of Zambia	-1,335	-2,789	-2,664	-2,659	-2,701	-2,747
Assets	336	1,279	1,632	1,733	1,849	1,903
Liabilities	-1,671	-4,068	-4,296	-4,392	-4,550	-4,650
Commercial banks	206	415	382	366	406	447
Assets	225	457	404	410	438	491
Liabilities	-19	-42	-22	-44	-32	-44
Net domestic assets	2,030	3,479	3,366	3,452	3,554	3,657
Net domestic credit	579	1,108	1,288	1,307	1,319	1,411
Net claims on government	122	557	629	586	574	649
Claims on government	446	821	947	962	973	1,119
Government deposits	-324	-264	-318	-376	-399	-470
Claims on non-government	457	551	659	721	745	762
Of which: claims on private sector	----	426	478	523	531	544
Claims on public enterprises	----	125	181	198	214	218
Other items (net)	1,451	2,371	2,078	2,145	2,235	2,246
Broad money (excluding foreign exchange deposits)	694	712	698	708	798	866
Broad money (including foreign exchange deposits)	901	1,106	1,084	1,160	1,258	1,355
Narrow money	355	398	363	375	422	463
Quasi-money	546	708	721	785	836	892
Time and savings deposits	339	314	335	333	376	403
Foreign exchange deposits	207	394	386	452	460	489
(Twelve-month percentage change)						
Net foreign assets	7.2	-100.2	-60.1	-35.3	43.0	32.0
Net domestic assets	4.4	65.8	46.6	31.2	36.0	31.0
Net domestic credit	6.8	95.4	86.9	46.0	45.7	25.2
Net claims on government	8.0	375.0	157.6	62.4	62.0	55.0
Claims on non-government	6.5	20.6	48.9	35.5	35.0	39.0
Other items (net)	3.5	54.0	28.6	10.2	30.0	23.0
Broad money	34.4	22.6	24.4	24.0	24.0	28.0
Narrow money	31.5	11.9	1.7	15.3	---	16.3
Quasi-money	19.5	40.1	40.1	28.9	---	---
Of which: foreign exchange deposits	28.6	90.3	75.4	42.9	25.5	24.7
Memorandum items:						
Foreign exchange deposits (in % of broad money)	23.0	35.6	35.6	39.0	36.6	36.1
Money multiplier (Kwacha only)	3.5	2.8	3.1	2.7	3.0	2.8
Money multiplier (Total deposits)	4.2	3.8	4.3	4.0	4.2	4.2
Currency (in percent of Kwacha deposits)	28.4	36.2	31.5	37.6	35.4	35.4
Consumer price inflation(end-December)	18.6	30.6	28.5	27.5	25.8	20.6
Nominal retail selling exchange rate (end-period, K/US $)	1,421.60	2,338.63	2,337.97	2,526.67	2,468.21	2,688.46
Weighted lending rate (end-period, in percent)	13.8	16.0	47.8	50.0	50.0	51.3
Weighted savings rate for less than K100,000	14.9	5.9	5.7	6.3	6.3	7.6

Source: ***Bank of Zambia***

Note:- 1/ data goes only up to November 1999 for some monetary variables.

33. As at end of December 1999, the Treasury bill yield rates increased [Table 2.6]. The rise in the yield rates was mainly due to continued implementation of tight monetary policy over the review period. As a result of the slow down in headline inflation coupled with a rise in nominal yield rates, the real rates for the Treasury bills rose in 1999. Similarly, commercial banks' nominal lending rate rose to 51.3 percent from 46.1 percent in 1998. The savings and 30-days deposit rates rose to 11.2 percent and 19.5 percent from 9.3 percent and 14.9 percent in 1998 [Table 2.6]. In addition, the nominal interest rate spreads narrowed during 1999 mainly as a result of increased competition in the banking sector.

Table 2.6: Treasury Bill Nominal Yield Rates (in percent)

	December '98	March '99	June '99	September '99	December '99
28-days	34.2	36.1	36.4	35.9	36.4
91-days	33.4	36.2	37.6	36.6	36.3
182-days	31.4	36.4	36.9	37.1	36.7
Lending rate	46.1	36.1	36.4	35.9	36.0
Saving rate	9.3	9.6	10.7	10.7	11.2
30-days deposit rate	14.9	17.1	17.1	17.1	19.5

Source: Bank of Zambia

ii) Banking Sector Developments

34. The overall performance of the banking sector, comprising 16 banks, was satisfactory during 1999. The banking sector was adequately capitalised, while asset quality, earnings and liquidity remained satisfactory.

35. The total shareholders' equity stood at K218.9 billion at end-November 1999 from K161.0 billion at end-December 1998. In addition, the sector was more stable as only 3 banks, compared to 5 in 1998 exhibited weakness in their capital structure.

36. Total assets for the banking sector increased from K1,483 billion at end-December 1998 to K1,830 billion at end-November 1999, representing an increase of 23 percent over the level of 1998. The growth mainly emanated from loans and advances, which accounted for 56 percent. Balances with local banks and treasury bills accounted for 18 percent and 15 percent, respectively, while balances with financial institutions abroad accounted for 8 percent. The balance of 3 percent was attributed to non-financial assets.

37. The quality of loans improved during the year, as reflected in the drop in non-performing loans. Gross non-performing loans decreased from K109.7 billion, or 22 percent of total loans at end-December 1998 to K84.3 billion at end-November 1999, or 12 percent of total loans. Non-performing loans net of provisions decreased from K51.1 billion, or 3 percent of total assets at end-December 1998 to K9.9 billion or 1 percent of total assets at end-November 1999. The improvement in loan quality was a result of recoveries made by banks in their efforts to comply with the provisioning and classification regulations.

38. Profits amounted to K108.8 billion, representing an increase by 128.6 percent over the annual profits of K47.6 billion realised in 1998. The earnings were from several sources, including increases in earning (performing) assets and growing income from non-interest revenue sources.

39. The liquidity in the banking sector was satisfactory. The ratio of liquid assets to total deposits and short-term liabilities averaged 67 percent from 68 percent in 1998. This was satisfactory when assessed against the minimum recommended prudential ratio of 50 percent.

40. During the year under review, the Bank of Zambia continued to implement the Basle Committee's 25 Core Principles for Effective Banking Supervision. The exercise began with

the assessment of the current situation and identification of weaknesses in the existing system of supervision and regulation. Subsequently, a new methodology for supervision, namely, the risk based approach to supervision was adopted.

41. In order to improve the collection of prudential information from the banks and other financial institutions, the Bank of Zambia developed and implemented Office 97 electronic templates, which are being used for collection of prudential returns. These returns were expected to lead to the efficient delivery of vital information and subsequent speedy processing of the same into reports needed for decision-making. During the year under review, the Zambia Electronic Clearing House was established by the Bankers Association of Zambia in conjunction with the Bank of Zambia. The electronic clearing system is aimed at increasing efficiency and accuracy of financial transactions.

2.5 Consumer Price Developments

42. The objective of Government was to reduce inflation during the year under review to 15 percent. In 1999 a general downward trend in annual inflation, measured by changes in the Consumer Price Index (CPI) was registered [Table 2.7]. Annual headline inflation fell to 20.6 percent in December 1999 from 30.6 percent recorded in December 1998, representing a reduction of 10.0 percentage points. The decline was attributed to continued tight monetary and fiscal policy and improved supply of foodstuffs. The net sale of foreign exchange by the Bank of Zambia to the market to meet demand and restrain liquidity expansion eased pressure on the foreign exchange market, contributed to the relative stability of the exchange rate, and ultimately on inflation. However, during the review period, increases of electricity tariffs and prices of petroleum products, following the tragic fire at INDENI Refinery caused inflationary pressures, especially in the second quarter. This contributed to the non-achievement of the 15 percent target.

43. Similarly, the annual underlying inflation, that is, headline inflation excluding fresh foods, vegetables and government services, showed a downward trend during the review period. The annual underlying inflation declined by 10.3 percentage points to 11.9 percent in December 1999 from 22.2 percent recorded in December 1998. The drop in the annual underlying inflation was reflected in the decline in the prices of locally manufactured and imported goods.

Table 2.7: Developments in Inflation

Year/Month	Headline inflation Monthly	Annual	Year-to-date	Underlying inflation Monthly	Annual	Year-to-date
			(in percent)			
1998 December	5.6	30.6	30.6	1.2	22.2	22.2
1999 January	3.5	31.6	3.5	4.0	25.9	4.0
February	2.0	30.5	5.6	0.5	22.7	4.5
March	1.5	28.5	7.2	0.3	22.7	4.8
April	0.8	26.6	8.0	1.6	22.3	6.4
May	1.3	26.6	9.3	1.1	24.0	7.6
June	1.9	27.5	11.4	0.6	18.4	8.2
July	2.4	28.4	14.0	1.0	17.3	9.2
August	0.5	27.2	14.6	0.6	17.0	9.9
September	0.3	25.8	15.0	1.2	16.9	11.2
October	1.4	25.0	16.6	0.2	14.5	11.5
November	1.7	25.3	18.6	1.1	14.0	12.7
December	1.7	20.6	20.6	-0.7	11.9	11.9

Source: ***Central Statistical Office and Bank of Zambia***

2.6 Capital Market Developments

44. During the year under review, the Government continued to take measures aimed at further development of the capital market. Performance of the capital market was mixed. The market capitalisation increased by 9 percent from K705,093 million (US $301 million) at end-1998 to K767,200 million (US $280 million) at end-1999.

45. In terms of activity, the turnover increased by 410 percent mainly due to the large single block trade of 58.5 million shares in Zambian Breweries Plc. As a result, a favourable net inflow of US $12.54 million as foreign capital was recorded.

46. There was an increase in the number of public companies quoted on the second tier of the market. This mainly reflected market compliance by the successor companies of ZCCM's privatisation, which were incorporated as public companies.

47. The primary market in Government bonds was active. There were 13 issues of the 12-month GRZ bonds and 12 issues of the 18 months GRZ bonds in 1999. In the bonds markets, efforts by LuSE and the Bank of Zambia to develop the secondary market for government bonds continued. The number of secondary trades in government bonds on LuSE increased from 17 trades in 1998 to 66 trades in 1999. Total volumes traded increased by 135 percent from K4,272.3 million in 1998 to K10,045.4 million in 1999.

48. However, during the year there were a number of other major developments. These included Zambian Breweries Plc first ever rights issued on LuSE market valued at K22,864.8 million (US $9.3 million). Corporate bonds were issued for the first time in Zambia by the Preferential Trade Area (PTA) Bank, which registered a Note Insurance Programme of US $20 million nominal value with the Securities and Exchange Commission (SEC). The SADC capital market completed the harmonisation of the stock exchange listings. This enabled

LuSE to upgrade its listing requirements to an international standard and would allow it to promote dual listings and cross border investment, particularly within the SADC region.

2.7 External Sector Developments

49. In 1999, main external sector developments were an improvement in both current account and the overall balance of payments position, relative stability in the exchange rate and in the external debt stock. However, there was unsatisfactory disbursement of pledged financial assistance from donors.

i) Balance of Payments Developments

50. Preliminary estimates of balance of payments indicate an improvement in both the current account and the overall balance of payments position in 1999. The estimated current account deficit, inclusive of unrequited transfers or official grants, narrowed from US $276 million in 1998 to US $200 million in 1999.

51. The decline in the current account deficit in 1999 was due to a higher net inflow of current transfers of US $286 million as compared to US $226 million in 1998. Excluding official grants, the estimated current account deficit, although large, narrowed to US $500 million in 1999 compared to US $516 million registered in 1998. This improvement was attributed to an increase in unrequited transfers by 26 percent and the improvements in services (net) which declined from US $343 million in 1998 to US $300 million in 1999. This development was, however, impeded by the increase in the trade deficit.

52. The trade deficit worsened from US $159 million registered in 1998 to US $186 million in 1999, representing a widening gap of 17 percent. This development was attributed to a fall of 12.2 percent to US $753 million in merchandise exports that was only partially offset by a drop of 7.7 percent in the value of the merchandise imports. The decline in the value of merchandise exports emanated from both the metal sector and non-traditional exports.

53. Estimated copper export receipts fell by 7.1 percent to US $377 million in 1999. This was due to the drop in the volume exported and average realised price of copper over the review period. The volume of copper exports for the year was estimated at 251,500 tonnes, reflecting a drop of 1.7 percent over the previous year's level. In addition, the realised price averaged US $1,506 per tonne in 1999, representing a decline of 5.0 percent when compared to US $1,585 per metric tonne in 1998. The fall in the average realised price of copper was largely attributed to the slow pace of economic recovery of the economies in East Asia, while the fall in export volumes was due to lower production. Similarly, the export volume of cobalt fell by 15.3 percent from 4,934 tonnes in 1998 to 4,180 tonnes in 1999 while the average realised price fell by 21.3 percent from US $31,742 to US $24,986 per tonne.

54. Furthermore, the estimated value of non–traditional exports of US $272 million in 1999, represented a drop of 8.1 percent over US $296 million reported in 1998. The products, which experienced big declines were cement, copper rods, cotton yarn, sugar and tobacco. The decline of the non-traditional export receipts were due to low international prices (mainly for copper rods, cotton yarn and sugar) and the fall in the demand for sugar and cement, largely caused by the continuation of the civil war in the Great Lakes Region.

Table 2.8: Balance of Payments, 1996-99 (in US $ millions)

	1996	1997	1998	1999	% Change
Trade balance	-63	-27	-159	-186	17.0
Exports, f.o.b.	993	1191	858	753	-12.2
Metal sector	754	895	562	481	-14.4
Copper	568	650	406	377	-7.1
Cobalt	187	245	156	104	-33.3
Non-traditional exports	239	296	296	272	-8.1
Imports, c.i.f.	-1,056	-1,218	-1,017	-939	-7.7
Metal sector	-237	-291	-211	-103	-51.2
Fertiliser	-80	-50.4	-59	-2	-96.6
Petroleum	-78	-87.3	-46	-88	91.3
Maize	-25	-12.4	-119	0	-100.0
Other	-636	-776.9	-582	-746	28.2
Services balance	-347	-394	-343	-300	-12.5
Factor services, net	-206	-205	-194	-184	-5.2
Interest payments	-198	-195	-179	-165	-7.8
Other payments	-8	-10	-15	-19	26.7
Non-factor services, net	-141	-189	-149	-116	-22.1
Receipts	120	114	113	117	3.5
Payments	-261	-303	-262	-233	-11.1
Unrequited transfers (net)	287	182	226	286	26.5
Private	-17	-16	-14	-14	0.0
Official	304	198	240	300	25.0
Current account balance (excluding grants)	-427	-437	-516	-500	-3.1
Current account balance (including grants)	-123	-239	-276	-200	-27.5
Capital account balance	49	166	-31	71	-329.0
Official loan disbursement (net)	-49	9	-45	36	-180.0
Disbursements	206	190	91	208	128.6
Project loans	87	79	91	90	-1.1
Programme loans	119	111	0	118	100.0
Multilateral	---	---	---	118	100.0
Bilateral	---	---	---	0	
Amortisation (-)	-255	-181	-136	-172	26.5
Private capital (net)	98	157	14	35	150.0
Foreign direct investment	117	207	216	200	-7.4
Other private flows	-19	-50	-202	-165	-18.3
Errors and omissions	-31	-54	32	-56	-275.0
Overall balance	-105	-127	-275	-185	-32.7
Financing	105	127	275	185	
Change in net international reserves	-27	-33	153	3	
Gross official reserves (BOZ)	22	-27	194	-4	
Liabilities (BOZ)	-27	2	-7	6	
Change in net foreign assets of commercial banks	-22	-8	-34	1	
Debt relief	310	159	122	443	
Net change in arrears (+ increase)	-178	1	0	-261	
Memorandum items					
Copper export volume (m/tonnes)	327,000	301,000	255,863	251,500	-1.7
Cobalt export volume (m/tonnes)	3,866	4,635	4,934	4,180	-15.3
Copper price (US $/Mt.)	1,742	2,160	1,585	1,506	-5.0
Cobalt price (US $/Mt.)	---	---	31,742	24,986	-21.3

Sources: Ministry of Finance and Economic Development and the Bank of Zambia

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55. The overall balance of payments improved by 32.7 percent from a deficit of US $275 million recorded in 1998 to a deficit of US $185 million in 1999. This development was on account of a net capital and financial inflow amounting to US $71 million. This came from net official loan disbursement of US $36 million and net private capital inflows of US $35 million.

ii) Movements in the Exchange Rate

56. The exchange rate was relatively stable over the year. Thus, unlike in 1998 when the commercial banks' retail weighted average selling rate of the Kwacha against the US dollar depreciated by 64.5 percent, it only depreciated by 14.7 percent in 1999. The resumption of balance of payments support as reflected in net official and private capital inflows and the maintenance of an appropriate monetary policy stance during the year, were the main contributing factors to the observed relative stability of the nominal exchange rates.

Table 2.9: Monthly Commercial Banks' Retail Weighted Average Selling Rates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
1998	1,487	1,570	1,692	1,796	1,885	1,940	1,970	1,974	1,990	2,049	2,151	2,343
1999	2,476	2,409	2,338	2,434	2,501	2,527	2,524	2,415	2,468	2,486	2,539	2,688

Source: Bank of Zambia

iii) External Aid

57. During the year, Zambia continued to have cordial relationships with her external co-operating partners. Consequently, a donor's Consultative Group (CG) meeting for Zambia was held in May 1999. Donors pledged to provide financial assistance amounting to US $818 million in 1999 compared to US $530 million in 1998. This amount comprised US $491.4 million in project finance and US $326.6 million in balance of payments support and commodity assistance. Of the pledged project finance, only US $264.5 million was disbursed in 1999 compared to US $323.2 million released in the previous year [Table 2.10]. This was due to difficulties in the release of counter-part funds to donor-funded projects, which slowed down the progress of drawing aid funds. The delay was mainly on account of the competing demands on the Government budgetary resources.

Table 2.10: Project Financing and Balance of Payments Support (in US $ million)

Category	1996	1997	1998	1999
Project Finance				
Bilateral	198	187	202.2	130.5
Multilateral	115.8	131	121	134
World Bank	23	75	70	-----
ADB	31	13	26	47.6
European Union	36	27	25	6.0
Others	25.8	16	----	80.0
Total	313.8	318	323.2	264.5
Balance of Payments				
Bilateral	22	9	0	24.5
Multilateral	121	128	0	150.6
World Bank	121	128	0	106.6
ADB	0	0	0	8
European Union	0	0	0	36
Total	**143**	**137**	**0**	**175.1**

***Source*: Ministry of Finance and Economic Development**

58. The total balance of payments (BOP) support pledges was US $327 million in 1999 compared to US $235 million pledged in 1998. Unlike in 1998 when the bilateral donors did not provide BOP support due to difficulties in the privatisation of the remaining major asset packages of ZCCM and governance related issues, the actual BOP support released by both the bilateral and multilateral donors was US $175.1 million in 1999 [Table 2.10]. Out of this amount, the total multilateral BOP support released was US $150.6 million – with US $106.6 million (71 percent) from the World Bank. The total bilateral BOP support released was US $24.5 million, out of which US $12.5 million was disbursed by Japan and the balance of US $12.0 million was disbursed by Germany.

iv) Debt Management

59. Preliminary data indicates that Zambia's total stock of external debt at the end of December 1999 stood at US $6,518.3 million, down from US $6,981.7 million at the end of 1998. This 6.6 percent decline in the debt disbursed and outstanding is attributed to actual debt servicing including the clearance of arrears during the year, write-offs resulting from the April 1999 Naples Terms Rescheduling Agreement, and exchange rate variations.

60. A breakdown of the composition of the debt [Table 2.11] shows the larger component of the debt was owed to multilateral creditors at US $3,375.0 million, representing 51.9 percent of the total. Bilateral creditors were owed a total of US $2,676.4 million (41.1 percent) of which 89.9 percent was to the Paris Club group of creditors. Private creditors', inclusive financial institutions, claims amounted to US $455.9 million.

Table 2.11: Stock of External Debt: 1996-1999 (US$ millions)

Type of Debt	1996	1997	1998	1999	% change 1999/1998	% Share 1999
Bilateral	3,196.0	3,296.9	3,477.8	2,676.4	-23.0	41.1
Paris Club	2,704.5	2,816.5	2,998.5	2,405.0	-19.8	36.9
Non- Paris Club	491.5	480.4	479.3	271.4	-43.4	4.2
Multilateral	3,092.2	3,107.9	3,224.7	3,375.0	4.7	51.9
IMF	1,205.5	1,205.5	1,205.2	1,219.2	1.2	18.7
IBRD	54.4	32.7	25.7	25.5	-0.8	0.4
IDA	1,347.7	1,450.2	1,547.6	1,653.8	6.8	25.4
ADB/1	176.4	169.7	262.9	320.7	21.9	4.9
Others	308.2	249.8	183.3	166.8	-9.0	2.6
Private	356.5	303.3	278.2	455.9	63.9	7.0
Total	**6,206.1**	**6,402.3**	**6,981.7**	**6,518.3**	**-6.6**	**100**

Source: ***Ministry of Finance and Economic Development***

Notes: 1.Disbursements and reconciliation account for the increase in ADB Group debt from 1997.

61. There was a 19.8 percent fall in debt owed to Paris Club Creditors from US $3,477.8 million in 1998 to US $2,676.4 million as at end of 1999. This decrease was on account of debt service of Post Cut-off debt, write-offs under the 1999 Agreed Minute, and validation and reconciliation with each creditor. The 43.4 percent drop in claims from the Non-Paris Club group of creditors arose mainly due to reconciliation with the Indian and Saudi Arabia authorities and the use of the correct exchange rate with respect to the Chinese debt. Private sector debt rose significantly in 1999 by 63.9 percent from US $278.2 million in 1998. This substantial increase was mainly due to short-term borrowing by ZCCM.

62. Within the Paris Club group of creditors the largest six are Japan (US $742.0 million), Germany (US $591.3 million), the United Kingdom (US $351.9 million), the United States of America (US $248.0 million), Russia (US $138.5 million) and France (US $119.9 million). The rest (Austria, Brazil, Canada and Italy) accounted for a total of US $213.4 million.

63. During the period under review, Zambia's debt service payments amounted to US $154.3 million. This included the clearance of arrears amounting to US $16.1 million to members of the Paris Club accumulated between 1997 and 1998. The arrears arose from the non-implementation of the February 1996 Naples Terms Rescheduling Agreement due to the failure between Zambia and the IMF to reach agreement on the Second- and the Third-Annual Arrangement under the 1996 Enhanced Structural Adjustment Facility (ESAF)[1].

64. In April 1999, Zambia approached the Paris Club group of creditors for debt relief and successfully negotiated the following terms:

[1] Article 5 clauses a, b and c of the 1996 Agreed Minute state that effectiveness of each year of the consolidation period is dependent upon Zambia continually having an appropriate agreement with the International Monetary Fund.

- A 67 percent Flow Rescheduling treatment inclusive of a write-off of up to 67 percent on eligible debt;
- A three year (April 1999 – March 2002) consolidation period;
- Rescheduling of principal and interest (excluding late interest) due as at March 31, 1999 inclusive and not paid (arrears of principal and interest);
- Rescheduling of amounts of principal and interest (excluding late interest) due from April 1, 1999 up to March 31, 2002 inclusive and not paid on credits, loans and consolidations arising from previous Agreed Minutes [Table 2.13];
- For the first time, rescheduling of amounts owed to the Russian Federation with an 80 percent write-off;
- Provision to effect Debt Swaps amounting to 20 percent of the amounts of outstanding credits as of June 30, 1992 or up to an amount of SDR 20 million, whichever is higher; and
- To return to the Paris Club at the end of the consolidation period to negotiate the terms of a Stock treatment on the balance of Zambia's stock of eligible debt.

65. By the close of the period under review, Zambia had signed nine out of ten bilateral debt- rescheduling agreements with her Paris Club Creditors [Table 2.13]. It is expected that the remaining bilateral agreement with Japan will be effected during the first quarter of 2000. The signing of bilateral agreements are necessary to make effective the Agreed Minute.

Table 2.13: Zambia: Successive Paris Club Rescheduling Agreements (US$ '000)

Date of Agreed Minute	Terms of Consolidation	Amount Consolidated
May 1, 1983	Ordinary	375
July 20, 1984	Ordinary	253
March 4, 1986	Ordinary	371
July 12, 1990	Toronto Terms	963
July 23, 1992	London (ETT) Terms	917
February 28, 1996	Naples 67 percent Flow Terms	566
April 16, 1999	Naples 67 percent Flow Terms	1,136
Total		4,581

Source: Ministry of Finance and Economic Development

Table 2.14 Status on 1999 Agreed Minute Bilateral Rescheduling Agreements

Creditor	Type of Treatment	Date of Bilateral Agreement
Austria	Option B	27.07.99
Brazil	Option B	Initialed
Canada	Option A	08.07.99
France	Option A	28.05.99
Germany	Option A	17.08.99
Italy	Option A	Initialed
Japan	Option B	Not negotiated
Russia	Option B	Initialed
United Kingdom	Option A	05.08.99
United States	Option A and B	19.11.99

Source: Ministry of Finance and Economic Development

66. Zambia is a Highly Indebted Poor Country (HIPC) and is eligible, under the HIPC Initiative on Debt, for debt relief from both bilateral and multilateral creditors. During the year under review, Zambia in conjunction with the IMF and World Bank conducted a preliminary Debt Sustainability Analysis (DSA). Preliminary results showed that the country was eligible under the Initiative and should benefit from a significant reduction in debt at the Completion Point.

2.8 Population and Labour Market Developments

i) *Population and Development*

67. Zambia's population was estimated at 10.4 million in 1999 with an annual growth rate of 3.1 percent. Out of the total population, more people are in the rural areas as compared to the urban. Further, the age structure continued to be dominated by persons in the young ages.

68. Latest survey statistics for 1998 on population distribution indicate that the rural areas account for 62 percent while the urban areas account for 38 percent of the total population. The Copperbelt and Lusaka provinces continued to have the highest proportions of the total population at 18 percent and 15 percent respectively. These proportions remained static vis-à-vis 1996 levels. Northwestern and Luapula provinces recorded the lowest proportions at 5 percent and 7 percent, respectively with Northwestern province registering a minor decline in proportion of 1 percentage point over 1996 levels. In terms of urban concentrations, Lusaka and the Copperbelt continued to experience large proportions of their population in urban areas.

69. In terms of age-sex distribution, 1998 data indicated that the proportion of children aged 0 – 14 years increased from 44 percent of the total population in 1996 to 45 percent in 1998 [Table 2.5]. The proportion of youths aged 15 – 24 years also shows a steady increase from 22 percent of the 1996 population to 23 percent of the total population in 1998. This shows that the momentum for Zambia's population to grow is inherently still high and will need to be matched by equally high rates of economic growth.

Table 2.15: Cumulated Percentage Distribution 1996/1998

	1996			1998			
Age Groups	**Males**	**Females**	**Both Sexes**	**Males**	**Females**	**Both Sexes**	**% change 1**
0 – 4	17	16	16	15	15	15	-1
5 – 9	32	31	31	31	30	31	0
10 – 14	45	44	44	45	43	45	1
15 – 19	57	55	55	58	56	58	3
20 – 24	67	66	66	68	68	69	3
25 – 29	75	74	74	76	76	77	3
30 – 34	81	80	80	82	82	83	3
35 – 39	86	85	85	87	87	88	3
40 – 44	89	88	88	90	91	92	4
45 – 49	92	91	91	93	94	92	1
50 – 54	94	93	93	95	96	97	4
55 – 59	96	95	95	97	98	98	3
60 – 64	98	97	97	98	99	99	2
65 +	100	100	100	100	100	100	0

Sources: Living Conditions Monitoring Survey (LCMS) 1996 and Preliminary LCMS 1998, Central Statistical Office.

70. Household relocation continues to be a significant behavioural pattern amongst households. Latest survey data for 1998 indicates that the proportion of households involved in rural to urban migration has increased over 1996 from 7 percent to 11 percent. This is despite the decline in the total number of households engaging in rural to urban migration. The main reasons attributed to rural to urban migration are search for employment/business opportunities and transfers of the head of household at 21 percent and 19 percent respectively. The trend for urban to rural migration has declined both in proportion and number of households from 15 percent to 14 percent and 21,000 to 11,900 respectively. Much of the urban to rural migration is as a result of the decision to settle elsewhere by the head of household [Table 2.16].

Table 2.16: Migration of Households 1996 - 1998

	1996		1998	
Migration Type	**Number of households**	**Percent**	**Number of households**	**Percent**
Rural to Rural	55,000	39	28,403	34
Rural to Urban	9,000	7	8,970	11
Urban to Rural	21,000	15	11,900	14
Urban to Urban	55,000	39	34,983	42
Total	**140,000**	**100**	**84,256**	**100**

Sources: Living Conditions Monitoring Survey (LCMS) 1996 and Preliminary LCMS 1998, Central Statistical Office

ii) Labour Market Developments

71. Total employment increased by 3.0 percent from 4,033,417 in 1998 to 4,156,169 in 1999. Much of this increase was accounted for by informal sector employment activities, which registered an increase of 3.2 percent over 1998. The structure of total employment reveals that informal agriculture employment continues to be a significant determinant of

total employment, registering an increase of 5.2 percent for the year 1999. Informal non-agricultural employment registered a decline of 4.2 percent in 1999 [Table 2.17].

72. Formal sector employment increased by 2.2 percent from 467,193 in 1998 to 477,508 in 1999. Much of this increase is attributed to expansion in the trade and distribution, services and agriculture sectors. The year 1999 witnessed the expansion of trade through new entrants in this sector as a result of direct foreign investment. Employment in the trade and distribution, community, social and personal services sectors increased by 4.4 percent and 6.0 percent, respectively. Formal employment in agriculture also increased by 1.9 percent. The formal construction sector's performance in terms of employment generation continues to fluctuate owing to few long-term construction projects that can absorb larger portions of the labour force. This is reflective of the decline in construction sector employment by 4.2 percent over 1998.

73. The private sector continued to be a significant source of employment generation with a growth rate of 6.7 percent registered in 1999 over 1998. Private sector companies accounted for 60.0 percent of total formal sector employment, consistent with market reform expectations. Total unemployment for the year 1999 was estimated at 10.3 percent of the labour force. This compared favourably to 1998 levels when unemployment was 11.9 percent. The marginal decline was attributed to the growth in economic activities in the private sector and increased informal sector agricultural activities. In this regard, the services and trade sectors were largely responsible for new employment.

Table 2.17: Employment Trends (June) – 1996-1999

	1996	1997	1998	1999	% Change 1999/1998
Employment by Type	**3,468,000**	**3,739,823**	**4,033,417**	**4,156,169**	**3.0**
Formal Sector Employment	479,400	475,161	467,193	477,508	2.2
Informal Sector Employment	2,988,600	3,264,662	3,566,224	3,678,661	3.2
Informal Agricultural Employment	2,318,600	2,579,407	2,807,174	2,951,671	5.2
Informal Non-agricultural Employment	670,000	685,255	759,050	726,990	(4.2)
Formal Employment by Industry	**479,400**	**475,161**	**467,193**	**477,508**	**2.2**
Agriculture, Food and Fisheries	68,300	58,898	58,898	60,000	1.9
Mining and Quarrying	47,700	44,498	39,160	38,521	(1.6)
Manufacturing	47,400	47,118	46,685	46,000	(1.5)
Electricity, Gas and Water	4,400	5,009	5,237	5,300	1.2)
Construction	13,100	17,106	13,459	12,895	(4.2)
Trade and Distribution	46,800	48,893	48,964	51,097	4.4
Transport and Communication	38,300	45,963	45,840	45,000	(1.8)
Fin. Real Estate and Bus. Services	37,600	37,862	35,276	34,682	(1.7)
Comm., Social and Personal Services	175,800	169,814	173,674	184,013	6.0
Formal Employment by Agency	**479,300**	**475,100**	**467,193**	**477,508**	**2.2**
Central Government	132,000	129,200	117,250	112,345**	(4.2)
Local Authorities	17,300	15,100	13,048	12,900	(1.1)
Parastatal Companies	115,200	73,900	68,046	65,300	(4.0)
Private Sector Companies	214,800	256,900	268,849	286,963	6.7
Size of Labour Force	**3,982,000**	**4,411,263**	**4,579,000**	**4,635,000**	**1.22**
Total unemployment rate	**12.9**	**15.2**	**11.9**	**10.3**	**-**

Source: Quarterly Employment and Earnings Inquiry, Central Statistical Office

74. The trend in real average earnings showed a steady decline over the years. Much of this decline was in the finance and real estate, and manufacturing sectors. The electricity, gas and water, and transport and communications sectors have on the other hand experienced average real earnings that have been relatively high and stable over the years compared to other sectors. The increase in the price level over the years was responsible for much of the erosion in real earnings [Table 2.18].

Table 2.18: Trends in Real Average Earnings in Kwacha (June) – 1996-1999

	1996	1997	1998	1999	% Change 1999/1998
Real Average Earnings by Sector	**630.5**	**634.4**	**623.6**	**620.2**	**-0.6**
Central Government	448.4	566.5	524.0	515.9	-1.6
Local Authorities	392.2	643.3	421.4	503.7	19.5
Parastatal Companies	1,001.2	1,229.6	1,155.9	1,239.4	7.2
Private Sector Companies	608.5	436.1	479.8	498.0	3.8

Source: Deflated using Composite CPI as at June 30.

75. Preliminary data for 1999 indicated that as at the end of September, 2,448 workers had been declared redundant or retrenched. The labour market in 1999 continued to adjust to efficiency requirements by way of workforce rationalization. The approach has been towards smaller workforces that exhibit superior skill for a competitive edge in the market place. [Table 2.19].

Table 2.19: Reported Redundancies/Retrenchments – 1996-1999

	1996		**1997**		**1998**		**1999***		**% Change 1999/1998**
	Firms	Workers	Firms	Workers	Firms	Workers	Firms	Workers	
By Industry	**154**	**4,146**	**167**	**44,974**	**29**	**13,577**	**64**	**2,448**	**(82.0)**
Agriculture	11	242	25	421	5	945	3	147	(84.4)
Mining	20	1,667	6	1,257	3	1,311	6	174	(86.7)
Manufacturing	21	830	30	570	6	42	14	541	1188.1
Electricity	-	-	-	-	2	170	-	-	-
Construction	20	389	23	231	3	589	5	543	(7.8)
Trade	29	267	25	314	1	300	6	32	(89.3)
Transport	7	60	14	633	4	223	2	71	(68.2)
Finance	31	487	23	549	2	77	-	-	-
Services	15	204	21	7999	3	9920	28	940	-90.1
By Sector	**154**	**4,146**	**167**	**11,974**	**29**	**13,577**	**64**	**2,448**	**-82.0**
Central Gov't	6	107	1	7,500	1	7,500	-	-	-
Local Auth.	2	65	8	1593	2	2000	-	-	-
Parastatals	33	2,283	27	1,345	10	1,717	-	-	-
Private Sector	113	1,692	131	1,536	15	2,360	-	-	-

Source: Ministry of Labour and Social Security
****As at 30th September1999***

2.9 Poverty Reduction

76. In 1999, the National Poverty Reduction Action Plan which was drafted in 1998 was further refined from the poverty oriented strategies to priority development areas which would help reduce poverty levels from 72.9 percent to 50 percent during the period 2000 to 2004. Further, community development programmes and social welfare schemes aimed at improving the standard of living of the vulnerable groups continued to be implemented.

77. Available information shows that the number of poor people increased by 3 percentage points, from 69.2 percent in 1996 to 72.9 percent in 1998. This was mainly on account of the rise in poverty in urban areas. Poverty in urban areas increased by 10 percentage points, from 46 percent in 1996 to 56 percent in 1998, while that in rural areas remained the same at 83 percent. The incidence of poverty continued to be higher in rural areas than in urban areas. In 1998, Western province had the highest level of poverty at 89.2 percent, followed by Northern (81.1 percent), Luapula (80.9 percent) and Eastern (80.3 percent) provinces. Lusaka province had the lowest incidence of poverty at 52.0 percent, followed by the Copperbelt province (65.0 percent).

78. Extreme poverty increased from 53.2 percent in 1996 to 57.9 percent in 1998. There was an increase of about 9 percentage points in the number of the extremely poor people in urban areas, from 27.3 percent in 1996 to 36.2 percent in 1998. By contrast, extreme poverty in rural areas increased by only 2.5 percentage points, from 68.4 percent in 1996 to 70.9 percent in 1998. Moderate poverty reduced marginally from 16 percent to 15 percent between 1996 and 1998. However, moderate poverty rose marginally by 1 percentage point in urban areas while it reduced by about 2 percentage points in rural areas [Table 2.20].

Table 2.20: Incidence of Poverty in 1996 and 1998 by Rural/Urban and Province

	Incidence Of Poverty		Incidence of extreme Poverty		Incidence of moderate Poverty		Percent of Non Poor	
	1998	**1996**	**1998**	**1996**	**1998**	**1996**	**1998**	**1996**
All Zambia	72.9	69.2	57.9	53.2	15.0	16.0	27.1	30.8
Rural/Urban								
Rural	83.1	82.8	70.9	68.4	12.2	14.4	16.9	17.2
Urban	56.0	46.0	36.2	27.3	19.8	18.7	44.0	54.0
Stratum								
Small scale farmers	84.0	84.4	72.1	70.5	12.0	13.9	16.0	15.6
Medium scale farmers	71.9	65.1	56.4	49.7	15.5	15.4	28.1	34.9
Large scale farmers	15.6	34.9	13.3	15.0	2.3	19.9	84.4	65.1
Non-agricultural households	79.3	72.0	66.6	52.1	12.7	19.9	20.7	27.9
Low cost areas	61.2	51.1	40.8	31.4	20.4	19.7	38.8	48.9
Medium cost areas	49.4	32.4	27.7	15.7	21.8	16.8	50.6	67.6
High cost areas	33.5	23.8	19.4	10.8	14.2	13.0	66.5	76.2
Province								
Central	76.8	73.8	63.2	58.6	13.6	15.2	23.2	26.4
Copperbelt	65.0	55.6	46.8	33.3	18.2	22.3	35.0	44.4
Eastern	80.3	82.0	66.5	69.9	13.8	12.1	19.7	18.0
Luapula	80.9	78.8	69.2	63.9	11.7	14.8	19.1	21.2
Lusaka	52.0	38.0	34.1	22.0	17.8	16.0	48.0	62.1
Northern	81.1	83.9	66.8	69.4	14.3	14.5	18.9	16.1
North-Western	75.8	80.3	63.2	64.8	12.6	15.5	24.2	19.7
Southern	75.8	75.9	60.3	58.6	15.5	17.3	24.2	24.1
Western	89.2	84.3	78.0	73.6	11.1	10.7	10.8	15.7

Source: Central Statistical Office

79. During 1999, Government continued to take steps aimed at reducing the number of people living in poverty from 72.9 percent to 50 percent over the period 2000 to 2004. Among major activities undertaken during the period under review was the refinement of the draft National Poverty Reduction Action Plan. The Plan was further refined from poverty oriented strategies into priority development areas namely: Efficient Management, Sustainable Growth, Human Resources Development, Targeted interventions, Cross-cutting Issues and Urban Development [Text box 1]. In addition, these programmes were prioritised and estimated to cost US $4.88 billion for the period 2000 to 2004.

Box 1: National Development Priorities in the Poverty Reduction Action Plan, 2000 to 2004

NATIONAL DEVELOPMENT PRIORITIES IN THE POVERTY REDUCTION ACTION PLAN, 2000 TO 2004

1. EFFICIENT MANAGEMENT

Problems to Address:

I Build capacity for improved social service delivery
II. Improve institutional capacity for effective planning, monitoring and evaluation
III. Improve logistical and information systems to support effective decision-making
IV. Build district capacity to manage education and health services
V. Accelerate issuance of title deeds to land and housing

Primary Target Beneficiaries

I. Central Government
II. Population

2. SUSTAINABLE ECONOMIC GROWTH

Problems to Address:

I. Construct/rehabilitate rural roads network and develop communication systems in rural areas
II. Promote rural electrification and use of alternative sources of energy
III. Promote private sector marketing of inputs
IV. Provide financial, social and market intermediation in the informal sector

Primary Target Beneficiaries

I. Private sector enterprises
II. Rural poor small holder farmers
III. Urban poor
IV. Population

3. HUMAN RESOURCES DEVELOPMENT

Problems to Address:

I. Increase access to basic education and improve supply of educational equipment and materials
II. Increase access to skills development and vocational training
III. Improve health and nutrition of school pupils
IV. Provide essential and cost effective primary health care services
V. Increase access to clean and safe water and sanitation for rural areas

Primary Target Beneficiaries

I. Unemployed Youth
II. Rural poor small holder farmers
III. Central Government
IV. Population

4. TARGETED GROUP INTERVENTIONS

Problems to Address:

I. Provide safety net for unemployed persons including retrenchees
II. Targeted food security, health and nutrition interventions to areas with high poverty levels
III. Implement land resettlement initiatives for displaced workers
IV. Provide infrastructure support for disabled persons

Primary Target Beneficiaries

I. Unemployed Youth
II. Rural poor small holder farmers
III. Central Government
IV. Retrenchees, Children, Disabled and Female and Child headed households
V. Population

5. CROSS CUTTING PRIORITIES

Problems to Address:

I. HIV/AIDS
II. Environmental Management
III. Human Rights
IV. Promote gender equity and the role of women in economic development

Primary Target Beneficiaries

I. Population

6. URBAN DEVELOPMENT

Problems to Address:

I. Improve and legalise unplanned peri-urban settlements
II. Rehabilitate urban water supply and management
III. Increase access to adequate housing in urban areas

Primary Target Beneficiaries

I. Urban population

80. The programmes would be implemented in three phases. During Phase I (2000 - 2001), a total of US $1.96 billion would be required to finance the projects under the area of Efficient Management which are considered to be of very high priority. Programmes to be implemented under Phase II (2001 - 2002) would be those that fall under Sustainable Economic Growth and Development of Human Resources. These would require a total of US $2.31 billion. In Phase III (2002 - 2004), programmes to be implemented would include projects under Targeted Group Interventions, Cross Cutting Priorities and Urban Development at a total cost of US $613 million. In addition, projects not implemented in either Phase I or II, would be undertaken in the final Phase.

CHAPTER 3

SECTORAL PERFORMANCE

3.1 AGRICULTURE, FORESTRY AND FISHERIES

3.1.1 Overview

1. The agriculture sector recorded positive growth of 13.7 percent in value added from K386.7 billion in 1998 to K439.6 billion in 1999. The recovery of the agriculture sector from the devastating effects of the previous year's El Nino weather phenomenon, provided the main impetus for growth in 1999. Accounting for the good performance was the marked increase in production of most crops including cash crops in 1999 over 1998. Much of the sector's increase in value added arose from increased production of maize, rice and mixed beans. Significant growth in cash crops such as seed cotton and soya bean also contributed to the good performance of the sector. The increase in agriculture output was attributed mostly to good rainfall and relatively good access to inputs during the production period.

2. Livestock production on the other hand was unsatisfactory. Most parts of the country experienced animal loses, particularly cattle. In addition, some parts of the country experienced sporadic outbreaks of poultry disease, which adversely affected poultry production.

3. Government sought a one-year extension for the World Bank-supported Agricultural Sector Investment Programme (ASIP) which was scheduled to expire on 31st December 1999. The World Bank agreed to extend their support to ASIP up to 31st December 2000.

3.1.2 Crop Production

4. During the 1998/99 season, production of most crops increased significantly, compared to the 1997/98 season. These included maize, cassava, seed cotton, wheat, millet, soya beans, mixed beans, rice, cow-peas and castor beans. The increase in output of crops was attributed mostly to good rainfall and relatively good access to inputs during the production period. In addition, increase in land utilisation, improvements in labour participation and resorting to basic agricultural practices contributed to growth in output. However, production of groundnuts, sunflower, virginia tobacco and paprika went down [Table 3.1].

i) Maize

5. In the 1998/99 season, the area planted with maize was up by 17 percent from 510,374 hectares in the 1997/98 season. Maize has continued to account for the largest share of the area planted despite Government's policy of crop diversification. Production increased by 31.2 percent from 7,217,078 (90kg) bags in 1997/98 season to 9,471,944 (90kg) bags during the 1998/1999 season. Of the total maize production in the 1998/99 season, 33.3 percent was produced in the Eastern Province, 23.3 percent in the Southern Province, 18.8 percent in the Central Province and the remainder in the other provinces. The share of maize retention by small-scale farmers for household consumption was up by 28 percent from 5,271,119 (90kg) bags in the 1997/98 season to 6,731,840 (90kg) bags in the following season. Maize sales were estimated at 2,777,813 (90kg) bags, depicting an increase of 42.7 percent from the previous season's level. The rise in sales was on account of increased maize production.

Table 3.1: Agricultural Crop Production

Crop	Area Planted (Hectares) 1997/98	Area Planted (Hectares) 1998/99	Production (90 kg) bags 1997/98	Production (90 kg) bags 1998/99	Change in Output 1999/98	Yield Per Hec (90kg) bag 1997/98
Maize	510,374	597,372	7,217,078	9,471,944	31.2	14
Sorghum	35,864	36,405	282,211	280,622	(0.6)	8
Paddy Rice	9,065	16,120	71,100	102,078	43.6	9
Millet	90,047	95,520	691,511	773,533	11.9	8
Sunflower*	15,692	13,356	140,160	134,960	(3.7)	9
Groundnuts	154,682	141,320	632,600	566,278	(10.5)	5
Soya Beans	11,681	11,716	136,911	296,622	117	12
Mixed Beans	35,444	39,854	154,500	193,244	25.1	4
Cassava	116,709	138,360	9,077,367	10,761,333	18.5	7
Seed cotton	75,000	105,539	1,222,222	1,555,822	27.3	-
Virginia Tobacco	5,400	1,926	107,500	24,100	(77.6)	-
Paprika	3,953	538	12,533	8,478	(32.4)	-
Castor Beans	1,104	370	3,644	5,411	48.5	-
Wheat	2,254	6,249	777,778	997,144	28.2	-
Cow-peas	8,191	9,885	29,156	49,833	70.9	0.3

Source: ***Central Statistical Office and Ministry of Agriculture, Food and Fisheries, Lusaka 1999***
**** Production, Yield Rate and Expected Sales measured in 50kg bags***

ii) Cassava

6. Total area planted with cassava increased by 18 percent from 116,709 hectares in the 1997/98 season to 138,360 hectares during 1998/99 season. The increase in area planted led to a rise in production of 18 percent. The yield per hectare remained constant at 7 (90kg) bags as in the 1997/98 season.

iii) Seed Cotton

7. Production of seed cotton was up by 27 percent from 1,222,222 (90kg) bags in the 1997/98 season to 1,555,822 (90kg) bags during the 1998/99 season. About 86 percent of the total output was from the Eastern Province, 8 percent from the Central Province and 6 percent from the Western Province. The area planted also increased by about 41 percent from 75,000 hectares in the 1997/98 season to 105,539 hectares during the season under review. The rise in output was mainly due to increased domestic demand resulting from additional production capacities in textiles milling.

iv) Wheat

8. During the period under review, total output of wheat rose by 28 percent from 777,778 (90kg) bags in the 1997/98 season to 997,144 (90kg) bags. Of the total output, 60 percent was from the Copperbelt, 18 percent from Lusaka, 12 percent from Western and 10 percent from Central Provinces. The area planted was up by over 170 percent from 2,254 hectares in the 1997/98 season to 6,249 hectares during the 1998/99 season.

v) Millet

9. Total area planted with millet increased from 90,047 hectares in the 1997/98 season to 95,520 hectares during the 1998/99 season, reflecting a 6.1 percent increase. The increase in area planted translated into a rise in production of 12 percent. This was partly attributed to a shift in production from high cost and drought intolerant crops to drought resistant crops. In addition, improvement in seed distribution was another factor that led to the rise in production. Expected sales also rose by 3.2 percent from 137,376 (90kg) bags sold in the 1997/98 season.

vi) Soya bean

10. Area planted under soya bean rose marginally by 0.3 percent from 11,681 hectares during the 1997/98 season to 11,716 hectares in the 1998/99 season. Out of this total area planted, 296,622 (90kg) bags of soya bean were produced, reflecting an increase of over 100 percent from the level realised in the 1997/98 season. About 93 percent of the total output was grown on the Copperbelt province and the remainder was from the other provinces. Similarly, expected sales were up by 97 percent from 145,530 (90kg) bags sold in the 1997/98 season. The high production levels were mainly on account of the increase in area planted coupled with the good yield rate, which rose by over 100 percent from 12 (90kg) bags per hectare realised in the 1997/98 season to 26 (90 kg) bags in the 1998/99 season.

vii) Mixed Beans

11. In the 1998/99 season, production of mixed beans also rose by 25 percent from 154,500 (90kg) bags in the previous season. The Northern Province accounted for 70 percent of the total production, North-Western (10 percent), Central (7 percent), Luapula (6 percent) and the remaining 7 percent was from the other provinces. The yield rate and expected sales were also up by 25 percent and 17 percent respectively. The rise in production was partly attributed to an increase of 12 percent in area planted and in the yield rate.

viii) Paddy Rice

12. There was an increase of 43.6 percent in the output of rice in the 1998/99 season. About 46 percent of the total production was from the Northern province, 38 percent from the Southern, 16 percent from the Eastern and less than one percent from the Copperbelt province. The rise in production was attributed to an increase of 77.8 percent in area planted from 9,065 hectares in the 1997/98 season to 16,120 hectares in the following season. In addition, yields per hectare were up by 22 percent from 9 (90kg) bags in the 1997/98 season to 11 (90kg) bags. Sales also rose by 170 percent from 34,053 (90kg) bags to 91,962 (90kg) bags over the period 1997/98 and 1998/99 respectively.

ix) Groundnuts

13. During the 1998/99 season, the area planted with groundnuts fell by 9 percent from 154,682 hectares in the previous season. Similarly, the output, yield per hectare and sales of groundnuts declined in the order of 10 percent, 4 percent and 23 percent respectively. The Eastern, Northern, Luapula, Southern and Central provinces accounted for 38, 24, 13, 10 and 6 percent respectively of the total production. The remaining 9 percent of the total output was accounted for by the other provinces. The decrease in the production of groundnuts was mainly attributed to the drop in demand, particularly for the Chalimbana variety.

x) Sunflower

14. Area planted under sunflower decreased by 15 percent from 15,692 hectares in the 1997/98 season to 13,356 hectares in the following season. Out of this area planted, a total of 134,960 (50kg) bags of sunflower were produced, representing a 4 percent decline from 140,160 (50kg) bags in the 1997/98 season. The fall in output was mainly attributed to reduced demand by the agro-based industries which resorted to imported sunflower cake resulting in a decline in area planted. Despite the decline in production, the yield rate of sunflower increased from 9 to 12 (50kg) bags per hectare during the season under review.

3.1.3 Agrometrological and Input Supply Conditions

15. During the 1998/99 agricultural season, the country received normal and well distributed rainfall. The sowing rains started during the 3rd dekad (last 10 days) of November 1998 in most parts of the country, especially the western half. The sunshine hours were generally normal and permitted favourable growing conditions. However, North-Western, Western and Southern provinces had excess rainfall in some districts which resulted

in a significant reduction in crop yield. In addition, there was more cloud cover in these provinces, which reduced sunshine hours essential for crop development.

16. The supply of fertilisers during the 1998/99 season was quite satisfactory compared to the previous season. During the period under review, there was a total of 114,500 tonnes of fertiliser available in the country, which represented an increase of 30.8 percent from 87,500 tonnes in the 1997/98 planting season. In the 1998/99 planting season, Government through the Food Reserve Agency procured 48,000 tonnes of fertiliser, out of which Omnia Fertiliser Company distributed 19,000 tonnes of D-Compound and another 19,000 tonnes of Urea. The remaining stock of 10,000 tonnes was Urea. In addition, Omnia and Kynoch had in stock 43,500 tonnes of fertiliser for sale on barter system and to some extent on cash basis. Further, there were some 23,000 tonnes of Urea, which Government received from the Japanese Aid Programme. This fertiliser was auctioned to the public through the Agricultural Commodity Exchange, out of which 18,000 tonnes was bought by the Food Reserve Agency for distribution to out-grower scheme operators, individuals and small-scale farmers, on a loan basis.

17. On the other hand, total seed sales during the 1998/99 planting season were down by 19.6 percent from 5,959 tonnes in the previous season to 4,789 tonnes. However, significant increases in sales of soya bean (128 percent), sugar beans (267 percent), groundnuts (76 percent) and millet (33 percent) were registered. Maize seed sales accounted for 87 percent of the total seed sales, reflecting the continued dominance of maize production in agriculture [Table 3.2]. The bulk of seed was sold by the private sector.

Table 3.2: Seed Sales, 1996/97 to 1998/99 Season

Seed Type	**1996/97**	**1997/98**	**1998/99**	**Percent Change 1998/99 over 1997/98**
		(Tonnes)		
Maize	4,701	5,041	4,184	(17.0)
Soya bean	299	76	173	127.6
Sunflower	61	62	42	(32.3)
Wheat	395	457	170	(62.8)
Sorghum	351	178	55	(69.1)
Sugar beans	3	3	11	266.7
Groundnuts	63	74	130	75.7
Cow peas	63	62	16	(74.2)
Millet	2	6	8	33.3
Total	**5,938**	**5,959**	**4,789**	**(19.6)**

Source: Ministry of Agriculture, Food and Fisheries, Lusaka
**** 1998/99 over 1997/98***

3.1.4 Livestock and Poultry Production

18. Production of livestock was unsatisfactory. This was mainly on account of poor infrastructure and inadequate extension services. Most parts of the country experienced animal losses, particularly cattle, especially among the traditional livestock farmers through diseases such as East Coast Fever (Corridor, Foot and Mouth) in the Southern and Northern provinces and Contagious Bovine Pleura Pneumonia (CBPP) in the Western province. In addition, some parts of the country experienced sporadic outbreaks of New Castle disease, which adversely affected poultry production. Poor quality stock-feeds and infrastructure as well as ineffective marketing strategies also impacted negatively on poultry production.

19. As part of the efforts to improve livestock production, Government allocated a total of K2 billion for Corridor disease control in the Southern province. About K1.5 billion was released into a revolving fund. Of the total amount released, about K280 million was used to produce the Chitongo Stabilate vaccine. To this effect, a total of 2,077 cattle were vaccinated against Corridor disease.

20. The population of cattle fell by 7.1 percent from 2.8 million in 1998 to 2.6 million in the year under review. The off-take rate rose from 2 percent in the traditional sector and 18 percent in the commercial sector in 1998 to 3 percent in the traditional sector and 19 percent in the commercial sector during 1999. The rise in the off-take rates was mainly attributed to an increase in sale of cattle by farmers as they feared that their animals would die from the outbreak of diseases. As a result, cattle population growth rate declined from 3.8 percent per annum in 1998 to 3.5 percent in the period under review. Consequently, about 8,846 tonnes of beef were marketed at a total value of K48.7 billion from the traditional sector. In the commercial sector, 22,041 tonnes of beef were marketed at a value of K121.1 billion. This represented an increase of 52.5 percent from 5,800 tonnes of beef marketed in the traditional sector and 48.1 percent from 14,878 tonnes of beef in the commercial sector during 1998, respectively.

3.1.5 Fisheries

21. Commercial fish production during 1999 was estimated at 70,000 tonnes, up by 9 percent from 64,000 tonnes recorded in the previous year. On the other hand fish catches from the artisanal sector remained static at 59,363 tonnes. The unsatisfactory performance in the artisanal sector was mainly attributed to a drop in the number of fishermen and deteriorating fishing equipment. Furthermore, the sector continued to be constrained by inadequate quality fingerlings for the development of aquaculture, lack of input supply such as nets and boats particularly in remote fishing areas, unreliable transport and poor storage facilities.

22. In order to improve fish production, Government efforts were supplemented by the private sector, which invested in fish marketing and distribution, fish farming and manufacturing of nets and boats. In addition, Government worked closely with the donor community in implementing programmes aimed at developing suitable management strategies that could optimise yields.

3.1.6 Food Security

23. During the 1999/2000 consumption year, there was an improvement in the food security position of the country. The overall domestic supply of food stood at 2,491,490 tonnes, out of which 2,450,222 tonnes was the total food requirement, representing a net food surplus of 41,268 tonnes [Table 3.3]. In the 1998/99 consumption year, a net food deficit of 643 tonnes was registered. The favourable food security position during the period under review was mainly on account of increased crop production in the country.

24. Apart from maize and rice, which were in deficit despite the increase in production when compared to the 1998/99 consumption year, other crops such as wheat, millet, cassava and other tubers registered surpluses. However, food deficits of maize and rice in the order of 375,982 tonnes and 2,333 tonnes were much lower when compared to the 1998/99 consumption year when the deficit stood at 583,000 tonnes and 29,000 tonnes respectively.

Table 3.3: Food Balance for 1999/2000 Consumption Year ('000 Tonnes)

	Maize	Rice	Wheat	Sorghum/ Millet	Cassava	Other Tubers	Total
A. Opening Stocks (01/05/99)	35	-	25	-	-	-	60
B. 1998/99 Production	856	15	90	95	969	408	2,431
C. Total Availability (A + B)	891	15	115	95	969	408	2,491
D. Staple Food Requirements							
i) Human Consumption	1,031	16	108	81	566	360	2,162
ii) Food Reserve Stocks (net)	0	0	0	0	0	0	0
iii) Stock Feed	30	0	0	0	0	0	30
iv) Breweries	60	0	0	0	0	0	60
v) Seed	10	0	0	1	0	0	12
vi) Export/cross-border trade	50	0	1		0	0	50
vii) Losses	86	0.735	4	5	19	20	135
E. Total Requirements	1,267	17	114	87	585	380	2,450
F. Surplus/Deficit (C-E)	(376)	(2)	1	8	383	27	41

Source: Ministry of Agriculture, Food and Fisheries, Lusaka

25. However, no major imports were anticipated as the deficit in maize crop against the national requirements of 1,266,851 tonnes was expected to be supplemented and covered by surpluses in other crops.

3.1.7 Progress on the Implementation of ASIP

26. In 1998, the focus of the Agricultural Sector Investment Programme (ASIP) was reoriented and the five key areas namely: sector policy framework; public expenditure refocusing; institutional and management framework; private sector promotion; and financial management were reviewed. In this regard, during 1999, the institutional framework for implementing the ASIP was put in place at the national, provincial and district levels. The restructuring of the Ministry of Agriculture Food and Fisheries and the placement of staff was successfully undertaken. Furthermore, management of service delivery was decentralised and disbursement of funds was made directly to the provinces and districts.

27. The Rural Investment Fund (RIF) whose main objective is to provide grants to small holder farmer groups for infrastructure development, continued funding projects throughout the country in 1999. To this end, the RIF supported 410 projects at a total cost of K5.4 billion for rehabilitating and constructing infrastructure such as, animal sheds, boreholes and wells, canals, dams, dip tanks, fish ponds, water furrows, marketing sheds, roads and storage sheds [Table.3.4]. This compared favourably with a total of 319 projects funded at a cost of K5.4 billion during 1998.

Table 3.4: Projects Implemented under the Rural Investment Fund, 1999

Type of Project	No of Projects	Amount Disbursed (Kwacha)
Animal sheds	7	94,739,902
Boreholes and wells	145	1,780,471,996
Canals	1	18,249,236
Dams	28	1,618,742,262
Dip-tank	15	164,739,380
Fish ponds	25	117,978,380
Water furrows	37	374,806,993
Marketing sheds	19	279,483,542
Plantations	0	0
Roads	89	1,606,707,994
Storage sheds	44	878,187,728
Total	410	5,434,107,413

Source: Ministry of Agriculture, Food and Fisheries

3.1.8 Outlook

28. It is expected that ASIP II will reinforce the progress made in ASIP I, particularly in the development of public-private sector partnerships and in decentralisation of support to small-scale farmers and in other groups at the local level. While the Programme will be implemented country-wide, the growing duality of the agricultural sector requires that on food security and social equity grounds, publicly managed and funded agricultural services be increasingly focused on poor small-holders. ASIP II will therefore concentrate the largest proportion of resources on developing small-scale farmers. These resources will mainly be drawn from internally generated sources and supplemented by external resources from our co-operating partners.

29. With the establishment of over 3000 new cooperatives countrywide, it is expected that the supply of inputs, availability of credit and marketing of agricultural products, particularly for small-scale farmers will improve. Small-scale farmers will be able to access loans in groups. This will ensure that repayment is done timely. Furthermore, farmers will be able to realise more from their sales, since they will market their products by using group bargaining power.

3.2 MINING AND QUARRYING

3.2.1 Overview

30. During the year under review, real value-added in the mining sector declined from K213.0 billion in 1998 to K160.2 billion in 1999, representing a fall of 24.8 percent. The declining trend in value added, that has continued since 1997, was caused by a drop in the major variables of production and prices. Copper and cobalt production, which form the major components of this sector, declined in 1999. Similarly, average prices on the London Metal Exchange (LME) were lower in 1999 than in 1998.

31. During the year, however, major landmarks on the privatisation of the remaining assets of the Zambia Consolidated Copper Mines (ZCCM) were attained. The transactions agreed upon during the year completed the final phase in the return of the mining industry to the private sector.

32. In addition, prospecting and exploration works continued and most of them reached advanced stages. The most significant and completed works were on the Kansanshi Mine and Konkola North Area.

3.2.2 Sector Performance

(i) Production of Metals

33. There was a decline in the production of copper from 298,942 tonnes in 1998 to 260,296 tonnes in 1999. Similarly, cobalt production also declined by 34.3 percent, from 5,016 tonnes in 1998 to 3,296 tonnes in 1999 [Table 3.5].

Table 3.5: Preliminary Metal Production in Tonnes (1998 and 1999)

	1998	1999*	% Change
Copper	298,942	260,296	(12.9)
- *ZCCM*	*252,972*	*232,136*	(8.2)
- *Others*	*45,970*	*28,160*	(38.7)
Cobalt	5,016	3,296	(34.3)
- *ZCCM*	*4,380*	*3,296*	(24.8)
- *Others*	*636*	-	-

Source: Bank of Zambia and Individual mines

34. Metal production continued to be constrained mainly by inadequacies in technical and capital factor mixes resulting from many years of lack of investment by ZCCM. This negatively affected both the mines' operational efficiency and productivity. Additionally, production at some of the newly privatised mines was below the 1998 level. This was also mainly due to production constraints arising from lack of investment and maintenance, and partly due to industrial and labour unrest.

(ii) Metal Prices

35. There was a general decline in metal prices in 1999 relative to 1998. Copper traded at an average price of US $0.71 per pound at the LME in 1999 compared with a price of US $0.75 during the previous year. The price of cobalt also registered a decline of 21.2 percent in 1999. The unfavourable price developments were caused mainly by the continuation of contagious and ripple effects arising from the 1997-1998 Asian, Russian, and Brazilian financial crises. The crises had a dampening effect on demand for metals resulting in a glut on the world market and lowering of prices [Table 3.6].

Table 3.6: Average Annual Prices of Copper and Cobalt (in US $ per pound)

Period	1997	1998	1999	% Change
Copper	1.04	0.75	0.71	(5.3)
Cobalt	24	22	18	(21.2)

Source: Bank of Zambia

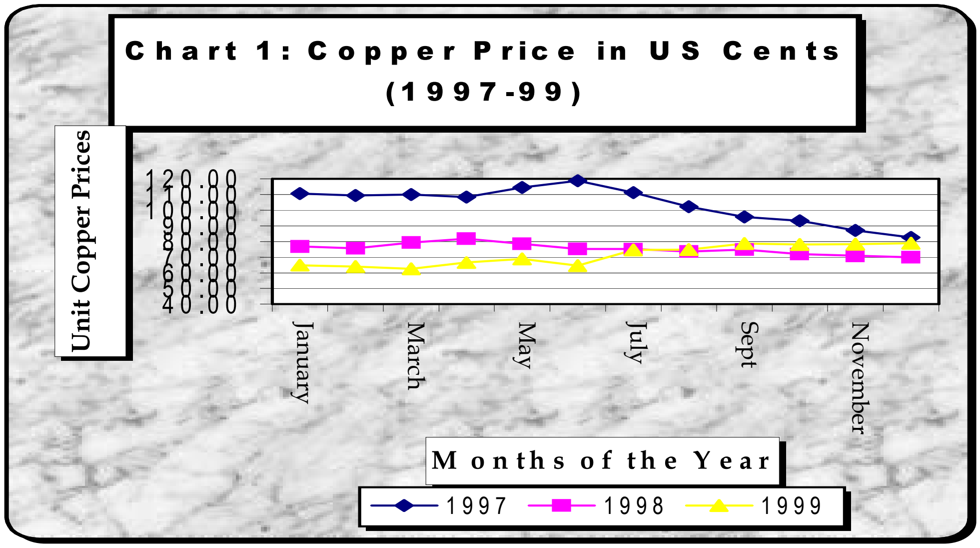
36. Metal prices [Table 3.7], especially of copper, regained somewhat during the second half of 1999. Copper price closed at an average of US $0.77 per pound in the last six months of 1999, up by 18.6 percent from an average price of US $0.65 per pound during the first half of the year. The price of cobalt, however, remained stable between the two halves of the year, at about US $17 per pound.

Table 3.7: Average Monthly Unit Prices of Copper and Cobalt (in US $ per pound)

Month	Jan	Feb	March	April	May	June	July	Aug	Sep-Dec
Copper	0.65	0.64	0.63	0.66	0.69	0.65	0.75	0.75	0.79
Cobalt	12.45	19.44	18.44	16.17	15.97	22.26	20.98	19.65	16.36

Source: Bank of Zambia

37. The recovery in the price of copper, as was the case for most other non-fuel commodities, was engendered by an improvement in the global economic and financial conditions after a global recession in 1998 in the wake of the 1997 Asian crisis. Real economic growth in Japan, emerging market economies in Asia, and Europe which are Zambia's major copper consumers, improved during the year thereby increasing demand and price of copper. However, at US $0.77 per pound, the price that obtained during the second half of the year under review, was less than that which prevailed in 1997 by about 25 percent [Chart 3.1].



(iii) Privatisation

38. The privatisation of ZCCM reached its final phase in 1999. This followed the agreements reached in October and December between the Government and Anglo-American Corporation on the privatisation of the remaining major assets of ZCCM. The assets agreed upon between the two parties were the Nchanga, Konkola, and Nampundwe mines. The managerial and equity ownership and control of these assets are to be taken over and completed in early 2000.

39. In addition to the agreements on the assets above with Anglo-American Corperation, some preliminary understandings on the sale of the Nkana Mine (excluding the smelter) and Mufulira Mine were also reached between the Government and First Quantum Minerals and Glencore. The transactions and understandings reached during the last quarter of 1999, would result in a major landmark in the privatisation of ZCCM, and complete the final phase in the return of the mining industry to the private sector. Other mines already privatised are RAMCZ, Bwana Mkubwa and Chibuluma.

(iv) Prospecting and Exploration

40. Prospecting and exploration works continued in most parts of the country in 1999. Most of these works reached advanced stages. In particular, the pre-feasibility study undertaken by Cyprus Amax at the Kansanshi mine was completed in March 1999. A decision to proceed further was postponed in order to allow for further drilling and metallurgical information. Consequently, in August 1999, Cyprus Amax concluded an Agreement with ZCCM to allow for a further 24 months period to seek additional information up to August 2001.

41. Another major geological area where studies were completed was the Konkola North. Anglovaal Mining Limited, through its subsidiary - Konnoco (Zambia) Limited, completed project exploration, evaluation and pre-feasibility programme at the end of June 1999. Negotiations between Konnoco and the ZCCM/GRZ Negotiating Team on the technical results of the completed programme were expected at the end of the year.

3.2.3 Outlook

42. There is ground for real optimism for an improved performance in the mining sector. This expectation is premised on the signing of agreements between Government and Anglo-American Corporation. Under the agreements concluded mid-December 1999, the buyer is expected to take over the ownership and management control of the assets in the first quarter of 2000. Further, preliminary understandings on the sale of Nkana Mine (Excluding the smelter) and Mufulira Mine have been reached between the Government and a Consortium of First Quantum Minerals and Glencore Limited.

43. Together with the three mines already privatised in 1997, the transactions reached so far mark the final phase in the return of the mining industry to the private sector. This is expected to revitalise the industry through increased investment, technology and reduction in production costs. Consequently, output of metals, and operating profits will increase.

44. Further recovery in the industrialised and emerging countries in Asia will further boost the performance of the mines in the domestic economy.

3.3 ENERGY AND WATER

3.3.1 Overview

45. During the year under review, real value added increased from K67.9 billion in 1998 to K70.0 billion in 1999, representing an increase of 3.1 percent in the energy and water sector. Much of this growth emanated from the electricity sub-sector. The petroleum and coal sub-sectors performed below their expected levels largely due to a number of operational problems.

46. Government continued to implement the National Energy Policy, formulated in 1994, to guide developments in the supply and demand of the various energy sources. Since then, the energy sector has been going through a number of reforms to conform with the changed macro-economic environment, in which liberalisation and private sector involvement are encouraged.

3.3.2 Sector Performance

i) Electricity

47. Electricity generation during in 1999 was 6,508,888 Mega Watt hour (MWh), up by 2.3 percent compared to 6,363,026 MWh in 1998 [Table 3.8]. The increase in generation is attributed to an increase in units exported during the same period.

Table 3.8: Electricity Generation (in MWh)

	1998	1999	% Change
Main Hydro Stations	6,314,866	6,460,978	2.3
Mini Hydro Stations	35,544	35,011	-1.5
Diesel	12,616	12,899	2.2
Total	6,363,026	6,508,808	2.3

Source: Zambia Electricity Supply Company Ltd.

48. The volume of electricity exports improved in 1999 compared to 1998. Whereas 396,968 MWh of electricity were exported in 1998, about 428,266 MWh with a value of US $4,747,824 was exported during 1999, representing a 7.9 percent increase. While the volume of electricity exported increased, the revenue from exports dropped by about 19 percent from about US $5,883,636 to US $4,747,824 [Table 3.9]. This was attributed to the fact that Zambia Electricity Supply Company (ZESCO)'s power purchase agreement with Zimbabwe expired in August 1999, and was replaced by price for emergency power, which has a lower rate.

Table 3.9: Electricity Export (January – October, 1999)

Country	MWh	(US$)
Congo DR	2,073	173,279
Tanzania	2,840	313,148
Botswana	8,174	326,653
Namibia	15,558	455,563
Zimbabwe	40,075	449,722
South Africa	359,545	3,029,458
Total	**428,226**	**4,747,825**

Source: Zambia Electricity Supply Company

49. Retail consumption in the country declined by 5.7 percent from 1,165,442 MWh in 1998 to 1,099,307 MWh in 1999. The fall was attributed to reduced energy demand in the industrial sector.

50. Electricity demand by the Copperbelt Energy Company from ZESCO also declined by 5.3 percent during the period under review. By October 1999, the consumption was 3,086,178 MWh compared to 3,261,414 MWh consumed during the same period in 1998.

51. During the year under review, ZESCO effected normal tariff adjustments in April by 15 percent. However, the planned tariff adjustment by ZESCO in October, 1999 using the Automatic Tariff Adjustment Formula (ATAF) was disapproved by the Energy Regulation Board (ERB), on the basis that ZESCO did not meet the conditions for invoking the ATAF.

52. Government continued to promote the development and dissemination of information on viable new and renewable sources of energy technologies. This was incorporated in the Rural Electrification Programme to demonstrate its viability and it has already shown great promise in meeting the energy requirements of remote rural areas that are very far from the national grid. Furthermore, in 1999 Government decided to offer tax rebates on solar modules (panels) imported into country. With the assistance of the Swedish Government, a project was launched to make it easy for people in rural areas to access solar energy equipment through energy service companies. The project had since started as a pilot scheme in the Eastern Province of Zambia.

ii) Petroleum

53. During the period January to May 1999 crude oil imports declined by 24.8 percent, from 242,505 tonnes in the corresponding period of 1998 to 182,488 tonnes. During the months June to December 1999, there were no imports of crude oil into the country. This was mainly as a result of the destruction by fire of part of the plant at INDENI Petroleum Refinery. Similarly, the volume of petroleum products sold in 1999 dropped from 449,711.91 tonnes in 1998 to 378,881.56 tonnes in 1999, representing a drop of 18.7 percent [Table 3.10]. The poor performance was mainly on account of initial logistical problems that the Zambia National Oil Company encountered in moving the volumes of petroleum products to meet the national demand. In addition, reduced demand from the mining sector, contributed to the unsatisfactory performance.

Table 3.10: Total Sales of Petroleum Products (in tonnes)

Product	1998	1999	% Change
Petrol	106,914	101,302	-5.2
Domestic Kerosene	22,800	19,004	-16.6
Industrial Kerosene	7,318	3,595	-50.9
Diesel	189,733	175,174	-7.7
Jet A1 Fuel	23,590	9,015	-61.8
Low sulphur Gasoil	9,164	3,652	-60.1
Heavy Fuel Oil	74,712	60,811	-18.6
Light Fuel Oil	11,131	4,645	-58.3
Liquified Petroleum Gas	1,531	451	-70.5
Bitumen 80/100	2,414	1,108	-54.1
Cut Back	281	63	-77.6
Light Gaslin	50	37	-26.0
Butane	33	-	-
Reformate	41	24	-41.5
Total	**449,712**	**378,882**	**-15.8**

Source: Zambia National Oil Company

iii) Coal

54. The performance of the coal sub-sector during 1999 was unfavourable. The demand for 1998 was 206,611 tonnes as compared to 143,731 tonnes for 1999, representing a drop of about 30 percent. This was due to the fact that the major consumers of coal had serious operational and marketing problems. Consequently, the fall in demand also led to the drop in coal production from 193,960 tonnes in 1998 to 136,288 tonnes in 1999, representing a drop of 42.3 percent.

iv) Water

a) Water Supply and Distribution

55. The number of households in Zambia was estimated at 1.9 million in 1999 and of these 62 percent were in the rural areas and 38 percent were in the urban areas.

56. Protected wells, boreholes and taps are regarded as safe sources of water, while unprotected wells and rivers, lakes and dams are considered unclean or unsafe sources of water supply. Current estimates are that 55 percent of households in Zambia had access to clean (safe) water in 1999 [Table 3.11]. Access to safe water was more common in urban areas than in rural areas. In urban areas 90 percent of households had access to safe water while only 35 percent of rural households had access to safe water. Lusaka Province had the highest proportion of households with access to safe water at 93.0 percent, followed by Copperbelt Province (77.0 percent) while Luapula Province had the least (20.0 percent).

57. Copperbelt and Lusaka Provinces had the highest proportion of households with own-tap, as the main source of water supply at 42.0 and 30.0 percent of the number of households, respectively. Central and Southern Provinces also quite a significant proportion of households with own-tap, as the main source of water supply.

Table 3.11: Proportion of Households with Access to Clean Water, 1996-1999.

Rural/Urban Province	Population		Access to Safe Water (%)		Access to Own-Tap Water (%)	
	1996	**1999**	**1996**	**1999**	**1996**	**1999**
Rural	6,010,000	6,568,306	28	35.0	2.0	1.0
Urban	3,506,000	3,831,694	82	90.0	47.0	43.0
Central	944,000	1,031,694	51	61	14	20
Copperbelt	1,685,000	1,841,530	67	77	50	42
Eastern	1,225,000	1,338,798	40	44	4	2
Luapula	667,000	728,962	10	20	1	3
Lusaka	1,427,000	1,559,563	88	93	35	30
Northern	1,147,000	1,253,552	11	24	2	4
North-Western	531,000	580,328	18	36	4	2
Southern	1,168,000	1,276,503	55	63	9	14
Western	721,000	787,978	28	37	4	3
All Zambia	**9,516,000**	**10,400,000**	**47**	**55**	**17**	**16**

Source: Central Statistical Office

58. The amount of water that was supplied to the main towns in Zambia through public works improved. This was attributed to rehabilitation works that were carried out on the bulk supply in the mine townships of Ndola, Kitwe, Luanshya, Mufulira, Chingola, Kalulushi, and in Kafue, Mazabuka and Livingstone. The quantities supplied in each town ranged from 30 - 70 million cubic meters per annum, representing an increase of between 20 – 30 percent in these towns, whilst supply in Lusaka remained constant at 75 million cubic meters.

59. Whereas there was an increase in the supply of water in bigger towns, smaller towns experienced reduced supply of between 10 percent and 20 percent. This reduction was attributed to reduced hours of supply in order to cut down on operating costs.

60. The consumption per capita in areas supplied with water remained very high. In the main cities the average consumption was between 300 and 400 l/c/d. This was much higher compared to other African countries with better water demand management, where the consumption is at 100 l/c/d. The high consumption per capital is attributed to lack of metering and the use of flat rates, which do not restrain consumers from over consumption. In the smaller towns, where consumption is controlled by erratic or limited hours of supply by the service providers, it ranged between 40 l/c/d to 100 l/c/d.

b) Water Resource

61. There are two river systems in Zambia. These are the Zambezi and Congo. The Zambezi river System is divided into three main rivers, namely, the Zambezi , Kafue and Luangwa. The Congo River System includes Lake Tanganyika, the Chambeshi and Luapula rivers with their tributaries. In the 1998/99 hydrological year (October to September) there was great improvement in both water levels and discharge (flows) in all the river basins in Zambia. This was attributed to good rainfall since both meteorological and hydrological parameters tend to have a close relationship. It is in this respect that even the Kafue basin, which has recorded the severest drought so far, with departures from the mean of over -66 percent (1924), recorded an increase in both stage and discharge. The rest of the basins recorded similar increases [Table 3.12].

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Table 3.12: Information of Monthly Flows (October 1998 to September 1999)

Month	Kafue River at Hook Bridge	Zambezi River at Chavuma	Zambezi River at Nana's Farm	Zambezi River at Luangwa River At Luangwa Road Bridge:
October	29	51	242	42
November	19	61	213	36
December	87	137	322	117
January	407	554	521	n/a
February	586	1,631	833	n/a
March	95	1,867	1,879	n/a
April	813	2,482	2,691	n/a
May	480	680	3,052	n/a
June	215	285	1,747	n/a
July	1,337	158	n/a	n/a
August	105	94	421	n/a
September	76	57	303	n/a

Source: ***Ministry of Energy and Water Development***

3.3.3 Outlook

62. The performance of the electricity sub-sector is expected to improve following the completion of the privatisation of the remaining major assets of ZCCM. However, electricity exports are not expected to increase significantly from the 1999 levels, while the petroleum sub-sector is expected to be adversely affected by the rising price of oil on the international market.

63. Water supply is expected to improve with the continued rehabilitation and good management. The water flow in the main river basins of Zambia is expected to remain at normal levels, following the forecast by the Meteorological Department that the amount of rainfall in the country in the 1999/2000 rain season would be normal.

3.4 TRANSPORT AND COMMUNICATIONS

3.4.1 Overview

64. The Transport and Communications Sector experienced a substantial increase in the level of activity during the year under review. In real terms, value added increased to K149.7 billion in 1999 compared to K145.7 billion in 1998, representing an increase of 2.8 percent. The positive performance was caused mainly by road transport and communication sub-sectors.

3.4.2 Sector Performance

i) Road Transport

65. A significant increase in real output of 5.0 percent in the road transport sub-sector was registered during 1999. The value added increased from K67.7 billion in 1998 to K71.1 billion in 1999. Continued road rehabilitation and maintenance works under RoadSIP was the main contributory factor to this increase. Road works in Kitwe and Ndola cities were commissioned under the IDA credit at the values of US $6 million and US $4 million, respectively during the year under review.

66. Preliminary data shows that disbursements were below planned level by US $94.8 million [Table 3.13]. The low disbursements were partly attributed to delayed conclusion of contracts such as the Monze-Zimba and Kabwe-Kapiri-Mposhi roads, Ndola and Kitwe City roads and funding for Technical Assistance.

Table 3.13: Status of Financing under RoadSIP I

Source of Funding	PreliminaryJan-Dec1999(US $Million)	Workplan for 1999 (US $Million)
Road Fund (fuel levy)	6.79	17.50
GRZ (Rehab/Mainten.)	29.95	26.79
Donors (Bilateral) (Rehab/Cons)	27.71	80.43
World Bank	9.26	43.79
Total	73.71	168.51

Source: Ministry of Transport and Communication.

67. The bulk of passenger and cargo transportation in Zambia continued to be by road. The passenger transport sub-sector continued to be dominated by the private sector. United Transport and Taxis Association (UTTA) was the key player in the passenger transport industry. In the freight industries the major operators during 1999 were Truckers Association of Zambia, Federation of Road Transport Hauliers (FEDHAUL) and international operators.

ii) Railway Transport

68. Based on preliminary data, value added in the rail transport sub-sector declined from K11.4 billion to K10.0 billion in 1999, representing a fall of 12.1 percent. The unsatisfactory performance mainly resulted from poor infrastructure and equipment, which adversely affected the transit times. Consequently, performance of freight mainly, at Zambia Railways, was adversely affected and declined by 3.3 percent from 1,649,144 tonnes in 1998 to 1,594,534 tonnes in 1999.

69. Under the restructuring programme, Zambia Railways Limited was to reverse both the freight and passenger traffic decline experienced in the past few years. Government took steps to restructure the company to make it more attractive to the private sector. With an overall objective of rationalising operations to maximise utilisation of available resources, Zambia Railways reduced track gangs and increased use of contractors, which resulted in greater correlation between output and expenses incurred. In the on-going track rehabilitation, priority was on completing works on sections already re-laid with concrete sleepers in order to have long welded rails and improve speed of the trains. During the year under review, Zambia Railways managed to put a total of 23,546 concrete sleepers, representing a distance of 16.82km on the track. Apart from this, the overhauling of Chambeshi - Mufulira Branch line from 60lb to 80lb track standard representing 1.20km, was done.

iii) Air Transport

70. The liberalised air transport sector continued to be run by the private sector both in passenger and cargo services on various routes. Zambian Airways (formerly Roan Air) introduced an inter-continental flight on the Lusaka-London route. During the year under review, a total of 15 Zambian registered holders of air service permits operated as scheduled airlines carrying passenger and /or cargo [Table 3.14]. In addition, a number of international airlines such as British Airways, South African Airways, Kenya Airways and Ethiopian Airlines, Air Malawi, Air Zimbabwe, Royal Swazi, Angolan Airways, Com Air, Air Tanzania, Ugandan Airlines, and Air Namibia, continued to operate in Zambia.

Table 3.14: Zambian Registered Airlines Operating in 1999

Airline	Type of service
Aero Zambia	Domestic and regional passenger services
Eastern Air	Domestic passenger services
Zambian Airways	International and Domestic passenger services
Travel International	Domestic passenger services
Stabo Air	International cargo services
Southern Aviation	International cargo services
DHL Int. Charters	Cargo services
ACOCET Air Charters	Cargo services
Airwaves Ltd.	Cargo services
DEL Air (Z) Ltd.	Cargo services
Batoka Sky Ltd.	Cargo services
Stravia Ltd.	Cargo services
Zambia Flying Doctor Service	Passenger/ ambulatory services
Int. Red Locust C.O.	-
Equitair	Cargo services

Source: ***Department of Civil Aviation, Ministry of Communications and Transport.***

iv) Water Transport

71. During the period under review, the water transport sub-sector continued to play its role in providing transport services to areas, which can not be accessed by other means of transport. These included the Lakes Bangweulu and Mweru areas, the Luapula river estuary, Lake Kariba, Zambezi flats area, Itezhi-tezhi dam and the waters of Lake Tanganyika. The economic activities in water transport sector, in 1999, were adversely affected by the fluid political and security status of the Great Lakes Region. As a result, Mpulungu port had very low economic activities as it was more affected than other areas. There were also the usual and almost perpetual operational problems that continued to hamper the operations of Mpulungu port. Mpulungu Harbour Corporation was insufficient handling equipment, which greatly reduced its capacity of handling cargo.

v) Communications

72. Output in the communications sub-sector increased marginally during the year under review. Value added in 1999 stood at K 42.5 billion compared to K42.0 billion in 1998, representing a growth of 1.08 percent. The marginal growth could be attributed to inadequate fresh capital injection in the sub-sector, with a few new entrants into the market being registered, and only mild expansion programmes being undertaken by the existing players.

73. Zambia Telecommunications Company Limited (ZAMTEL) remained the major all-round provider of all types of telecommunication services throughout the country. ZAMCELL emerged as the leading provider of mobile cellular GSM telecommunications whilst ZAMNET led the Internet and e-mail markets [Table 3.15].

74. Zambia Postal Services Corporation Limited (ZAMPOST) operated 121 Post offices through 309 outlets and 80 sub-post offices country-wide. It continued providing postal services (mail and money transfer) throughout the country. Other companies such as DHL, Coppernet, Skynet, Postnet, provided courier services particularly in urban areas and along the line of rail.

Table 3.15: Other Indicators During the Period Under Review as at 30th June 1999

Telecommunications Operators	Operating Company (Service)	Subscribers	Equipped Capacity
		1999	1999
Zamtel	Mobile	5,288	5500
	Basic Telephony	78,257	126,544
Telecel	Mobile	6,233	10,000
Zamcell	Mobile	5,200	10,000

Source: Ministry of Transport and Communication

75. Rural areas continued lagging behind in terms of connectivity to modern communications systems. The reason was largely due to no real incentives for private telecommunication providers to venture into rural areas, where operations remained predominantly unprofitable [Table 3.16].

Table 3.16 : Companies in Operation in 1999

Media Operation	Company
Public Switching telephone Network	Zambia Telecommunications Company
Internet Services	Zambia Telecommunications Company ZAMNET COPPERNET
Mobile Telecommunication System	Zambia Telecommunications Company ZAMCELL TELECELL
Broadcasting Services (sound)	Yatsani Zambia National Broadcasting Services Radio Phoenix Christian Voice International Radio Lyambai Radio Maria
Broadcasting Services (television)	Zambia National Broadcasting Services Multichoice Kaleidoscope Trinity Broadcasting Network Cable and Satelite Television GOSAT

Source: Ministry of Transport and Communications

3.4.3 Outlook

76. The Government constituted a Task Force to prepare a project proposal, to secure another credit from the World Bank and donors in order to bridge the financing gap between what was already pledged and what was required to attend to the entire core road network in Zambia through RoadSIP II. The document was ready in September 1999. It is hoped that most of the roads leading to economic areas will be rehabilitated once this credit is secured.

3.5 MANUFACTURING

3.5.1 Overview

77. Preliminary data shows that real value added increased from K247.2 billion in 1998 to K254.2 billion in 1999, representing an increase of 2.8 percent. The observed increase was a result of many factors, of which the most significant were the continued implementation of economic reforms such as privatisation, liberalisation of trade and investment. These reforms helped to improve efficiency and productivity in many sub-sectors, which were able to withstand foreign competition. Further, the suspension of duty on some imported industrial inputs provided an impetus to the performance of the sector.

78. However, there were some inhibiting factors to output expansion in this sector. These included foreign competition and high cost of production. The difficulties in the sale of ZCCM also negatively affected performance.

3.5.2 Sector Performance

79. The increase in value added in the manufacturing sector was accounted for mainly by the favourable performance in the food, beverages and tobacco (6.0 percent), textile and leather (5.5 percent), paper and paper products (5.0 percent) sub-sectors.

80. The good performance of the food, beverages and tobacco sub-sector was mainly due to output increases in the dairy, beef, milling and beverage industries. Improved efficiency and productive gains in these industries following privatisation enabled these industries to withstand adverse competition. In the textile and leather sub-sector, foreign demand continued to be the main source of growth.

81. Chemicals, rubber and plastics, and fabricated metal products were the main sub-sectors that deducted from real value added in the manufacturing sector. The real value added in these sub-sectors declined from K18.7 billion in 1998 to K15.5 billion in 1999 and from K7.3 billion in 1998 to K5.9 billion in 1999, respectively. The difficulties in the completion of the sale of the remaining assets of ZCCM was the main factor contributing to the decline in the fabricated metal products industry. The unfavourable performance of the chemicals, rubber and plastics sub-sector, was caused by the changes in lines of business by large establishments from manufacturing to trading and the closure of the Indeni Refinery plant due to fire [Table 3.17].

Table 3.17: Industrial Production by Sub-sector in 1994 Prices (K' Billion)

Sub-sector	1996	1997	1998	1999	98/99 % Change
Food, Beverages and Tobacco	144.3	138.6	146.0	154.8	6.0
Textiles and Leather Products	27.1	39.1	42.4	44.8	5.5
Wood and wood Products	18.1	19.6	19.2	19.3	0.3
Paper and paper Products	4.8	7.2	7.3	7.6	5.0
Chemical, Rubber and Plastics	20.6	22.5	18.7	15.5	(16.8)
Non-metallic Mineral Products	4.7	4.1	4.5	4.4	(1.3)
Basic Metal Products	3.1	3.3	1.3	1.3	4.3
Fabricated Metal Products	7.9	8.0	7.3	5.9	(19.8)
Other Manufactures, n.e.c.	0.5	0.5	0.5	0.6	21.6
Total Manufacturing	231.1	242.8	247.2	254.2	2.8
Total GDP	2,329.8	2,405.6	2,360.4	2,418.0	2.4
Share of Manufacturing in total GDP	9.9	10.1	10.5	10.5	

Source: Central Statistical Office

82. The rapid growth in the sector continued to be hampered by many factors. These were high production costs particularly caused by high utility costs of electricity, petroleum products, water and transport. Insufficient long-term development finance also adversely affected the performance of this sector. In addition, declining demand to and from ZCCM and the continuation of the civil conflict in the Congo DR and the Great Lakes region compounded the performance of the sector.

3.5.3 Outlook

83. The recent signing of the agreement for the sale of the three large asset packages in the mining sector is expected to boost investor confidence. This is expected to increase industrial activity, especially in the fabricated metal sub-sector that is a support sub-sector to the mining operations.

84. The provision of long term finance is expected to improve. This is premised on the operationalisation of the Enterprise Development Fund expected to be administered by the Central Bank. Over and above Government's efforts to reduce inflation further and create a stable macro-economic environment is expected to provide the much-needed booster to the confidence in the manufacturing sector. Expectations about the resolution of the civil strife in the Congo DR and the Great Lakes region will also boost performance.

3.6 TOURISM

3.6.1 Overview

85. During the year under review, performance of the tourism sector was satisfactory. Selected indicators used for measuring performance of the sector revealed that there was an increase in the number of tourist arrivals and tourism receipts. The positive performance of the sector was partly attributed to the liberalisation of the travel industry and prevalence of peace in the country.

86. In 1999, the Tourism Policy, which was first drafted in 1997, was approved and adopted as a guide for the development of the tourism industry in the country. In pursuing its objective of strengthening wildlife conservation and management, Government during 1999 transformed the National Parks and Wildlife Services Department into an autonomous entity, the Zambia Wildlife Authority (ZAWA).

87. Despite the good performance of the tourism industry, poor access roads and communication infrastructure, unreliable local air network and insufficient financial resources continued to constrain performance of the sector.

3.6.2 Sector Performance

88. Preliminary estimates for the tourism sector indicate that the total number of tourists increased by 22.9 percent, from 472,254 in 1998 to 580,781 during 1999. Of the total number of tourists, 456,151 were international tourists and 124,630 were domestic. Similarly, revenue receipts increased by 14.1 percent from US $74.7 million recorded in 1998 to US $85.2 million in 1999. The rise in tourist arrivals was partly on account of the liberalisation of the travel industry and prevailing peace in the country. However, bed occupancy rates declined from 41.2 percent in 1998 to 36.6 percent in 1999, representing a fall of 4.6 percentage points [Table 3.18]. This was mainly attributed to the low utilisation of tourist facilities.

Table 3.18: Selected Indicators for the Tourism Sector, 1995 to 1999

Tourist Category	1995	1996	1997	1998	1999*
International	163,000	263,986	340,896	362,025	456,151
Domestic	75,727	47,032	97,151	110,229	124,630
Total	**238,727**	**311,018**	**438,047**	**472,254**	**580,781**
Percent Change (annual)		**30.1**	**40.8**	**7.8**	**22.9**
Room Occupancy Rate	47.0	40.8	49.4	40.3	41.5
Bed Occupancy Rate	36.0	31.8	41.2	41.2	36.6
Revenue (US $ million)	46.7	59.8	75.5	74.7	85.2
Percent Change (annual)		**28.1**	**26.3**	**-1.1**	**14.1**

Source: Zambia National Tourist Board
**** Preliminary***

89. The realisation of the full potential of the sector continued to be constrained by the poor state of infrastructure such as access roads, telecommunications and airports, inadequate skilled human resources and lack of good hospitality services.

3.6.3 Tourism Development

90. During the review period, implementation of the commercialisation programme, which was started in 1996 continued. Of the 54 tourist facilities identified in 1996, two lease agreements on the Chichele and Rainbow lodges were signed in 1999. This brought the total of signed lease agreements to 28.

91. Developments on the privatised Mosi-Oa-Tunya Inter-continental Hotel in Livingstone, began in 1999, with contractors moving on site. The necessary groundwork and demolition of the old hotel and part of the Rainbow Lodge were carried out to pave way for the construction of the new Sun International Hotel.

92. A number of pledges for investment in tourism were made in the year under review. This was in response to Government's commitment to making Zambia the destination of choice for tourists and the gateway to tourism in Southern Africa. In 1999, investment pledges amounted to US $64.01 million, down by 44 percent from US $92.2 million registered in the previous year. These pledges are expected to generate employment for about 1,396 people in the different categories [Table 3.19].

Table 3.19: Pledged Investments in the Tourism Sector

Category	Investment (US $Million)	Percent of Total	Expected Jobs to be Created
Accomodation	59.90	93.58	1,075
Tour Operations	2.50	3.91	185
Travel Agency	0.60	0.94	84
Car Hire	0.95	1.48	40
Restaurants/Night Clubs	0.06	0.09	12
Total	64.01	100	1,396

Source: Zambia National Tourist Board

3.6.4 Wildlife Conservation and Management

93. In order to strengthen wildlife conservation and management, Government, in November 1999 transformed the National Parks and Wildlife Services Department into an autonomous entity, the ZAWA. During the same period, the Board of Directors was appointed.

94. During the period under review, the number of poachers arrested fell by 18 percent from 865 recorded in 1998 to 714 in 1999. Likewise, the number of short-guns, rifles, ammunitions, vehicles, assorted animal skins and elephant tusks confiscated from suspected poachers declined from the levels of 1998 [Table 3.20].

95. number of poachers and property confiscated decreased mainly on account of active involvement of local communities in various wildlife conservation and management activities through the Administrative Management Design for Game Management (ADMADE) project. This project collected revenue amounting to US $1.83 million mainly from the sale of hunting licenses. This represented a 5.8 percent increase from US $1.73 million realised in 1998. However, inadequate vehicles for carrying out patrols and other administrative constraints hampered the work of the wildlife police officers.

Table 3.20: Anti-poaching Seizures and Arrests, 1996 to 1999

Seizures/Arrests	1996	1997	1998	1999	% Change 1999 / 1998
Arrests	1,213	1,184	865	714	(17.6)
Short-guns		70	63	41	(34.9)
Assorted rifles	261	299	156	100	(35.9)
Muzzle loading guns	1,720	297	164	249	51.8
Locally made guns	-	-	-	260	-
Ammunitions	-	-	1,176	361	(69.3)
Vehicles	5	-	3	1	(66.7)
Assorted animal skins	30	-	21	5	(76.2)
Elephant tusks/Ivory	85	253	34	29	(14.7)
Assorted poaching equipment	-	-	121	442	265.3
Other items*	-	-	303	6	(98.0)

Source: Department of National Parks and Wildlife
-Data not available
****Other items include boats, engine, and hippo teeth***

3.6.5 Outlook

96. ism is among the sectors which have been identified as sources of growth for the country over the medium term. To this effect, Government will accord high priority to rehabilitating the tourist access roads on the key tourist destinations of the country such as South Luangwa, Lower Zambezi, Kafue and Livingstone National Parks. Improved tourist access roads will lead to an increase in the number of tourists as the tourist season will become longer than the present five months, to include the rainy season, when roads are inaccessible.

3.7 BUILDING AND CONSTRUCTION

3.7.1 Overview

97. the year under review, the construction sector output increased from K111.2 billion in 1998 to K123.7 billion in 1999 representing a growth rate of 11.2 percent in real terms. This represents a rebound from a decline of 10.1 percent in 1998. The key factors responsible for the increase in value added in the construction sector were road maintenance and construction, housing development and business real estate. During the year under review, Government continued with the implementation of the Road Sector Investment Programme (RoadSIP) which was launched in 1997 and the sale of Government and council housing stock. Further, construction under the Presidential Housing Initiative (PHI) began.

3.7.2 Sector Performance

i) Housing Development

98. Government home ownership initiative was accelerated during 1999 through the selling to sitting tenants of Government Council houses. Under the Presidential Housing Initiative a number of houses of high, medium, and low cost were constructed. The sale of Government and Council houses influenced the increase in the value added through the rehabilitation and expansion of the old dilapidated units, by the new private owners. This led to an increase in cement sales in the domestic market on account of increased demand for extra housing stock, rehabilitation and public works.

ii) Road Construction and Maintenance

99. ng the year under review, the Government through RoadSIP, carried out some rehabilitation work covering a stretch of 4,443 km of feeder roads in most parts of the country. Further, rehabilitation and maintenance of community roads was undertaken under the Social Recovery Project (SRP). The construction of community roads was facilitated through community participation and cost sharing. The World Food Programme (WFP) also participated in rehabilitation of feeder roads and community roads in Western, Southern, Eastern and Northern Provinces through Food for Work and Cash for Work Programmes. Other major trunk, priority, feeder and community road projects were on-going [Tables 3.21 and 3.22].

Table 3.21: Projects completed

Project Name	Distance (Km)	Cost (US$ million)	Funding Agent
Lusaka road works	65	30	JICA
Priority roads (Rehabilitation)	40	8	National Roads
Feeder Roads (Central, Copperbelt and Lusaka)	-	-	European Union
Feeder Roads (North-Western and Southern)	-	-	IFAD
Feeder Roads (Central, Luapula, Lusaka, Northern and Southern)	-	-	ZAMPID
Kafue-Mazabuka (Munali Hills)	103	20	NORAD
Lusaka-Luangwa Bridge	221	23	GZR/ADB
Luangwa Bridge (Strengthening)	-	-	DANIDA

Source: Ministries of Finance and Economic Development and Works and Supply

Table 3.22: On-Going Projects

Project Name	Distance(KM)	Cost (US$)	Funding Agent
Great North Road (Kapirimposhi - Serenje)	-	35	DANIDA
Great North Road (Serenje - Mpika)	236	7	IDA
Great North Road (Mpika-Chinsali)	168	4	IDA
Great North Road (Chinsali - Nakonde)	210	4.1	IDA
Priority Lusaka Roads (Rehabilitation)	50	1	GRZ
Feeder Roads (Eastern)	1280	-	UNCDF/UNDP
Feeder Roads (Luapula, Northern and western)	4000	10	IDA
Improvement of capacity building	-	-	DANIDA/IDA
Improvement of community roads	-	2	JAPAN/NORAD
Encouraging non-motorised transport	-	0.5	IDA
Mutanda-Kasempa	103	15.4	IDA
Luanshya-Mpongwe	66	17	GRZ
Choma-Namwala	91	19	GRZ
Training of contractors/consultants	-	-	GRZ
Road maintenance	-	15 (Annual)	NORAD/ILO
Kaoma-Mongu	52	1.5	GRZ
Lundazi-Muyombe	100	1.49	GRZ
Nchelenge-Luchinda	124	3.55	GRZ

Source: Ministry of Transport and Communications

3.8 PRIVATE SECTOR DEVELOPMENT

3.8.1 Overview

100. Government continued to pursue economic policies primarily aimed at facilitating sustainable growth in the economy, and ensuring the effective transfer of economic activities to the private sector. In order to increase and boost private sector participation and competitiveness, Government in the 1999 Budget suspended duty on some industrial and agricultural machinery and reduced imported duties on some manufacturing inputs. In addition, tariffs were increased on imported products that compete with local products. Furthermore, in order to enhance private sector operations and investments, Government solicited for development finance from co-operating partners.

101 The performance of the private sector in 1999 was constrained by a number of factors such as the prolonged privatisation of ZCCM's main asset packages and the attendant cash-flow problems it created for all companies and institutions associated with it. In addition, civil strife in some neighbouring countries impacted adversely on private sector performance. Despite these setbacks, the private sector generally performed well and has continued to grow in importance in driving the economy forward.

3.8.2 Sub-sector Performance

i) Privatisation and Parastatal Sector Reform

102 Since the commencement of the privatisation programme in late 1992, over 238 companies/business units have been privatised [Table 3.23]. However, this number excluded the 176 trade sector and other properties, which had been sold. During 1999, four companies/business units were privatised.

103. Government desire in 1999 was to ensure finalisation of the sale of all the mining assets. A Sale and Purchase Agreement with Anglo-American Corporation to purchase the Konkola, Nampundwe Mine and Nchanga Divisions of ZCCM was signed on 15th December 1999. The transfer of assets to Anglo-American Corporation is expected early in 2000. In addition, an agreement was reached between the Government and the consortium of First Quantum Minerals and Glencore on the sale of Nkana (excluding the smelter) and Mufulira Mines. This transaction is also expected to be completed early in 2000.

Performance of privatised companies

104 During 1999, sample-based studies of privatised companies revealed the following:

Pre-privatisation

- over half the companies were performing badly (either loss making or heading in that direction);
- dividends, when paid were around a third of profit before tax; and
- there were low levels of capital expenditure.

Post-privatisation

- profitability generally improving;
- significant levels of capital expenditure were planned and undertaken;
- dividends went up to half of profit before tax;
- redundancies took place in some companies;
- export earnings remained relatively stable; and
- some companies closed down.

Table 3.23: Privatisation Programme Status

	Dec 94	Dec 95	Dec 96	Dec 97	Dec 98	Dec 99
Completed privatisation deals (cumulative)	15	60	189	213	224	234
Negotiations completed (per annum)		12	4	8	6	2
Heads of Agreement Signed (per annum)		30	5	2	6	2
Companies/Units Privatised (cumulative)	15	102	194	223	236	238
Companies under negotiation (per annum)	4	24	6	33	20	16
Companies under preparation (per annum)	32	12	53	25	16	26
Commercialisation of Govt. Departments				31	31	31
Total Working Portfolio	**52**	**210**	**253**	**312**	**303**	**311**

Source: Zambia Privatisation Agency

ii) Investment and Export Promotion

105. The investment and export promotion activities were vigorously implemented during the year under review. However, despite an aggressive promotion programme in 1999, the value of investment pledges only amounted to US $153.3million, down from US $1,026 million in 1998 [Table 3.24]. In terms of the distribution of pledged investment, the service sector accounted for 42.8 percent, the manufacturing and agriculture sectors for 21.4 percent and 20.0 percent, respectively. Mining and tourism accounted 6.7 percent and 5.8 percent, respectively. As a result of reduced value of the pledged investment, the number of jobs which had been expected to be created also dropped from 6,253 in 1998 to 5,136. The reduction in the value of pledges was attributed to reduction of pledged investments in the mining and energy sectors, which normally attract huge capital investments. The difficulties in the sale of the remaining major mining assets explains the low value of pledges in the mining sector.

Table 3.24: Investment Pledges: 1998 and 1999

Sector/ Sub-sector	1998			1999		
	No. of Projects	**Pledged Employment**	**Value in US $'000**	**No. of Projects**	**Pledged Employment**	**Value in US $'000**
Agriculture	25	2,011	43,420.3	20	925	30,624.6
Manufacturing	45	1,866	113,853.1	46	2,269	32,785.1
Tourism	26	752	92,273.4	18	336	8960.3
Construction	10	373	33,018.7	6	102	1,988.6
Transport	3	19	14,795.7	1	36	1,360.0
Mining	1	0	245,000.0	4	908	10,221.0
Fisheries	1	41	90.0	1	11	57.0
Service	24	1,162	483,173.6	25	507	65,643.1
Health	3	29	526.4	1	42	1,600.0
Total	**138**	**6,253**	**1,026,151.2**	**122**	**5,136**	**153,270.0**

Source: Zambia Investment Centre.

iii) Promotion of Non-traditional Exports

106 Efforts to promote exports continued in 1999. In this regard, Zambia participated in four international trade fairs, including the Zambia International Trade Fair. From the fairs held in Botswana Egypt and Kenya, a total of US $12.6 million worth of orders was received. In addition, market research missions were undertaken to Tanzania and Mozambique. Thirdly, supply surveys, export awareness and sensitisation workshops and monitoring visits were also undertaken.

107 Inspite of an increase in the volume of exports for most of the non-traditional commodities, the value of non-traditional export receipts declined by 8.1 percent from US $296 million in 1998 to US $272 million in 1999. A sub-sector analysis showed that over the period January to October 1999, the value of non-traditional exports amounted to US $238.7 million as compared to US $251.3 million over the same period in 1998. [Table 3.25]

Table 3.25: Non-Traditional Exports, 1998-99 (in US $'000)

SECTOR	Jan. to Oct. 98	Jan. to Oct. 99	%change
Animal Products	3,716.5	2,276.8	(38.8)
Building Products	7,501.7	5,419.5	(27.8)
Chemical Products	5,889.0	4,937.9	(16.2)
Engineering Products	27,279.6	19,690.1	(27.8)
Floricultural Products	25,066.2	33,123.9	32.2
Garments	210.5	312.9	48.6
Gemstones	8,689.0	11,513.5	32.5
Handicrafts & Curios	111.9	180.2	61.0
Horticultural Products	17,417.2	19,474.3	11.8
Leather Products	2,618.1	2,508.5	(4.1)
Mining	11,703.9	2,386.7	(79.6)
Non-metallic minerals	510.5	773.3	51.5
Other Manufactures	2,348.1	4,465.2	90.2
Petroleum Oils	5,082.5	6,486.9	27.6
Primary AgricultureProducts	4,444.8	51,580.0	16.0
Processed foods	38,484.0	29,153.0	(24.3)
Re-exports	3,442.4	2,392.7	(30.5)
Scrap metal	3,585.1	5,437.5	51.7
Textiles	35,727.6	30,019.4	(16.0)
Wood Products	2,414.9	1,825.5	(24.4)
Electricity	5,080.0	4,747.8	(6.5)
TOTAL	**251,326.7**	**238,706.0**	**(-5.0)**

Source: Export Board of Zambia

108. This drop in the export earnings was attributed to a number of factors. First, there was a fall in the prices of most of these non-traditional products, resulting largely from the Asian financial crises. The fall in the export earnings was also affected by increased production of sugar, soya beans and coffee in Southern America which resulted in over-supply on the world market, including Zambia's traditional markets in the Great Lakes region and the Republic of South Africa. In turn, the drop in export receipts resulted in a shift in the rankings within the top twelve products. Table 3.26 illustrates the extent of the adverse impact of lower commodity prices on export earnings.

109 In the first ten months of 1996, cotton yarn exports were the major foreign currency earner followed by copper rods. In terms of export receipts, this pattern was general

y maintained in 1997, with cotton yarn at the top of the table and closely followed by cotton lint. The Asian financial crises started to adversely affect NTEs in 1998. Except for fresh flowers, sugar, tobacco and stock feeds, all the other export commodities recorded declines in export earnings in 1999.

110 The civil strife in the Democratic Republic of Congo (DRC) further affected export earnings. The DRC is Zambia's largest single export market in the COMESA region [Table 3.27]. The continuation of war in the DRC and in the Great Lakes states negatively affected earnings and limited the enormous potential for increased trade. In addition, non-traditional exports were affected by the financial and operational problems faced by ZCCM. These problems, in turn, affected the export competitiveness of most companies especially on the Copperbelt, resulting in those companies having insufficient working capital to finance export activities.

Table 3.26: - Developments in Major Non-Traditional Exports, January to October

Product	1996	1997	1998	1999	Percent Change
	(in US $'000)				
Fresh –flowers	10,794.5	11,948.8	25,066.2	33,123.9	32.2
Cotton lint	5,758.2	40,381.4	19,732.3	32,237.0	63.4
Cotton yarn	29,802.6	40,172.0	33,759.8	28,637.6	-15.2
Sugar	17,933.8	19,254.1	25,761.9	20,711.2	-19.6
Fresh vegetables	6,741.3	13,673.2	15,146.7	17,606.4	16.2
Gemstones	8,034.2	12,897.6	8,689.0	11,510.8	32.5
Copper rods	25,612.2	24,298.4	17,255.5	14,437.9	-16.3
Tobacco	4,435.7	12,621.4	14,051.9	12,160.2	-13.5
Cement	6,646.0	8,969.4	6,838.0	4,225.2	-38.2
Coffee	4,580.5	6,443.1	5,131.3	3,433.8	-33.1
Stock-feeds	1,028.3	2,046.7	8,182.0	3,017.0	-63.1
Electrical cables	3,458.2	4,087.2	3,982.9	2,636.7	-33.8
Sub-total	**124,825.6**	**196,793.4**	**183,597.5**	**183,737.7**	**0.1**
As % of total below	65.0	75.8	74.6	78.53	
Total to October	**192,054.5**	**259,508.8**	**246,235.5**	**233,958.1**	**-5.0**

Source: Export Board of Zambia

Table 3.27: Developments in Non-traditional Exports, (US $'000)

Country	January to October 1998	January to October 1999	% change
South Africa	46,110.9	43,920.0	(4.8)
United Kingdom	27,274.0	34,245.7	25.6
Netherlands	21,679.3	30,231.0	39.5
Congo Democratic Republic	29,727.9	28,966.7	(2.6)
Germany	19,039.7	16,351.9	(14.1)
Switzerland	14,680.2	14,957.7	1.9
Malawi	14,393.2	8,032.8	(44.2)
Zimbabwe	15,426.1	7,501.6	(51.4)
India	19,401.5	6,767.0	(65.1)
Uganda	701.9	4,911.3	599.7
Portugal	4,672.5	4,843.9	3.7
Tanzania	3,836.4	4,799.6	25.1
Spain	1,614.1	4,757.8	194.8
Belgium	565.3	4,660.0	724.3
Israel	1,129.5	2,165.1	91.7
Kenya	1,674.8	2,109.9	26.0
USA	3,309.1	1,899.7	(42.6)
Botswana	4,988.3	1,858.6	(62.7)
Burundi	2,685.2	1,791.1	(33.3)
Australia	921.8	1,721.5	86.8
Rwanda	1,732.2	1,686.1	(2.7)
Sub-total	**235,564.0**	**228,178.9**	**(3.1)**
Other	10,204.0	5775.9	(43.4)
Total	**245,768.0**	**233,954.8**	**(4.8)**

Source: Export Board of Zambia

iv) Development Financing

112 The Enterprise Development Fund, launched in June 1998, became operational after the problems earlier experienced were sorted out. The purpose of this facility is to provide the much needed development financing to the private sector, especially the small and medium–scale enterprises. As at 31[t] December 1999 seven enterprises had benefited from the fund and a total of US $2,328,500 has been disbursed for various projects.

113. The disbursed amounts were far below expectation because the participating banks did not consider it profitable and the entrepreneurs viewed the facility to be expensive. In addition, participating commercial banks rejected the initial administrative arrangement where Citibank, a competing bank, was administering the facility. Consequently, it was decided that the Bank of Zambia takes over the administration of the facility.

114. The European Union funded Export Development Programme, continued to benefit export growers of fresh flowers, fruits, vegetables, coffee, tobacco and textiles. The first phase of the five-year programme ended in June 1999. The programme was expected to be extended for another five years starting January 2000. The second phase of the facility is expected not only to benefit the above sub-sectors but also the leather and garment manufacturers through their respective associations.

115. In addition, other finances were made available to the private sector from some other development partners to help the sector source investment and operational funds. Some of these projects included the Japanese non-project grant aid facility and funds from the European Investment Bank for loans to small and medium-scale enterprises.

v) *Capital market developments*

116 During the year, performance of the capital market was mixed. The market capitalisation declined by 7 percent from US$ 301 million at end-1998 to US $280 million at end-1999 [Table 3.28]. This means that the size of the market shrunk by 7 percent in US dollar terms although there was an increase of 9 percent in Kwacha terms from K705 billion in 1998 to K767 billion in 1999.

117 In terms of activity, there were 1,905 equity trades recorded in 1999 compared to 3,772 trades in 1998, representing a decline of 49.5 percent. Also, the total volumes traded on the Lusaka Stock Exchange (LuSE) declined by 15.7 percent. Turnover, however, increased by 410 percent. The increase in turnover was mainly due to the large single block trade of 58.5 million shares in Zambian Breweries Plc. As a result, a favourable net inflow of US $12.54 million as foreign capital was recorded.

118. In spite of the number of listed companies remaining unchanged at 9, there was a noticeable increase in the number of public companies quoted on the second tier of the market. This mainly reflected market compliance by the successor companies of ZCCM's privatisation, which were incorporated as public limited companies (Plcs).

Table 3.28: Lusaka Stock Exchange (LuSE) Performance Indicators, 1996-1999.

Indicator	1996	1997	1998	1999
Market Cap US$ Million	229	705	301	280
K'million	296,097	1,651,815	705,093	767,200
No of Trades	1,376	3,741	3,772	1,905
Volume ('000)	241,381.9	269,620.2	157,861.9	133,016.7
Turnover K'million	3,428.2	11,588.4	6,465.3	32,989.8
US $'000	2,805.2	8,813.5	3,216.5	13,347.7
No of Listed Companies	5	7	9	9
No of Quoted Companies	3	3	2	6
Total No. of Companies	8	10	11	15
No of Shareholders	10,000	18,000	20,000	20,000
Net Foreign Capital inflows US$ Million	N/A	1.4	0.98	12.54
LuSE Free Float Index	--	210.70	161.48	181.43

Source: Lusaka Stock Exchange

119. The primary market in equities was completely dormant in 1999. In other words, there were no floatations (initial public offers – IPOs). This was in spite of having many state-owned companies privatised and the shares reserved for Zambian participation and ownership passed onto the Zambia Privatisation Trust Fund (ZPTF). These shares held by the ZPTF covered the following companies: Zambia Oxygen, BP Zambia, Pamodzi Hotel, Kafironda, Zambia Sugar, Rothmans and National Breweries. None of those shares were offered or released to the public in 1999 by the ZPTF.

120. The primary market in Government bonds was active. In all, there were 13 issues of the 12-month GRZ bonds and 12 issues of the 18 months GRZ bonds in the whole of 1999.

121. Secondary market activity in equities was much reduced in 1999 [Table 3.29]. This reflected weak sentiments and the lack of buoyancy to boost market participation and

equity investment. The high inflation expectations reinforced the short-term focus of investors, particularly institutional investors who opted to invest in Treasury bills and the 12-month Government bonds, as an inflation hedge.

Table 3.29: Activity on the secondary market in equities in 1999

Year	Trades		Volume (shares)		Turnover (K' million)	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
1997-Aug-Dec	1,896	248	51,761,145	13,854,780	2,095.6	1,771.9
1998	3,494	278	56,739,237	101,122,702	3,165.5	3,299.8
1999 –Dec	1,765	140	63,138,063	69,878,600	15,969,8	17,020.0

Source: Lusaka Stock Exchange

122. In the bond markets, efforts by LuSE and the Bank of Zambia to develop secondary market for government bonds continued. Consequently, the market in government bonds made steady progress and was one of the most significant developments of the year in terms of capital market growth and development. There was a noticeable increase in the trading activity of GRZ bonds on the LuSE from 17 trades in 1998 to 66 trades in 1999. Total value traded increased by 135 percent from K4,272.3 million to K10,045.4 million in 1999. [Table 3.30].

Table 3.30: Secondary Market Trading Activity in Government bonds

Year	No of Trades	Face value K'million	Actual value K'million
1997	N/A	N/A	N/A
1998	17	4,272.3	4,141.6
1999	66	10,045.4	10,096.3

Source: Lusaka Stock Exchange

123. During the year there were a number of other major developments. Firstly, Zambian Breweries Plc successfully conducted the first ever rights issue on LuSE market in August 1999. This was also the first ever-capital raising exercise by a public company on the LuSE. In a rights issue, the company creates new shares which are offered to existing shareholders on a first right of refusal basis, as a means of raising new equity finance to fund the business of the company. In the Zambian Breweries Plc rights issue, 2 new shares were offered for every 5 shares held. The rights offer raised K22,864.8 million (US $9.3 million). These funds were primarily used to retire a bridging loan the company had obtained to finance the acquisition of Northern Breweries Plc., in Ndola.

124. Secondly, the PTA Bank registered a Note Insurance Programme of US $20 million nominal value with the Securities and Exchange Commission (SEC) in December 1999. With this note, the PTA Bank would issue debt instruments (e.g. bonds) in the Zambia capital market to raise finance in 2000 for lending to support entrepreneurial activity, particularly in export based industries. This was an important milestone as it represented the first corporate bond issue on the Zambian securities market and the first attempt to introduce long-dated financial instruments beyond the current maturities of 12 and 18 months of Government bonds.

125. Thirdly, the Committee of Southern African Development Community (SADC) Stock Exchange formally announced that it had completed the first phase of its programme of integrating the SADC capital market through the harmonisation of the stock exchange listing

requirements on 8th October 1999. With this announcement, the Zambia capital market upgraded its listing requirements to an international standard. It set the stage for the LuSE to promote dual listings and cross border investment, particularly within the SADC region.

126. Fourthly, institutional investment guidelines were issued during the year. This was designed to promote the development of collective investment scheme in Zambia by channeling part of funds held by pension funds into domestic investment via the capital market. The guidelines were expected to give a major boost to the nascent Zambian capital market, and ultimately to contribute towards attainment of significant economic growth in Zambia.

3.8.3 Outlook

127. The outlook for the year 2000 is that the Zambia Privatisation Agency will undertake privatisation work involving the privatisation of 10 companies, leasing of 5 operations, offering of minority stake in 2 companies, concessioning of 2 companies and completing preparations for 3 companies [see Box 1]. Donor funding has been secured to undertake a detailed post privatisation study during 2000. Under this study, companies will be studied in a cross section of economic sectors, company size and structure. A rigorous analysis will be undertaken on the changes in performance in the companies before and after privatisation, including quantifiable analysis with comparable companies, which have always been in the private sector. In addition, efforts will be made to correlate sector and company performance with macro-economic and trade conditions, in order to provide a mechanism to try and assess the impact of privatisation

Box 2: Zambia Privatisation Agency Divestiture Work-Plan 2000

	Company	Expected progress in 2000
1.	Kariba Minerals Limited	to be privatised
2.	Kagem Mining Limited	to be privatised
3.	NHDC Lochnivar	to be leased
4.	ZCCM (All Units)	to be privatised
5.	Mpulungu Harbour	to be leased
6.	Ndola Lime Company	to be privatised
7.	New Savoy Hotel	to be privatised
8.	Zambia Forestry & Forest Company	to be privatised
9.	Kafue Textiles of Zambia	to be privatised
10.	Nitrogen Chemicals of Zambia	to be privatised
11.	Engineering Services Corporation	to be privatised
12.	Zambia Telecommunications Limited	Minority Shareholding
13.	Zambia National Commercial Bank	increase minority stake to be sold
14.	Mukuba Hotel Limited	to be privatised
15.	Lundazi Castle	to be leased
16.	Zambia Railways Limited	to be concessioned
17.	National Airports Corporation	
-	Mfuwe, Livingstone and Ndola	to be leased
18.	Mulobezi Railways	to be concessioned
19.	Zambia National oil Company	preparations to be completed
20.	Indeni Oil Refinery	preparations to be completed
21.	Zambia State Insurance Corporation	preparations to be completed
22.	Lodges and Campsites	to be leased

3.9 SCIENCE AND TECHNOLOGY

3.9.1 Overview

128. During 1999, the Government's main objective in the science and technology sector, was the acceleration in the implementation of the National Science and Technology Policy and the Technical Education Vocational and Entrepreneurship Training Policy. In this regard, the establishment of management boards in the regulatory bodies such as the Technical Education Vocational and Entrepreneurship Training Authority (TEVETA) and the National Science and Technology Council (NSTC) and making these bodies operational, formed the main focus for the year under review.

3.9.2 Sector Performance

i) Science and Technology

129. During the year under review, the board of management for the National Institute for Scientific and Industrial Research (NISIR) was established and the operations of the former National Council for Scientific Research (NCSR) were restructured. The NISIR was to focus on research and the provision technological support to industries. NISIR continued to conduct the following research programmes:

- A project on an inventory of Zambian plants with pesticidal and repellant properties was completed with the support of a grant from the Food and Agriculture Organisation (FAO). The project sites were Muswishi in Chibombo District and Lusitu in Siavonga District;

- A project on animal feed supplementation packages was undertaken in conjunction with the schools of Veterinary and Agriculture of the University of Zambia and supported by the International Atomic Energy Agency. Preliminary investigation on supply of gamma sterilised blood to tsetse facilities in Africa was also done. The project also isolated *Theileria pava,* which cause corridor disease, and characterised it and a stabilate was prepared for possible vaccine production;

- Under the project on production of potato seed (mini-tubers), three varieties of potatoes were supplied namely, Baraka: 9,428; Up-to-date: 25,691 and Pentland Del were supplied to Zambia Seed Company; and

- The Institute also provided analytical services to various companies that suppllied bottled water and those involved in borehole drilling.

ii) Technical Education Vocational and Entrepreneurship Training

130. The Government in 1999 continued to pursue the implementation of the Technical Education Vocational and Entrepreneurship Training policy initiatives and strategies, focusing mainly on increasing access to training and decentralisation of decision making process.

131. During the year under review, the enrolment in all technical colleges and trades training institutions increased by 10 percent on 1998 figures [Table 3.31]. Despite this increase in enrolment, the number of training institutions remained at twenty-three (23) as in 1998.

Table 3.31: Enrolment per Province by gender 1998 to 1999

Province	Number of Institutions		Enrolment 1998			Enrolment 1999		
	1998	1999	Male	Female	Total	Male	Female	Total
Central	2	2	536	363	899	621	321	942
Copperbelt	6	6	1,210	314	1,524	1,232	378	1,610
Eastern	2	2	60	23	83	69	24	93
Luapula	1	1	150	30	180	160	35	195
Lusaka	4	4	1,513	430	1943	1729	554	2,283
Northern	1	1	286	127	413	269	127	423
North – Western	2	2	25	26	51	23	28	51
Southern	3	3	256	230	486	303	231	534
Western	2	2	61	12	73	59	13	72
Total	**23**	**23**	**4,097**	**1,555**	**5,652**	**4,465**	**1,711**	**6,203**

Source: Ministry of Science, Technology and Vocational Training

132. The number of lecturers in the training institutions during the year under review was 714, of which 134 were females [Table 3.32]

Table 3.32: Teaching Staff by Institution, 1999

Institution	Zambian		Non Zambian		Total
	Male	**Female**	**Male**	**Female**	
Chipata Trades Training Institute	12	2	0	0	14
Choma Trades Training Institute	11	0	1	0	12
Evelyn Hone College	95	33	11	6	145
Inservice Training and Education Centre	4	0	0	0	4
Kabwe Trades Training Institute	40	11	0	0	51
Kaoma Trades Training Institute	6	0	3	0	9
Kasiya Secretarial College	7	5	0	2	14
Kitwe Vocational Training Centre	11	0	0	0	11
Livingstone Trades Training Institute	40	9	2	0	51
Luanshya Trades Training Institute	17	9	0	0	16
Lukashya Trades Training Institute	32	0	0	0	32
Lusaka Trades Training Institute	29	17	4	0	50
Lusaka Vocational Training Centre	12	0	0	0	12
Mansa Trades Training Institute	20	2	0	0	22
Mongu Trades Training Institute	13	3	0	0	16
Mwinilunga Trades Training Institute	6	0	0	0	6
Nkumbi International College	26	2	0	0	28
Northern Technical College	77	6	6	0	89
Solwezi Trades Training Institute	8	2	1	0	11
Technical and Vocational Teachers College	24	5	0	0	29
Ukwimi Trades Training Institute	6	0	0	0	6
Zambia Air Services Training Institute	24	1	0	0	25
Zambia Institute for Business Studies and Industrial Practice	9	10	1	0	20
Total	**551**	**126**	**29**	**8**	**714**

Source: Ministry of Science, Technology and Vocational Training

133. During the1998/99 academic year 2,156 students graduated from technical and trades training institutions. Out of this, there were 1,501 males and 655 females [Table 3.33].

Table 3.33: Number of Graduates from Training Institutions

Institution	Male	Female	Total
	Academic Year 1998-1999		
Chipata Trades Training Institute	0	0	0
Choma Trades Training Institute	32	0	32
Evelyn Hone College	203	136	339
Inservice Training and Education Centre	0	0	0
Kabwe Trades Training Institute	152	47	199
Kaoma Trades Training Institute	0	0	0
Kasiya Secretarial College	0	24	21
Kitwe Vocational Training Centre	0	0	0
Livingstone Trades Training Institute	100	76	176
Luanshya Trades Training Institute	185	108	293
Lukashya Trades Training Institute	108	61	169
Lusaka Trades Training Institute	173	50	223
Lusaka Vocational Training Centre	0	0	0
Mansa Trades Training Institute	34	3	37
Mongu Trades Training Institute	36	6	42
Mwinilunga Trades Training Institute	31	24	55
Nkumbi International College	112	51	163
Northern Technical College	179	17	196
Solwezi Trades Training Institute	47	13	60
Technical and Vocational Teachers College	61	29	90
Ukwimi Trades Training Institute	16	2	18
Zambia Air Services Training Institute	5	0	5
Zambia Institute for Business Studies and Industrial Practice	27	8	35
Total	**1,501**	**655**	**2,156**

Source: Ministry of Science, Technology and Vocational Training

3.9.3 Outlook

134. The Government will continue in 2000 year with the rationalisation programme in the science and technology sector. The process of forming the National Crop and Soils Research Institute will be accelerated by bringing together the Pest and Livestock Control Centre of the former NCSR and the Mt Makulu Research Station Centre of the Ministry of Agriculture, Food and Fisheries. The Government will also fully operationalise the Technology Business Centre and the National Forestry Research Institute.

3.10 ENVIRONMENTAL AND NATURAL RESOURCES CONSERVATION

3.10.1 Overview

135. During the period under review, Government's challenge in this sector remained that of reversing the decline in the quality of the environment and also to promote socio-economic development of the Zambian people in a sustainable manner. In order to address this challenge, Government continued implementing the Environmental Support Programme (ESP).

136. In addition, Government commenced the implementation of the Community Based Natural Resources Management (CBNRM) Programme in Central, North-Western, and Western Provinces on pilot basis. The CBNRM Programme was aimed at involving the local communities in sustainable management of the environment and natural resources. This programme was aimed at enabling local communities to sustainably manage and utilise their natural resources and improve their livelihoods.

13.7 Government continued to work closely with various industries on issues of production processes in the year under review to enhance a cleaner and quality environment.

3.10.2 Sector Performance

3.10.2.1 Environmental Support Programme

138. During the period under review, District and Community Institutional structures for programme implementation were established and strengthened. The Participatory Rural Appraisal (PRA) and Participatory Urban Appraisal (PUA) training at national, district and community levels were undertaken and the development of Community Environmental Action Plans (CEAPs) was completed in all the pilot districts.

139. To adequately contribute to the realisation of the ESP objectives, the implementation of activities was arranged in such a way that priority was given to Monitoring and Evaluation (M & E) System Development and the PRA training exercise for the development of Community Environmental Action Plans. The establishment of the Environmental Information System Network Forum was strengthened with the holding of a second forum workshop at which a team to facilitate the development of a Memorandum of Understanding on data and information exchange was identified. A review of media coverage of environmental issues was undertaken and by the end of December 1999 sixty study proposals were received under the Environmental Study Fund and eight studies were financed and were at different levels of progress.

3.10.2.2 *Natural Resources Management*

i) Forestry Conservation

140. The main activity done in 1999 under the Zambia Forestry Action Programme (ZFAP) was the multi-donor round table meeting that was held in Lusaka from 29th June to 2nd July. The goals of the round table meeting were to provide donors a forum to undertake a joint technical review of ZFAP activities, determine their suitability and readiness for financing and enable stakeholders to indicate their areas of interest.

141. As regards the Provincial Forestry Action Programme (PFAP), it focussed on identification of sustainable and productive land use options which would endure the extremely variable environments of the community in pilot areas. In 1999, the PFAP produced land use maps, inventory reports of different data sets showing forest resource base at village level and attribute information on livelihood system at that level.

ii) Desertification Control

142. During 1999, Government with the support of cooperating partners completed all the outstanding activities under the National Action Programme (NAP) on matters of desertification. The main activities done in 1999 were the completion of an inventory of stakeholders and analysis of their roles and responsibilities in the implementation of the International Convention to Combat Desertification (CCD) in Zambia. Tonga and Nyanja translations of CCD materials, NGOs Needs Assessment and the consolidation of the first National Forum Proceedings were also undertaken.

iii) Weed Control Programmes

143. Weed encroachment in several of the country's rivers and streams especially the lower Kafue River had continued being experienced in 1999. Some of the problems associated with the weeds included reduction or eradication of fishing in the affected areas, change of indigenous aquatic fauna and flora due to the unfavourable environment, reduction of overall diversity within the aquatic system, and making navigation impossible.

144. The Government in 1999 continued using the mechanical and biological control of the aquatic weed. Government stationed a dredger at Kafue Bridge and started operation. A disposal site of the weeds removed from the river had also been identified. Despite the efforts made by Government, the weed problem continued to deteriorate.

iv) Community Based Natural Resources Management (CBNRM) Programme

145 The CBNRM Programme activities focussed on building capacities among various stakeholders and facilitating the implementation of community based environment and natural resources management, training, information dissemination, institutional support, co-ordination support and support to strategic national programmes. Under the CBNRM programme, communities were fully mobilised, district teams trained in PRA and the preparation of the Community Based Natural Resources Management Plans commenced.

3.10.2.2 Wildlife and Bio-diversity Conservation

i) Wildlife

146. Wildlife and unspoilt habitats, which form a rich national heritage, are a potential source of income through tourism. However, poaching, land use pressures, development of economic infrastructures, over fishing, bush fires and destruction of natural habitats continue threatening the wildlife and natural habitats in the country. During the year under review, the Government continued working with local communities in order to curb poaching and also manage the wildlife resource on a sustainable basis. The Wildlife Research Division of the National Parks and Wildlife Service continued with its large mammal count in the following national parks: Kafue, Luambe, Lochinvar, Blue Lagoon, North Luangwa and South Luangwa. The surveys conducted also covered some Game Management Areas (GMAs) of Mumbwa, Lumimba, Lupande, Munyamadzi, Sandwe and Kafue Flats.

ii) Bio-diversity

147. Zambia was assisted by its cooperating partners to prepare a National Biodiversity Strategy Action Plan (NBSAP) in order to enable the country to meet its obligations under the Convention on Biological Diversity. The activities undertaken in 1999 included the Option and Analysis Training, Second National Workshop on the NBSAP and finalisation of the NBSAP document.

3.10.3 Outlook

148. A memorandum of Understanding on data and information exchange is expected to be signed in the year 2000 to facilitate networking in environmental and natural resource management. It is also expected that environmental studies funded under the Environmental Study Fund will be completed.

3.11 EDUCATION

3.11.1 Overview

149. The Government recognises the important role education plays as an instrument for personal development of an individual and as a vehicle for acquiring attributes necessary to function in the community and modern society in general. In line with the current education policy entitled "*Educating Our Future*", the Government has continued to undertake programmes aimed at improving on access, quality, efficiency and equity in education provision and capacity building for the entire system. In addition, the Government promoted the spirit of partnership and cost-sharing in the provision of education. This led to an increase of both private and community schools in the country.

150 In an effort to provide Universal Primary Education (UPE) by the year 2005, as stipulated by the policy, more resources were allocated to the provision of basic education (Grades 1 – 9) through the establishment of an integrated Basic Education Sub-Sector Investment Programme (BESSIP). The principal purpose of BESSIP was to effectively provide relevant good quality basic education to all. Through BESSIP, Government with its multilateral and bilateral co-operating partners and other stakeholders continued to implement rehabilitation programmes in various learning institutions especially basic schools. In addition, new schools were constructed and educational materials were distributed. At the same time Government undertook programmes aimed at revising the basic school curriculum with the view of empowering children in literacy, numeracy, life and practical skills.

3.11.2 Sector Performance

i) Basic and High School Education

151. The sectoral performance was characterised by general improvement in enrolments in lower basic and middle basic (Grade 1- 7), upper basic (Grade 8 – 9) and high schools (Grade 8 – 12). However, enrolment in university education stagnated at 4,947 students between 1998 and 1999. In order to monitor the teaching and learning outcomes of the education system, Government conducted the National Assessment Survey of grade five pupils and grade four Basic Learning Competency Surveys.

152. The number of schools offering basic education increased from 4,383 in 1998 to 4,405 in 1999. Privately run schools accounted for about 5 percent of the total number of basic schools. Middle basic school enrolment rose from 1,611,192 in 1998 to 1,656,851 in 1999, representing an increase of 2.8 percent. During the review period, female enrolment accounted for 48 percent of total middle basic school enrolment [Tables 3.34 and 3.35].

Table 3.34: Number of Basic and High Schools (1996 – 1999)

School Type	Number of Schools			
	1996	1998	1999*	1998/1999 % Change
Basic School	4,116	4,383	4,405	0.5
High School	185	223	228	2.2

Source: Ministry of Education
**** Preliminary estimates***

Table 3.35: Middle Basic and High School Enrolment by Sex (1996 – 1999)

Year	Middle Basic Enrolment			High School Enrolment		
	Both	Male	Female	Both	Male	Female
1996	1,516,919	793,152	723,767	255,000	156,825	98,175
1998	1,611,192	838,762	772,430	285,000	171,000	114,000
1999*	1,656,851	861,562	795,289	350,240	210,144	140,096
1998/1999 Percent Change	2.8	2.7	2.96	22.9	22.8	22.9

Source: Ministry of Education
**** Preliminary estimates***

153. During the year under review, there were 228 high schools (Grade 8 – 12) compared to 223 schools in 1998. Privately run schools accounted for 7 percent of total number of schools offering higher education. High school enrolment increased from 285,000 in 1998 to 350,240 in 1999, representing a growth of 22.9 percent. The rise in enrolment can be attributed to Government's policy of upgrading some middle basic schools into upper basic schools and the increasing number of Academic Production Unit (APU) classes. The number of upper basic schools rose from 503 in 1998 to 508 in 1999.

154. The grade seven-progression rate increased from 35 percent in 1997 to 37 percent in 1998. The 1998 rate shows that out of every 1,000 candidates who sat for the grade seven examinations, only 370 candidates were selected to grade eight as compared to 350 for 1997. Pupil progression from grade 9 to grade 10 had almost stagnated between 1997 and 1998 mainly due to limited school places in grade 10. The progression rate increased by 1 percentage point from 20 percent in 1997 to 21 percent in 1998.

155. The number of basic school teachers marginally increased by 1.94 percent from 36,198 in 1998 to 36,900 in 1999, leading to a pupil-teacher ratio of 44.5 to 1. This ratio is almost 5 percent above the critical ratio of 40 pupils per teacher. During the review period, there was almost a 1 to 1 gender ratio of trained teachers. The trained teacher –pupil ratios were as high as 49 and 50 for 1998 and 1999 respectively.

156. During the period under review, the proportion of untrained teachers remained the same as in 1998 at 10 percent compared to 23 percent in 1996. The Government continued to implement programmes aimed at general teachers' development such as the Teachers Diploma through Distance Learning (TDDL), In-service and Pre-service Training (INSET and PRESET) and the resource centre-based training including the School Programme of In-

service for the Term (SPRINT). A total of 14,768 teachers had received in-service training through the on-going workshops at district zonal and school levels. In addition, 4,736 teachers had started receiving in-service credits under the SPRINT system by 1999 [Table 3.36].

Table 3.36: Number of Basic Schools Teachers by Sex, (1996 – 1999)

Year	Trained Teacher			Untrained Teacher			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
1996	16,331	14,274	30,605	6,197	2,914	9,111	22,528	17,188	39,716
1998	16,304	16,237	32,541	2,344	1,313	3,657	18,648	17,550	36,198
1999	16,918	16,254	33,172	2,386	1,342	3,728	19,010	17,890	36,900
1998/1999 %Change	**3.76**	**0.10**	**1.94**	**1.79**	**2.21**	**1.94**	**1.94**	**1.94**	**1.94**

Source: Ministry of Education

ii) Teacher Attrition

157. Recent results show that on average, 1,500 teachers are lost annually due to various reasons of which mortality accounts for about 43 percent. Preliminary results show that an average of 652 teachers have been dying every year since 1996. With about 2,226 teachers been trained annually, the current level of teacher attrition leaves a net increase of only 700 basic school teachers. During the year under review, this situation had generally remained the same as the one prevailing between 1996 and 1998.

iii) Community Schools

158. The community schools emerged as a response to unmet demand for school places, especially among the poor and marginalised groups. These schools are inexpensive, closer to homes, less demanding in terms of entry requirements and are managed by the communities themselves. The schools normally serve the out of school children between the ages of 9 and 16 years. During the year under review, a Memorandum of Understanding was signed between Government and the Zambia Community Schools Secretariat (ZCSS) which, among other issues, obliged the Government to provide learning materials, educational advisors and pay for an agreed number of teachers to be trained.

159. Enrolment grew by 65.3 percent from 28,604 in 1998 to 47,276 in 1999. This was a result of an increase of 69.5 percent from 220 in 1998 to 373 during 1999 in the number of community schools. The share of girls enrolled in these schools declined from 53 percent in 1998 to 51 percent in 1999. The proportion of orphans enrolled in community schools rose from 18 percent in 1998 to 20 percent in 1999. The number of teachers in increased by 40.7 from 568 to 799 between 1998 and 1999 [Table 3.37].

Table 3.37: Enrolment and Staffing in Community Schools (1996 – 1999)

Enrolment and Staffing	Year				
	1996	1997	1998	1999	1998/1999 Percent Change
Number of Schools	55	123	220	373	69.5
Enrolment of Boys	3,051	8,002	13,479	23,323	73.0
Enrolment of Girls	3,548	11,048	15,125	24,044	59.0
Total Enrolment	**6,599**	**19,050**	**28,604**	**47,276**	**65.3**
Percentage of Orphans	3%	19.5%	17.9%	20%	
Male Teachers	67	67	278	361	29.8
Female Teachers	64	64	290	438	51.0
Total number of Teachers	**131**	**131**	**568**	**799**	**40.7**

Source: Ministry of Education

iv) Progress Made on Implementation of BESSIP

160. The year under review marked the beginning of the first phase of BESSIP (1999 – 2002). BESSIP programmes were executed through the eight priority national components namely:

- Overall management;
- Infrastructure;
- Teacher Development and Deployment;
- Education Materials/Procurement;
- Equity and Gender;
- School Health and Nutrition;
- School Curriculum Development; and
- Capacity Building and Decentralisation.

v) BESSIP Financing

161. BESSIP is financed through a combination of resources from the GRZ budget, loans (IDA, ADB, OPEC), multilateral (European Union) and bilateral grants. The ultimate financing model for all BESSIP activities is a common basket approach into which all GRZ and cooperating partners finances are lodged.

162. The implementation of BESSIP programmes has been facilitated by the BESSIP preparatory fund, which was made available as of 30th September 1998. The total amount received from the donors for BESSIP preparatory activities was US $981,565, of which only US $504,175 was disbursed and used as of 30 September 1999.

163. Financing of BESSIP activities as planned for under the eight components was only for the first three quarters [Table 3.38].

Table 3.38: BESSIP Financing (US $), as of 30 September 1999

Components	Budget	Actual Expenditure	Balance
BESSIP management	2,219,600	316,869	1,902,731
Infrastructure	---	22,016,047	(22,016,047)
Teacher Development	1,999,440	1,082,650	916,790
Education Materials	2,663,927	2,226,638	437,289
Equity and Gender	146,875	134,953	11,922
School Health Nutrition	610,456	22,088	578,368
Capacity Building and Decentralisation	3,284,542	241,284	3,043,258
Total	**10,924,840**	**26,040,529**	(15,115,689)

Source: Ministry of Education
--- Not available

vi) Educational Infrastructure and Materials

164. During the review period, the number of classrooms constructed and rehabilitated increased from 650 and 500 in 1998 to 795 and 550 in 1999 respectively. This represents a growth of 22.3 percent and 10 percent in the number of classrooms constructed and rehabilitated in that order. Equivalent numbers of staff houses were built in 1998 and 1999 (350 houses). However, 450 staff houses were rehabilitated in 1999 compared to 150 in 1998 [Table 3.39].

165. In addition to rehabilitation of teachers' houses and classrooms, seven teacher training colleges were rehabilitated namely, National In-Service Training College (NISTCOL), Kasama, Mansa, Chipata, Kitwe, Mufulira and Solwezi. Libraries were also rehabilitated in eight teacher training colleges namely Mansa, Malcom Moffat, Mufulira, Kitwe, Solwezi, Charles Lwanga, David Livingstone and Mongu. Besides the rehabilitation works, furniture was made available to the above colleges during the same period. Standby kitchens were also constructed at Kitwe, Mufulira and Solwezi Teacher Training Colleges.

166. The number of two-seater desks procured and distributed to basic schools increased by 68.7 percent from 25,300 in 1998 to 42,690 in 1999. The increase in the number of desks supplied catered for 34,780 school going children over and above the 1998 seating spaces. As regards procurement of books, more than 1,850,000 books were procured and distributed throughout the country in 1999 compared to 1,161,155 books in 1998. This translates to an increase of 59.3 percent in the number of books procured and distributed between 1998 and 1999.

Table 3.39: School Infrastructure and Education Materials

Infrastructure and materials	1996	1997	1998	1999	% Change
New Classrooms	360	505	650	795	22.3
Classroom Rehabilitation	400	450	500	550	10.0
New Staff Houses	300	350	350	350	0
Staff Houses Rehabilitation	100	150	150	450	200
Desk Supplies	15,000	17,400	25,300	42,690	68.7
Books Supplies	---	1,160,958	1,161,155	1,850,000	59.3

Source: Ministry of Education
--- Not available

vii) Assessment Surveys

167. During the year under review, a grade five National Assessment Survey was conducted to try and measure the learning and achievements of the education system at grade 5 level. Preliminary results indicate that only 3 percent of the 1999 grade five pupils had attained the desirable mastery level. At the same time about 26 percent of the pupils had reached the minimum mastery levels. The proportion of boys reaching mastery level of 28 percent was higher than that of girls at 24 percent.

viii) Teacher Development and Deployment

168. By end of 1999, 242 lecturers were retrained in seven Teacher Training Colleges under the Zambia Teachers Education Reform Programme. Additionally, one teacher from each basic school in Zambia (4,000 teachers) was trained as a Trainer of Trainer (TOT) with the view of training others through the Programme of In-Service for the Term (SPRINT). A total of 14,768 teachers had received in-service training through the on-going workshops at District Zonal and School levels. About 4,736 teachers out of a target of 6,000 had started receiving credits under the primary teacher diploma through distance learning. Guidelines for teacher deployment and compensation were put in place in order to facilitate smooth operations.

ix) Gender and Equity

169. In an attempt to have equitable access to quality education, the Government through BESSIP established a resource allocation criterion, which takes into account equity and gender disparities. During the year under review, guidelines and implementation framework on integrating equity and gender issues in BESSIP activities were established. In addition, distance learning programmes were produced and transmitted through the Education Broadcasting Services in an effort to reach the out of school children. Besides these, Programme for Advancement of Girl-child Education (PAGE) activities were fully taken to national level, leading to the sensitization and training of 3,000 officers. Family pack guideline for parents and manuals for basic school teachers were developed.

x) School Health and Nutrition

170. In 1999, a draft policy on school health and nutrition was produced and awaits circulation for general consensus. During the same year, the Government empowered 10 basic schools in crop production. These schools registered general increases in enrolment as children were given meals and snacks out of their own production. Through community sensitization the Government intends to reverse the declining health and nutritional status of children attending basic education. Sanitation and hygiene education guidelines were also developed for all schools in Zambia.

xi) Curriculum Development

171. Under this component, the framework for a draft basic school curriculum was put in place followed by two surveys targeting teachers and parents for their input in the proposed new curriculum. The current curricula reforms put much emphasis on literacy, numeracy, life and practical skills in education.

xii) School Mapping Exercise

172. During the year under review, the Government embarked on a major project aimed at ascertaining the exact location of all educational institutions in the country by way of digitised school maps. Five provinces, namely Southern, Western, Northern, Luapula and Eastern were comprehensively covered. When completed, the school mapping exercise will help the Government in site selection when constructing new schools with the view of reducing walking distance to a radius of 5 kilometres.

3.11.3 Outlook

173. One of the most challenging tasks facing the Government is the recurring closures of the University of Zambia main campus and the Copperbelt University. During the review period the University bill was passed in Parliament and awaits Presidential assent for implementation. The bill is intended to restore both financial and academic stability at the two institutions of learning.

174. Government and its cooperating partners will continue with BESSIP activities aimed at creating 275,000 additional basic school places between 1998 and 2002. In order to increase access to basic education, the construction of new basic schools and rehabilitation of the existing ones will continue. Direct support will also be given to community-based initiatives in an effort to improve access to basic education. The goal is to provide access to basic education within the radius of 5 kilometres. Apart from the creation of extra places, the quality of the current basic education requires diagnostic and therapeutic measures. During the initial phase of BESSIP, the Government intends to reduce the book/pupil ratio to 1 book to 2 pupils by 2002. At the same time, teacher training activities will be enhanced with the view of achieving the desired output of 4,400 trained teachers per annum.

3.12 HEALTH

3.12.1 Overview

175. During 1999, the value added in the health sector declined by 3.5 percent from K11.7 billion in 1998 to K11.3 billion. The fall was mainly on account of constrained financial and health care input supplies, erratic drug supply, the high disease burden and outbreaks of epidemics. The effects of the increased disease burden, poverty and the HIV/AIDS pandemic have continued to constrain further improvements in the health sector. In addition, life expectancy was estimated at 45.1 years. In order to restrain disease prevalence levels, especially HIV/AIDS, health sector reforms focused on the provision of a cost-effective and quality health care package.

3.12.2 Sector Performance

i) Health Sector Reforms

176. In 1999, the Government continued to implement the Health Sector Reform Programme in order to attain the twin objectives of equity and efficiency in health care delivery. In this regard, emphasis was shifted from institutional management to service delivery aspects of health sector reforms. Efforts were made to improve the quality of service delivery by improving drug supply, upgrading and rehabilitating of health infrastructure. Restructuring of the Ministry of Health and Central Board of Health (CBoH) continued with a view to rationalizing policy formulation, implementation and review functions. Most health sector personnel whose working conditions were under the civil service were seconded to the various management boards. In order to improve performance audit functions at provincial and district levels, Government re-introduced the position of Provincial Health Officer in place of the former Regional Health Officer.

ii) Prevalence of Disease

177. Morbidity levels in the population continued to be at levels of concern during the year under review. Malaria remained the most prevalent disease during 1998-1999 with a total of 879,364 diagnosed cases. Out of the total number of reported malaria cases, 553,434 were for persons below the age of five years, thus representing 63 percent of total reported malaria cases. Total reported mortality due to malaria cases stood at 2,367 of which 1,593 were for persons under the age of five and 774 were for persons over the age of five years [Table 3.40].

178. The number of diagnosed non-pneumonia respiratory infections stood at 276,432 of which 176,255 were under the age of five and 100,177 were over the age of five. The total number of under five respiratory infection cases (non-pneumonia) accounts for 64 percent of total diagnosed respiratory infection (non-pneumonia) cases. Reported mortality due to respiratory infections stood at 222 of which 134 were for persons under the age of five years and 88 were for persons over the age of five years. Figures further indicate that mortality due to pneumonia related respiratory infections were high at 898 cases. Mortality due to diarrhoea cases was also high at 647 cases.

Table 3.40: Reported Cases and Disease Specific Mortality 1998-1999

Disease	Total Diagnoses			Outpatient First Attendance			Inpatient Deaths		
	Under 5	Over 5	Total	Under 5	Over 5	Total	Under 5	Over 5	Total
Malaria	553,434	325,930	879,364	-	-	-	1,593	774	2,367
Resp. infections (non-pneumonia)	176,255	100,177	276,432	-	-	-	134	88	222
Diarrhea; Non-bloody	97,669	49,202	146,871	91,075	44,768	135,843	375	272	647
Eye infections	59,165	24,582	83,747	55,884	23,154	78,038	16	15	31
Resp. Infections	56,614	24,539	78,153	44,942	17,514	62,456	693	205	898
Traumas	18,482	46,028	64,510	16,729	40,864	57,593	60	87	147
Skin infections	33,892	30,498	64,390	32,226	28,363	60,589	12	10	22
Other Diagnoses	14,070	41,679	55,749	12,771	37,173	49,944	50	87	137
Ear/Throat	23,299	18,452	41,751	22,237	17,742	39,979	2	3	5

Source: ***Ministry of Health***

iii) HIV/AIDS

179. The spread of HIV/AIDS in Zambia continued to have an adverse impact on all the sectors of the economy. Ministry of Health estimates indicates that 20 percent of the adult population was infected with the HIV virus with a daily infection rate of approximately 500 persons. As a result of the high HIV infection and prevalence, the incidence of HIV/AIDS related diseases increased thus, putting pressure on the health care delivery system.

180. The Government continued to work closely with the private sector, non-governmental organizations, donors and local communities in order to contain the spread of the HIV/AIDS pandemic. In this regard, intensified educational campaigns aimed at sensitising the general public on the effects of HIV/AIDS infection continued to be undertaken.

181. Other developments in the HIV/AIDS/STD Programme included the following:

- The continued development of the National HIV/AIDS Strategic Plan (1999 – 2001);
- The development and distribution of the draft National Policy on Counseling for HIV/AIDS;
- The establishment of Expert Working Groups to deal with specific issues on HIV/AIDS. Appointments to the following working groups were made:

  i. The HIV Mother-to Child (MTC) transmission Working Group;

  ii. The HIV Vaccine and Treatment Working Group;

  iii. The Tuberculosis Working Group; and

  iv. The Communication/Information, Education and Communication (IEC) Working Group.

- The commencement of a pilot project to improve access to and quality of voluntary counseling and testing (VCT) services was initiated and is expected to cover an initial 21 districts in Zambia through the support of NORAD and Bionor; and
- Traditional Birth Attendants (TBAs) were trained in rural areas in order to improve the quality of service that they provide and to encourage them to help women seek antenatal and postnatal services through Safe Motherhood programmes.

iv) Immunization Coverage

182. During 1999, Government continued to address the problem of preventable diseases through the immunization programme. Immunization coverage for tuberculosis, bacillus calmett geurim (BCG3), declined from 85 percent in 1998 to 79 percent in 1999. Immunization coverage for diphtheria pertusis tetanus (DPT3) increased from 60 percent in 1998 to 82 percent in 1999. The immunization coverage for polio, oral polio vaccine (OPV3), slightly declined from 80 percent in 1998 to 79 percent in 1999. Measles immunization coverage also declined from 70 percent in 1998 to 65 percent in 1999. The declines recorded in immunization coverage were on account of resource constraints (Table 3.41).

Table 3.41: Trends in Immunisation Ccverage (Percent) 1996 - 1999

Year	BCG	DPT 3	OPV 3	Measles
1996	100	82	80	90
1997	92	84	86	75
1998	85	60	80	70
1999	79	82	79	65

Source: Ministry of Health

v) Physical Infrastructure

183. In order to improve the health network in the country, Government during the year under review continued with its medium term strategy which among other factors focuses on constructing and rehabilitating of hospitals and health centres. To this end, Government in collaboration with the donor community undertook the following construction and rehabilitation works:-

- Upgrading of eight 30-bed mini hospitals in Lusaka;
- Construction/Upgrading of 93-prototype health centres. Ten were completed and handed over whilst work on the remaining centres neared completion.
- Construction of eight blood Banks at Kasama, Chipata, Kitwe, Mansa, Solwezi, Mongu, Livingstone, U.T.H and rehabilitation of 5 Health Clinics in Eastern Province;
- Extension of 58 clinics to include maternity wings, of which, 13 sites in Lusaka, 25 in Eastern Province and 19 on the Copperbelt;
- Construction of pre-fabricated hostels at Nyimba and Ndola Central Hospitals; and
- Rehabilitation of Zambezi Hospital and Kitwe Central Hospital midwives cafeteria.

3.12.3 Outlook

184. During the year 2000, the Government will continue to respond to health care needs of the population by way of formulating and implementing equity focused and efficiency oriented health sector reforms. A key feature of this process will involve the provision of a

district level essential health care package as close to the household as possible. This will be done through the strengthening of the newly mandated District Health System by supporting the creation of civic neighbourhood health committees as part of an integrated community development strategy.

185. It is expected that drug procurement and distribution system will be rationalised so as to address the current erratic supply of drugs to health institutions. The capacity of 300 prototype health centres will be upgraded to 12 and 30 bed-capacity health facilities. As a measure aimed at improving health care delivery, emphasis will be placed on modernisation of diagnostic centres in the hospitals as opposed to expansion of the number of hospitals.

186. Government will transform, in collaboration with its cooperating partners, the Flying Doctor Service into a self-financing ambulatory service provider. Further, an improved health care financing policy will be implemented so as to improve financing of health services. Public health initiatives vis-à-vis health care advocacy will also be implemented in the coming year.

3.13 COMMUNITY, SOCIAL AND PERSONAL SERVICES

3.13.1 Overview

187. Preliminary data on the community, social and personal services sector, which includes activities in the area of community development and social services, showed a decline of 1.7 percent in real value added from K178.8 billion in 1998 to K175.8 billion in 1999. The poor performance of the sector was among other factors due to inadequate financial resources.

188. During 1999, Government continued to encourage community participation in development programmes and those that promote social welfare. This was achieved by undertaking a number of projects and schemes mainly aimed at alleviating poverty among the most vulnerable groups in society. These included women, disabled persons, children, orphans, and the aged.

3.13.2 Sector Performance

i) Community Development Programmes

189. Most of the programmes in the area of community development were aimed at improving the lives of disabled persons, women and their families by empowering them economically. Government worked closely with the donor and local communities in the planning and execution of these programmes.

190. During the period 1994 to 1998, the National Trust for the Disabled (NTD) gave out loans amounting to K510.2 million to a total number of 1,183 people throughout the country. The objective of giving out these loans was to assist the disabled persons to undertake income-generating activities that would enable them to become self-reliant. However, in 1999, the disbursement of loans to persons with disabilities was suspended as the evaluation of the Trust was being undertaken. The suspension was lifted in the fourth quarter of 1999. The repayment of loans continued to be unsatisfactory. For instance, by the end of 1999 only K23 million had been recovered.

191. In terms of women development programmes, Government continued to undertake programmes aimed at encouraging the participation of women in income generating activities such as food production, poultry, tailoring, animal husbandry and the hammer mill project. To this effect, Government during 1999 provided entrepreneurship training to 4,080 women development groups, which represented an increase of 11 percent from 3,661 groups in the previous year.

192. The Programme Urban Self Help (PUSH) which is aimed at providing training and temporary employment to participants, especially women, continued to be implemented. In 1999, Government released funds amounting to K514.5 million for financing the various activities such as the construction of feeder roads and bridges. To this effect, a total of 3,760 participants were assisted countrywide.

193. Available statistics in 1999 showed that the adult illiteracy rates in Zambia were 11 percent and 15 percent for males and females respectively. In order to reduce illiteracy rates,

Government during the review period, continued with its policy of promoting literacy programmes country-wide. During 1999, a total of 2,500 students attended literacy classes. Furthermore, Government released a total of K100 million for financing activities such as training of instructors and production of literacy materials in various local languages. Rehabilitation and construction of the Provincial and District Community Development Centres, where the non-formal and skills training programmes are conducted, were also undertaken.

ii) Social Welfare Schemes

194. In the area of social welfare, Government's main objective was to alleviate suffering among the poor and destitute through increased financing of social welfare programmes. This was achieved through the activities implemented under Public Welfare Assistance Scheme (PWAS) which included the provision of financial support, basic food, education and health requirements and repatriation of vulnerable persons. Priority was also given to street children, children's homes, old people's homes and rehabilitation / correctional institutions.

195. In 1999, Government continued to offer assistance to the aged, the disabled, unsupported persons and orphans through the PWAS. A total of K1.52 billion was released and spent on food, education requirements, medical care and the repatriation exercise. Out of a total of 228,558 applicants, only 29 percent of the people received assistance. This compared favourably with 12 percent of the clients assisted in 1998 from 128,077 persons who applied for assistance [Table 3.42]. However, the effectiveness of the scheme continued to be constrained by the inadequate availability of funds. Out of the total budgetary provision of K2.8 billion for the PWAS, only 54 percent was released by mid-December 1999.

Table 3.42: Applicants and Beneficiaries of the Public Welfare Assistance Scheme,

	1996	1997	1998	1999
Applicants	124,802	139,238	128,077	228,558
Percent Change		**11.6**	**(8.0)**	**78.4**
Beneficiaries		38,506	15,088	66,210
Percent Change			**(60.8)**	**338.8**
Amount Released (K 'Billion)		0.68	1.13	1.52

Source: Ministry of Community Development and Social Services

196. Government continued to offer assistance to the needy children through the Street Children Committees in the various districts. These committees worked with a total of 1,831 children in activities such as sculpturing, gardening, knitting, hair saloon and car washing. Furthermore a total of 67 street children were also repatriated to their homes at a cost of K4.4 million. Government also gave financial support amounting to K19.3 million to the various Children's Homes in Lusaka, Kitwe, Ndola, Kabompo, Kalomo and Siavonga that provided care to a total number of 684 children. The efforts of Government continued to be supplemented by the Non-Governmental Organisations (NGOs), which have the capacity to identify and target the most disadvantaged groups in society. In this respect, Government provided about K12.9 million to various NGOs, in order to assist the needy children.

197. During the period under review, Government continued to provide support to the aged at the various Old People's Homes. In this regard, a total of K41.1 million was released out of an allocation of K76.0 million to assist about 104 old persons.

3.13.4 Outlook

198. It is expected that there will be improvements in the social service delivery system and institutional capacity for effective planning, monitoring and evaluation. Furthermore, district capacity to manage education and health services will contribute to increasing access to such facilities particularly for people in rural areas. Efficient issuance of title deeds to land and housing will enable people to have their own housing and land where they can engage themselves in productive activities.

3.14 SPORT, YOUTH AND CHILD DEVELOPMENT

3.14.1 Overview

199. During 1999, Government Policy continued to be focused on sensitising the rights of the child, increasing youth productivity and opening up sport to a larger proportion of the population. In this respect, Government undertook several programmes targeted at increasing public knowledge of the welfare and the rights of children with special reference to orphans and vulnerable children and carried out activities, which contributed to enhancing the provision of training and employment opportunities for youths. The development of sport was also enhanced in an effort to meet the agenda 2000 – sports for all.

200. During the period under review a number of notable achievements included, among others, Government's consultation with various stakeholders on alternative funding for sport, national plan of action for the youth and child, and on orphans and vulnerable children.

3.14.2 Sector Performance

i) Child Development

201. With regard to children, Government in 1999 ensured that child support programmes continued to be formulated and implemented. Major efforts were made in the continued promotion and protection of the rights of the child with special reference to orphans and vulnerable children. This was done by addressing issues under specific social areas of concern as outlined in the policy and National Plan of Action for Children in Zambia. The areas of concern continued to be basic education, health, food and nutrition, water and sanitation, family welfare and law review.

202. Government in collaboration with donor agencies and NGOs organised meetings, conferences, field trips, workshops and seminars and commemorated "mark" days such as the Day of the African Child. These activities were undertaken so as to meet the objectives laid down in the Policy and National Plan of Action. Further sensitisation meetings on the Convention on the Rights of the Child (CRC) were held in Luapula, Copperbelt, Central and Lusaka Provinces. As a result of these meetings, action was taken to address the most serious issues of children's rights. This made the CRC better known to both children and adults and established the process of reporting.

203. The Government in collaboration with key stakeholders continued to work on the review of laws and other judicial systems affecting the Child starting with the juvenile Act Cap 53 of the Laws of Zambia. The ultimate purpose of the review was to incorporate the provisions of the CRC.

204. In addition, a number of activities took place in 1999. Important among these were the following:

- A consultative workshop on Orphans and Street Kids was held in Lusaka. The objectives of the workshop were to enable Government get first hand information on orphans and street children from service providers and to provide an opportunity for information sharing among stakeholders on street children;

- A National Planning Workshop on orphans and vulnerable children was held in Lusaka. The workshop was aimed at mapping out strategies for the protection of orphans and vulnerable children so as to contribute to the promotion and protection of the Rights of the Child; and

- The Day of the African Child was observed on 16th June. The theme for 1999 was "*Voices of street children on their plight, let us hear what they have to say*".

ii) Youth Development

205. Government enhanced the implementation of youth development programmes in 1999. These programmes were aimed at improving the welfare of the youth with emphasis on achieving objectives set out in the National Plan of Action for the youth. Government's major thrust in youth development was towards youth employment, skills and entrepreneurship training, provision of credit schemes, promotion of leadership skills and HIV/AIDS awareness and prevention for enhancement of youth development.

206. In 1999 training in youth skills centres was geared towards the less privileged youth in the community, including the early school dropouts and those that had never been to school. The training was undertaken in various youth training centres spread across the country. The courses that the centres offer were for 18 months duration and lead to trade certification. However Chiyota Training Centre introduced short modular courses ranging from three months to six months. In addition to Government financing, some centres attracted donor support.

207. Total enrolment in the various youth skills training programmes dropped by 31.5 percent from 650 students in 1998 to 445 in 1999 [Table 3.43]. The drop in enrolment was mainly attributed to insufficient technical capacity and financial difficulties. Changes in enrolment levels in tailoring and designing, carpentry and agriculture courses accounted for the bulk of the fall.

Table 3.43: Courses and Enrolment at Various Youth Resource Centres

Center	Tailoring	Agriculture	Carpentry	Metal work	Brick work	Leather Work	Total	% Change 99/98
				1998 Enrolment				
Zgangani Kachinga	20	20	20	-	-	-	60	
Manyinga	25	-	25	-	-	-	50	
Mufumbwe	-	-	25	-	-	-	25	
Mpika	25	-	20	-	-	-	45	
Chiyota	20	-	20	-	15	-	55	
Mumbwa	25	-	25	-	-	-	50	
Kaoma	20	-	15	-	-	-	35	
Zambezi	-	-	25	-	-	25	50	
Mbabala	25	-	20	25	-	-	70	
Samfya	25	-	20	-	-	-	45	
Chisangwa	-	35	-	-	-	-	35	
Mukwela	25	-	20	-	-	-	45	
Katembula	20	20	-	-	-	-	40	
Chinsali	25	-	20	-	-	-	45	
Total	255	75	255	25	15	25	650	
				1999 Enrolment				**% Change 99/98**
Zgangani Kachinga	15	15	14	-	6	-	50	-16.7
Manyinga	20	-	20	-	-	-	40	-20.0
Mufumbwe	-	10	20	-	-	-	30	20.0
Mpika	20	-	10	-	-	-	30	-33.3
Chiyota	9	-	18	-	8	-	35	-36.4
Mumbwa	20	-	10	-	-	-	30	-40.0
Kaoma	20	-	10	-	-	-	30	-14.3
Zambezi	-	-	15	-	-	15	30	-40.0
Mbabala	10	-	6	9	-	-	25	-64.3
Samfya	20	-	20		-	-	40	-11.1
Chisangwa		15	10				25	-28.6
Mukwela	10	20	10	-	-	-	40	-11.1
Katembula	10		10	-	5	-	25	-37.5
Chinsali	15		15	-	5	-	35	-22.2
Total	**149**	**60**	**188**	**9**	**24**	**15**	**445**	**-31.5**

Source: Ministry of Sport, Youth and Child Development

208. Furthermore, Government continued to support youth development activities undertaken by non-government organisations which included the Afro-Asian Rural Reconstruction Organisation (AARRO), Commonwealth Youth Programme (CYP) and Outward Bound Association (OBA). Government also continued assisting community based youth projects by providing technical and financial support. At the end of 1999 there were about 450 registered community based youth projects.

209. Government in collaboration with stake-holders, continued to implement programmes on adolescent reproductive health. An important activity which occurred in this area was the formation of the Adolescent Reproductive Health Consortium with seven NGOs namely: Planned Parenthood Association of Zambia (PPAZ), Family Life Movement of Zambia (FLMZ), Young Women's Christian Association (YWCA), Young Africans' Welfare Association (YAWA), Girl Child and Adolescent Reproductive Project (GARPH). The consortium became functional during the period under review.

210. In order to facilitate the youth development programmes and create an enabling environment of the grassroots, Government in 1999 disbursed a total of K1.5 billion through the Constituency Youth Development Fund (CYDF). Each constituency in the country received K10 million.

iii) Sport Development

211. During the period under review, Government continued to promote the development of sport in the country. In this regard, Government was encouraged to participate more in sport and promote mass participation in sport. At the mass participation level, Government has for the last five years managed the "*Agenda 2000 – Sport-for-All*", which is based on the concept of Sport as a tool for *social action for disaffected and disadvantaged youth*. As such, the current national sports policy is designed to make sport more accessible to a larger part of the population. However, inadequate resources and lack of investment, especially in infrastructure, hindered mass participation in sport.

212. In order to open up sport to more private sector participation Government called for a consultative forum to discuss how best the two parties could work together by complementing each others efforts in developing sport in the country. The main objectives of this forum were to:

- Find means of securing long term funding for sports development through the establishment of a Sports Development Trust (SDT);
- Establish a partnership between the Government and the private sector regarding the development of modern sports infrastructure; and
- Charting out a new sports development strategy for the new millennium.

213. Government through the National Sports Council of Zambia continued to support and co-ordinate the various sports associations. These bodies managed to participate in the major international events, such as the Olympics, Commonwealth and All Africa Games.

214. Some of the major achievements in 1999 were:

- The junior ladies football team lifted the Norway Cup for the second consecutive year;
- At the All Africa Games, Zambia won one silver boxing medal;
- The Government launched a probe in the inactivity of the Boxing Board of Control;
- Motor Rallies were made popular, with more private sector sponsorship; and
- The netball team participated in New Zealand and performed exceptionally well beating the other teams.

3.14.6 Outlook

215. During 2000 Government will continue to mobilise resources from both internal and external sources to enhance the implementation of National plan of action for the youth and children. Further, it is hoped that the Zambia Council of the Child will be established to co-ordinate programmes on child development. Programmes on HIV/AIDS will continue to be implemented and increase the awareness of the pandemic among the youth. Government will pursue its aim of providing access to sport for all by the end of 2000 and ensure that sport is used as a tool for social action for disaffected and disadvantaged youths.

3.15 GENDER AND DEVELOPMENT

3.15.1 Overview

216. During the year under review, Government recognised that the full participation of male and female in the development process is cardinal to achieving sustainable socio-economic development. As such, Government is determined to redress the existing gender imbalances and provide equal opportunities for females and males to equitably participate in and fully benefit from national development.

217. In 1999, Government continued to institute appropriate measures aimed at mainstreaming gender at all levels. These efforts included revision of the draft National Gender Policy and implementation of programmes and projects.

3.15.2 Policy Developments

218. In 1999 Government continued with its efforts of making managers gender sensitive so as to ensure gender sensitive work programmes for budgeting purposes. As such, Government institutions through the 2000 budget preparation Call Circular, were directed to consider among other cross-cutting issues, gender equity as a priority in the expending process. This arose from Government's commitment to incorporate gender into the macroeconomic framework and promotion of the implementation of gender activities at all sectoral levels. At regional level, Zambia in the year under review contributed to efforts of ensuring engendered budgets in the Southern African Development Community (SADC) through promotion of information sharing especially through the United Nations Fund for Women (UNIFEM). Efforts were initiated to engender the SADC Trade Protocol.

219. In November 1999, Government in collaboration with civil society organisations, political parties and churches, produced a report "Status Report on the Mid-term review of Zambia's Implementation of Beijing Platform for Action." The report highlights the progress made and constraints encountered in the five critical priority areas reflected in the Strategic Plan for the Advancement of Women in Zambia (SPAW). The five areas are poverty; education and skills-development; health; decision making and the rights of the girl child.

220. During the year under review, Government continued to monitor progress made on the implementation of the "1995 Commonwealth Plan of Action." Progress highlighted included the increased number of girls entering into grades 8 and 10, more scholarships awarded to female university students, population, especially male, more receptive to the Gender and Development approach, increased poverty alleviation/reduction programmes targeting women, placement of the National Gender Machinery at Cabinet, provision of training to Gender Focal Point persons and other public service staff and promotion of women's and girl child rights.

221. Some of Zambia's achievements in the implementation of the Commonwealth Plan of Action reflected in the report included the following:- the formulation of the draft National Gender Policy; strengthening and elevation of the then Women in Development Department to the Gender in Development Division at Cabinet Office; formation of the Zambia Women Parliamentary Caucus; the enactment of the Intestate Act; and the appointment of Gender Focal Point persons in sector ministries, provincial administration and specialised agencies;

the establishment of the Victim Support Unit within the Police Service to deal with cases of gender violence and related crimes in all the Police Services stations; introduction of the programme for the Advancement of Girl's Education in schools; revision of the National Population Policy to incorporate gender, reproductive health and other concerns; incorporation of gender in the health policy strategies; and the formulation of the Social Action Programme whose objectives are to cushion the impact of the Structural Adjustment Programme on the vulnerable groups, especially women and children.

222. In the area of support to women's organisations, in 1999, Government in collaboration with cooperating partners, allocated K455.3 million to assist Women Community Based Organisations country-wide especially those involved in income generating activities.

3.15.3 Other Issues

223. In the health sector, Government continued with the implementation of health reforms whose major objective is to improve the delivery of health services through the principles of decentralisation, accountability and integrated approach to services. In collaboration with stakeholders, Government in 1999 continued with the process of health sector reform to take into consideration new and emerging issues such as gender, adolescent sexual and reproductive health, reproductive rights, HIV/AIDS and the recurrence of tuberculosis and malaria. The objective of the reform process is to ensure a more comprehensive and integrated approach to meeting health needs for all Zambians.

224. Government continued to encourage the re-admission of females who dropout due to pregnancies whilst at schools and colleges. In the area of curriculum development, the Curriculum Development Centre (CDC) continued to review text books to ensure gender was taken into account and this included removal of stereotyping in text books and choice of subjects for girls and boys.

225. In the area of Women, Power and Decision Making, despite women constituting the majority of voting population, less than 10 percent of them participate in the political decision making process. Women parliamentarians recorded the highest percentage of 10.6 percent in the history of Zambian Parliament, from 1996 to 1999 [Table 3.44].

Table 3.44: Number of Members of Parliament by Gender (1964 – 1999)

Year	No. Female MPs	%	No. Male MPs	%	Total Elective Seats
1964-68	5	6.67	70	93.3	75
1968-72	2	1.9	103	98.1	105
1973-78	7	5.6	118	94.4	125
1978-83	6	4.8	119	95.2	125
1983-88	4	3.2	120	96.8	125
1988-91	6	4.8	119	95.2	125
1991-96	10	6.7	140	93.3	150
1996-99	16	10.6	134	89.4	150
Total	**56**	**5.7**	**924**	**94.3**	**980**

Source: National Assembly - Research Department, September 1999

3.15.4 Outlook

226. It is envisaged that Government will adopt the National Gender Policy, in 2000 and formulate the National Gender Policy Implementation Plan. The plan will facilitate the achievement of the National Gender Policy objectives.

227. The Government, in 2000, intends to accelerate the mainstreaming of gender at all levels through among others, the use of Guidelines and Checklists for mainstreaming gender in the public sector. Additionally, Government intends to develop educational and training modules and manuals for schools, colleges, university faculties and other professional and trades institutions. In the area of gender and budgeting, Government will consolidate efforts already in place to ensure a gender sensitive budget both at sectoral and national levels. Government will also endeavour to build capacities in all sectoral ministries in engendering sectoral policies, programmes, projects, plans and budgets.

228. Government intends to intensify the analysis of existing policies for gender responsiveness as well as ensure that new ones are engendered. The primary principle is to ensure that gender is integrated at policy level.

229. Government intends to establish a Gender and Development Resource Centre. It is envisaged that this will facilitate better access to information and training in gender. The centre will cater for all public sector and other development agents and stakeholders in terms of information dissemination, networking and training in gender analytical and technical skills.

230. In the area of education, Government through the implementation of the National Education Policy "Educating Our Future" will also endeavour to reduce illiteracy among women especially those in rural areas. Government further aims at improving women's access to vocational training, science and technology and environmental studies. The Basic Education Sub-sector Investment Programme (BESSIP) will intensify existing strategies, which include increase in the enrollment and retention of girls at various levels of the education system; move towards universalisation of primary education; intensify literacy programmes among women; and improve gender disaggregated data collection and dissemination.

231. Government in collaboration with traditional initiators has already started working out strategies to review the initiation ceremonies curricula of various ethnic groups. The major aim is to sensitise the initiators on issues of HIV/AIDS and STDs. A core team of traditional initiators in conjunction with Government will in 2000 develop initiation manuals to guide initiators throughout the country on what should be taught during initiation ceremonies for both girls and boys whilst taking cognisance of positive cultural and traditional norms and values and the need to guard the national heritage.

232. In order to reduce women's poverty levels, Government, in 2000, will continue to disburse funds to women community based organisations involved in income generation activities aimed at assisting women and children.

CHAPTER 4

PROSPECTS FOR 2000

4.1 THE GLOBAL ECONOMY

1. Global economic prospects in 2000 look favourable. The global output is forecast to continue growing. This will be due to continued growth of the US economy, economies in other developed countries, and the Japanese economy following recovery of economies in Asia. In Africa in general and Southern Africa in particular, economies have continued to perform relatively well and the implementation of growth-supportive polices as well as positive economic performance are expected to be sustained in 2000. The world output is expected to grow from 3.0 percent in 1999 to 3.5 percent in 2000.

2. Although developed countries' combined output is forecast to fall marginally by 0.1 percentage point, growth will remain modest at about 2.7 percent. Recovery in the Japanese economy, largely driven by fiscal stimuli in public investment, growth in private sector demand and net exports, which are expected to benefit from economic expansion in the Asian region, is forecast to gain momentum. The growth in the USA economy in 1999 was mainly attributed to increases in labour productivity, rapid expansion of fixed investment and capital stock as well as fast technical progress. The demand and economic activity are forecast to somewhat slowdown in 2000. The easing of European Central Bank official interest rates in April 1999 in the Euro area is forecast to positively impact on economic growth in the region.

3. The growth of output in the developing countries – Asia, Africa and countries in transition - is forecast to be higher than that achieved in 1999. In the emerging market economies in Asia and Latin America, macroeconomic performance will continue to improve. In Asia it is forecast that both GDP and exports will increase while in Latin America, real GDP growth was revised upward.

4. In the Middle East, oil prices started to go up in March 1999. The increase in oil prices helped to improve balance of payment positions and fiscal performance. It is expected that improvements in oil prices will continue, although at a much lower rate, to impact positively on real GDP and demand for imports in the region. In Africa, the rate of growth of output is forecast to pickup. The increase is premised on sustained implementation of structural reforms and other appropriate macroeconomic policies, which will benefit long-term economic prospects. In addition, non-fuel primary commodity prices are forecast to regain some of the losses incurred in 1999. Moreover, the expected favourable weather conditions, and the expected debt relief in some countries under the HIPC initiative will spur economic growth and contribute to low consumer price inflation. Access to the HIPC Initiative will enable eligible countries to obtain debt relief and to use freed up resources to increase public spending on anti-poverty programmes.

5. The volume of world trade is expected to almost double in 2000 over the growth rate achieved in 1999. Much of this expansion is forecast to emanate from the growth of economic activity and volume of trade in the developing countries and in the countries in

transition. The volume of trade in the developed countries is expected to increase at the same rate as in 1999, at 5.9 percent.

6. Global consumer prices are expected to marginally go up but still remain low, averaging 1.8 percent in 2000.

4.2 THE ZAMBIAN ECONOMY

7. Favourable global economic developments are expected to impact positively on the Zambian economy, especially on the external sector. Domestic factors on the fiscal and monetary front, structural reforms, private sector development, increased public and private sector investment and favourable weather conditions are expected to contribute to improved domestic economic performance in 2000.

8. It is expected that appropriate fiscal and monetary policies will be pursued in 2000. The monetary and credit policies, and prudent implementation of fiscal policy will continue to be supportive of further development of the private sector, further consumer price inflation reduction and maintenance of a stable financial sector and exchange rate. These developments will boost economic growth and ultimately contribute to the reduction of poverty levels.

9. The expected amendments to the Banking and Financial Services Act of 1994 will contribute to contribute to a stable environment in the financial sector. The opening up of the primary market of Treasury bills to non-bank financial institutions and the number of measures taken in 1999 are expected to foster the development of capital markets and also contribute economic growth. It is also anticipated that further development of the capital market will occur with public listed companies copying the precedence set by Zambian Breweries Plc in 1999, which financed its acquisition of the Northern Breweries Plc by raising the needed financial resources through the issuance of more shares.

10. The weather forecast for the 1999/2000 agricultural season by the Meteorological Department is that the amount of rainfall in the country will be normal. Coupled with the almost expected proper distribution of agricultural inputs and the rehabilitation or construction of feeder roads, it is expected that agricultural output will grow and contribute significantly to economic growth.

11. Unlike in 1999 when value-added in the mining and quarrying sector was negative, it is expected that there will be a turn-around in 2000. This expected turn-around is based on the early conclusion in 2000 of the completion of the privatisation of the remaining major asset packages of the ZCCM. The realisation of this objective is expected to positively impact on the performance of the mining sector and other sectors, such as, manufacturing, energy and water, whose performance is strongly linked to the mining and quarrying sector. More investment will be undertaken. In turn, this is expected to result in increases in capacity and capacity utilisation, thereby leading to increased mining production.

12. With the completion of the ZCCM privatisation, the role of the private sector in the economy will be further enhanced in 2000. In addition, Government will accelerate the privatisation programme, especially with respect to companies in the energy, communication and finance sectors. The implementation of the Public Sector Reform Programme will be

intensified and of the National Poverty Reduction Plan is expected to commence with the support from both multilateral and bilateral donors.

13. The promotion of private sector investment and non-traditional exports, such as the marketing of the tourism sector will be stepped up. Moreover, the Enterprise Development Fund will provide the much-needed development financing to the private sector especially the small and medium-scale enterprises.

14. Zambia's external debt stock will continue to be large relative to the country's ability to pay from export earnings. To reduce the external debt burden, it is expected that Zambia will continue to maintain cordial relations with her co-operating partners. This means that, Zambia will need to continue implementing the economic and structural reform programme under the ESAF, now known as the Poverty Reduction and Growth Facility, so as to be eligible for the HIPC Initiative. Access to HIPC will free substantial resources from debt service to poverty reduction programmes.