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FOREWORD

The 1994 Economic Report provides an assessment of the international economic environment and reviews the activities undertaken and the overall performance of the Zambian economy. The world economy showed some signs of recovery in 1994. Demand for metal rose, metal prices recovered, interest rates and inflation were relatively low while oil prices remained subdued. These developments had a positive impact on the economy with benefits accruing in terms of increased export earnings and relatively low cost of oil imports.

2. On the domestic scene, we made a lot of progress during the year in implementing the stabilisation and structural adjustment policies which had started to bear fruit. Economic indicators showed positive results in many areas. Inflation was brought down to a level lower than anticipated. Interest rates were drastically reduced while the exchange rates stabilised. The rapid expansion of money supply was arrested. The budget deficit was under control. Considerable efforts were also made in 1994 to address the crippling debt problem. Among the measures taken was the implementation of the debt buy-back operation, as a result of which the nation's foreign debt stock was significantly reduced.

3. In 1994, we began to implement policy reforms in the social sectors. These reforms were focused on institutional re-organisation and decentralization of the service delivery system in health, education, water and sanitation. The rehabilitation of schools, hospitals and roads was continued and the results in these areas were encouraging. Priority was also given to safeguarding the welfare of the vulnerable groups in our society. We carried-out various social safety net schemes and programmes which were aimed at improving the social welfare of the needy.

4. With the achievement made in stabilizing and restructuring the economy, we laid the foundation for generating economic growth and development. Government's efforts in 1995 will be directed towards generating growth while ensuring that macro-economic stability is maintained. Special attention will be focused at improving the quality of life of the people through the provision of quality social services and promoting employment. We are hopeful of achieving even better results in 1995.

5. It is hoped that this report will enhance the public's understanding of the economy and the efforts that Government is making to address the country's economic problems in order to achieve prosperity.

**Paul S. Tembo, MP
DEPUTY MINISTER
NATIONAL COMMISSION FOR DEVELOPMENT PLANNING
OFFICE OF THE PRESIDENT**

CHAPTER 1

DEVELOPMENTS IN THE GLOBAL ECONOMY

1.0 OVERVIEW

1. Economic policies in different groups of countries around the world continued to focus on the search for sustainable economic growth. Developed market economies mainly targeted overcoming the recession and nurturing recovery without setting off inflationary pressures. In the transition economies, focus was on stemming the declines in production while effecting fundamental institutional changes required for the introduction of market economies. In developing countries, economic policies were centered on managing growth, while continuing with macroeconomic stabilization and structural adjustment programmes.

2. The world economy continued its gradual recovery in 1994 with total output expected to increase by 2.5 percent, more than twice as much as in 1993 and the first significant expansion in four years. World per capita output was also expected to rise for the first time since 1989 (table 1.1). The improved performance reflected the recovery as well as positive growth in all major developed market economies and the continued strong aggregate growth in developing countries.

**Table 1.1: GROWTH OF THE WORLD ECONOMY, 1989-1994.
(ANNUAL PERCENTAGE CHANGE)**

	1989	1990	1991	1992	1993	1994
WORLD OUTPUT	3.2	1.6	0.3	0.8	1.1	2.5
DEVELOPED MARKET ECONOMIES	3.3	2.4	0.7	1.6	1.0	2.4
ECONOMIES IN TRANSITION	2.1	-6.2	-8.8	-15.2	-8.6	-6.0
DEVELOPING COUNTRIES	3.5	3.0	3.4	4.9	5.2	5.0
AFRICA	2.8	2.2	1.6	0.8	1.6	2.5
LATIN AMERICA AND THE CARIBBEAN	1.1	-0.1	2.8	2.1	3.3	3.0
MEDITERRANEAN	0.4	1.1	-5.6	-1.9	-0.3	4.0
WEST ASIA	3.2	1.9	-0.2	5.7	3.5	3.5
SOUTH AND EAST ASIA	6.1	6.4	5.3	5.2	5.4	6.0
CHINA	4.3	3.9	8.0	13.2	13.4	10.0
WORLD TRADE	8.0	5.6	4.6	5.5	2.7	6.0
MEMO ITEM						
GROWTH OF WORLD PER CAPITA INCOME	1.5	0.0	-1.4	-0.9	-0.6	6.0

SOURCE: United Nations (1994)

3. Developed market economies as a whole were expected to grow by 2.3 percent in 1994, with output growth of 1.5 percent in the European Union and over 3

percent in North America. Continental Western Europe and Japan emerged from one of the deepest recessions in half a century. At the same time, growth gained momentum in Canada and the United Kingdom while in the United States, a high level of capacity utilization was restored. The improved growth, however, did not result in a significant reduction in unemployment in most of these countries. Inflation remained low and growth was expected to rise, though cyclical divergence persisted.

4. In the economies in transition, output was projected to fall by 6.0 percent in 1994. Although the rate of decline decelerated from 8.6 percent in 1993, it was the fifth consecutive year of decreasing output. The outlook for Russia and some of the other successor states of the former Soviet Union remained dim as the task of effecting reform and transition simultaneously in many of these countries continued to be difficult and prospects uncertain.

5. In 1994, the developing countries as a group grew by an estimated 5.0 percent, thereby exceeding the growth of developed market economies by more than two percentage points for the fourth consecutive year. This aggregate, however, masked widely differing trends between the regions of the developing world.

6. Worldwide inflation was low during the year. Inflationary pressures remained subdued mainly because there was still a considerable degree of capacity in the world economy. However, there were marked increases in bond yields and long-term interest rates also rose. Foreign exchange markets evidenced some instability in the form of downward pressure on the United States Dollar.

7. After slowing to about 2.7 percent in 1993, growth in world trade was expected to accelerate to 6.0 per cent in 1994, reflecting the strengthening of the world economy. This growth was due to the improved economic activity in developed market economies, increased import demand from several of the countries in transition and from non-oil exporting developing countries. The Uruguay Round of multilateral trade negotiation was formerly concluded in Marakesh on 15th April 1994 with the signing of the Final Act and the Agreement establishing the World Trade Organisation (WTO).

8. The growth of world trade increasingly reflected the growth of trade of developing countries, especially in Asia, where output also grew strongly. Among the developed countries, the source of growth was the United States of America, whose volume of imports increased rapidly as its economy continued to expand.

9. Different countries were expected to benefit from the pick up of world trade at varying degrees, partly because of the cyclical differences among their trading partners and to differences in their relative competitive positions. Many countries

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whose competitiveness improved following the depreciation of their currencies, such as the United Kingdom, the Nordic countries, and Italy made large gains in export market share.

10. There were sharp price movements in the world commodity market. Prices of non-oil raw materials rose significantly (See fig. 1.1). Severe weather in Brazil and the very low level of producer stocks brought coffee prices up almost 150 percent from their average at the end of 1993. Although coffee export volumes decreased in response to the stock retention programme and lower stocks in producing countries, coffee revenues rose sharply. Cocoa prices rose 12 percent on prospects of a moderate reduction in stocks, while tea prices remained relatively stable. Notwithstanding increased soya-bean and copra production, prices of vegetable oil continued to rise on strong import demand, though soya-bean meal prices declined under pressure from the large harvest in the United States.

11. Market trends in grain crops were mixed. Low wheat production spurred a price rise while record maize production and stable import demand pushed prices down by 21 percent. Rice prices remained weak as Japan's import demand moderated on expectations of a larger domestic harvest.

12. World cotton production was expected to fully meet growing consumption needs, and prices declined by 10 percent. Natural rubber stocks were drawn down by strong demand from automobile manufacturers and low production in Malaysia. Tight supplies of raw materials for producing synthetic rubber held back production. Thus, the rubber market remained tight and prices buoyant for the whole 1994.

13. The up-turn of economic activity in the developed market economies and the sustained momentum of economic growth in the developing countries kept some demand-driven upward pressure on oil prices. However, prospects of even higher supplies of oil becoming available in the short-term from the North Sea and other oil producers outside the Organization of Petroleum Exporting countries (OPEC), combined with the possibility of an early return of Iraq to the oil market, sustained downward pressure on oil prices. Under such circumstances, oil prices were largely determined by the ability of OPEC to influence supply. Oil prices declined in August and fluctuated around US \$ 15.75 a barrel in September 1994. For 1994 as a whole, oil prices were expected to average US \$ 14 a barrel, 15 percent lower than in 1993. Even at these levels, oil prices were still well below their previous peaks. (See fig. 1.2)

14. The most significant development in international finance in 1994 was the rapid escalation in the value of international transactions in equities, bonds and other securities. Economies that were able to participate in the burgeoning market tapped portfolio finance for substantial net capital inflows. However, countries in which private sector corporations or government had limited access to private channels of financing continued to rely mainly on official flows, which grew slowly in aggregate, particularly concessional loans and grants.

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15. The unfavourable prospects for Official Development Assistance (ODA) continued to be a source of concern. The commitment undertaken by the developed countries to allocate 0.7 percent of Gross National Product (GNP) remained unfulfilled. As a matter of fact, ODA declined by US \$6 million in 1993 and prospects

for any significant increase were slim. The political constituency for economic assistance declined in many developed economies and was unlikely to strengthen again at least in the medium term.

16. Even though substantial cuts in military expenditure were effected, the much expected peace dividend did not materialise partly because the demand-reducing effects of such cuts often swamped the supply-increasing effects of the switch. Both Russia and the United States were projected to have lost about 400,000 jobs each in the armament industry by the beginning 1994. But re-deployment of resources was slow, and this contributed to depress aggregate demand and tended to worsen growth prospects in the short term. The necessity of mitigating the employment impact of the contraction of defence industries led the countries concerned to seek bigger markets for arms abroad. Thus, the peace dividend proved difficult to reap in an environment of sluggish world economic activity.

17. The debt situation in many countries continued to be a veritable impediment to economic growth and development. Despite numerous attempts to reduce the debt and debt service of debt-distressed countries, it was clear that the preferred approach of debt-rescheduling, failed to resolve the problem.

2.0 ECONOMIC SITUATION IN DEVELOPED MARKET ECONOMIES

18. Developed market economies were expected to grow by 2.5 percent in 1994. Growth gained momentum in Canada and the United Kingdom while in the United States a high level of capacity utilization was restored. The turn-around in economic activity in Continental Europe and Japan marked the end of an unusually severe recession. While disparities in cyclical positions across the developed market economies were still considerable, positive growth resumed in all major countries (See fig. 1.3).

19. The recovery in the United States was firmly established and the economy was in an expansion phase. Output was expected to expand by 3.5 percent in the United States in 1994. Non-residential fixed investment continued to lead demand growth. Monetary policy also contributed to recovery by allowing short-term interest rates to remain at low levels. The Canadian recovery also gained momentum in 1994 and the economy was projected to grow by 4.0 percent (table 1.2). However, an important factor restraining confidence in Canada continued to be the high rate of unemployment which was expected to remain at 11.0 percent in 1994.

20. In Western Europe, output was expected to grow by about 1.8 percent in

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1994. Low inflation and the favourable impact of the policy mix of loose monetary policy and tight fiscal positions on investment led to modest growth. Exports were also expected to rise as growth in the United States and developing Asia boosted demand. However, these were unlikely to be a strong source of growth except for the countries that left the Exchange Rate Mechanism (ERM) because of the loss in competitiveness entailed by the appreciation of European currencies.

21. In Japan, a modest growth of 1.0 percent was expected for 1994. Private consumption and housing construction led the recovery, the latter spurred by lower land prices and mortgage rates. Business investment remained relatively weak largely because of the overcapacity built in the late 1980's. The appreciation of the Yen also tended to discourage investment by making exports less competitive. However, the adoption of several fiscal stimulus packages, the biggest of which was effected in February, 1994, along with the reduction of official interest rates helped to spur the recovery of domestic demand.

22. Despite the recovery in output, unemployment remained high in most developed market economies and rose in some of them. The rate of unemployment was expected to rise to 10.5 percent in Western Europe and to 8.0 percent for developed market economies as a whole in 1994. The latest rise in unemployment stressed the need to improve the functioning of labour markets to reduce the high rate of structural unemployment in many countries and to alleviate the risk that the recent increase in cyclical unemployment would be transformed into a further rise in structural unemployment.

23. In most of the developed market economies, inequality in increased earnings continued to be one of the major factors responsible for the deterioration in the

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Table 1.2: ECONOMIC INDICATORS IN DEVELOPED MARKET ECONOMIES, (1991-1994)

	REAL GDP ANNUAL GROWTH (Percentage Change)				CONSUMER PRICE INFLATION ANNUAL GROWTH (Percentage Change)				UNEMPLOYMENT ANNUAL GROWTH (Percentage Change)			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
ALL DEVELOPED MARKET ECONOMIES	0.7	1.6	1.0	2.3	4.4	3.1	2.8	2.5	6.6	7.3	7.7	8.0
MAJOR DEVELOPED MARKET ECONOMIES	0.7	1.7	1.2	2.5	4.2	2.9	2.6	2.5	6.7	6.9	7.0	2.5
CANADA	-1.7	0.7	2.4	4.0	5.6	1.5	1.8	1.5	11.2	11.1	11.0	1.5
FRANCE	0.7	1.2	-0.9	1.5	3.2	2.4	2.1	2.0	9.4	10.4	11.6	12.5
GERMANY	1.2	2.1	-1.2	1.3	3.5	4.1	4.1	3.0	4.2	4.6	5.8	6.5
ITALY	1.3	0.9	-0.7	2.0	6.3	5.2	4.3	4.3	9.9	9.8	10.2	10.5
JAPAN	4.3	1.1	0.1	1.0	3.3	1.7	1.3	1.0	2.1	2.1	2.5	3.0
UNITED KINGDOM	-2.2	-0.5	1.9	2.5	5.9	3.7	1.6	3.8	8.7	9.9	10.3	10.5
UNITED STATES	-1.2	2.6	3.0	3.5	4.3	3.0	3.0	2.5	6.6	7.3	6.7	6.5
OTHER DEVELOPED MARKET ECONOMIES	0.7	0.9	0.1	2.0	5.7	4.4	4.0	3.5	8.6	9.9	11.7	12.3
MEMO ITEMS												
WESTERN EUROPE	0.6	1.0	-0.5	1.8	5.1	4.3	3.5	3.5	7.9	8.7	10.0	10.5
EUROPEAN UNION	0.7	1.1	-0.4	1.5	5.1	4.4	3.5	3.5	8.3	9.0	10.2	10.8
OTHER	-0.8	-0.3	-0.9	2.0	5.6	3.1	3.4	2.3	4.0	5.8	8.0	8.8

SOURCE: UNITED NATIONS (1994)

distribution of income among households. Profits continued to grow faster than wages while the gap between the average earnings of the educated and the non-educated continued to expand drastically.

24. Considerable gains were made in containing inflation, which reached its lowest level in almost 30 years. Consumer price inflation was projected to decline to 2.5 percent in 1994, the lowest level since 1987. On the other hand, the budget deficit increased in most of these countries, as social expenditure rose and tax revenues declined. The combined current account position of the developed market economies swung from a deficit of US \$ 43 billion in 1992 to a surplus of US \$ 12 billion in 1993.

25. In Europe, tensions abated significantly within the European Monetary System (EMS) since the widening of the ERM intervention bank in 1993. Outside the ERM, the Pound Sterling strengthening significantly. Between September, 1993 and August, 1994 the United States dollar recorded gains of 4 to 7 percent against the Canadian Dollar, the Deutsche Mark, French Franc, Italian Lira and Pound Sterling, reflecting relative cyclical positions and changes in interest rate differentials in favour of the United States Dollar. The Japanese Yen strengthened to about 103 yen per Dollar in 1994. It also rose by 6.0 to 8.0 percent against the four main European currencies. Reduced interest rate differentials in favour of assets denominated in European currencies contributed to the strength of the Yen. The large trade surplus and associated trade tensions with the United States were also factors in the latest rise against the Dollar.

26. Japan's trade surplus declined to US \$ 6.08 billion by September, 1994 due to a sharp rise in the value of imports (up 24 percent) while exports rose by 12 percent, partly due to a decline in car exports. However, the surplus was expected to expand towards the end of 1994 because of higher car sales overseas, lower oil prices and the end to the expansion in consumer spending. Japan's trade surplus with the United States was expected to remain high. Though Japan agreed to trade deals on insurance, procurement and flat glass, an agreement on cars and car parts was yet to be reached. Since trade in automotive goods accounted for most of the trade deficit between the United States and Japan, the surplus was not expected to narrow significantly in 1994.

3.0 ECONOMIC SITUATION IN TRANSITION ECONOMIES

27. In 1994, output in the transition economies as a group was projected to decline further by 6.0 percent with the republics in the former Soviet Union contributing the most to this decline. The cumulative loss of GDP in individual countries in Eastern Europe since 1989 amounted to about 25 percent and even

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more in Russia and some of the successor States of the Soviet Union. In a few cases, the economy began to grow again.

28. There were wide variations in economic conditions among individual transition economies. The transition countries that were beginning to experience a recovery of output were all characterised by relative macroeconomic stability and progress in structural reform. In Poland, the first transition country to witness a turn-around, real GDP rose by 4.0 percent in 1993, and was expected to rise by 4.3 percent in 1994. (See table 1.3) The Czech Republic was particularly successful in containing the budget deficit as well as inflation and was expected to register growth of 2.0 percent in 1994. In Albania, GDP rebounded by 11.0 percent in 1993 owing to strong supply responses in agricultural, construction, and service sectors. Economic activity also began to recover in Slovenia and in the three Baltic countries following considerable success in reducing inflation. In other Central European countries, output began to stabilise. As the recoveries in Western Europe strengthened, export prospects were improved and this provided further support to Central European countries. As for Mongolia, important fiscal and monetary reforms were implemented and positive growth was expected to resume in 1994.

Table 1.3: ECONOMIES IN TRANSITION RATE OF GROWTH OF REAL GROSS DOMESTIC PRODUCT

	1990	1991	1992	1993	1994
ECONOMIES IN TRANSITION	-6.2	-8.8	-15.2	-8.6	-6.0
EASTERN EUROPE	-11.6	-11.2	-5.2	0.8	2.3
ALBANIA	-9.0	-29.4	-6.0	11.0	6.0
BULGARIA	-9.1	-11.7	-7.7	-4.2	-0.5
FORMER CZECHOSLOVAKIA	-4.7	-14.4	-0.7	-	-
CZECH REPUBLIC	-	-	-	-0.5	2.0
SLOVAKIA	-	-	-	-4.7	0.0
HUNGARY	-3.3	-11.9	-4.5	-2.0	0.0
POLAND	-11.6	-7.6	1.5	4.0	4.3
ROMANIA	-7.3	-13.7	-15.4	1.0	1.3
FORMER SOVIET UNION AND SUCCESSOR STATES	-4.0	-0.8	-	-	-
	-	-	-18.3	-12.0	-9.3

SOURCE: United Nations (1994)

29. The improvement in economic performance in much of Central Europe and the Baltic countries was in stark contrast to the continued deterioration in economic conditions in Russia and most other countries of the former Soviet Union. Only Turkmenistan managed to stabilise output, owing to buoyant gas exports. The main problem to successful transformation in these countries was inadequate progress in macroeconomic stabilization, enterprise reform as well as the interaction between them.

30. In Russia, the foreign exchange market was liberalised, with the Rouble freely convertible for current account purposes. However, the absence of procedures and mechanisms required to monitor and regulate decentralised foreign trade activity led to substantial illegal exports and non-repatriation of export revenues. World markets flooded by exporters seeking short-term hard currency revenues created a downward pressure on world prices for many traditional Russian exports. The liberalization of imports also had an adverse effect on domestic industries. To mitigate some of these negative effects, Russia introduced, in 1994, a set of measures to re-establish order in monitoring international trade, repatriation of revenues, and export licensing.

31. Unemployment rose in almost all transition economies and exceeded the levels obtaining in the developed market economies. At the beginning of 1994, over 6 million people or about 13 percent of the labour force were officially recorded as unemployed in transition economies. Double-digit unemployment rates prevailed in all countries in the region with the exception of the Czech Republic where unemployment stabilised below 5.0 percent. In Poland and Bulgaria unemployment reached 15 percent, and in Albania it exceeded 30.0 percent.

32. With the liberalization of the labour market, participation rates in the labour force declined while economic hardships endured by the population remained severe and social problems continued to mount.

4.0 ECONOMIC SITUATION IN DEVELOPING COUNTRIES

33. Output for developing countries grew by 5.2 percent in 1993 and was expected to increase by 5.3 percent in 1994. However, substantial disparities existed in performance among the various regions of the developing world (See fig. 1.4).

35. In Latin America and the Caribbean, growth of output was expected to decelerate to 2.8 percent in 1994 from 3.3 percent in 1993. With the major exception of Venezuela, most economies in the region were expected to expand,

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though growth was projected to slowdown in Argentina, Brazil and Chile. Brazil, the largest economy in the region, could not sustain growth at the strong level of 1993 as the country continued with the implementation of new stabilization programme. This alone contributed much to the slow down in the region.

36. There was a marked decline in inflation to under 15.0 percent in many countries in the region and per capita income increased in 1994 for the fourth consecutive year. The large foreign capital inflows and the widening of current account deficits were also expected to continue in 1994.

37. In the Mediterranean region, much of the economies of the former Yugoslavia were devastated as a result of ethnic rivalry and military conflict. However, in 1994 output in the region was expected to increase by 4.0 percent.

38. The strong recovery of West Asia from the impact of the Persian Gulf crisis was not sustained in 1993 as growth slowed down to 3.5 percent. This was largely the result of falling oil revenues and accompanying contractionary fiscal policy. In Kuwait, post-war reconstruction and rehabilitation were near completion. In 1994, output in the region as a whole was expected to increase by 3.5 percent (table 1.4).

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Table 1.4: ECONOMIC INDICATORS IN DEVELOPING COUNTRIES, (1989-1994)

	REAL GDP ANNUAL GROWTH (Percentage Change)						INFLATION ANNUAL GROWTH (Percentage Change)					
	1989	1990	1991	1992	1993	1994	1989	1990	1991	1992	1993	1994
ALL DEVELOPING COUNTRIES	3.5	3.0	3.4	4.9	5.2	5.3	291.1	498.5	77.5	136.6	268.8	190.0
LATIN AMERICA	1.1	-0.1	2.8	2.1	3.3	2.8	1002.5	1746.8	228.9	427.1	904.5	700.0
AFRICA	2.8	2.2	1.6	0.8	1.6	2.3	19.9	16.3	50.2	84.0	63.8	60.0
SUB-SAHARAN	1.6	1.2	0.4	0.3	1.8	1.3	23.0	26.1	166.0	298.6	199.6	43.8
WEST ASIA	3.2	1.9	-0.2	5.7	3.5	3.5	15.5	8.0	13.4	14.8	12.1	12.0
SOUTH AND EAST ASIA	6.1	6.4	5.3	5.2	5.4	6.3	6.5	8.2	10.6	8.2	5.9	6.0
CHINA	4.3	3.9	8.0	13.2	13.4	10.0	16.5	1.4	5.1	4.0	13.0	13.0
MEDITERRANEAN	0.4	1.1	-5.6	-1.9	-0.3	4.0	58.5	55.9	61.1	65.0	61.3	60.0
MEMO ITEM												
FIFTEEN HEAVILY INDEBTED COUNTRIES	1.4	-0.2	2.2	1.3	2.5	2.8	927.5	1620.9	212.6	398.3	842.0	201.3

SOURCE: UNITED NATIONS (1994)

39. The South and East Asia as well as China firmly emerged as a new growth pole with a domestic market whose influence on the rest of the world economy was beginning to be felt. The Chinese economy grew by 13.4 percent in 1993, after a 13.2 percent growth in 1992. The economy had been growing at an average of annual rate of almost 10.0 percent since 1980, which led to the notable improvement in the living standards in the world's most populous state.

40. A major objective of economic policy in China in 1994 was to cool down the overheated economy. Thus the growth rate of gross domestic product was expected to decelerate to 10.0 percent in 1994. Inflation was rising sharply, the infrastructural bottleneck, especially in transport also persisted and tended to constrain output.

41. The economies of South and East Asia were able to sustain an average GDP growth of 5.4 percent in 1993, the eighth consecutive year of above 5.0 percent growth. In 1994, the growth rate of these economies was expected to accelerate to 6.3 percent. In general, recovery in the developed market economies, continued strong export performance, expanding intra-regional trade and continued inflow of foreign direct investment all contributed to the strong growth. Investment in infrastructure also was a major source of growth in these economies. In India, output was projected to improve from 3.8 percent in 1993 to 5.0 percent in 1994.

42. South and East Asia remained a major contributor to the growth of world trade. Concentrated in manufactured goods, the region exports were somewhat insulated from the adverse effect of the sharp declines in oil and non-oil commodity prices which seriously affected other developing countries. Further diversification of manufacturing and exports into more technology-intensive and capital intensive goods enabled the region to benefit from strong regional demand for a wide range of machinery and equipment. Commodity exports in the region also benefitted from increased sales of industrial raw materials and other commodities. Several countries received an additional boost in export sales from strengthened demand in the United States as that country's economy recovered.

43. The strong export performance was also attributable to the vigorous expansions of intra-regional and increased trade as well as economic linkages with Japan and China. Growing intra-Asian trade compensated to a significant degree for weak import demand in many of the region's developed-economy trading partners. The growth in intra-Asian trade also underscores the flexibility with which some countries were able to change the output-and export mix as their competitiveness changed.

44. The substantial appreciation of the Yen in 1994 resulted in increased off-shore production by Japanese firms and accelerated the relocation of more

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Japanese production facilities to the lower cost centres. China's emergence as a significant importer of a wide range of capital equipment, intermediate inputs, industrial raw materials and consumer durables from other countries in the region also provided considerable impetus to the rapid growth of intra-Asian trade.

45. By contrast, there was little change in the trend of declining output per capita in Africa. In most African countries, the problem of growth and development remained grim despite considerable efforts made at economic reform and adjustment. Gross Domestic Product grew by 1.6 percent in 1993, or half the rate of growth of population after a 0.8 per cent growth in 1992. In 1994, output was expected to increase by only 2.3 percent. Adverse weather conditions continued to determine agricultural output while strife continued to stifle economic development in many areas of the continent. Furthermore, Africa continued to experience the intricacies of simultaneous implementation of economic and political reforms. Africa's economic vulnerability continued to make the task of reform that much more difficult.

46. Considerable gains were made in economic stabilization and reform in many developing countries. The recent net flow of financial resources to the developing countries was a much a result of the reform measures undertaken and the consequent increase in confidence in those economies as it was a factor contributing to their improved performance.

47. Developing countries received a record amount of Foreign Direct Investment (FDI) in 1993, and such private flows were expected to have grown in 1994 (see fig. 1.5). FDI to developing countries amounted to an estimated US \$ 65 billion in 1993. This was about 40.0 percent higher than the US \$ 47.3 billion level of 1992. In 1994, FDI to developing countries was projected to reach US \$ 75 billion. The increase was attributed partly to improved fundamental conditions in the host countries.

48. FDI flows tended to be concentrated in the dynamic economies of Asia and Latin America. At US \$ 26 billion, China was the largest recipient of FDI. The uncertainty surrounding the flows to Latin America, however, increased with the continued widening of the deficit on current account in many of these countries. The prospects of an increase in interest rates in the developed market economies also tended to discourage some private flows.

49. The total external debt of the developing countries was expected to have increased from US \$ 1.2 trillion in 1992 to US \$ 1.6 trillion in 1994. This increase took place despite numerous attempts to reduce the debt and debt - servicing of debt-distressed countries. The obligation to service the external debt, compelled governments to reduce essential public investment, particularly on physical and

social infrastructure. This led to a sharp increase in poverty and decline in basic social indicators, hence the need for a global and coordinated approach involving both creditor countries and debtor countries, concerned banks and multilateral financial institutions. The ability of indebted countries to resume economic growth through domestic saving, investment and new foreign capital inflow was already limited by their existing debts. The problem was further aggravated by the competition from the Eastern European countries in drawing assistance and investment from the same sources. (See fig. 1.5)

5.0 PROSPECTS FOR THE WORLD ECONOMY IN 1995

50. Recent changes in the world economic landscape point to a combination of forces that suggest the possibility of more robust growth in 1995. In particular, a surge in confidence as a result of more solid signals of non-inflationary growth in parts of Europe and Japan could lead to additional increases in consumption and investment. Feedback effects could reinforce the process leading to faster growth in the world economy.

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51. Interest rates are expected to remain relatively low, especially since present measured inflation as well as underlying inflationary pressures have been remarkably subdued. International oil markets have attained some degree of stability and it is not expected that markets will significantly change in the short-term. And though non-fuel commodity markets could be expected to improve somewhat with the recovery, real prices of primary commodities are unlikely to become a significant source of cost-push inflation.

52. The rate of investment has also increased on the whole. Accumulated technological change and the still improving business confidence point to further increases in gross fixed capital formation, making it less likely that supply bottlenecks would soon emerge to slow down the recovery. The completion of the Uruguay Round and the coming into force of the World Trade Organisation on 1st January, 1995 should provide an impetus to international trade. Thus, prospects for world economic growth in a framework of greater transparency in the international markets for goods and services will be enhanced.

53. In developed market economies, financial rehabilitation has run its course, and the financial position of business and households has largely been restored while in Germany, the costs of unification have largely been met. In 1995, developed market economies are projected to grow at about 3.0 percent or higher. Under such conditions, unemployment is expected to recede. The present trend towards growing income inequality in many developed market economies as well as increasing poverty in several of them, should also be expected to subside.

54. In the transition economies, output is expected to stop falling in 1995, ending five successive years of decline. Among these economies, there are signals of a turn-around and output is expected to increase on average by 3.0 percent in 1995. A positive rate of growth should contribute to world gross domestic product.

55. Developing countries as a group are expected to grow by 5.0 percent in 1995. However, large divergence of performance among them will persist. Spontaneous economic forces are unlikely to reduce the marked differences in the rates of growth of GDP nor will they ameliorate the debt situation of many low-income countries. National and international cooperation policies will still be required to pull slow-growing developing countries and put an end to the debt overhang.

56. In sum, the gradual strengthening of developed market economies, the turn-around, albeit with a different time frame, of economies in transition, the consolidation of economic reforms and the likely continuation of relatively fast growth in many developing countries suggest growth acceleration for the world economy. In 1995, the world economy is projected to expand by about 3 percent while world trade is expected to grow by 6.5 percent. This growth is expected to

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precipitate an increase in world per capita income of 1.3 percent, twice as much as the projected increase in 1994.

6.0 IMPACT ON THE ZAMBIAN ECONOMY

57. The rising world demand which led to bolstering prices of copper, impacted positively on Zambia. Copper continued to be an important earner of foreign exchange and as the prices of the export continued to strengthen on the international market, the country benefitted. Furthermore, economic recovery and expansion in the developed market economies, major importers of the Zambian metal, meant enlarged demand for the commodity.

58. Similarly, the subdued prices of crude oil were expected to have a positive impact on the Zambian economy as the country paid a lower bill for the importation of oil in 1994.

59. The obtaining low interest rates in major currencies positively impacted on the Zambian economy which continued to have a large external debt. Low interest rates not only helped reduce debt service payments but also assisted to save foreign exchange for imports of capital goods thereby improving the prospects for investment and economic growth.

60. The global economic developments, as illustrated above, provided the background against which the following chapter high-lights economic developments in Zambia in 1994.

CHAPTER 2

ECONOMIC CONDITIONS IN ZAMBIA IN 1994

1.0 OVERVIEW

POLICIES AND ACTIONS IN 1994

1. In 1994, efforts were directed towards consolidating the gains made towards the end of 1993, in bringing inflation down and reducing the sharp fluctuations in the exchange rate. This entailed maintaining strict fiscal discipline and effecting monetary restraint. However, realising that the tight policy stance would cause considerable disruptions to output growth, increased credit was allowed to be channeled to the private sector in order to sustain production. Need was also felt for mobilising additional resources for development through improved revenue collection and through further reductions in subsidies to uneconomic state owned enterprises. The international community provided valuable assistance to supplement Government efforts in mobilising resources. Some of the resources raised were directed towards improving the quality of life of the population through social transfers and the provision of high quality social services.

2. Performance in many areas was quite encouraging. Macroeconomic stability was, to a large extent, achieved. The annual rate of inflation was drastically reduced from an average of 187.1 per cent in 1993 to the average of 53.3 per cent in 1994. This was achieved mainly as a result of the tight monetary and fiscal policies that the Government continued to implement during the year. The Government operated its budget on a cash basis while monetary expansion was kept under control through the constant monitoring of monetary aggregates. As inflation abated, interest rates also declined significantly when compared to their levels in 1993. For instance, the commercial bank lending rate declined from an average level of 126.3 per cent during the first nine months of 1993 to 76.6 per cent during the corresponding period of 1994. Similarly, fluctuations in the exchange rate moderated. In terms of the US Dollar, the Kwacha depreciated by only 5.6 per cent between January to December, 1994 compared to the depreciation of 73.6 per cent in the corresponding period of 1993. Access to foreign exchange by both the members of public and business community continued to improve. Foreign exchange supply in the economy remained stable throughout the year as reflected by the relative stability in the exchange rates.

3. Non-traditional exports were increasing as Government pressed for diversification of export earnings from copper. Receipts from this source are estimated at US \$133.0 million in 1994 representing an increase of 17.5 per cent

over the 1993 level. Non-traditional exports were encouraged by exchange liberalisation, reductions in trade restrictions, and the general improvement in external sector management. The Exchange Control Act ceased to have effect in January 1994, meaning that all Zambians and non-residents were now free to invest their financial resources in any lawful way they wished.

4. To promote efficiency and productivity, the Government proceeded with the privatisation programme to sell-off state owned enterprises and relieve pressure on the budget which continued to absorb losses incurred by these companies. A total of 14 companies have been privatised since 1992 when the privatisation programme was launched. In 1994, 30 companies were offered as employee and management buy-outs. By end-1994, over K15 billion had been realised from the sale of state owned companies.

5. Among the key issues requiring Government attention in 1994 was the external indebtedness of Zambia. The country's debt problem is serious and has continued to place a severe constraint on the growth of the economy. However, efforts were made during the year, to resolve the debt issue through commitment to repayment and other measures. The successful implementation of the debt buy-back operation in 1994 which removed almost US \$652 million of commercial debt from Zambia's books assisted greatly in reducing the country's debt stock to the level of US \$6.2 billion as at the end of October, 1994. The Government's strong commitment to the implementation of the economic recovery programme generated the support and confidence among donors and creditors for resolving the debt problem and raising additional external resources for development during the year.

6. As the Government proceeded with the stabilisation and structural adjustment programme, emphasis was being placed on safeguarding the welfare of the vulnerable segments of the society that were bearing the brunt of the adjustment effects. The Government became deeply engaged in the implementation of the social safety net programmes. Other actions were also taken to improve the quality of life of the population. Funds were released for drought relief, the resettlement schemes and the urban self-help schemes. There was also an increased allocation of public funds to social sectors. This was aimed at improving the quality of social services provided to the population. The donor community and the Non-Governmental Organisations continued to supplement Government efforts in alleviating poverty in Zambia.

THE PERFORMANCE OF THE ECONOMY IN 1994

7. Provisional estimates on the economy indicate that a decline of 6.6 per cent in

real Gross Domestic Product (GDP) was registered in 1994. This compares unfavourably with the target for the year of 4.0 per cent and the growth of 8.2 per cent in 1993. The performance of the Zambian economy has continued to depend greatly on weather conditions. In 1992, real GDP declined by 3.4 per cent, mainly on account of the unfavourable performance in the agricultural sector, where real value-added declined by more than 35 per cent, following the severe drought that the country experienced that year. In 1993, owing mainly to favourable weather, there was a significant increase in the output of the agricultural sector. The sector in turn provided a boost to the economy, the result of which was a growth in real GDP.

8. During the 1993/94 farming season, the country experienced some dry spells which affected crop production in the agricultural sector. This further impacted negatively on the economy in 1994. The situation was exacerbated by the unsatisfactory performance of the manufacturing and mining industries. The manufacturing sector continued to be confronted by structural problems including the lack of infusion of modern technology and the high cost of borrowing and the escalation in prices of raw materials and other inputs as the economy went through the high inflation period. The performance of the mining sector was not satisfactory due to various factors including the exhaustion of mineral ore and the lack of investment in new mining operations. This was in spite of the recovery in metal prices on the world market during the year. A major event in the mining sector in 1994, was the closure of the Kabwe mine from where lead and Zinc has been mined for many years.

9. Despite the unfavourable performance shown by the three leading sectors, there were signals pointing to an economic turn around in other sectors including the construction, transport, retail trade and the real estates sectors whose performance had been poor during the past few years. The following is a detailed analysis of the performance of the Zambian economy in 1994.

2.0 DOMESTIC OUTPUT, AGGREGATE SUPPLY AND DEMAND FOR GOODS AND SERVICES

DOMESTIC OUTPUT

10. Output of goods and services, measured in terms of Gross Domestic Product (GDP) at 1977 prices is estimated to have declined by 6.6 percent in 1994 compared to the growth of 8.2 percent in 1993. The decline is attributed mainly to the unfavourable performance of the three main sectors, agriculture, mining and manufacturing which. due to various factors including the unfavourable weather

conditions, recorded a fall in output during the year. All other sectors including those which over the past years, exhibited poor performance turned around with growth in value-added in 1994. Tables 2.1 and 2.2 show the structure of GDP and the trends in sectoral performance in the period 1989 to 1994, at current and constant prices, respectively.

11. Value-added in the Agriculture, Forestry and Fishing sector declined by 19.8 percent in 1994 compared to the growth of 79.6 per cent in 1993. The unfavourable performance by the agricultural sector is mainly a result of the dry spells experienced during the 1993/1994 farming season which affected crop production. This negatively affected the food security position in the country with people in some regions requiring food relief. The output of the country's staple crop, maize, fell short of national requirements by 2.7 million (90kg) bags. However, other sub-sectors, namely, the Forestry and Fishing recorded increases in value-added of 4.0 and 3.1 percent, respectively, in 1994.

12. The Mining sector registered a drop in value-added of 12.7 per cent in 1994. This followed a decline in value-added of 9.1 per cent in 1993. Value-added in the Metal Mining sub-sector fell by 12.1 per cent mainly as a result of the general reduction in production emanating from the gradual depletion of reserves. This made some mining units highly uneconomical. It is mainly for this reason that the Kabwe mine which produced Lead and Zinc ceased to operate during the first half of 1994. The Metal Mining sub-sector also lacked the infusion of adequate new capital in the existing operations and for opening new mines. Value-added in the other mining and quarrying sub-sector declined mainly due to inadequate investment as the cost of borrowing rose resulting from high inflation during most of the year.

ECONOMIC CONDITIONS IN ZAMBIA IN

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Table 2.1: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY AT CURRENT PRICES (K'M) 1989-1994

Sector	1989	1990	1991	1992	1993*	1994**
1. Agriculture, Forestry & Fishing	10,562.1	20,630.8	34,518.2	121,132.3	538,699.3	733,463.3
Agriculture	8,126.4	16,853.2	28,759.0	101,406.9	461,542.5	589,158.9
Forestry	1,006.7	1,685.2	2,620.6	12,899.7	51,531.0	94,898.6
Fishing	1,429.0	2,092.4	3,138.6	6,825.7	25,625.8	49,405.8
2. Mining and Quarrying	7,719.8	10,216.7	18,230.3	31,819.8	129,266.9	143,347.9
Mining	7,519.8	9,817.2	17,313.4	30,459.6	127,019.6	140,775.4
Other Mining and Quarrying	200.0	399.5	916.9	1,360.2	2,247.3	2,572.5
3. Manufacturing	17,089.7	36,106.6	72,786.0	189,047.6	374,607.7	508,473.3
Food, Beverages & Tobacco	5,170.4	11,820.0	21,782.2	81,507.3	182,136.4	300,434.6
Textile & Leather Industries	1,388.6	2,504.6	4,768.4	8,795.9	17,023.4	18,163.7
Wood & Wood Products	510.2	898.0	2,387.7	4,087.2	10,331.3	12,755.8
Paper & Paper Products	1,287.8	3,027.2	4,336.7	6,067.3	12,224.0	20,089.0
Chemical Rubber & Plastics	1,422.1	2,452.2	4,795.9	13,908.7	23,889.5	34,021.4
Fabricated Metal Products	4,406.4	10,347.4	19,944.1	40,293.8	83,450.1	68,954.5
Other Manufacturing	2,904.2	5,057.2	14,771.0	34,387.4	45,553.0	54,054.3
4. Electricity, Gas & Water	398.1	594.2	1,657.9	7,255.1	18,094.5	20,089.7
5. Construction	884.0	4,418.8	8,352.8	20,975.2	82,827.8	118,693.9
6. Wholesale & Retail Trade	5,109.0	10,827.4	25,254.8	40,189.9	127,670.5	179,656.9
7. Restaurants & Hotels	1,363.3	2,899.5	4,818.6	21,328.2	58,321.0	100,338.3

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8. Transport, Storage & Communication	2,880.6	5,501.2	11,218.7	24,896.2	64,938.8	107,413.4
Rail Transport	779.4	1,330.7	3,843.0	7,259.8	18,296.9	29,421.5
Road Transport	881.0	1,971.9	2,480.3	4,669.2	14,419.9	24,420.3
Other Transport, Storage & Comm.	1,220.2	2,198.6	4,895.4	12,967.2	32,222.0	53,571.6
9. Financial Institutions & Insurance	1,781.1	3,204.9	4,676.8	17,773.6	20,730.6	34,588.9
10. Real Estate & Business Services	2,072.0	4,878.6	10,510.9	23,716.7	72,240.4	99,028.7
11. Community, Social & Personal Services	2,704.6	7,051.0	13,901.0	42,461.3	87,063.4	145,943.0
Public Admin., Defence & Sanit. Serv.	1,155.9	3,637.8	7,838.8	27,426.7	47,476.3	72,775.3
Education	776.4	1,645.2	3,357.7	8,604.1	22,492.0	42,511.9
Health	338.3	794.6	1,226.2	2,586.0	6,977.3	12,545.8
Other Community & social Services	434.0	973.4	1,478.3	3,844.5	10,117.8	18,110.0
12. Import Duties	3,105.3	7,889.1	13,632.3	33,841.4	79,000.0	148,562.0
13. Less: Imputed Banking Service Charges	(488.4)	(878.8)	(1,282.5)	(4,873.7)	(12,713.2)	(21,212.1)

TOTAL GDP AT MARKET PRICES	55,181.2	113,340.0	218,275.8	569,563.6	1,640,747.7	2,318,387.2

Source: Central Statistical Office.

* Preliminary

** Provisional

ECONOMIC CONDITIONS IN ZAMBIA IN

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Table 2.2: GROSS DOMESTIC PRODUCT BY KIND OF ECONOMIC ACTIVITY AT CONSTANT (1977) PRICES (K'M) 1989-1994

Sector	1989	1990	1991	1992	1993*	1994**	1994 Growth Rate
1. Agriculture, Forestry & Fishing	424.5	386.7	406.7	272.2	488.8	392.0	-19.8%
Agriculture	379.0	339.7	361.4	226.6	437.1	338.5	-22.6%
Forestry	16.4	19.4	19.4	21.0	21.8	22.7	4.1%
Fishing	29.1	27.6	25.9	24.6	29.9	30.8	3.0%
2. Mining and Quarrying	175.6	162.7	148.0	166.9	151.7	132.4	-12.7%
Metal Mining	169.4	157.8	143.4	161.4	147.4	129.5	-12.1%
Other Mining and Quarrying	6.2	4.9	4.6	5.5	4.3	2.9	-32.6%
3. Manufacturing	544.1	586.7	586.6	636.5	602.0	529.0	-12.1%
Food, Beverages & Tobacco	241.7	268.8	284.3	340.1	332.0	312.9	-5.8%
Textile & Leather Industries	79.2	83.4	72.9	66.1	49.3	43.0	-12.8%
Wood & Wood Products	9.4	10.4	11.9	11.8	12.4	9.7	-21.8%
Paper & Paper Products	36.3	33.9	33.4	32.5	29.7	34.7	16.8%
Chemical Rubber & Plastics	36.4	38.1	38.6	35.6	33.1	32.9	-0.6%
Fabricated Metal Products	100.2	103.3	106.7	109.4	111.7	66.2	-40.7%
Other Manufacturing	40.9	48.8	38.8	41.0	33.8	29.6	-12.4%
4. Electricity, Gas & Water	49.9	58.8	63.8	60.6	62.7	68.7	9.6%
5. Construction	63.3	62.6	61.8	58.5	60.4	65.3	8.1%
6. Wholesale & Retail Trade	186.8	180.7	177.5	165.7	170.8	172.5	1.0%
7. Restaurants & Hotels	46.2	54.2	48.9	78.6	81.4	83.2	2.2%

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8. Transport, Storage & Communication	110.2	102.1	97.1	84.6	79.7	87.8	10.2%
Rail Transport	30.0	24.7	20.4	24.6	18.2	22.7	24.7%
Road Transport	33.9	36.6	38.6	15.9	19.9	20.5	3.0%
Other Transport, Storage & Comm.	46.3	40.8	38.1	44.1	41.6	44.6	7.2%
9. Financial Institutions & Insurance	52.9	53.8	54.7	52.2	47.1	53.7	14.0%
10. Real Estate & Business Services	192.7	182.7	178.1	185.7	191.5	197.4	3.1%
11. Community, Social & Personal Services	375.6	381.5	387.6	385.3	382.3	388.0	1.5%
Public Admin., Defence & Sanit. Serv.	144.2	147.1	149.5	146.4	139.8	142.1	1.6%
Education	121.5	123.9	126.0	125.0	127.1	129.1	1.6%
Health	45.0	45.9	46.7	46.3	47.1	47.8	1.5%
Other Community & social Services	64.9	64.6	65.4	67.6	68.3	69.0	1.0%
12. Import Duties	17.0	15.9	17.0	21.7	22.4	23.1	3.1%
13. Less: Imputed Banking Service Charges	(14.6)	(14.9)	(15.1)	(32.0)	(28.9)	(32.9)	

TOTAL GDP AT MARKET PRICES	2,224.2	2,213.5	2,212.7	2,136.5	2,311.9	2,160.2	

Real GDP Growth Rates	-1.0%	-0.5%	-0.0%	-3.4%	8.2%	-6.6%	

Source: Central Statistical Office.

* Preliminary

** Provisional

13. The Manufacturing sector also showed unfavourable performance for the second year running. The sector's value-added fell by 12.1 percent in 1994 following a decline of 5.4 percent in 1993. The sector continued to face a number of problems including lack of infusion of new technology and the high cost of borrowing as well as the escalation of prices of raw materials and other inputs. Duty on imported raw materials was also high while competition from finished goods imported from relatively advanced economies remained stiff.

14. Consequently, only the Paper and Paper Products sub-sector of the Manufacturing sector recorded positive growth in value-added of 16.8 per cent in 1994. Value-added for the Food and Beverage sub-sector declined by 5.3 percent in 1994 following a decline of 2.4 percent in 1993. The Textile and Leather industries recorded a fall in value-added of 12.7 percent in 1994. The Wood and Wood Products industries declined by 22.2 percent compared to the growth of 5.4 percent in 1993. The Chemicals, Rubber and Plastics industries' value-added dropped by 0.6 percent in 1994. Value-added of other sub-sectors declined significantly during the year.

15. The Electricity and Water sector is estimated to have grown by 9.6 percent in 1994. This follows a growth of 3.4 percent in 1993. The Zambia Electricity Supply Corporation intensified its efforts in implementing the township and rural electrification programmes during the year. Several projects in the various districts of the country were completed. As a result, electricity consumption was much higher in 1994 than was the case in the previous year. For the Water sub-sector, the recurrence of drought created high demand for water wells and bore-holes. The Government responded by accelerating the implementation of programmes intended to dig wells and bore-holes in the various parts of the country.

16. After recording unfavourable performance over the past few years, the Construction sector is showing signs of recovery. Value-added in the sector is estimated to have increased in 1994 by 8.1 percent in real terms, from the increase of 3.3 percent in 1993. The liberalisation of the economy and the relative improvement in the macroeconomic environment as well as the rising demand for commercial buildings and residential houses provided a boost to investment in the sector. Public works, relating to the construction of roads and bridges that were undertaken during the year also contributed to the growth of value-added in the construction sector.

17. The performance of other sectors, services sectors which comprise the Trade, Hotels, Transport, Financial Institutions, Real Estate and the Community and Social Services, was quite satisfactory. All these sectors recorded positive growth rates with a combined growth rate estimated at 3.1 percent in 1994. Real value-

added in the Trade sector grew by 1.0 per cent in 1994, owing mainly to the increased availability of imported goods in the economy. An increased number of foreign visitors provided a stimulus to activity in the Hotels and Restaurant services sector. As a result, real value-added in this sector grew by 2.2 percent in 1994.

18. The Transport and Communications services sector showed some signs of recovery in 1994. Real value-added is estimated to have grown by 10.1 per cent in contrast to the decline of 5.8 per cent in 1993. Value-added increased for all categories of transport and communication services. The sector had persistently declined since 1990 due mainly to the deterioration of infrastructure and the unfavourable business environment prevailing during this period. The Government's goal was to rehabilitate and properly maintain the existing infrastructure to ensure access to an efficient transport and communication network. The rehabilitation and maintenance work was well underway since 1992. As a result of these efforts and given an improved business environment, private sector participation increased and handled an increased number of passengers and cargo in the road transport sub-sector.

19. Increased activities were recorded in 1994 by the Financial and Insurance Services sector. There was an expansion in the number of banks and insurance companies as well as their branches operating in Zambia during the year. Consequently, value-added in the sector is estimated to have increased by 13.9 percent in 1994 in contrast to a decline of 9.7 percent in 1993. The Real Estate and Business Services sector also showed an increase in activity during the year with real value-added growing by 3.1 percent. The Community and Social Services sector registered a real value-added growth of 1.5 percent in 1994 compared to a decline of 0.8 percent the previous year. The Education and Health Services sub-sectors recorded an expansion in real value-added of 1.6 and 1.5 percent, respectively. Other sub-sectors including Public Administration and Defence and other Community and Personal Services registered increases in value-added in excess of 1.0 percent, respectively in 1994.

AGGREGATE SUPPLY

20. The value of goods and services supplied in the economy, measured at constant (1977) prices declined by 6.3 percent in 1994 in contrast to an increase of 10.3 per cent in 1993. The decline is accounted for by the fall in both the real GDP and the real value of imports during the year. Real GDP declined by 6.6 per cent while the real value of imports into the country dropped by 5.2 per cent in 1994.

21. The decline in real GDP is attributed mainly to the drop in the output of the agriculture, mining and manufacturing sectors. All other sectors registered increases in the value of real output. A significant fall in the output of the agricultural sector was recorded. This resulted largely from the poor rains experienced during the 1993/94 farming season. There was crop failure in many parts of the country. This threatened the food security situation with some parts of the country requiring famine relief early during the harvest period. It is estimated that close to 1.5 million bags of the national staple food, maize, were imported by end-December, 1994, to off-set the shortfall in domestic production and enhance national reserves.

22. However, although the need for imports was quite high during the year, mainly to cover shortfalls in domestic production, the total value of imports did not expand in real terms. This resulted mainly from depressed economic conditions in the country during most of the year. The high cost of obtaining foreign exchange and of borrowing from financial institutions as well as the restrictive monetary policy aimed at curbing inflation, had a dampening effect on the growth of the economy. This subsequently inhibited the growth in supply of goods and services in the economy. Tables 2.3 and 2.4 give trends in supply and demand for goods and services for the period 1989 to 1994 at current and constant prices.

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Table 2.3: ZAMBIA: SUPPLY AND DEMAND FOR GOODS & SERVICES AT CURRENT PRICES, 1989-1994 (K'M)

ITEM	1989	1990	1991	1992	1993*	1994**	Change Over 1993
1. Growth Domestic Product	55,181.2	113,340.0	218,275.8	569,563.6	1,640,747.7	2,318,387.2	41.3%
2. Imports of Goods & Services	18,665.1	41,731.4	67,290.0	178,406.9	596,634.1	942,682.0	58.0%
3. TOTAL SUPPLY	73,846.3	155,071.4	285,565.8	747,970.5	2,237,381.8	3,261,069.2	45.8%
4. Government Consumption	7,574.3	21,565.6	69,454.2	85,496.8	154,914.4	239,057.8	54.3%
5. Private Consumption	45,516.7	71,620.2	117,097.6	447,632.6	1,335,170.1	2,254,058.4	68.8%
6. Gross Fixed Capital Formation	3,642.7	15,270.9	24,807.2	60,193.7	194,250.0	245,717.5	26.5%
7. Change in Stocks	2,321.0	4,312.3	(761.0)	7,537.0	(25,989.0)	(32,044.0)	23.3%
8. DOMESTIC DEMAND	59,054.7	112,769.0	210,598.0	600,860.1	1,658,345.5	2,706,789.7	63.2%
9. Export of Goods & Services	14,791.6	42,302.4	74,967.8	147,110.4	579,036.4	554,279.4	-4.3%
11. TOTAL DEMAND	73,846.3	155,071.4	285,565.8	747,970.5	2,237,381.9	3,261,069.1	45.8%

Source: Central Statistical Office.

* Preliminary

** Provisional

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1994

Table 2.4: ZAMBIA: SUPPLY AND DEMAND FOR GOODS & SERVICES AT CONSTANT (1977) PRICES, 1989-1994 (K'M)

ITEM	1989	1990	1991	1992	1993*	1994**	Change Over 1993
1. Growth Domestic Product	2,224.2	2,213.5	2,212.7	2,136.5	2,312.0	2,160.2	-6.6%
2. Imports of Goods & Services	452.7	423.8	344.3	362.3	444.3	421.4	-5.2%
3. TOTAL SUPPLY	2,676.9	2,637.3	2,557.0	2,498.8	2,756.3	2,581.6	-6.3%
4. Government Consumption	415.7	492.2	665.7	589.5	443.5	491.3	10.8%
5. Private Consumption	1,505.0	1,226.8	1,006.6	1,293.9	1,335.4	1,435.6	7.5%
6. Gross Fixed Capital Formation	123.2	172.9	149.9	165.2	209.3	222.0	6.1%
7. Change in Stocks	105.5	210.0	(6.5)	39.7	(30.2)	(29.5)	-2.3%
8. DOMESTIC DEMAND	2,149.4	2,101.9	1,815.7	2,088.3	1,958.0	2,119.4	8.2%
9. Export of Goods & Services	469.6	435.6	455.5	472.0	671.8	510.0	-24.1%
10. Statistical Discrepancy	57.9	99.8	285.8	(61.5)	126.5	(47.8)	
11. TOTAL DEMAND	2,676.9	2,637.3	2,557.0	2,498.8	2,756.3	2,581.6	-6.3%

Source: Central Statistical Office.

* Preliminary ** Provisional

DOMESTIC DEMAND

23. Domestic demand is estimated to have increased in real terms by 8.0 per cent in 1994. This followed a decline in demand of 6.3 per cent in 1993. Most components of domestic demand exhibited some growth during the year under review. Government consumption spending grew by 10.8 per cent in 1994 compared to a decline of 24.8 per cent in 1993. The need to sustain the wages of workers in the public service and ensure the provision of high quality services contributed to this outcome. Consumption spending by the private sector grew by 7.2 per cent in 1994 following the growth of 3.2 per cent in 1993.

24. Gross Fixed Capital Formation is also estimated to have increased in real terms by 6.1 per cent in 1994. In 1993, fixed capital formation grew by 26.7 per cent in 1993. As a share of real GDP, gross fixed capital formation rose from 6.8 per cent in 1991 to 10.3 per cent in 1994. The liberalisation of the economy and the creation of a conducive economic environment in Zambia continued to provide a stimulus to the growth of private investment. However, the pressure to cut Government expenditure to bring it in line with revenues and contain inflation impacted negatively on public investment. To compensate for the reduction in Government investment, the mobilisation of external assistance was in 1994 stepped up to increase public investment.

3.0 FORMAL SECTOR EMPLOYMENT AND HUMAN RESOURCES DEVELOPMENT

FORMAL SECTOR EMPLOYMENT

25. The economic situation prevailing in the country during 1994 impacted negatively on Zambia. Formal sector employment declined from 511,100 persons in March, 1993 to 500,400 in March, 1994, representing a decline of 2.1 per cent. The private sector remained the largest employer with the level of employment standing at 205,700 in March, 1994. The parastatal sector was the second largest employer with 147,100 employees, followed by the central Government with the employment level of 129,000 in March, 1994. Except for the private sector whose level of employment increased between March, 1993 and March, 1994 all other employers recorded declines in employment during this period. Table 2.5 shows trends in formal sector employment by kind of employer between March, 1993 and March, 1994.

26. Between January and August, 1994, 224 companies in the parastatal and private sector declared redundant a total of 5,052 workers compared to 1993 when

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223 companies declared 5,513 workers redundant. Although total employment continued to fall there were a number of vacancies existing in some firms during the period. Up to end-August, 1994, a total of 11,581 vacancies were notified at the labour offices through out the country. From this figure, 10,107 were filled. One of the major absorbers of this labour was the financial sector which continued to experience rapid growth in 1994.

27. On the other hand, the number of industrial disputes experienced during 1994 declined. Up to September, the country experienced only 31 strikes, involving 9,680 workers. These strikes resulted in a loss of 37,499 man-days. During 1993, there were 48 work stoppages, involving 33,358 workers and a loss of 699,620 man-days. The reduction in the number of strikes in 1994 is largely attributed to a relative improvement in conditions, in some firms. This is also attributed to the existence of high unemployment largely resulting from the folding up of a number of firms.

Table 2.5: EMPLOYMENT BY KIND OF EMPLOYER

SECTOR	-----1992-----				-----1993-----				1994 MARCH
	MAR.	JUNE	SEPT.	DEC.	MAR.	JUNE	SEPT.	DEC.	
CENTRAL GOVT.	141.0	141.0	130.7	123.0	130.1	130.8	131.6	123.9	129.0
LOCAL GOVT.	24.1	22.5	20.1	23.7	21.3	21.6	19.8	18.9	18.6
PRIVATE .	212.4	205.2	205.1	204.2	202.0	205.8	203.8	201.8	205.7
PARASTATAL.	169.7	176.0	176.5	166.9	157.7	160.6	161.2	157.2	147.1
TOTAL	547.2	544.6	532.4	517.8	511.1	518.8	516.4	501.8	500.4

Source: Central statistical office.

4.0 GOVERNMENT BUDGET PERFORMANCE

FISCAL POLICY AND BUDGETARY PERFORMANCE

28 In 1994, the Government maintained its commitment to improving the management of the economy. A strict fiscal policy was pursued with the continued use of the cash budget. The execution of the budget was however, not as smooth as anticipated. Revenue inflows were at times falling short of expenditures. This resulted in particular expenditures not being made. Nonetheless, with the establishment of the Zambia Revenue Authority in April, 1994 tax compliance improved tremendously. This led to the general improvement in the revenue position of Government. Further, the continuous monitoring of revenue and expenditure by the Joint Ministry of Finance-Bank of Zambia Data Monitoring Committee ensured that Government financial operations were smooth and that accumulation of payment arrears was minimised and the printing of money was

avoided.

29. Preliminary indications are that excluding external debt service payments and foreign grants, in 1994, a deficit of K26,764 million was registered in the accounts of Government, related to domestic operations. This represents an increase of more than 100 per cent over the deficit K11,000 million anticipated at the beginning of the year. Both revenues and expenditure exceeded the budget levels for the year. Revenue collections are estimated at K449,991 million compared to the budget estimate of K395,791 million while expenditures are put at K459,480 million as opposed to the budget estimate of K397,291 million. The deficit was financed through external inflows from non-project foreign assistance and non-bank domestic sources. Care was taken not to fuel inflation by borrowing from the central bank. In fact, Government continued to pay the past credit from the Bank of Zambia. The following sections give an analysis of the performance of the revenues and expenditure during the year. Table 2.6 also gives the preliminary budgetary out-turn in comparison with the budgeted position in 1994.

REVENUE

30. Preliminary data shows that a total of K449,991 million Non-Grant revenue was mobilised in 1994, representing a 13.7 per cent increase over the budgeted amount for the year. Various measures were put in place to mobilize these resources in the year. These included increasing the efforts in ensuring that parastatal companies paid dividends to Government.

Table 2.6: CENTRAL GOVERNMENT BUDGET PERFORMANCE (K'MILLIONS) 1994

	1994 Budget Estm.	1994 Prelim. Out-turn
TOTAL REVENUES (excl. Grants)	395,791	449,991
Tax Revenue	381,427	419,252
Mineral Revenue	7,800	5,064
Company Tax	37,580	42,768
Pay As You Earn	46,535	69,735
Other	12,250	16,541
Domestic Excise	61,497	70,482
Domestic Sales Taxes	64,003	76,104
Taxes on Int'l Trade	151,762	138,558
Non-Tax Revenue	14,364	30,739
Dividends (Parastatals)	6,000	6,264
Fees	8,364	12,293
Exceptional Revenue	-	12,182
TOTAL EXPENDITURE	397,291	459,480

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RECURRENT EXPEND. (excl. Foreign Interest)	344,737	425,694
Personal Emoluments	65,377	68,974
Wage Adjustment	12,000	22,863
Civil Service Reform	6,000	1,980
Recurrent Departm. Charges	68,532	60,267
Transfers and Pensions	68,850	86,880
Defence and Security	26,238	42,083
Zambia Airways	2,500	2,500
Kapiri Glass Factory	-	283
Contingency	15,240	5,402
Agriculture Expend. (net)	20,000	31,924
Domestic Interest	60,000	102,538
CAPITAL EXPEND. (GRZ-FUNDED)	52,554	33,786
Primary Dom. Balance	58,500	93,049
Surplus/Deficit-Accrual Basis	(1,500)	(9,489)
Payment of Arrears (net)	9,500	13,548
Change in Bal. at BOZ.	-	(3,727)
PRIMARY DOM. BAL.-Cash Basis	49,000	75,774
OVERALL DOM. BAL.-Cash Basis	(11,000)	(26,764)
FINANCING REQUIREMENTS	11,000	26,764

SOURCE: Budget Office, Ministry of Finance.

31. The collected revenue included tax revenue of K419,252 million and non-tax revenue of K30,739 million. Tax revenue exceeded the budget estimate of K381,427 by 9.9 per cent. Except for mineral revenue and receipts from taxes on international trade whose receipts fell below the budget estimates, collections from all tax categories were above the estimated levels in the budget. Mineral revenue is estimated at K5,064 million and fell below the budget estimate by 35 per cent. This performance was a reflection of the operational problems that the Zambia Consolidated Copper Mines experienced during the year.

32. The receipts from taxes on international trade which stood at K138,558 million were 8.7 per cent below the budget estimate. This resulted mainly from the decline in imports during the year. Revenues from other tax categories were above the budget estimates mainly because of the increase in tax enforcement following the establishment of the Zambia Revenue Authority.

33. Estimated K30,739 million Non-Tax revenues were more than 100 per cent above the budget estimate. The non-tax revenues comprised the dividends by parastatal companies, fees on Government services and the exceptional revenue from dividends and the fees was above the budget estimate. Exceptional revenues amounted to K12,182 million in 1994.

EXPENDITURE

34. In 1994, Government expenditure is estimated to stand at K459,480 million representing an increase of 15.6 per cent over the budgeted amount of K397,291 million. This expenditure excluded the expenditure related to foreign debt service which was met from external inflows. It also excluded capital expenditure financed from project grants and loans. These did not pass through the budget. Of the total expenditure 93 per cent was recurrent expenditure.

35. The recurrent expenditure was 23 per cent above the budget estimate. The rise in this category of expenditure was accounted for by the substantial increase in interest payments on domestic debt and transfers and pensions as well as the cost related to wage adjustments and defence and security expenditure. Except for Civil Service reform and recurrent departmental charges, all other categories of recurrent expenditure were above the budget estimates.

36. The increase in recurrent expenditure meant that little of the Government's own resources were left for capital expenditure. At K33,786 million, Government-funded capital expenditure in 1994, was well below the budget level of K52,554 million. Capital expenditure represented only 7 per cent of total expenditure. However, most capital projects were funded through donor inflows. This level of expenditure has not been established yet as expenditure was undertaken without passing through the budget.

5.0 MONETARY DEVELOPMENTS AND INFLATION

MONETARY DEVELOPMENTS

Monetary Policy

37. Monetary policy in 1994 was focused at consolidating the progress made during the previous year in combating inflation. It was planned to ensure that monetary growth was consistent with maintaining price stability while at the same time, taking care so as to disrupt production through credit squeeze. Therefore, the policy allowed for relatively enough credit to be channelled to the private sector to increase the sector's activity and lay the foundation for economic take-off.

38. Priority in the first half of the year was given to ensuring that the trend of declining inflation was maintained. This was intended to dampen any further

inflationary expectations so as to build public and investor confidence in the economy. The cash budget principle was pursued and net claims on the Government by the Bank of Zambia were negative meaning that the Government was not financing the budget through borrowing from the central bank.

39. The result of this policy stance was quite favourable. Inflation during the year abated with the average rate reaching 53.3 per cent. This was quite a great achievement considering that the average rate in the previous year had been 187.1 per cent. The management of the budget was improved through close monitoring to ensure that expenditure matched revenue inflows at the Bank of Zambia. Government also ensured that its outstanding debts to the banking system were repaid, thereby freeing up resources for use by the private sector. During the second half of 1994, the minimum required reserve ratios were reduced after observing that inflation was abating. This gave leverage to the banks to increase lending to the private sector the result of which the share of private sector credit into total domestic credit increased.

40. As inflation abated, nominal interest rates also fell relative to the levels of the previous year. For instance, the 91-day treasury bill rate declined from the average of 153 per cent over the period January to September, 1993 to the average of 83 per cent over the corresponding period of 1994. In October, 1994, this rate dropped to 34.4 per cent. Stability was also achieved in the foreign exchange markets during the period.

Money Supply

41. Money supply growth decelerated markedly in 1994 compared to the situation in 1993. The average rate of growth of the broad money aggregate, M2, declined to 3.3 per cent per month in the period January to November, 1994 from an average of 5.6 per cent per month in the corresponding period of 1993. On a year-on-year basis, the average rate of growth for M2 was 70.7 per cent during the first eleven months compared to 124.7 per cent in the corresponding period of 1993. Other monetary aggregates exhibited similar trends expanding at a slower pace in 1994 than was the case in 1993. Table 2.7 presents selected monetary statistics for the period January to October, 1994.

42. The decline in the rate of growth of money supply largely reflected the policy stance taken which was aimed at reducing inflation and attaining monetary stability. There was intensification in the sale of treasury bills and other Government securities as well as in the sale of foreign exchange to syphon-off currency from circulation. The central bank also became firm in monitoring

movements in monetary aggregates.

Domestic Credit

43. Total lending by the banking system showed an upward trend in 1994, rising from the level of K152,328 million in January and peaking at K191,073 million in August, 1994. The expansion in lending was attributed to increased advances by the commercial banks to the Non-Government sector including the private sector, the parastatals and statutory bodies. The credit to the Non-Government sector rose from K99,549 million in January, 1994 to stand at K134,913 million in September, 1994. Credits to the Government, on the other hand, fluctuated, showing an increasing trend in the first half of the year and a falling trend in the second in the half.

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Table 2.7: MONETARY STATISTICS

	-1993- DEC.	-1994- JAN.	FEB.	MAR.	APR.	MAY.	JUN.	JULY.	AUG.	SEPT	OCT.
1. MONEY SUPPLY, M2 (K'M)	199,266	203,678	217,031	223,018	221,918	223,260	246,450	258,618	268,462	273,180	283,426
NARROW MONEY (M1)	96,223	100,831	114,532	110,614	109,185	107,499	116,792	119,389	125,000	129,058	135,444
Currency in Circulation	40,383	40,413	45,843	44,951	45,892	45,020	49,358	54,277	52,231	54108	55983
Demand Deposits	55,840	60,418	68,689	65,663	63,293	62,479	67,434	65,112	72,769	74950	79461
QUASI-MONEY (T&S Deposits)	103,043	102,847	102,499	112,404	112,733	115,761	129,658	139,229	143,462	144122	147982
M2 Year-on-Growth Rates (%)	107.2	96.1	91.5	71.7	65.0	51.0	71.7	72.7	73.8	65.3	61.2
M2 Monthly Changes (%)	11.1	2.2	6.6	2.8	-0.5	0.6	10.4	4.9	3.8	1.8	3.8
2. INTEREST RATES (%)											
Savings Deposits (Banks)	56.9	62.2	63.9	64.5	64.8	61.4	53.5	44.6	36.3	30.5	30.5
Lending Base Rate	80.7	93.6	97.7	95.0	91.4	88.1	78.3	69.3	58.2	50.2	44.5
Treasur.B. Yield Rate-91d	80.6	90.7	98.5	85.4	91.5	88.3	89.4	79.2	70.7	57.2	33.4
Central Bank Rate	72.1	78.9	83.8	75.3	83.1	82.0	78.0	71.2	65.1	55	35.7
3. DOMESTIC CREDIT (K'M)	146,474	152,328	171,066	167,902	172,904	175,114	178,187	179,988	191,073	179,677	-
Banking System Lending to the Government :	55,355	52,779	71,379	69,774	67,850	68,585	62,916	59,368	63,126	44,764	49,159
Bank of Zambia	(11,025)	(14,265)	(3,554)	(8,647)	(9,683)	(15,973)	(17,699)	(14,602)	(17,522)	-48532	-45754
Commercial Banks	66,380	67,044	74,933	78,421	77,533	84,558	80,615	73,970	80,648	93,296	94913
Com.Bank Lend. to Non-Gov't	91,119	99,549	99,687	98,128	105,054	106,529	115,271	120,620	127,947	134,913	-
Private Sector	89,541	96,139	67,318	76,751	79,790	82,332	88,047	91,177	97,510	104,648	-
Parastatal	-	-	28723	18345	19701	17232	21510	23500	24668	24184	-
Other	1,578	3,410	3,646	3,032	5,563	6,965	5,714	5,943	5,769	6,081	-
4. BANK LIQUIDITY & RATIOS											
"Core" Liquid Assets/Liab.	41.0	40.7	42.9	44.3	47.6	54.9	49.7	40.2	37.5	48.4	39.5
Min. Required "core" Ratio	50.0	50.0	50.0	45.0	45.0	45.0	45.0	35	35	35	35
Statutory Reserve Ratio	-	32.6	32.7	27.8	28.9	29.1	29.2	29	29.8	29.1	29
Required Reserve Ratio	-	32.5	32.5	29.0	29.0	29.0	29.0	29.0	29.0	29.0	29.0

SOURCE: Bank of Zambia.

44. During the period under review, the Government desisted from financing its budget deficit through borrowing from the Bank of Zambia. The Government had in fact continued to pay back to the central bank the debt committed in the past. Claims on the Government by the banking system as indicated in table 2.7 were those by the commercial banks, the bulk of which represents the holding of Government securities by the commercial banks. This in effect, represented a remarkable departure from the past, in conducting fiscal and monetary operations. This was an indication of Government's commitment to controlling monetary expansion and inflation.

INFLATION

45. In 1994, the consumer price situation improved tremendously pointing to the return of price stability in the Zambian economy. Measured by the Consumer Price Index (CPI) for the composite income group, inflation averaged 53.3 per cent in 1994 compared to the average of 187.1 per cent in 1993 and 191.4 per cent in 1992. On a monthly basis, the rate of inflation declined from 6.1 per cent in January, 1994 to 1.9 per cent in March, 1994. In April, the rate of inflation rose slightly to 2.9 per cent but fell persistently thereafter and was 0.9 per cent in September. However, the fourth quarter of 1994 experienced a surge in prices with the inflation rate rising to 1.7 per cent in October and reaching 4.0 per cent in December, 1994 (see Table 2.8).

**Table 2.8 INFLATION RATES BASED ON CONSUMER PRICE INDICES
1986-94
(1985=100) (1975 weights)**

I. ANNUAL AVERAGE RATES (1986-1993)

	COMPOSITE GROUP	LOW INC. GROUP	HIGH INCOME GROUP
1986	54.8	54.0	60.1
1987	47.0	45.6	56.3
1988	54.0	54.7	50.1
1989	128.3	128.7	125.4
1990	109.5	111.0	100.2
1991	93.4	92.6	98.5
1992	191.3	197.4	152.0
1993	187.1	189.0	172.7
1994	53.3	52.3	62.1

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II. MONTHLY RATES (1993-1994)

	COMPOSITE GROUP	LOW INC. GROUP	HIGH INCOME GRP
1993			
JANUARY	10.1	10.5	6.7
FEBRUARY	12.7	13.4	6.9
MARCH	9.2	8.7	13.3
APRIL	14.5	15.0	10.1
MAY	8.8	8.7	9.5
JUNE	15.1	15.1	15.2
JULY	12.6	13.0	9.3
AUGUST	2.5	2.3	4.3
SEPTEMBER	3.7	3.7	3.6
OCTOBER	0.1	-0.1	1.5
NOVEMBER	-1.6	-1.6	-1.4
DECEMBER	4.0	4.1	3.4
1994			
JANUARY	6.1	5.9	8.1
FEBRUARY	4.9	5.0	4.3
MARCH	1.9	1.7	3.7
APRIL	2.9	2.8	3.5
MAY	2.6	2.2	5.2
JUNE	2.1	2.2	1.6
JULY	1.1	1.0	1.8
AUGUST	0.7	0.6	1.3
SEPTEMBER	0.9	0.7	2.5
OCTOBER	1.7	1.7	1.8
NOVEMBER	1.7	1.7	1.5
DECEMBER	4.0	4.3	1.3

III. YEAR-ON-YEAR INFLATION RATES

	COMPOSITE GROUP	LOW INC. GROUP	HIGH INCOME GROUP
1993			
JANUARY	178.9	179.0	178.3
FEBRUARY	173.1	175.4	155.4
MARCH	162.3	162.2	163.4
APRIL	184.3	185.1	178.2
MAY	190.7	191.6	183.1
JUNE	211.5	211.5	211.3
JULY	243.5	246.9	216.6
AUGUST	225.6	227.8	208.1
SEPTEMBER	206.2	208.5	188.4
OCTOBER	186.3	188.4	169.6
NOVEMBER	163.7	166.7	141.7
DECEMBER	138.1	140.6	119.5
1994			
JANUARY	129.6	130.5	122.5
FEBRUARY	113.8	113.4	117.0
MARCH	99.6	99.7	98.6
APRIL	79.4	78.6	86.7
MAY	69.2	67.9	79.4
JUNE	50.1	49.1	58.2
JULY	34.7	33.2	47.3
AUGUST	32.3	31.0	43.1
SEPTEMBER	28.8	27.3	41.5
OCTOBER	30.8	29.5	41.9
NOVEMBER	35.2	33.8	46.2
DECEMBER	35.2	34.2	43.3

SOURCE: Central Statistical Office.

IV. MONTHLY INFLATION RATES BASED ON CONSUMER PRICE INDICES 1993-94
(1985=100) (1975 weights)

i. LOW INCOME GROUP	ALL					
	ALL ITEMS	FOOD BEVERAGES TOBACCO	CLOTHING & FOOTWEAR	RENT, FUEL LIGHTING	FURNIT. HOUSEHOLD GOODS	OTHER GOODS SERVICES
1993						
JANUARY	10.5	9.6	5.7	18.2	19.9	10.5
FEBRUARY	13.4	12.6	12.8	14.8	23.3	7.8
MARCH	8.7	8.3	10.6	8.3	6.9	16.7
APRIL	15.0	15.1	16.8	19.5	11.5	15.5
MAY	8.7	8.7	5.4	8.4	9.0	11.7
JUNE	15.1	16.2	10.6	9.3	7.9	21.2
JULY	13.0	14.9	9.7	2.5	5.8	8.5
AUGUST	2.3	1.3	0.1	3.9	8.0	9.5
SEPTEMBER	3.7	2.3	5.8	5.7	11.3	6.4
OCTOBER	-0.1	-0.5	0.3	2.1	0.6	2.6
NOVEMBER	-1.6	-1.6	-3.3	-0.6	-0.8	-1.8
DECEMBER	4.1	4.4	1.4	-1.2	1.5	9.1
1994						
JANUARY	5.9	7.3	5.2	0.9	4.7	-5.4
FEBRUARY	5.0	4.1	3.6	17.0	3.9	14.1
MARCH	1.7	0.8	10.7	2.9	3.1	3.4
APRIL	2.8	2.6	7.3	1.2	4.3	0.0
MAY	2.2	2.5	0.9	3.1	1.3	1.0

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JUNE	2.2	0.8	5.8	0.8	2.6	16.0
JULY	1.0	0.6	3.1	0.2	2.2	2.3
AUGUST	0.6	0.2	0.0	7.1	3.3	-1.6
SEPTEMBER	0.7	0.5	0.4	7.1	0.1	1.2
OCTOBER	1.7	2.0	1.4	0.0	0.1	1.6
NOVEMBER	1.7	1.9	0.2	0.1	0.7	3.3
DECEMBER	4.3	5.4	1.0	0.9	1.5	1.1

ii. HIGH INCOME GROUP									
	ALL ITEMS	FOOD BEVERAGES TOBACCO	CLOTHING & FOOTWEAR	RENT, FUEL LIGHTING	FURNIT. HOUSEHOLD GOODS	MEDICAL CARE	TRANSPORT & COMMUN.	RECREATION ENTERTAIN	ALL OTHER GOODS SERVICES
1993									
JANUARY	6.7	6.2	6.0	29.7	13.8	7.5	10.3	11.1	-28.7
FEBRUARY	6.9	9.1	10.2	3.3	17.0	15.8	-7.5	5.1	7.5
MARCH	13.3	11.1	14.1	26.6	11.5	13.3	16.6	13.3	17.9
APRIL	10.1	9.3	10.1	10.9	10.2	14.0	12.1	9.9	8.0
MAY	9.5	8.7	9.6	0.5	8.3	31.3	9.6	19.1	14.4
JUNE	15.2	14.9	11.2	61.1	10.6	11.0	15.7	6.5	9.8
JULY	9.3	11.6	10.8	1.0	9.7	38.5	0.4	9.2	16.8
AUGUST	4.3	4.9	-0.3	2.1	8.6	24.7	-1.8	2.0	8.8
SEPTEMBER	3.6	4.1	9.4	-3.8	8.0	-9.6	-4.8	10.2	8.8
OCTOBER	1.5	1.4	6.7	2.2	2.4	2.9	-7.0	-1.6	13.3
NOVEMBER	-1.4	-1.3	-3.3	0.2	-1.0	-6.0	1.7	-3.4	-4.6
DECEMBER	3.4	4.9	1.4	-1.9	0.9	30.9	6.0	-2.6	-4.9
1994									
JANUARY	8.1	5.0	2.8	1.6	8.7	4.8	20.2	18.2	0.3
FEBRUARY	4.3	3.4	4.2	5.2	3.6	4.1	9.2	3.3	2.3
MARCH	3.7	3.3	3.5	-0.5	7.2	4.5	5.9	7.6	5.4
APRIL	3.5	3.0	0.2	2.7	6.3	2.9	5.1	0.3	3.0
MAY	5.2	3.4	1.7	68.3	3.4	1.2	-0.3	2.9	0.3
JUNE	1.6	1.1	6.2	1.0	1.0	1.9	0.4	2.3	4.4
JULY	1.8	2.5	2.0	0.7	0.1	0.9	1.9	2.9	1.8
AUGUST	1.3	0.7	1.8	3.4	0.4	5.2	0.0	2.8	6.3
SEPTEMBER	2.5	3.4	0.3	2.7	0.4	1.1	4.3	1.1	1.4
OCTOBER	1.8	3.3	0.3	0.1	0.7	2.4	0.1	1.9	1.0
NOVEMBER	1.5	1.5	1.8	-0.4	1.4	6.9	0.4	5.4	2.0
DECEMBER	1.3	1.4	1.0	0.1	2.2	2.7	0.2	1.2	2.6

SOURCE: Central Statistical Office.

46. On a year-on-year basis, the inflation rate declined sharply from 186.3 per cent in October, 1993, to 28.8 per cent in September, 1994. From the September level the year-on-year rate of inflation rose to stand at 35.2 per cent in December, 1994. The acceleration in the rate of inflation during the fourth quarter of 1994 was attributed partly to seasonal variations in prices which were dramatised by the shortfall in the output of the agricultural sector, resulting from the dry spells experienced during the 1993/94 farming season. By December, 1994 some parts of the country were experiencing shortages of the staple crop, maize and other food crops. This put an upward pressure on the prices of the food category of the consumer goods.

47. Price trends reveal that the rates of growth of price indices for both the low and high income categories of consumers decelerated between January and September but accelerated between October and December, 1994. For the low

income group, the rate of growth of the index of the Food, Beverages and Tobacco sub-group of consumer goods and services decelerated from 7.3 per cent in January to 0.5 per cent in September, but accelerated to 5.4 per cent in December, 1994. The Furniture and Household Goods index growth rate declined from 4.7 per cent in January to 0.1 per cent in September but rose slightly to 1.5 per cent in December, 1994. For the high income group, the index growth appeared somewhat different. Except for the Furniture and Household Goods, other categories of consumer goods and services showed declining trends in the growth of the indices during the fourth quarter of 1994.

48. Nevertheless, despite the surge in prices during the fourth quarter, inflation was dramatically reduced in 1994. This was owed largely to the tight fiscal and monetary policy stance that the Government continued to take. Government expenditure was closely monitored to ensure that it was in line with revenue. At the same time, monetary expansion was kept under control. This situation coupled with the increase in external inflows led to the relative stability in the exchange rate. Consequently, the prices of imported goods and services were also relatively stable during the year.

6.0 BALANCE OF PAYMENTS

49. While external sector policies have emphasised the diversification of the export base, copper revenues have continued to dominate Zambia's export receipts. At the same time, the debt falling due has commanded an enormous share of total export earnings. As a result, copper prices and the external debt burden have remained important factors influencing the country's balance of payments position. In 1994, copper prices on the world market recovered relative to their levels in 1993. They averaged US \$1.05 per pound compared to an average of US \$0.87 per pound in 1993. However, because of operational problems in the domestic mining sector, the volume of copper production and exports declined during the year, limiting the opportunity for the country to benefit from improved prices on the world market. On the other hand, despite the measures undertaken during the year to reduce the debt stock, the country's debt burden remained high in 1994.

50. Preliminary information on the balance of payments indicates that in 1994, Zambia continued to record imbalances in her external accounts. A deficit of US \$71.1 million was registered in the current account. This however, represents almost 57 per cent improvement over the current account deficit of US \$157.1 million registered in 1993. The value of exports increased while that of imports declined, resulting in a surplus of US \$182.9 million in the merchandise accounts. This surplus was wiped-out by the deficit of US \$485 million in the services

accounts where payments for interest on external debt and that for non-factor services increased significantly. Given this situation, a current account deficit was recorded. This is in spite of the substantial official grants received during the year. Table 2.9 presents the preliminary estimates for balance of payments for the years 1993 and 1994 in United States Dollar terms.

51. The performance of exports in 1994 was satisfactory. The value of exports increased by 18 per cent from \$1,056.0 million in 1993 to \$1,245.9 million in 1994. The relatively good performance by exports largely reflects the strengthening in prices of metals on the world market. Despite this, because of operational problems in the mining sector, both production and export volumes for metals declined during the year. Copper production declined from 403,100 metric tonnes in 1993 to 354,400 tonnes in 1994 while the export volume dropped from 400,100 tonnes to 357,300 tonnes in 1994. As for cobalt, the volume of production fell from 4,100 tonnes in 1993 to 2,413 tonnes in 1994 while export volumes declined from 4,785 tonnes in 1993 to 3,085 tonnes in 1994.

Table: 2.9: BALANCE OF PAYMENTS ESTIMATES 1993/1994

	1993 US\$ 'M	1994 US\$ 'M*
1. Exports (f.o.b)	1,056.0	1,245.9
of which - Copper	717.0	830.3
- Cobalt	148.9	181.4
- Other Traditional	76.9	101.2
- Non-Traditional	113.2	133.0
2. Imports (f.o.b)	1,126.1	1,063.0
of which - Metal Sector	452.6	418.1
- Crude oil	88.6	74.1
- Fertilizer	69.7	71.8
- Maize	50.0	21.6
- Other Imports	465.2	477.4
3. TRADE BALANCE	(70.1)	182.9
2. Services (net)	(452.0)	(485.0)
of which - Interest	(235.0)	(239.0)
- Other Factor	(20.0)	(19.0)
- Non-Factor Services	(197.0)	(227.0)
6. Unrequited Transfers	365.0	231.0
of which- Government (net)	384.0	250.0
- Private (net)	(19.0)	(19.0)
7. CURRENT ACCOUNT BALANCE	(157.1)	(71.1)

ECONOMIC CONDITIONS IN ZAMBIA IN

1994

SOURCE: Bank of Zambia

* Preliminary estimates

52. Prices of copper depicted an upward trend, rising from US \$0.82 per pound in January to stand at \$1.36 per pound in December, 1994. For Cobalt, the price averaged US \$24.94 per pound in 1994 as opposed to an average of US \$14.7 per pound in 1993. Cobalt prices rose from US \$21.10 per pound in January to US \$26.60 per pound in December, 1994. The average price for zinc was US \$1,008 per tonne in 1994 compared to the average of US \$964 per tonne in 1993.

53. Given the improvement in metal prices on the world market, the value of the country's main export commodity, copper is estimated to have increased by 15.8 per cent from US \$717 million in 1993 to \$830.3 million in 1994. For cobalt, the export value rose by 21.8 per cent from \$148.9 million in 1993 to \$181.4 million in 1994. Other traditional and the non-traditional exports exhibited a similar performance trend between 1993 and 1994. The value of other traditional exports increased by 32 per cent from US \$76.9 million in 1993 to \$101.2 million in 1994. For Non-Traditional (Non-Metal) exports, earnings stood at US \$133 million in 1994. This represents an increase of 17.5 per cent over the US \$113.2 million earned in 1993.

54. An analysis of the composition of Zambia's export earnings reveals that copper has continued to dominate the country's external trade with a share of 67 per cent in total export earnings in 1994. Earnings from cobalt were second with a value of US \$181.4 million. Non-traditional goods and services took up the third position with a share of 11 per cent. Although, earnings from non-traditional exports are not expanding at a rate fast enough to achieve the objective of export diversification, these earnings are slowly increasing owing mainly to the creation of a more conducive domestic policy environment. The low rate of growth is largely a reflection of stiff competition in markets abroad.

55. On the imports side, the total value of imports is estimated to have declined by 5.6 per cent from US \$1,126.1 million in 1993 to \$1,063.0 million in 1994. The decline in imports is accounted for mainly by the fall in imports into the metal mining sector as well as those for petroleum and maize. Other imports including those for fertilizer increased during the year. The depreciation in the value of the Kwacha which increased the cost of imports in Kwacha terms coupled with the restrictive monetary policy, contributed greatly to the drop in imports. The value of petroleum imports declined from US \$88.6 million in 1993 to US \$74.1 million in 1994. Maize imports were reduced in 1994 following a build-up of reserves in 1993. However, because of the semi-drought experienced during the 1993/94 farming season, pressure was felt for importing maize to enhance the reserve position. In this regard, it is estimated that maize valued at US \$21.6 million was imported by

December, 1994.

56. Imports into the metal mining sector are estimated to have declined from US \$452.6 million in 1993 to US \$418.1 million in 1994, a drop of 7.6 per cent. The value of fertiliser imports on the other hand, rose during the year from US \$69.7 million in 1993 to US \$74.1 million in 1994. The value of other imports rose marginally and stood at US \$477.4 million in 1994 compared to US \$465.2 million in 1993.

7.0 EXTERNAL ASSISTANCE AND DEBT

EXTERNAL ASSISTANCE

57. Preliminary projections show an increase in foreign assistance in 1994. Total assistance is estimated to amount to US \$747 million, representing an increase of 20 per cent over the US \$623 million received in 1993. The substantial foreign assistance that Zambia continued to receive was partly due to the large debt burden that the country carries and the subsequent need to generate positive net inflows that would support the growth of the economy. The strong commitment by the Government in implementing the economic recovery programme and the favourable outcome from such commitment greatly contributed to the increase in assistance, as an atmosphere of support for the country was created among donors. The support from donors played an important role in supplementing domestically-generated foreign exchange and internal savings.

58. About 60 per cent was for balance of payments support. This is estimated to have risen from US \$299 million in 1993 to US \$447 million in 1994. Project assistance increased by 17 per cent from US \$234 million in 1993 to US \$274 million in 1994. Commodity assistance, on the other hand, is estimated to have declined from US \$90 million in 1993 to US \$26 million in 1994. The decline in commodity assistance in 1994 is mainly on account of the fact that drought maize had stopped to flow into the country following a good maize harvest in 1993. In 1992, the country experienced a severe drought the result of which the donor community was requested to provide assistance in form of maize and other support.

Table 2.10: ZAMBIA: EXTERNAL ASSISTANCE (US \$'MILLIONS) 1991/94

1991	1992	1993	1994
Actual	Actual	Actual	Estim.

1994**ECONOMIC CONDITIONS IN ZAMBIA IN**

BOP Support	466	491	299	447
World Bank Non-Project	202	165	144	223
Other	264	326	155	224
Commodity Assistance	76	246	90	26
Drought Maize	...	146	40	...
Other BOP Support	76	100	50	26
Project Assistance	244	191	234	274
TOTAL EXTERNAL ASSISTANCE	786	928	623	747
Debt Relief	1,158	551	359	260
TOTAL EXTERNAL FINANCING	1,944	1,479	982	1,007
External Debt Service	1,841	926	710	682
NET TRANSFERS TO ZAMBIA	103	553	272	325

Source: National Commission for Development Planning.

59. The net resource transfer to Zambia which represents the difference between the external assistance plus the debt relief provided by the country's creditors and the payments made on the country's debt is expected to rise to US \$ 325 million in 1994 from US \$ 272 million in 1993. External debt relief amounted to US \$ 260 million in 1994 while debt service was US \$682 million. Table 2.10 depicts trends in external assistance to Zambia between 1991 and 1994.

THE EXTERNAL DEBT SITUATION

60. Zambia's debt problem is very serious and the stock of debt in per capita terms is extra-ordinarily high. This has placed a severe constraint on the economy's capacity to import critical inputs needed to generate growth in the economy. The Government regarded the execution of a comprehensive debt reduction strategy, including extensive debt forgiveness and debt rescheduling as an essential component of its overall plans for stabilizing and restructuring the economy and improving the country's access to sufficient external resources to permit economic recovery.

61. The country's debt stock as at October 31, 1994 was US \$6.23 billion, down from US \$6.76 billion at the end of October 1993. Considerable progress was made

in terms of debt reduction. Since 1991, a total of US \$ 1.3 billion was eliminated from Zambia's external debt obligations. However, since new loans were contracted over this period, the net reduction is estimated to have been about US \$1.0 billion. The debt stock declined from US \$7.2 billion in 1991 to US\$ 6.23 billion in 1994. This was achieved through various approaches including the implementation of specific bilateral agreements. The debt buy-back operation that was executed in 1994 with grants from donors and the International Development Association greatly assisted in reducing the debt stock to the current level. The buy-back operation reduced commercial debt by US \$652 million. Table 2.11 indicates the levels of Zambia's debt in the period 1992/94.

Table 2.11: ZAMBIA: ESTIMATED EXTERNAL DEBT STOCK (US \$'000) 1992/94

	As at 31ST DEC. 1992	As at 31ST OCT. 1993	As at 31ST OCT. 1994
Bilateral	3,069,153.0	2,651,861.0	2,657,400.0
Multilateral	1,655,308.0	1,752,461.0	1,898,302.0
IMF	1,304,321.0	1,304,321.0	1,217,221.0
Suppliers	-	134,892.0	118,406.0
Short-Term	1,044,292.0	919,200.0	341,100.0
TOTAL DEBT STOCK	7,073,074.0	6,762,735.0	6,232,429.0

Source: Ministry of Finance.

62. As of 1994, after the debt buy-back operation, Zambia's debt stock was composed of long-term debt of US \$5.89 billion and short-term debt of US \$0.34 billion. Of the long-term debt the Government owed US \$5.05 billion while the parastatal companies owed US \$0.84 billion. About US \$2.65 billion or 42 per cent of the total debt stock represented bilateral debt. Debt to the multilateral institutions, excluding the International Monetary Fund (IMF) amounted to US \$1.90 billion or 30 per cent of total debt. The IMF was owed approximately US \$1.22 billion or 20 per cent of the total debt. The remaining debt US \$0.46 billion was contracted in the form of supplier's credits and short-term debt.

63. To substantially reduce the country's debt burden, the Government continued to employ various initiatives. The successful implementation of the Rights

Accumulation Programme provided an opportunity to resolve the debt problem pertaining to the IMF. The IMF is owed close to US \$1.22 billion in arrears which will be converted to a concessional facility carrying potentially only 0.5 per cent of interest, down from the current 8.5 per cent. This will save Zambia millions of dollars annually in interest payments.

64. For Paris Club debt, following the Paris Club Agreement of July 23, 1992 and under the enhanced Toronto Terms, Zambia continued to receive debt relief which has included a combination of extended repayment periods and lower interest rates. Creditors are expected to review the country's performance and consider reducing the stock of debt in 1995. As for Non-Paris Club debt, after the successful implementation of the commercial buy-back operation, the Government is expected to pursue a number of options including seeking discounts and the waiving of interest, in order to reduce this category of debt. Thus, as the country continues to pursue these initiatives, it is envisaged to reduce the debt stock to US \$3 billion and the debt service burden to levels of US \$200 million or less in the next few years.

CHAPTER 3

SECTORAL PERFORMANCE

1.0 AGRICULTURE

OVERVIEW

1. Value-added for the agriculture, forestry and fishing sector in real terms fell by 19.8 percent from K488.8 million in 1993 to K392.0 million in 1994. This was far below the growth rate of 52.1 percent achieved in 1993. The sector's unsatisfactory performance in 1994 was attributed largely to the drought that affected the sector's output. The sector's contribution to total Gross Domestic Product (GDP) however, remained constant, at 18 percent, despite the decline in real value-added.

2. The share of the agricultural sub-sector to real GDP declined from K437.1 million in 1993 to K338.5 million in 1994, reflecting a decline of 22.6 percent. The dry spells experienced in the 1993/94 season and the problem of pests negatively affected the performance of the agricultural sub-sector.

3. This was compounded by high interest rates which increased the production costs for farmers. However, real output by the forestry and fishing sub-sectors, increased marginally from K21.8 million and K29.9 million in 1993 to K22.7 million and K30.8 million in 1994 respectively.

AGROMETEOROLOGICAL CONDITIONS

4. During the 1993/94 planting season, normal rains did not start on time. However, rains stabilized for two months in December and January and which gave false hope of good rains. The prolonged dry spell which began towards the end of February 1994, caused concern to farmers especially that this was at the critical crop development stage. Crops that were planted early responded well to the rainfall, whereas those that were planted late were adversely affected by the unpredicted dry spell. As indicated in table 3.1 all the stations received below normal rainfall.

SECTORAL PERFORMANCE

AGRICULTURAL SUB-SECTOR

5. Marketing of all agricultural commodities including inputs were liberalised and prices decontrolled since 1991 marketing season. The role of Government is that of providing an enabling environment to all those involved in input supply and marketing of agricultural products. In the wake of these changes, farmers and the agricultural sector in general faced a number of problems during the year under review.

6. In 1994, most farmers in the country were unable to repay their loans to financial institutions mainly due to insolvency. The commercial farmers' indebtedness was estimated at K9.0 billion. For small-scale farmers, the estimate was deduced from carry-over debts from previous years which was about K31 billion. It is most likely that the amount may not be recovered this marketing season in view of the drought experienced in 1993/94 season. An indicative picture is reflected in Table 3.2. It shows an average of 11.9 percent loan recovery rate.

Table 3.1: RAINFALL SUMMARY FOR THE PERIOD OCTOBER, 1993 - APRIL, 1994

(selected stations)

Station	Actual		Normal		Rainfall Departure	
	Rainfall (mm)	Rainfall (mm)	From Normal (mm)	From Normal (mm)	(%)	(%)
Kasama	1224	1257	-33	-3		
Solwezi	1021	1404	-383	-27		
Mongu	709	939	-230	-25		
Kaoma	883	939	-56	-6		
Kabwe	670	950	-280	-29		
Lus. I/Airport*	410	784	-375	-48		
Lus.C/Airport**	403	824	-421	-51		
Lundazi	790	871	-81	-9		
Chipata	672	1007	-335	-33		
Mfuwe	674	979	-305	-31		
Kafue Polder	555	785	-230	-29		
Choma	526	821	-295	-36		
Mwinilunga	1186	1345	-159	-12		
L'stone	553	735	-182	-25		

Source: Department of Meteorology.

Note: * - Lusaka International Airport

** - Lusaka City Airport

7. Agricultural credit is vital for the purchase of production inputs, especially for small-scale farmers who lack the financial resources. The working capital requirement for small-scale farmers is estimated at K40 billion per annum, out of which 60 percent is met from borrowed funds. On the other hand, commercial farmers' total annual cash operating expenses is put at about K100 billion of which 85 percent is self financed. In 1994, farmer's access to credit was however, limited by lack of collateral, particularly among the small-scale farmers. This coupled with restrictive monetary policy and the subsequent high interest rates, limited the access to sufficient credit. To address this problem, ZCF, a major player, in this area, was engaged in seasonal loan disbursements specifically to small-scale farmers as seen in table 3.3.

PERFORMANCE

SECTORAL

Table 3.2: SEASONAL LOAN RECOVERY BY ZCF/FS AS AT DECEMBER, 1994.

VALUE (K)	PROVINCE	HECTARE	SOCIETIES	NO OF	LOANS	PRINCIPAL	(K)INT.	48% (K)	TOTAL LOAN	REPAYMENTS	
	T. REP (K)	B. FARMER (K)	PROJECTED	RECOVERY		(Million)	(Million)	(Million)	(K)	CASH (K)	KIND Mz
(Million)	(Million)	('000) (Million)	(%)	('000)	(Million)	(Million)	(Million)	(Million)	(Million)	(Million)	('000)
179.0	341.0	19.8 2,160.0	96 13.6	9.6	1,690.0	811.0	2,501.0	161.0	25.0		
17.0	35.0	4.9 550.0	58 6.0	3.7	395.0	189.0	585.0	172.0	3.0		
445.0	522.0	25.4 3,782.0	102 12.1	15.0	2,378.0	1,926.0	4,305.0	76.0	89.0		
80.0	214.0	14.4 15,101.0	93 12.4	3.3	1,165.0	559.0	1,724.0	133.0	15.0		
142.0	288.0	9.5 1,571.0	12 15.5	11.0	1,256.0	603.0	1,859.0	146.0	13.0		
186.0	208.0	12.0 1,146.0	68 15.4	3.8	915.0	439.0	1,355.0	22.0	27.0		
117.0	153.0	10.7 1,293.0	111 10.6	7.6	977.0	469.0	1,447.0	36.0	18.0		
252.0	56.0	3.4 344.0	64 14.2	3.9	271.0	130.0	401.0	31.0	5.0		

ECONOMIC REPORT 1994

Western	3.3	33	1.3	278.0	133.0	411.0	16.0	2.0
12.0	28.0	383.0	7.0					
Totals	103.4	637	59.2	9,325.0	5,259.0	14,588.0	793.0	197.0
1,430.0	1,845.0	26,330.0	11.9					

Source: ZCF/FS. Note: KIND Mz - repayments made in the form of maize; Rep - total repayments and B. farmer - balance outstanding for farmers.

Table 3.3: 1993/94 SEASONAL LOAN DISBURSEMENT BY ZCF/FS AS AT DECEMBER, 1994

PROVINCE	HECTARE	NO. LOANEES	BASAL 50KG	TOP 50KG	SEED 10KG	TOTAL VALUE (K)	INTEREST 48%	TOTAL LOAN (K)	PROJECTED RECOVERY
	('000)	('000)	('000)	('000)	(MILLION)	(MILLION)	(MILLION)	(MILLION)	(%)
Central	19.8	9.6	94.6	74.6	38.7	1690	811.2	2501	50
Copperbelt	4.9	3.7	21.4	18.8	9.2	396	190	585.8	52
Eastern	25.4	15	110.3	109	50.8	2378	1926	4305	45
Southern	14.4	3.3	56.5	56.7	28.2	1166	559.2	1724	43
Northern	9.5	11	47	25.7	21.9	1257	603	1860	73
Lusaka	12	3.8	61.1	47.1	19.4	916	440	1355.5	41
Luapula	10.7	7.6	44.4	44.8	19.7	977.7	469.3	1447	67
N. Western	3.4	3.9	12.4	12.9	4.4	271	130	401	72
Western	3.3	1.3	13.8	12.7	6.2	278.3	133.5	412	43
Totals	103.4	59.2	461.5	402.3	198.5	9330	5262.2	14591.3	54

Source: ZCF/FS

CROP PRODUCTION

8. In the 1993/1994 season crop yields were poor mainly due to unfavorable weather conditions. Estimates obtained from the Final Crop Forecast Survey indicated declines in output of all crops except for millet. The total area planted with respect to reported crops recorded an increase, from 1,025,670 in 1992/93 to 1,691,497 hectares in 1993/94 season, representing an increase of 6.4 per cent. However, the area planted between crops showed pronounced variations ranging from a decrease of 45 per cent for virginia tobacco and an increase of 56 per cent for millet. See table 3.4 for details.

Maize

9. The area planted increased by 7.3 per cent, from 633,326 in 1992/93 to 679,356 hectares in 1993/94 season. Although the area planted increased, only 11.3 million (90kg) bags were harvested in the 1993/94 season compared to 17 million bags in the 1992/1993 season. The decline in maize production is attributed largely to the unfavourable weather conditions experienced particularly in the southern half of the country which has traditionally been the maize belt. Consequently, maize output fell short of national requirement by 2.7 million bags. Marketed surplus was estimated at 5.3 million (90 Kg) bags in 1994 compared to 10.3 million bags in 1993, representing a decline in marketed output of almost 49 percent.

Sunflower

10. The area planted declined from 39,450 hectares in 1992/93 season to 31,079 hectares in 1993/94 season, a drop of 21.2 percent. Yields per hectare decreased from 13 x 50 Kg bags in 1992/93 season to 7 x 50 kg bags in 1993/94 season. Output fell from 423,511 (50Kg) bags in 1992/93 season to 206,718 (50Kg) bags in 1993/94, registering a decline of 51 per cent. The potential marketed volume decreased from 259,471 (50Kg) bags in 1992/93 to 194,069 (50kg) bags in 1993/94 season.

Millet

11. The recurrence of drought conditions in Zambia, has prompted Government to promote the cultivation of drought-resistant food crops which includes millet and cassava. This policy has been well received as evidenced by the increase in area planted for millet. This rose from 52,654 hectares in the 1992/93 season to 82,302 hectares in 1993/94, representing a 56 percent increase. Output rose from 415,493 (90kg) bags in the 1992/1993 season to 693,309 (90kg) bags in the 1993/94 season representing an increase of 67 percent. The increase in the output of millet was

mainly due to the increase in hectreage planted. In addition, the major millet growing areas of Northern and Luapula provinces were less affected by the dry spell. Millet sales were expected to reach 142,625 bags compared to only 61,942 bags marketed in 1993.

Other Crops

12. There was a decline in performance in almost all aspects in 1994. Acreage, yield per hectare and expected sales, all declined as indicated in table 3.4.

PERFORMANCE

SECTORAL

Table 3.4: SUMMARY OF FINAL CROP FORECAST FOR 1993/94

CROP	UNIT	AREA PLANTED IN		ESTIMATED PRODUCTION		YIELD/HA		ESTIMATED SALES	
		HA 1992/93	HA 1993/94	1992/93	1993/94	1992/93	1993/94	1992/93	1993/94
MAIZE	90KG	633,326	679,356	17,752,963	11,341,660	26	17	10,331,618	5,291,600
SUNFLOWER	50KG	39,450	31,079	423,511	206,718	13	7	259,471	194,069
SOYA BEANS	90KG	19,863	25,447	6,311,400	273,664	16	11	303,635	229,975
GROUNDNUT	80KG	71,415	105,737	528,763	434,250	7	5	288,861	171,031
PADDY RICE	80KG	13,802	7,177	174,909	79,478	13	11	127,737	44,397
SORGHUM	90KG	46,563	55,245	393,866	389,669	11	7	58,999	41,359
MILLET	90KG	52,654	82,302	415,493	696,039	8	10	61,942	142,625
MIXED BEANS	90KG	38,489	45,896	261,490	249,614	7	5	177,000	150,361
TOBACCO (V)	KG	3,472	1,900	3,471,757	1,900,000	1,000	1,000	3,471,757	1,900,000

Source: Ministry of Agriculture.

FOOD SECURITY

13. The 1993/94 crop prospects were not favourable mainly because of the semi-drought that affected by almost 40 percent, the expected crop production especially in Central, Southern and Eastern provinces. In view of this, the Government declared a partial national food disaster. The per capita maize production was lowest in 18 years resulting in net staple food deficits in 1994/95 season. According to estimates by the Programme Against Malnutrition (PAM), the nation wide deficit in rural areas of Zambia is about 880,000 (90kg) bags of maize.

14. There was an estimated 2.1 million (90 kg) bags of maize, held as strategic national food reserves. Approximately 40,000 metric tonnes of maize were imported. However, more imports of cereals are expected in 1995 to enhance the food security position.

MARKETING ARRANGEMENTS

15. Free marketing policies were adopted by the Government to encourage active participation of the private sector. The role of the Government would be to provide market support services for traders and farmers.

16. To facilitate provision of financial resources to the private sector, the Government created the Marketing Credit Revolving Fund. The fund commenced operations in August, 1994. A total of K6.3 billion was transferred into the fund as 75 percent contribution by the Government. Of this amount, K2.5 billion constitutes recoveries from marketing loans. On the other hand, commercial banks contributed the balance of 25 percent to the fund which amounted to K2.2 billion. This brought the total amount of funds disbursed by the fund to K8.5 billion.

17. The liberalization of the agricultural marketing system has brought about differential regional pricing for instance, a bag (90 kg) of groundnuts in Chipata costs K25,300 while the same bag costs K72,500 in Lusaka. See table 3.5 for details.

Table 3.5: PREVAILING WHOLESALE PRICES OF SELECTED CROPS AS OF 14TH DECEMBER, 1994 (IN KWACHA)

CROP	UNIT	LUSAKA	KABWE	CHOMA	NDOLA	CHIPATA	KASAMA	MANSA	SOLWEZI
MONGU									
MAIZE	90KG	12,150	11,000	9,900	9,750	6,400	6,850	12,500	
	12,000	14,000							
SOYA BEANS	90KG	9,500	8,500	9,000	10,000	9,500	10,000	9,500	
	12,000	11,500							
SUNFLOWER	50KG	6,500	6,250	-	-	-	-	-	-

GROUNDNUT	80KG	72,500	61,650	-	40,000	25,300	37,700	48,000	-
		30,000							
PADDY RICE	80KG	-	-	-	-	5,500	800	-	-
		12,000							
MIXED BEANS	90KG	37,000	37,000	-	40,483	26,667	25,000	30,000	
		24,000							

Source: Food Security Division - MAFF.

INPUT SUPPLY

18. The farm input supply services were liberalized and a number of private firms and dealers were involved in supplying seed fertilizer, farm machinery and agricultural chemicals. By June, 1994, 220 maize and 150 fertilizer traders had been registered with the Ministry of Agriculture. Except for fertilizer, the use of farm input aid was eliminated.

19. Furthermore, the Government put in place a pilot input distribution scheme intended to speed up the distribution of inputs to various parts of the country. Under this system, fertilizers and seeds were supplied to farmers and traders involved in the distribution of farming inputs on credit and cash basis. The scheme was managed by two government appointed credit managers.

SEED

20. The national maize seed requirement for the 1994/95 season was estimated at 1,100 metric tonnes. The bulk of the seed would be met by the Zambia Seed Company (ZAMSEED), Cargil Hybrid Seeds and Pannar Seeds. The remaining seed requirements would be made available from carry-over stocks of the 1993/94 season.

FERTILIZER

21. The 1994/95 fertilizer requirements were estimated at 210,000 metric tonnes for basal and top dressing. About 25 percent of the fertilizer requirements were catered for through donor pledges. In 1994, 32,000 metric tonnes of basal fertilizer were brought in the country while the private sector indicated it would import 158,000 metric tonnes. The opening stock position of D-Compound fertilizer as of December, 1994 was 59,287 metric tonnes while that of urea was 27,389 metric tonnes. Drawings for D-compound and urea stood at 30,441 metric tonnes and 13,273 metric tonnes respectively.

SUPPORT SERVICES

22. In 1994, the Government continued to offer support services to the farming community in areas such as marketing, research and extension. The overall objective was to encourage the farmers diversify from a maize based agricultural system to other crops especially those which are drought resistant. These include cassava, sorghum and millet. Farmers were also encouraged to generate surpluses for strategic reserves.

23. Seed multiplication schemes for crops like rice were carried out in provinces such as Luapula to make seed available to farmers. Farmers were also encouraged to increase crop yields by following recommended crop production practices such as the use of improved cultivator and good agricultural practices including spacing, timing, weeding and proper use of fertilizers. Support through extension services was limited by inadequate number of extension officers. There were about 800 farmers per extension worker which made it difficult to adequately cater for the needs of farmers.

IRRIGATION

24. During the period under review, there were 9 irrigation schemes in the country and about 50,000 hectares of land was under irrigation. Irrigation activities were affected by low water levels caused by the partial drought. However, the following main irrigation activities were undertaken:

- (i) construction of canals;
- (ii) demarcation and allocation of fields to farmers;
- (iii) rehabilitation of irrigation facilities; and
- (iv) research on the model farms.

25. Nonetheless, the inadequacy and late release of funds led to poor project implementation.

LIVESTOCK PRODUCTION

26. Livestock production was affected by the partial drought in the 1993/94 season. The situation was made worse by the outbreak of corridor disease which affected the Southern province. A suspected outbreak of foot and mouth disease also occurred in a neighboring country near the border with Livingstone and Sesheke. The outbreak of these diseases meant imposing restrictions on livestock

movement.

27. Livestock production accounts for about 35 per cent of the total agricultural production. Herds of cattle in the traditional sector were estimated at 2.3 million. The number of goats was put at 500,000. That for sheep was 76,000 while that for pigs was 287,000.

2.0 MINING SECTOR

OVERVIEW

28. Signs of improvement in the performance of the mining sector during 1994 still remained weak. Provisional figures indicate that real value-added in the mining sector fell from K151.7 million in 1993 to K125.6 million in 1994, a decline of 17.2 percent. Real value-added for the metal mining sub-sector stood at K122.7 million, registering a decline of 16.8 percent compared to 0.5 percent in 1993 while that of other mining and quarrying sub-sector stood at K2.9 million, a decline of 32.6 percent over the 1993 level. The primary factor behind the fall in the sector's real Gross Domestic Product (GDP) was the drop in the output of metals. However, metal prices picked up following the gradual recovery of the world economy from the recession.

SECTORAL PERFORMANCE

METAL PRODUCTION

29. Production of metals during the ten month period (January - October), declined significantly, compared to the same period in 1993. Copper production declined by 12.7 percent from 342,756 tonnes in 1993 to 299,157 tonnes in 1994. Low production from Mufulira and Konkola Divisions coupled with low metallurgical recoveries from Nchanga Concentrator and Nkana smelter accounted for the decline in copper production. Being by-products of copper, output of cobalt, silver, gold and selenium also declined. Cobalt output for the period January to October, 1994 stood at 2,286 tonnes, representing a decline of 35.8 percent. Silver, gold and selenium output registered declines of 28.7, 37.3 and 17.8 percent respectively, over the same period. For lead and zinc, production only took place in the first quarter of 1994 resulting in low output. This was as a result of the closure of the Kabwe mines which used to mine lead and zinc. (See table 3.6)

TABLE 3.6: MINERAL PRODUCTION, 1993 - 1994

METAL	JAN-OCT 1993	JAN-OCT 1994	% CHANGE
Copper (tonnes)	342,756	299,157	(12.7)
Cobalt (tonnes)	3,562	2,286	(35.8)

Silver (kg)	15,079	10,748	(28.7)
Gold (kg)	236	148	(37.3)
Selenium (kg)	23,650	19,450	(17.8)
Lead (tonnes)	1,772	350*	(80.2)
Zinc (tonnes)	3,869	102*	(97.4)

Source: Ministry of Mines.

*: Low lead and zinc output due to closure of Kabwe mines.

METAL PRICES

30. Average prices for most metals at the London Metal Exchange (LME) assumed an upward trend mainly as a result of the increased economic activities in the major industrial countries. This is expected to impact positively on the balance of payments position. (See table 3.7). The average price of copper for the period January to September, 1994 stood at US \$2,150.4 compared to US \$1,995.5 per tonne over the same period in 1993. This was an increase of 7.7 percent. Similarly, average prices for cobalt, silver and gold registered increases of 16.6, 25.3 and 7.4 percent, respectively, during the period under review. However, the average price of zinc registered a marginal decline of 0.9 percent.

TABLE 3.7: AVERAGE METAL PRICES AT THE LONDON METAL EXCHANGE (LME), 1993 - 1994

METAL	JAN-SEPT 1993	JAN-SEPT 1994	% CHANGE
Copper (\$/mt)	1,995.50	2,150.40	7.7
Cobalt (\$/lb)	18.00	21.00	16.6
Silver (/kg)	89.80	112.50	25.3
Gold (/kg)	7,586.60	8,154.00	7.5
Zinc (\$/mt)	969.80	961.30	(0.9)

Source: Ministry of Mines

GEMSTONE SALES

31. Smuggling and underground activities have continued to thrive in the gemstone sector despite measures to stop these activities. Emerald sales in 1994, were 134,461 grams. Sales for aquamarine, tourmaline and amethyst stood at 103,042, 467,964 grams and 177,727 kilograms respectively.

CONSTRAINTS

32. Zambia's copper production has been declining since early 1970's from an annual average output of nearly 700,000 tonnes in 1969 to levels below 450,000 tonnes in recent years. In 1994, copper production, for instance, stood at 354,000 metric tonnes from 403,100 metric tonnes in 1993. A number of problems have been identified as contributing to these low levels of output of which included; lack of

equipment and spares, lack of technology and financial resources, lack of understanding of markets and marketing techniques and inadequate skilled manpower.

PROSPECTS FOR 1995

33. The main objective of the mining sector in 1995 is full exploitation of copper and other minerals such as gemstones, industrial and metallic minerals. In this regard, possible areas of co-operation have been identified in areas such as mineral exploration, upstream processing, training and investment. In view of the foregoing, coupled with investment, the prospects for the mining sector in 1995 are bright.

3.0 ENERGY AND WATER DEVELOPMENT

OVERVIEW

34. In 1994, the performance of the energy and water sector was satisfactory. The sector recorded a 9.6 per cent growth as compared to 3.4 per cent in 1993. This performance was attributed to the electricity and water sub sector whose activities increased significantly during the year. Other sub sectors such as coal and petroleum performed unfavourably.

COAL SUB-SECTOR

35. Although coal after oil, remains the second most important fuel in the economy, its supply during 1994 was below expectation. The inadequate supply was mainly due to the aged plant machinery which led to loss in production hours and the rise in production and transportation costs. This machinery requires a complete overhaul. Further, due to the unavailability of the dragline which broke down a few years ago, overburden removal and coal exposure were hampered. This situation was compounded by the lack of spare parts for dump trucks, loaders and drill rigs.

36. As a result of the stated problems, the amount of coal produced during the period under review declined significantly. Whereas 267,618 Mt of washed coal was produced between January and September, 1993, only 132,495 Mt was produced during the same period in 1994. This represented a drop of 51 per cent over 1993. Coal sales were also very low during the period. Only 150,245 Mt was sold between January and September, 1994 compared to 301,720 Mt sold in 1993 representing a decline of 50 per cent. Table 3.8 gives the production and sales figures for washed coal.

**TABLE 3.8: WASHED COAL PRODUCTION AND SALES IN METRIC TONS
(1993/94)**

MONTH	WASHED COAL		% Change		COAL SALES		% Change	
	1993	1994	1993	1994	1993	1994	1993	1994
JANUARY	23,998	13,195	-45.0	18,949	13,995	-26.1		
FEBRUARY	17,079	13,935	-18.4	42,844	15,968	-62.7		
MARCH		26,794	12,578	-53.1	45,151	19,214	-57.4	
APRIL	36,440	12,567	-65.5	39,614	17,171	-56.7		
MAY	36,598	19,762	-46.0	43,181	21,629	-49.9		
JUNE	28,580	17,441	-38.9	26,994	17,532	-35.1		
JULY	36,584	15,309	-58.2	35,062	17,385	-50.4		
AUGUST	30,495	13,665	-55.2	30,923	15,233	-50.7		

PERFORMANCE	SECTORAL					
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SEPTEMBER	31,050	14,043	-54.8	19,002	12,118	-36.2
TOTAL	267,618	132,495	-51.0	301,720	150,245	-50.2

Source: Maamba Collieries

COAL CONSUMPTION

37. Coal consumption during 1994 also declined notably. From January to September, only 128,874 Mt of coal was consumed compared to 263,315 Mt consumed during 1993. This represented a decrease of 51.1 per cent over 1993, which were largely attributed to the decline in operational activities of Maamba Collieries. (See table 3.9)

TABLE 3.9: COAL CONSUMPTION BY SECTOR, 1993-1994

SECTOR	1993 (Jan-Sept)	1994 (Jan-Sept)
Mining	136,099 Mt	33,251.4 Mt
Manuf & Industry	127,216 Mt	95,622.6 Mt
Sub-total	263,315 Mt	128,874 Mt
Exports	7,610 Mt	20,024 Mt
TOTAL	270,925 Mt	148,898 Mt

Source: Maamba Collieries

38. While ZCCM continued to be the major consumer of coal, its share fell from 50 per cent to 22.3 per cent over the similar period in 1994. In absolute terms the consumption of coal by ZCCM dropped from 136,099 Mt in 1993 to 33,251.4 Mt in 1994. Consumption of coal by industry and manufacturing also declined from 127,216 Mt in 1993 to 95,622.6 Mt in 1994, representing a drop of 25 per cent over 1993. This decline was mainly due to a drop in economic activity in these sectors.

39. Coal exports on the other hand increased significantly. Whereas only 7,610

Mt were exported between January and September, 1993, about 20,024 Mt of coal were exported during the same period in 1994. This represented an increase of 263 per cent over 1993. This increase in coal exports was largely attributed to the increase in demand from Zaire and Tanzania the major importers of Zambia's coal.

PETROLEUM SUB-SECTOR

40. On the domestic market import volumes and consumption declined while prices of petroleum products rose. This was due to a number of deficiencies in the area of procurement, financing, transportation, storage, pricing and distribution as well as the general decline in economic activity in the country.

SUPPLY SITUATION

41. The supply of petroleum feed stock was 589 241 Mt in 1994 compared with 609,888 Mt in 1993, representing a drop of 3.4 per cent over 1993. This was in the face of a general downward trend in the price of petroleum, worldwide. In US Dollar terms, the cost of petroleum feed-stock per metric ton averaged \$146 in 1994 compared to an average of \$156 in 1993, a decline of 6.4 per cent. The peak cost of \$160 was also 6 per cent lower in 1994 compared to 1993. This however, did not positively influence the volume and cost of petroleum import into the country as Table 3.10 indicates.

TABLE 3.10: VOLUME AND COST OF PETROLEUM IMPORTS

	QUANTITY(MT) PER SHIPMENT		AVERAGE COST US\$/MT		TOTAL CIF VALUE (Million US\$)	
	1993	1994	1993	1994	1993	1994
ZS1	86,504	86,540	158	158	13.65	13.65
ZS2	84,292	84,292	151	151	12.74	12.74
ZS3	81,028	81,028	143	143	11.55	11.55
ZS4	92,041	82,041	165	160	15.10	13.11
ZS5	84,915	85,916	144	144	12.39	12.39
ZS6	88,758	81,500	162	136	14.34	11.11
ZS7	91,350	87,961	170	133	15.52	11.70
	TOTAL					
	609,888	589,241	-	-	95.29	86.25

PERFORMANCE	SECTORAL
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AVERAGE - - **156** **146** - -

Source: Zimoil

Division

42. The price of petrol, kerosene, diesel and gas oil was increased twice on the domestic market in January and August, 1994. Activities especially the decline in operational activities of ZCCM greatly affected domestic consumption of petroleum products.

43. However, the volume of petroleum products exported during 1994 increased significantly. Whereas only 547 MT was exported in 1993, about 14,028 MT of petroleum products were exported in 1994 earning the country about US \$2.7 million. This increase in exports was mainly due to the increase in stocks resulting from the depressed domestic consumption.

ELECTRICITY SUB-SECTOR

44. The performance of the electricity sub sector was quite favourable. During the period January to October, 1994, the Corporation generated 6,177 Giga-watt-hour (Gwh) of electricity. Although this is 1 per cent below what was produced during the same period in 1993, this was within the normal range of electricity generation. This decline was also attributed to the shutdown of Lusiwasi hydropower station in September and the temporal shut-downs for maintenance.

ELECTRICITY CONSUMPTION

45. On the other hand electricity consumption by September 1994, was estimated at 5,932,426.5 Mega-watt-hour (Mwh) compared to 4,747,925 Mwh consumed in the same period. This increase in consumption is attributed to the increase in the number of customers following the commissioning of new sub-stations installed under the township and rural electrification programme. During the same period, ZESCO exported 749,676 Mwh of electricity with a value of \$13,202,977. This is 37 per cent above the value exported in 1993. (See table 3.11)

TABLE 3.11: ELECTRICITY EXPORTS(JAN-SEPT,1994)

COUNTRY	QUANTITY (Mwh)	VALUE US\$
BOTSWANA	63,839	307,411

TANZANIA	8,721	227,621
ZIMBABWE	670,533	12,195,029
NAMIBIA	6,578	472,916
TOTAL	749,676	13,202,977

Source: ZESCO LTD

RURAL ELECTRIFICATION PROGRAMME

46. ZESCO continued with the rural electrification programme. By September 1994, seven projects namely, Feni, Chama, Chiparamba, Nkumbula Site and Service, Kalichero and Kasaba had been completed. The Corporation also had ten other projects still in progress in various rural districts. The implementation of these projects was, however, hindered by inadequate funding by Government.

WATER SUB-SECTOR

47. During the 1993/94 rain season, the country was faced with a semi-drought which resulted in many areas of the country receiving well below the normal rainfall. This affected ground water levels and water levels at all water points namely Kariba, Kafue and Itezhi-tezhi. By the end of March, water levels at these water points were below normal. This posed a serious threat to water supply because though the drought was not severe, there was no ground water level support. As such, its effects were expected to be more critical than those experienced during the severe drought in the 1991/92 rain season.

48. In order to assess the drought effects, the Ministry of Energy and Water Development (MEWD) carried out a study throughout the country. The findings indicated that the effects of the poor rains were going to be felt in Eastern, Central, Lusaka and Southern provinces. Some areas of Western, North-Western and Copperbelt provinces were also affected while pockets within Luapula and Northern provinces also showed signs of potential water problem. In this regard, the Ministry came up with a Drought Action Plan whose objective was to alleviate the suffering of the people and livestock. This was to be done through the provision of a sustainable source of safe drinking water. According to the assessment which was carried out, it was found out that 759 new bore holes and 366 new wells were required to be sunk during the year. In addition 380 bore holes and 860 wells needed to be rehabilitated as shown in table 3.12.

49. According to the Drought Action Plan, priority was given to rehabilitation of existing water points and construction of new ones where necessary. Community participation was also considered an integral part of all the drought relief activity.

50. However, since water levels had fallen beyond safe limits for well sinking, priority was given to sinking more bore-holes in comparison to new wells. By December, 1994, progress on the Drought Relief Action Programme was 64 per cent completed and most of the materials were acquired and sent to provinces. Progress per province in relation to the targets set for the

PERFORMANCE**SECTORAL**

programme was as shown in the table 3.13.

TABLE 3.12: NUMBER OF BORE-HOLES AND WELLS REQUIRED BY PROVINCE

PROVINCE	WELLS		BORE HOLES	
	NEW	REH.	NEW	REH.
Central	45	96	100	50
Copperbelt	10	20	100	30
Eastern	60	150	139	70
Luapula	30	80	60	15
Lusaka	30	80	60	50
Northern	33	67	30	30
N/Western	50	116	30	15
Southern	54	126	120	60
Western	54	126	120	60
TOTAL	366	860	759	380

Source: Department of Water Affairs

TABLE 3.13: GRZ DROUGHT RELIEF ACTION PROGRAMME

PROVINCE	NEW BORE-HOLES		REH. HAND PUMPS		REH. WELLS	
	ttd	tgt	ttd	tgt	ttd	tgt
Northern	-	9+	12	20+	12	20+
Eastern	22	20+	10	30+	35	45+

Southern	9	15+		30	55+		57	15+
Western	10	5+		-	10+		5	35+
N/Western	5	5+		-	10+		5	35+
C/Belt	9	9+	3	20		15	35+	
Luapula	-	4+		5	10		51	35+
Central -	15+		10	30+		15	15+	
Lusaka	5	4+	8	10+		10	30+	
TOTAL	58	86		63	195		207	230

Source: Department of Water Affairs

Note*: ttd = Total done and tgt = Target

51. In addition to the water points constructed under the GRZ Drought Relief Action Programme, 89 new bore holes were sunk in various parts of the country with the help of the donor community.

TOWNSHIP WATER SUPPLY

52. During 1994, the Government approved K300 million for the augmentation and major rehabilitation works on 44 township water supply systems. About K70 million was also released from social action funds to facilitate emergency repair works. In the period under review, township water supply continued on normal operations except for Zambezi in North-Western province where the water supply system broke down.

PROSPECTS IN 1995

53. Prospects for the energy and water sector look bright. The electricity sub sector is expanding fast as indicated by the increase in the number of projects implemented to distribute electricity throughout the country. It is hoped that the petroleum sub sector will experience higher growth due to increased domestic demand. The performance of the coal sub sector is however, contingent on the rehabilitation of the plant and equipment at Maamba Collieries. It is hoped that the implementation of the Drought Relief Action Programme will in 1995 lead to the provision of sustainable sources of safe drinking water.

4.0 MANUFACTURING

OVERVIEW

54. The manufacturing sector in 1994 showed unfavorable performance. Its contribution to real total Gross Domestic Product (GDP) declined. The sector's share in the GDP declined from 28.7 per cent in 1993 to 24.8 per cent in 1994. The value-added in the manufacturing sector declined by 5.8 per cent in 1993 and further declined by 12.1 per cent in 1994. The Index of Industrial Production of the manufacturing sector in the third quarter of 1994 had recorded an overall decline of 4.8 per cent over third quarter of 1993. The sector has continued to be greatly affected by competition resulting from liberalization of external trade. High competition from cheaper imported goods and rising cost of raw materials input emanating from high duty on them have greatly contributed to non-competitiveness of Zambian products. Furthermore, the sector continued to register higher job losses.

55. However, Government policy has continued to develop a conducive enabling environment for the manufacturing sector. The sector has continued to attract investors in the economy. It has also been boosted by the liberalization of the foreign exchange market.

SECTORAL PERFORMANCE

GROSS DOMESTIC PRODUCT

56. Estimates contained in table 3.14 indicate that the sector's contribution to Gross Domestic Product (GDP) declined from K601.9 million in 1993 to K529 million in 1994, representing a decline of 12.1 per cent. Only paper and paper products sub-sector showed an increase in GDP contribution of 17 per cent in 1994 compared to 1993 levels. All other sub-sectors registered decline output of between 0.6 to 41 per cents. The sector plays an important role in the Zambian economy. It accounted for the highest share in Total Gross Domestic Product of about 24.6 per cent in 1994. In the same period last year the sector's share in the GDP was 28.7 per cent and declined to 24.6 per cent in 1994.

INDEX OF INDUSTRIAL PRODUCTION

57. Estimates contained in table 3.15 indicate that the manufacturing sector in the third quarter of 1994 had recorded an overall decline of 4.8 per cent between the third quarter of 1993 and third quarter of 1994. However, the Index of Industrial Production between second quarter of 1994 and third quarter of 1994 had risen by 11 per cent. The Index of Industrial Production was actually growing from first quarter to third quarter of 1994.

58. Paper and Paper Products and Food, Beverage and Tobacco sub-sectors had recorded increased output of 1.9 and 44.7 per cents between third quarter of 1993 and third quarter of 1994. The other sub-sectors had recorded declines in output ranging between 4.7 and 49 per cents between third quarter of 1993 and third quarter of 1994.

Table 3.14: MANUFACTURING SECTOR GDP AT CONSTANT (1977) PRICES (K'M), 1990/1994

Change				

Over 1993				
Activity	1990	1991	1992	1993*
1994**				

Food, Beverage and Tobacco	268.8	284.3	340.1	332.0
312.9 -5.8%				
Textile and Leather Industries	83.4	72.9	66.1	49.3
43.0 -12.8%				
Wood and Wood Products	10.4	11.9	11.8	12.4
9.7 -21.8%				
Paper and Paper Products	33.9	33.4	32.5	29.7
34.7 16.8%				
Chemicals, Rubber and Plastic Products	38.1	38.6	35.6	33.1
32.9 -0.6%				
Non-metallic Mineral Products	32.8	22.9	22.1	16.2
13.7 -15.4%				
Basic Metal Products	2.2	2.2	2.5	2.6
2.6 0.0%				
Fabricated Metal Products	103.3	106.7	109.4	111.7
66.2 -40.7%				
Other Manufacturing Products	13.8	13.7	16.4	15.0
13.3 -11.3%				

TOTAL	586.7	586.6	636.5	602.0
529.0 -12.1%				

MANUFACTURING SECTOR GROWTH	-	-0.0%	8.5%	-5.4%
-12.1%				

Source: Central Statistics Office				
* Preliminary				
** Provisional				

Table 3.15: Index of Manufacturing Production 1980=100 Not Seasonally Adjusted

	Food	Textiles	Wood	Paper	Chemicals	Non-metallic	Basic
Metal	Beverage and	and	and	and	Rubber	Mineral	metal
		Wood	Paper	and			

PERFORMANCE
SECTORAL

Period Industries	Products Total	Tobacco	Clothing	Products	Products	Plastic	Products
Weights	367	104	74	13	21	67	19
9	61						
1990	125.4	127	166.6	109.4	137	112.6	122.2
49.4	98.2						
1991	117.8	130.9	139.4	109.8	134.4	99.4	117.9
50.2	95						
1992	125.8	164.4	134.7	105.4	122.4	92.8	114.3
60.4	97						
1993	106.9	124.6	99.3	111.1	121.8	97.4	104.3
59.3	97.5						
1993							
Q1	107.7	137.2	99.3	124.7	118.3	105.3	110.4
62.1	68.9						
Q2	99.6	94	83.7	121.2	100	107.4	110.8
53.4	119.8						
Q3	114.5	113.1	131.4	117.7	128.9	95.3	113.3
62.1	120						
Q4p	105.8	157	83	80.9	139.5	81.5	82.2
59.5	81.3						
1994							
Q1p	90.4	120.4	85.5	66.6	124.3	80.1	77
59.2	57.7						
Q2p	100.6	154.6	84.7	107.1	136	71.3	66.5
58.5	63.2						
Q3p	111.6	177.8	95	94.8	131.4	86.6	74.2
58.5	62.3						
% change							
Q394/Q294	11	15.1	12.1	-11.5	-3.4	21.5	11.6
0	-1.4						
Q394/Q393	-4.8	44.7	-27.7	-19.4	1.9	-9.1	-34.4
-5.8	-48.1						

Source:CSO Excluding Copper Refineries
p=Provisional

59. The highest job losses were recorded in the manufacturing sector where 4,021 (first quarter) employees were declared redundant. This is mainly due to the local manufacturing firms facing stiff competition from cheaper and better quality imported goods and resulted into redundancies as cost saving measure and in other instances closure of firms.

60. To boost local manufacturing sector, the government has amended the Customs and Excise Act through Instrument no.23 for development and competitiveness. Specific changes include modification to the duty drawback system. Zambian manufacturing firms are being given a conducive enabling environment to encourage producers to pay attention to product quality,

reliability of supply and cost.

LEVELS OF INVESTMENT

61. The Investment Center issued 217 licenses between January and September, 1994. Indications are that about US \$154 million is expected to be invested in various sectors of the economy. The manufacturing sector in the same period was issued 102 licenses and had the highest recorded licenses issued, with expected capital outlays of US \$ 57.9 million. During the same period in 1993 a total of 70 licenses were issued in this sector with capital outlays of US \$ 207.8 million. This showed that there was a significant increase in both local and foreign investment flowing in the sector.

PROSPECTS FOR 1995

62. Manufacturing firms are expected to strengthen existing industries structure by increasing capacity utilization, making firms competitive with cheap and good quality imported goods and increase productivity and efficient management.

63. Operations of Zambia's economy will also improve as exports expand. This has been assisted by the liberalization of the foreign exchange market and by measures taken to improve incentives for non-traditional exports. Specific changes include modifications to the duty drawback system, duty exemptions on some capital goods and improvements in the government's capacity to manage trade policy issues. Although government policies can provide the incentives to export, the success of Zambian manufacturers in international markets will depend on their ability to compete. In this regard, Zambian producers are encouraged to pay attention to product quality, reliability of supply and costs.

5.0 TRANSPORT AND COMMUNICATIONS

OVERVIEW

64. The transport and communications sector registered an improvement in output during 1994. Provisional data indicates that value-added in real terms rose by 10.1 per cent from K79.7 million in 1993 to K87.8 million in 1994. The improvement in real output was attributed to the enhanced performance of the operators in the road transport and the communications sub-sectors. Consequently, the sector's share of Gross Domestic Product (GDP) went up from 3.4 per cent in 1993 to 4.1 per cent during the year under review. However, the increase in the sector's share of GDP was accounted for by the decline in real Gross Domestic Product in 1994 for the entire nation compared to that of 1993.

65. All the sub-sectors performed favourably in 1994, with the communications sub-sector contributing 39 per cent to the transport and communications sector's real value-added. The rail transport, road transport and the other transport and allied services sub-sectors registered K22.7 million, K20.5 million and K10.0 million in real output respectively in 1994.

66. Investors both local and foreign expressed interest to invest in the transport sector during 1994. A total of 27 investment licenses were issued in the nine month period (January to September, 1994) by the Investment Centre valued at US \$9.8 million. This investment was expected to boost the sector's performance and assist to alleviate passenger and freight movement in the country.

SECTORAL PERFORMANCE

ROAD TRANSPORT

67. Output in the road transport sub-sector in 1994 was favourable. Real value-added for the sub-sector increased by 5.3 per cent from K19.5 million in 1993 to K20.5 million in 1994. Although, the performance was better, the increase in output was less in 1994 than in 1993 when production rose by 22.5 per cent. This was a result of a drop in the volume of cargo handled by operators due to the decline in agricultural production in the 1993/94 farming season due the partial drought. The dilapidated road infrastructure especially district roads also hindered an even higher level of out-put as transport vehicles broke down frequently.

68. However, passenger movement improved significantly in 1994 due to the increase in the availability of road transport vehicles and the improvement in the road transport infrastructure especially inter-city road. This was as a result of the suspension of sales duty by the Government on public transport motor vehicles with a fixed seating capacity of 26 passengers and above for 1994 only. The policy initiative stimulated investment in passenger transport.

69. The road transport sub-sector has been experiencing shifts in the past two years in terms

of dominance away from the parastatal to the private sector. Private road transport companies have taken over the void left by the ailing parastatal firms and commands more than 80 per cent of the road transport market. Furthermore, virtually all intra-city, inter-city, and international routes are being operated by private transporters. Private operators have been operating under associations which include the United Taxis Transport Association (UTTA), the Truckers Association of Zambia (TAZA) and the Federation of Road Transport Hauliers (FEDHAUL).

70. The provision of passenger transport by the United Bus Company of Zambia (UBZ) in 1994 was met with a lot of difficulties. Although the demand for bus services has been growing, the United Bus Company of Zambia failed to meet the expectations of the travelling public due to operational problems and a declining fleet of buses.

71. The fall in the number of operated buses by UBZ greatly affected passenger transport especially in the rural areas. During the nine month period (January to September, 1994), UBZ carried 1.2 million compared to 4.2 million passengers carried in the same period in 1993, a decline of more than 60 per cent. See table 3.16 for details.

72. Although the total fleet of buses stood at 320, the number of buses operated stood at 58 buses during the year. This affected revenue generation which resulted in the failure by the company to meet operating expenses. Most affected were the procurement of spare parts, tires and fuel.

**Table 3.16: UNITED BUS COMPANY OF ZAMBIA OPERATING INDICATORS
(JANUARY TO SEPTEMBER, 1992 TO 1994)**

YEAR/INDICATOR	1992	1993	1994
FLEET	370	305	320
BUSES OPERATED	127	96	58
PASSENGERS*	7.7	4.2	1.2
EMPLOYEES	1,613	1,471	1,328

Source: United Bus Company of Zambia.

* = passengers carried are in millions

73. The company had for a number of years been under capitalised in terms of vehicle procurement without due consideration to the large number of employees. Additionally, the restrictions on fares charged in the past affected UBZ, as the company found it difficult to recoup

operating expenses. The long term result was that UBZ could not replace its exiting fleet. The financial position was also affected and the company failed to meet its loan repayment obligations. In December, 1994, buses at the Lusaka Branch were seized by creditors. This situation had inhibited the company from attracting new investment through external financing.

74. In a bid to improve the poor financial position, UBZ intended to undertake the following measures:

- (a) Restructure the company by reducing the number of employees from 1,300 to 500 employees in line with the reduced fleet of operational buses;
- (b) Sell-off all non-operational vehicles that were beyond economic repair and excess properties;
- (c) Acquire modern ticket machines to maximize revenue collection; and
- (d) Re-train its staff to enhance employee efficiency.

AIR TRANSPORT

75. In December, 1994, Zambia Airways, the National Flag carrier was liquidated due to serious operational and management problems. A liquidator was appointed to distribute the assets of the fallen carrier by the Government. The subsidiary company, National Air Charters Corporation continue to operate normally.

76. Although the airline's operating fleet by mid 1994 stood at four aircraft, by December, 1994, Zambia Airways operated only one aircraft. Three planes, the DC10-30 and two ATR42-200 were seized in November, 1994 by creditors. (See table 3.17 for the fleet position from 1991 to 1994). The misfortunes of the airline started as far back as 1984. Zambia Airways in the past owned nine aircraft. The airline sold four B707's and two HS748.

Table 3.17: ZAMBIA AIRWAYS FLEET POSITION, 1991-1994

AIRCRAFT	1991	1992	1993	1994 June	1994 December
DC10-30	1	1	1	1	0
DC8-71	1	1	1	0	0

B757-200	1	1	0	0	0
B737-200	2	2	2	1	1
ATR42-200	2	2	2	2	0
TOTAL	7	7	6	4	1

Source: Zambia Airways

* = June, 1994

** = December, 1994

77. However, the funds realised from the sale of the six planes were not used for fleet replacement. The airline instead entered into leasing agreements. Zambia Airways leased a fleet of four aircraft as listed below while the MD DC10-30 was acquired after the sale of the B707's.

- (a) 2 x ATR42 on purchase lease;
- (b) 1 x B737 on purchase lease; and
- (c) 1 x B757-200F on operating lease purchase options.

78. During the last three years, Zambia Airways' traffic declined significantly. The declines in traffic averaged 11 per cent per regional and 15 per cent on domestic service routes per annum. The decline in traffic were alluded to many factors that include the following:

- (a) the rapid devaluation of the Kwacha against major convertible currencies which resulted in high Kwacha fares. Furthermore, the loss of value in the Kwacha resulted in exchange losses;
- (b) the world economic recession which had a dampening effect on international air travel; and
- (c) the poor economic performance in sub-saharan Africa which meant a decline in disposable incomes and thus, reduced business.

79. The fall in business left a substantial imbalance between fleet size, productivity and manpower levels. The carrier operated on a disproportionate labour force and excess seat capacity. The airline, consequently, embarked on a retrenchment exercise to reduce its work force and sold one of its B737 aircraft to bring the operating capacity in line with the new business levels.

80. The suspension of Zambia Airways from the International Air Transport Association (IATA) clearing house due to defaulting on payments further compounded the already small

market share of the flag carrier. The result was that Zambia Airways tickets could not be accepted by other carriers.

81. This situation resulted into further loss of business and market share. Consequently, the company's financial position became extremely weak. Additionally, the inadequate capital structure also contributed to this out-come. For instance, by end March, 1993, the airlines' equity was approximately US \$213,000 compared to long term loans and finance lease obligation of US \$48.6 million. It was, thus, obvious as far back as March, 1993, that Zambia Airways as a commercial entity could not survive.

82. It is against this background that the Government allowed the company to go into voluntary liquidation. The Government, is however, encouraging the private sector to take up the challenge by way of establishing private sector driven airlines to fill the void left by the defunct carrier.

RAIL TRANSPORT

83. The rail transport sub-sector registered an increase in real output by 24.7 per cent in 1994. Real value-added for the sub-sector during the year under review stood at K22.7 million compared to K18.2 million in the previous year. The rail transport sub-sector ranked second and contributed about 26 per cent of the gross value-added of the transport and communications sector.

84. The improvement in the value-added is alluded to the increase in passenger and cargo movement for the 1993/94 financial year. The increase in passenger and cargo movement was largely due to the purchase of 15 locomotive engines in 1993 and the hiring of 50 coaches from South Africa.

85. Although the performance attained in 1994 was better, the rail transport sub-sector faced with many operational difficulties. The poor state of the infrastructure such as the rail track, the signalling system and rail stations continued to act as the major impediments. The inadequate supply of locomotive engines, coaches and wagons also posed as constraints in the operations of the rail transport industry. Both the Tanzania-Zambia Railway Authority (TAZARA) and Zambia Railways experienced these difficulties.

86. Zambia Railways (ZR) operated against a background of extremely difficult conditions. The poor state of the rail track and insufficient locomotive power were the major constraints. Although the rail track covers a length of 1,273 kilometers, 575 kilometers of the track is covered by wooden sleepers with an average age of about 32 years instead of the designed life span of 15 to 20 years. The track has deteriorated considerably that a train speed restriction of 40 kilometers

per hour was imposed in 1994.

87. The signalling and telecommunications links were also problematic during 1994. The radio equipment was prone to vandalism and theft which had the effect of delaying train movement. On account of the operational constraints, freight and passenger movement were negatively affected. During 1994, a total of 1.1 million passengers were carried. This was 91.6 per cent of the targeted figure. The good performance was attributable to the improvement in the availability of passenger coaches hired from South Africa.

88. In 1994, freight movement was put at 2 million metric tonnes, a 33.4 per cent short fall of the targeted amount. The under performance in freight movement was due to low traffic offering as a result of stiff competition from road hauliers. See table 3.18 for details.

89. In view of the reduced business, Zambia Railways in 1994 embarked on a performance improvement plan which included the following measures:

- (a) Relaying 300 kilometers of track with concrete sleepers;
- (b) Installation of radio equipment in place of overhead open wire links;
- (c) Hiring 50 coaches from South Africa to improve the availability of coaches and quality of service offered to passengers; and
- (d) Complete track replacement and commissioning of five railway deviations to replace curves in the Kitwe-Ndola area.

Table 3.18: ZAMBIA RAILWAYS PERFORMANCE INDICATORS, 1994 (MILLIONS)

TYPE	ACTUAL	TARGETED
Passengers	1.1	1.2
Freight (tonnes)	2.0	3.0

Source: Zambia Railways.

WATER TRANSPORT

90. The performance of the water transport sub-sector in 1994 was hampered due to inadequate vessels and equipment. Consequently, output in the sub-sector was affected

negatively. The Mweru Water Transport and the Bangweulu Water Transport companies experienced a lot of operational problems. These included the poor harbour facilities such as landing/load stages on calling ports, the absence of radio communication systems and a severe depletion of the vessel fleet. Furthermore, the operations of water transport companies were effected by low water levels in Mweru Wantipa and Bangweulu lakes as a result of the low rainfall in 1993/94 rain season.

91. During the review period, the Bangweulu Water Transport Company's performance in passenger and freight movement was unsatisfactory. The water transport company ferried 10,522 passengers in 1994 against 11,673 passengers carried in 1993, a decline of about 10 per cent. Freight movement fell by 53.3 per cent in 1994. Only 127.6 tonnes of cargo were handled in 1994 compared to 273.3 tonnes ferried in 1993. The unfavourable outcome in 1994 was alluded to the lack of vessels as the company operated only one vessel that had an over aged engine that was no longer efficient and reliable.

COMMUNICATIONS

92. In 1994, the communications sub-sector witnessed an improvement in real value-added from K33.3 million to K34.6 million, an increase of 3.8 per cent. The Posts and Telecommunications Corporation (PTC) was dismantled into two separate companies in order to improve efficiency. These were the Zambia Postal Services Limited (ZAMPOST) and the Zambia Telecommunications Company (ZAMTEL). The year under review also witnessed the establishment of a private radio station namely the Christian Voice operating on the Short Wave (SW) frequency to compete with the Government owned Zambia National Broadcasting Corporation (ZNBC). These development were in line with Government's policy of liberalization of all markets.

93. The Zambia Telecommunications Company accelerated the development of the telecommunications infrastructure through the installation of the 9,466 new telephone lines. Although ZAMTEL had an installed capacity of 110,064 telephone lines and 4,504 telex lines, capacity constraints hampered a higher level of output as the firm operated at 72.5 per cent capacity on telephones and 59.8 per cent capacity on telex lines. This was due to faults experienced on the equipment which was old and required complete replacement. ZAMTEL requires substantial outlays of funds to replace the analogue exchanges with digital ones. The company operates 446 public call offices and 94 exchanges throughout the country.

94. Against this background, the Zambia Telecommunications Company embarked upon various rehabilitation and expansion projects. These projects involved the digitalization of the existing analogue exchange network and the improvement of rural telecommunications and included the following:

(a) Telephone Exchanges

95. The Kasama exchange is being replaced. Other exchanges that are being expanded include the Lusaka main (6,000 lines), Kitwe Main (4,000 lines), Ndola Main, Chinika and Roma (1,000 lines each).

(b) Radio Links

96. The radio link between the International Airport and the city is being replaced with a new one to improve the service while the Rural Radio System for Lusaka West is being installed.

(c) External Plant

97. Major cable rehabilitation works are being undertaken for Ndola industrial area where the Subscriber Exchange requires replacement. The Lusaka and Makeni cable rehabilitation projects have reached an advanced stage.

PROSPECTS FOR 1995

98. After achieving a 10.1 per cent growth in real output in 1994, the transport and communications sector appears poised for further growth in 1995. The Government has committed itself to repairing all the run-down infrastructure in the sector. The road infrastructure is being re-constructed while progress has already reached advanced stages in the rehabilitation of communications infrastructure. This out-come is expected to improve the operations of the firms that operate in the transport and communications industry as the infrastructure tended to inhibit a high level of output in the past.

6.0 TOURISM

OVERVIEW

99. The importance of tourism in boosting economic development can not be over emphasized. Tourism not only possesses potential for foreign exchange earning but also influence employment, general Government revenue and above all, the pattern of investment in the sector. As such, the current Government policy on tourism is to achieve maximum exploitation of the country's tourism potential by ensuring the provision of an enabling environment through economic liberalization, removal of unnecessary controls and restrictions as well as investment in the infrastructure.

100. In 1994, the performance of the tourism sector was quite favourable as indicated in the number of tourist arrivals. About 172,837 international tourists were recorded with revenue amounting to US \$48.2 million. By October, 1994, investment also stood at K1.95 billion from which 389 job opportunities were created. However, though 21 capital projects were expected to be undertaken in various parts of the country, progress on these projects was not satisfactory due to inadequate funding from the Government.

TOURISM DEVELOPMENT

TOURISM TRENDS

101. Estimates for 1994 indicate that 172,837 international tourists were recorded. This represents a 10 per cent increase over 1993. Receipts were also estimated at US \$48.2 million, an increase of 9.5 per cent over 1993. This increase in tourist visitations is attributed to good advertising and to successful tourist fairs that were carried out jointly by Zambia National Tourist Board and Tour Operators at both international and national levels. Due to this effective marketing of Zambia's tourist product and the subsequent increase in tourist demand to the country, Zambia was awarded The Silver Otter Award by The British Guild of Travel Writers in London for the best tourist destination of the year in October, 1994.

102. Apart from the visiting of friends and relatives (VFR) segment which recorded a decline, all other segments recorded an increase in the number of tourists as shown in table 3.19. Reasons for the increase are attributed to good advertising and an enabling environment in a liberalized economy.

INVESTMENT

103. Investment in tourism continued in accordance with Government's policy guidelines for the sector. By October, 1994, investment in the sector stood at K1.95 billion representing a decline of 31 per cent over 1993. From this investment, 389 employment opportunities were

created representing a decline of 12 per cent in employment opportunities over 1993. (See table 3.20)

TABLE 3.19: NUMBER OF ESTIMATED TOURIST ARRIVALS BY PURPOSE

PURPOSE	1993	1994	CHANGE(%)
Business	38,520	40,478	5.1
Holiday	27,271	30,402	11
Sport	-	864	-
V.F.R	52,150	50,867	-2.5
Others	39,184	50,226	28
TOTAL	157,125	172,837	10

Source: Zambia National Tourist Board

TABLE 3.20: INVESTMENT BY CATEGORY

36 Tourist enterprises	K872,000,000.00
7 Lodges/camps and 2 campsites	K119,000,000.00
7 Safari companies	K123,450,000.00
4 Tour operating firms	K169,500,000.00
5 Travel agencies	K69,000,000.00
5 Car Hire firms	K240,000,000.00
6 Restaurants/Nightclubs	K356,200,000.00
TOTAL	K1,949,150,000.00

Source: Zambia National Tourist Board

WILDLIFE RESEARCH AND DEVELOPMENT

104. In the continued effort to conserve and protect wildlife use, the Government approved a policy on wildlife called "Policy for Wildlife in Zambia". This policy will guide the development and use of wildlife resources. To strengthen the management of wildlife resources, various

categories of posts in the Department of National Parks and Wildlife Services were established. About 200 new trained recruits of Wildlife police scouts were posted to various national parks and GMAs to boost management of wildlife estates. This improved the effectiveness of Game Scouts. As such, about 150 military weapons, 200 muzzle loading guns and 603 elephant tasks were confiscated.

105. To improve management of National parks and wildlife, the Department of National Parks and Wildlife Conservation conducted Aerial Surveys between January and October, 1994, to determine the population of animals in national parks. The results were encouraging especially on large mammals and endangered species. In North Luangwa National Park for instance, the results showed that the population of elephants is on the increase after many years of decline. It has increased from 1,650 in 1992 to 2,300 in 1994. That of South Luangwa National Park, Kafue National Park and Lupande Game Management Area though has not increased, it has stabilized at about 6,000 heads.

106. The population for the Black Lechwe and the Kafue Lechwe also showed substantial increases in numbers over the previous years. The Kafue lechwe has increased from 44,000 in 1990 to 50,000 in 1994 while that of the black lechwe has increased from 25,000 in 1990 to 45,000 in 1994. Six (6) white rhinos were also re-introduced in Mosi-O-tunya Zoological Park in February, 1994. This number has also increased to seven (7).

107. In an effort to maintain the ecosystem balance of habitats, three (3) cheetahs from Namibia were introduced in lower Zambezi National Park to maintain an effective predator for small antelopes particularly the impala.

108. In the field of game ranching, considerable progress continued to be made. Six new game ranches were established bringing the total number of game ranches to 24 with 20 different species. Among these ranches, nine (9) have established tourist facilities and six of them do offer sports hunting as well.

109. To enhance consultation with residents in Game Management Areas (GMA) with respect to wildlife conservation through Administrative Management Design (ADMAGE), participatory Rural Appraisal Techniques have been adopted. As a result, management plans for each GMA are drawn up with full participation of the local people. In addition, residents in these GMA received 35 per cent (K185 million) share of revenue from wildlife to improve their welfare while 65 per cent (K212 million) was spent on management of wildlife.

CONSERVATION OF NATIONAL HERITAGE

110. To protect tourism resources (heritage sites and wildlife estates), the National Heritage and Conservation Commission undertook the following projects:

a) RESTORATION OF ROCK ART SITES

111. A number of measures aimed at restoring rock art sites at Nsalu and Nachikufu caves and Mwankole, Sumina and Mwela around Kasama were taken. Graffiti and foreign accretions were cleared from these rock art sites. Education campaigns were also carried out to educate the local community the importance of these rock art sites and the need to have them preserved for posterity. However, these rock art sites were threatened by quarrying in the area. The National Heritage and Conservation Commission therefore, revoked licenses for quarrying activities at these sites and identified alternative quarrying areas.

112. Efforts to record all paintings in the area were also made. In this regard, a list of almost all heritage was made and a data bank was created. The work progress was however, hindered by lack of specialized equipment for removing graffiti. Further, the Commission team was barred by traditional rulers from undertaking any work in some traditional sites like Changa Mwibwe a site considered to be the most spiritual site in Bemba-land.

113. Another work undertaken on rock art sites was the re-excavation of Mumbwa caves as these have not been adequately dated. This was in accordance with the continuous search for clues on the on-going debate on Southern African Archaeology about the behavioral origins of modern man. In this regard, a number of artifacts were recorded for both palaeo-environmental reconstruction and dating of these sites. Dates are expected by April, 1995.

b) INDUSTRIAL CORRIDOR SURVEY

114. A survey aimed at identification and recording of data on historic buildings, structures, sites and landscapes for purposes of planning, evaluation of the significance of identified cultural heritage, production of historical data and fostering public awareness on the need to conserve such historic resources was carried out. As a result, several buildings and structures were recorded and a comprehensive record on the same has been made.

c) SURVEY ON ANTHROPOLOGICAL AND HISTORICAL SITES AND RELICS

115. Another survey carried out was on the anthropological and historical sites and relics in North-Western province. A number of traditional and historical sites of significance were identified and confirmed. Traditional conservation practices of heirlooms (relics) were documented and sites put on photographic record. However, some sites could not be located due to their inaccessibility and lack of adequate information from the local people.

d) CREATION OF A STEAM SAFARI TRAIN

116. Efforts aimed at diversifying tourism are also being made. In this regard, the Commission made efforts aimed at refurbishing the railway museum. Once rehabilitation work has been

completed, the Commission intends to start the operation of a Steam Train which will be used for moving tourists between Livingstone and Victoria Falls Town in Zimbabwe. It is hoped that the operation of this steam safari train will attract steam enthusiasts from all over the world. Preparatory work for the creation of an Open Air Museum were also underway. This will make the steam safari train more popular.

REVENUE COLLECTION

117. During the period January to October 1994, the Department of National Parks and Wildlife Conservation collected revenue amounting to US \$1.97 million and 128.4 billion in Zambian Kwacha from various parts of the country. However, revenue collected from casinos declined significantly compared to what was collected in 1993. While K55.3 million was collected in 1993, only K38.2 million was collected in 1994, representing a decline of 31 per cent over 1993. This was mainly because casinos at Pamodzi and Intercontinental hotels were closed for most of the year except for the first two months.

118. From the total revenue collected by the Department of National Parks and Wildlife Conservation, \$781,494 and K40.7 million went to the Wildlife Conservation Revolving Fund while the rest went to the Government.

CONSTRAINTS AND PROSPECTS

119. The main constraints facing the tourism sector during the period under review were mainly inadequate funding from the Government for capital projects, lack of professional staff to carry out most of the work, lack of specialized equipment and lack of access roads to tourist facilities. However, prospects for the sector seem bright as it can be seen from the increase in investment levels and the number of tourists coming in the country.

7.0 BUILDING AND CONSTRUCTION

OVERVIEW

120. Provisional figures reveal that value added for the building and construction sector at current prices showed a considerable increase in output from K82,827.8 million in 1993 to K118,693.9 million in 1994 an increase of 43 per cent. However, value added in real terms for the sector increased from K60.4 in 1993 to K65.3, an improvement of 8.1 per cent.

121. The sector's relative share of Gross Domestic Product (GDP) both at market and constant values also increased in 1994. In real terms, the sector's share of GDP went up marginally to 3.0 per cent in 1994 from 2.6 per cent in 1993 while at market prices, the sector's contribution increased to 5.1 per cent to 5.0 per cent in 1994 and 1993 respectively.

122. The sector began recovering from the stagnation that it suffered due to the instability in the economy which had the effect of inhibiting output in the last five (5) years. The unstable exchange rate, high inflation and interest rates fluctuations negatively affected performance of the building and construction sector.

123. The period under review witnessed the pick up of construction activities especially as the Government undertook the rehabilitation of the run-down public infrastructure. Roads, schools and hospitals were being repaired through out the country. There was also a pick up of construction activities in the private sector as confidence in the economy was being restored due to stabilisation of the macro-economy. The decline in the inflation and interest rates was expected to boost the activities of the sector as the prices of building materials had stabilized.

SECTORAL PERFORMANCE

BUILDING AND HOUSING CONSTRUCTION

124. The stabilisation of the economy in 1994 had a positive impact on housing and building construction activities. The fall in the inflation and interest rates assisted asset holders to invest in real estate. Furthermore, there was an increase in informal activities such as concrete block making especially among the small scale entrepreneurs. Additionally, activities in the area of sand and stone quarrying including door and window frame manufacturing improved.

125. Notwithstanding the favourable out-come in 1994, the strict monetary and fiscal stance by the Government had a dampening effect on the availability of credit. Despite the improvement in the construction of houses, the country continued to experience a shortage of houses. The demand for dwelling units is ever increasing. The high rate of growth of the population has been a major contributing factor to this position. Housing development has been growing at less than one (1) per cent of annual requirement put at 600,000 units for urban areas.

126. During 1994, the national housing stock was estimated at 1,662,442. Between 1990 and

1994, the housing stock increased by 182,308. Available figures indicate that the central Government housing stock as at July, 1994 was estimated at 11,682 dwelling units. Lusaka province accounted for the majority of the housing units put at 2,890 or 24.7 per cent. (See table 3.21 for details).

127. The long term result has been the proliferation of unplanned housing structures especially in urban centres. The Government, is however, concerned about the housing situation in the country and it is in this regard that the national housing policy through the Ministry of Local Government and Housing is being formulated to spearhead shelter development.

128. The supply of buildings and houses by the National Housing Authority (NHA) fell in 1994 as seen in table 3.22. The company constructed 124 dwelling units at a cash outlay of K1,096 million during the review period compared to 133 units put up in 1993 valued at K1,154 million.

129. The unfavourable out-come in the construction of housing units in 1994 was on account of the many difficulties experienced at NHA. These included a lack of serviced land, inadequate housing finance, the high cost of borrowing and high prices of building materials. Notwithstanding the unfavourable supply of shelter in 1994, the company had undertaken 58 on-going projects to be completed in early in 1995 valued at K1,270 million as shown in table 3.23.

130. In an effort to spearhead the construction of low cost housing and encourage home ownership, NHA intends to construct 2,000 houses and develop 3,000 site and service plots country-wide. These steps will go a long way in alleviating the housing needs for the people of Zambia. (See table 3.24).

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Table 3.21: GRZ HOUSING STATISTICS BY HOUSE TYPE BY PROVINCE AS AT JULY, 1994

HOUSE TYPE	CENTRAL	C/BELT	EASTERN	LUAPULA	LUSAKA	NORTHERN	N/WESTERN	SOUTHERN	WESTERN	TOTAL
FLATS	4	286	21	12	41	8	0	29	0	401
LOW COST	295	46	279	452	922	785	831	109	950	4,669
SEMI PERM.	2	1	1	1	90	7	2	0	4	108
MEDIUM COST	71	354	126	144	13	218	167	138	194	1,425
HIGH COST	192	1,273	266	172	541	200	124	382	156	3,306
UNKNOWN	84	23	35	1	1,283	57	152	138	0	1,773
TOTAL	648	1,983	728	782	2,890	1,275	1,276	796	1,304	11,682

Source: Ministry of Works and Supply.

Note: The above statistics are based on the available data.

PERFORMANCE**SECTORAL**Table 3.22: COMPLETED PROJECTS IN 1994 BY NATIONAL HOUSING AUTHORITY

DESCRIPTION	NO OF UNITS	COMPLETION DATE	COST (K'M)
Nyumba Yanga Phase III Stage V: LCH	24	Dec. 1994	288
Nyumba Yanga Infill	38	Mar. 1994	200
Nyumba Yanga Phase III Stage IV (3 Blocks x 2)	06	Aug. 1994	75
Ibex Hill Phase III Stage I: HCH	14	Jun. 1994	350
Ibex Hill Infill: HCH	08	Apr. 1994	150
Staff House for Client	01	Nov. 1994	26
Nyumba Yanga Shopping Centre	33	Nov. 1994	65
TOTAL	124		1,154

Source: National Housing Authority.

Table 3.23: ON-GOING PROJECTS BY NATIONAL HOUSING AUTHORITY

DESCRIPTION	LOCATION	NO OF UNITS	COST K'm
4 Terraced Blocks x 4	Nyumba Yanga Lusaka	16	220
HC Houses	Ibex Hill Lusaka	18	450
HC Houses	Ibex Hill	16	400

HC Houses	Great East Rd Lusaka, Chainama	08	200
TOTAL		58	1,270

Source: National Housing Authority
 LC = Low Cost, MC = Medium Cost and HC = High Cost.

Table 3.24: PLANNED PROJECTS BY NATIONAL HOUSING AUTHORITY

PROJECT DESCRIPTION	NO OF UNITS	COST K'M
Infill flats at stockyard Woodlands Ext., Lusaka	8	120
Infill flats adjacent to Nyumba Yanga Mkt, Lusaka	8	80
Construction of Engineering Services for 76 plots, Lusaka	76	100
Construction of houses and Engineering Services, Lusaka	71	1,500
Infill terraced flats at Kabwata Estates, Lusaka	9	68
NHA Club house	Stage I	100
Construction of low cost Rural Housing promotion	80	600
Sites and Services Schemes at District centres	2000	4,500
	3000	5,500
Low cost houses along line of rail	800	7,200
TOTAL	5999	19,920

Source: National Housing Authority.

131. The success of the planned projects between 1995 and 1997 will, however, depend on the availability of fund realised from the sale of completed units.

HOUSING FINANCE

132. The tight fiscal and monetary stance by the monetary authorities impacted negatively on the liquidity position of financial institutions. The liquidity position of the Zambia National Building Society (ZNBS) was affected adversely as the Society failed to mobilise adequate funds for mortgage disbursements. The Society in 1994 financed the construction of 74 properties valued at K473 million against 138 properties financed in 1993 at a cash outlay of K600 million as seen in tables 3.25 and 3.26.

133. On the demand side, the high interest rates on mortgages had a dampening effect on the applications for mortgages. Although interest rates were falling, they still remained high on mortgages, especially commercial properties which averaged 112.5 per cent in 1994. This situation led to an 80 per cent fall in the demand for mortgages in during the period under review. Zambia National Building Society received only 45 mortgage applications compared to 125 applications received in 1993. See table 3.27 for the monthly movement of interest rates.

Table 3.25: MORTGAGE ADVANCES BY ZAMBIA NATIONAL BUILDING SOCIETY IN 1994

MORTGAGE	NUMBER	VALUE (K)
Residential	46	352,445,000
Commercial	28	120,555,000
TOTAL	74	473,000,000

Source: Zambia National Building Society.

Table 3.26: MORTGAGE ADVANCES BY ZAMBIA NATIONAL BUILDING SOCIETY IN 1993

MORTGAGE	NUMBER	VALUE (K)
Residential	64	441,570,000
Commercial	28	158,430,000
TOTAL	74	600,000,000

Source: Zambia National Building Society.

Table 3.27: ZNBS STRUCTURE OF INTEREST RATES IN PERCENT (1993 - 1994)

END OF PERIOD	COMMERCIAL	RESIDENTIAL
28:02:93	75	45
30:06:93	90	75
31:05:94	130	90
31:07:94	120	80
30:09:94	100	75
21:11:94	100	60

Source: Zambia National Building Society.

134. Zambia National Building Society experienced difficulties in sourcing of funds due to the high interest rates. The position was further compounded by the fact that funds borrowed from savings and deposit accounts on short term conditions were lent out for long term development work. This out-come created a financing gap which affected ZNBS portfolio and thus, did not allow for the increase of mortgage disbursements.

ROAD CONSTRUCTION AND MAINTENANCE

135. The country's road network covers a total length of 37,358 kilometers. Class I bitumen roads, however, only cover about 6,520 kilometers while the remainder are gravel and earth roads. See table 3.28 for details.

Table 3.28: ROADS CLASSIFICATION IN ZAMBIA

CLASSIFICATION	CLASS I BITUMEN	CLASS II GRAVEL	CLASS III GRAVEL	UNCLASSIFIED EARTH
INTER-TERRITORIAL MAIN ROADS	3,022.8	-	-	95.8

PERFORMANCE**SECTORAL**

TERRITORIAL MAIN ROADS	2,008.5	1,210.7	612.2	216.4
DISTRICT ROADS	1,489.3	1,156.2	5,390.2	15,846.3
RURAL ROADS	35.0	5,679.3		
TOTAL	6,520.6	2,366.9	6,037.4	21,837.8

Source: Roads Department, Ministry of Works and Supply.

136. During the period under review, Government policy in the area of road construction was the maintenance and re-construction of the road infrastructure country-wide and the continuation of on-going projects from the previous year.

137. The speed at which these rehabilitation works were being executed was, however, slow owing to the following reasons:

- (a) The less than adequate capital funds released;
- (b) Lack of reliable plant and essential maintenance materials such as bitumen; and
- (c) Insufficient transport facilities for ferrying materials especially to remote areas.

138. Nonetheless, Government had pressed on with the task of repairing the road infrastructure despite the many difficulties experienced. The result was the improvement of the road network particularly along the line of rail. Consequently, the road transport sub-sector benefitted from the improvement in the road infrastructure as seen in the pick up in output by 10.1 per cent for the transport and communications sector in 1994.

139. The lack of funds was the major obstacle to the road rehabilitation and maintenance exercise. Government requires about US \$38 million to meet the annual expenditure requirement for roads. It was in this regard that the Government stepped up revenue mobilization for road maintenance by way of levying K10 per litre on fuel and raising vehicle license fees. Furthermore, reforms were initiated in order to improve operational efficiency on road construction and maintenance. These measures included the increase in the use of labour-based methods and reducing public owned equipment by engaging private contractors and consulting firms.

140. The road rehabilitation and construction programme is already under-way and measures to rehabilitate all inter-territorial, territorial, district and rural roads have been put in place. The following construction works were due for completion in 1994.

(a) Lusaka-Kabwe Road

141. The road rehabilitation project covers a total length of 130 kilometers from the independence arch near Lusaka to Kabwe. The rehabilitation work was completed in December, 1994.

(b) Lusaka-Makeni-Kafue Road

142. The road network covers 49 kilometers. The rehabilitation work commenced in June, 1992 and was completed in December, 1994.

143. The Government further embarked on the completion of on-going road construction/maintenance projects covering a total length of 602 kilometers. The following construction works are in progress.

(a) Mwinyinga-Mwinilunga Road to Class II Gravel Standard.

144. Rehabilitation work, started in March, 1994, covers a length of 220 kilometers. The road is scheduled for completion in 1996.

(b) Chikankata Road to Class II Gravel Standard.

145. The construction works commenced in August, 1994 and is expected to be completed in April, 1995. The length under rehabilitation covers 31 kilometers.

(c) Kapiri-Mposhi - Chingola Road.

146. The road rehabilitation project covers 220 kilometers and is scheduled for completion in April, 1995.

(d) Sitoti-Shangombo Road.

147. The road is being constructed to gravel standard. The construction of 131 kilometers of road is scheduled for completion by June, 1995. The total cost of construction is estimated at K2 billion.

PROSPECTS FOR 1995

148. There is great potential for real growth in output for the building and construction sector in 1995. The success recorded in the area of macro-economic stabilisation is restoring investor confidence. This is expected to lead to productive investment and employment generation as the nation endeavours to re-construct the run-down social and economic infrastructure.

8.0 HEALTH**OVERVIEW**

149. The national health strategy of the Government is aimed at providing Zambians with "equity of access to cost-effective quality health care as close to the family as possible". To achieve the goal of providing primary health care, Government expenditure in 1994 was increased from about 8 percent in 1993 to 13 percent of the total budget allocation. External assistance continued to play an important role in improving the supply of drugs, combating the prevalence of diseases, implementing new projects and sustaining the on-going ones. Progress in combating diseases such as cholera was very satisfactory as the incidence of cholera in 1994 dropped to zero. Furthermore, efforts were made to address most of the constraints associated with health human resources. Technical support and donor funds were provided to assist in reformulating human resource policies through the establishment of a Human Resource Development Policy.

150. The performance of the sector in the period under review was affected by the late release of funds by Government. This slowed down the pace of rehabilitation work in 1994. However, minor works were undertaken in district hospitals since the decentralization programme allowed the district boards to use 10 to 20 per cent of their financial allocation for rehabilitation works.

SECTOR PERFORMANCE**RESTRUCTURING OF THE HEALTH SECTOR**

151. In 1994, the legal establishment of autonomously managed District Health Boards and the formation of Hospital Management Boards was accomplished throughout the country. Seven hospitals boards namely Lewanika, Livingstone, Chipata, Mansa, Solwezi, Kasama and Kabwe were created. These boards carried out the key functions of planning, management, service delivery, resource allocation and supplementary revenue generation. This institutional change enabled direct transfer of funds from the Ministry of Finance to district and tertiary hospitals. The Boards were delegated discretionary fiscal authority to enable management teams to operate efficiently.

152. During the review period, the Government progressively implemented the policy of cost sharing through user fees in order to ensure financial sustainability of publicly financed health care. However, ad-hoc monitoring of the impact of health financing policy implementation revealed that out-patient attendance fell by about 60 percent following the introduction of fees. This was due to the fact that most people felt that the fees charged for the services were too high such that even when they fell ill, they opted to stay home.

153. In view of the foregoing, the introduction of the pre-payment schemes was only confined to the two central hospitals namely Ndola and Kitwe and to the University Teaching Hospital. These were meant to serve as pilot projects. Meanwhile, a framework for the whole country on the cost sharing scheme was being developed to ensure that the entire Zambian population is covered and that the medical fees to be charged were fair and affordable.

154. Critical rehabilitation of central, provincial and district hospitals was initiated in 1993, with Government funds. However, in the period under review, Government funding for rehabilitation work was inadequate resulting in minor works being undertaken in most of the health institutions.

HEALTH HUMAN RESOURCES

155. Health staff continued to be concentrated in the urban based hospitals with 80 percent of the physicians working along the line of rail. Rural based hospitals had both a higher proportion of untrained staff and were understaffed. Recent statistics show that there are over 400 doctors and about 10,000 other health staff currently estimated to be employed by the Government. Despite the country training sufficient health personnel every year, poor conditions of service made it difficult to recruit and retain them.

156. In the review period, Government began to reformulate the human resource policies by establishing a Human Resource Development Policy. Donor support was made available to the Ministry in the implementation of this policy. To this end, work on the development of a human resource information system which will produce up-to-date statistics started. In addition, a study of terms and conditions of service was launched to address the chronic shortage of staff in the public and private health institutions. Furthermore, District Health Management Teams were trained in planning, management, financing and problem - solving methods, with specialized training being given in accounting to hospital administrators. This prepared district health personnel for increased autonomy and responsibilities.

DRUGS, MEDICAL SUPPLIES AND EQUIPMENT

157. In 1994, Government allocated K5 billion for drugs and supplies, out of which K2.5 billion was consumed by the three central hospitals with the remainder going to the district hospitals and urban health centers. This distribution of Government resources ensured a reasonable and timely supply of drugs around the country only for central hospitals and rural health centers. The other factor which attributed to the improved supply of medical supplies in the central hospitals was the availability of funds through grants and cost sharing schemes. The peri-urban and district hospitals suffered from inadequate funding and donor support as well as erratic release of funds.

158. The supply and distribution of drugs in rural health centers was satisfactory because the

health sector obtained US \$5 million in donor support for pre-packaged kits of essential drugs and basic equipment. During the review period, a total of 11,000 and 5,800 rural and urban health centre kits respectively as well as 20,000 community health worker kits were contributed in order to further improve the drug and medical supply situation. At present, 671 rural health centers are beneficiaries of these medical supply kits. Furthermore, a national drug policy emphasizing the effectiveness and legal control of drugs and provision of information on the rational use of drugs was developed.

159. In the period under review, all the districts received at least one vehicle from Government for use in the distribution of drugs, supervision of staff, community outreach and referral between different levels of the country's health care system. In order to improve the transport system of the health sector, donors continued to render support in the training of its transport officers and provision of spare parts for the sector's considerable transport fleet. Further, a transport policy, primarily based upon district level transport needs for assuring effective support for the package of care was established.

PREVALENCE OF DISEASES

160. In 1994, the occurrence and outbreaks of epidemics was more prevalent in diseases such as Malaria, Meningitis, Acquired Immune Deficiency syndrome (AIDS) and Tuberculosis (TB). There were no reported cases of Cholera and Dysentery.

MALARIA

161. The occurrence of malaria was reported to have risen from the 1989 figure of 2.1 million cases to a projection of 3.5 million cases in 1994. The rise was attributed to a growing chloroquine resistance, resource constraints and ineffective malaria control programmes.

TUBERCULOSIS AND AIDS

162. In the review period, the number of new TB cases rose to a projection of 30,878 from the 1992 reported figure of 25,732 cases. This increase was largely attributed to the incidence of AIDS. Zambia is therefore, likely to experience an increase of 20 percent annually in the number of new TB cases in the next 5 to 10 years.

163. Although no AIDS statistics were available for 1994, indications were that the number of new cases increased from the 1993 figure of 29,970 cases. The number of HIV infected adults in Zambia in 1994 was estimated to be between 600,000 and 700,000 persons. There is an indication that AIDS kills those in their prime productive years between 15 and 45 and those likely to be infected are the highly skilled people.

164. In view of the above, Government made efforts to bring the AIDS epidemic to the center of the development debate as a way of promoting public awareness on the dangers of AIDS. In this regard, a multi-sectoral approach was adopted and each ministry appointed an AIDS focal point consisting of at least two persons to conduct education programmes on the dangers of AIDS. The Government, in conjunction with the donor community was also engaged in HIV/AIDS prevention programmes particularly targeted for the private sector where prevention committees were formed. Furthermore, in partnership with traditional healers, promotion of public awareness on the dangers of AIDS through workshops was carried out.

CHOLERA

165. During the period under review, there were no reported cases of cholera in the whole country. This was partly attributed to the considerable efforts made by Government and the donor community to prevent and control cholera. Among these measures were, setting up of the National, Provincial and District cholera surveillance committees, mobilization of resources and the launching of massive health education campaigns in affected areas.

CONTROL OF EPIDEMICS

166. In order to prevent and control the outbreak of epidemics, disaster preparedness committees at national, provincial and district levels were set up to carry out the following functions:

- (i) Monitoring trends in the signs that lead to outbreaks of epidemics; and
- (ii) Mobilizing resources for the acquisition of the necessary implements and supplies for prevention and control of diseases as well as skilled health manpower.

NUTRITION

167. Trends in nutritional status have over the past years been static or deteriorating due to the country's poor economic performance. In 1994, levels of stunting were higher in rural areas (47 percent) than in Urban areas (34 percent). This was consistent with greater levels of poverty in rural areas.

168. In view of the above, Government through the National Food and Nutrition Commission undertook a number of activities aimed at alleviating malnutrition. These included the following:

- (i) Formulation of a Nutrition Strategic Action Plan for 1995 - 1999;
- (ii) Establishment of a data base from which malnutrition alleviation measures can be implemented. These measures focused on operational

research into the causes of various types of malnutrition;

(iii) Implementation of a national breast feeding policy;

(iv) Establishment of a national breast feeding task force to tackle micronutrient issues; and

(v) Publication and distribution of Nutrition news letters covering various nutrition issues.

169. The National Food and Nutrition Commission was constrained by insufficient funding from Government. Inadequate field transport, lack of technical expertise and underdeveloped monitoring mechanisms also hampered the performance of the Commission.

PROSPECTS FOR 1995

170. Government in 1995 is expected to speed up the implementation of health reforms in order to start realizing its national objective of providing cost effective quality health care as close to the family as possible.

171. The Government hopes to come up with medical fees that will be fair and affordable so that everybody will have easy access to health services. In addition, these fees will enable health management boards to properly maintain the health institutions.

172. Furthermore, implementation of the Human Resource Development Policy will enhance capacity building in the health sector. With a good management system, the sector will be able to provide better health services.

9.0 EDUCATION

OVERVIEW

173. In 1994, Government formulated a National Education Policy Document whose objective was to restructure and reorganize the entire education system in the next six years. District Education Management Boards, School Education Management Boards and College Education Management Boards were set up to take full responsibility for teachers, pupils, infrastructure, furniture and learning materials. However, policy formulation, curriculum development, standard settings and evaluation, would continue to be carried out by the Ministry of Education.

174. The budgetary allocation to the education sector was increased from 13 percent in 1993 to 15 percent in 1994. The larger share of this allocation was for the development of primary education. The donor community continued to supplement Government efforts in providing learning materials and school furniture to primary schools through various programmes and projects.

175. In the review period, the rehabilitation of infrastructure in the sector was constrained by the late release of funds for capital projects. The Social Sector Rehabilitation and Maintenance Task Force which was established to facilitate the effective implementation of the rehabilitation programme did not carry out any works due to the non availability of funds. In addition, the education sector was beset by a lack of transport.

SECTOR PERFORMANCE

176. The Government began the decentralization exercise of the education system, whose objective was to improve the service delivery in the sector. The first phase of decentralization was started in 1994 on the Copperbelt.

177. Government continued to rehabilitate and expand the existing physical facilities in schools. Measures aimed at achieving universal primary education were also put in place. Community participation in the development and provision of education by private and grant aided schools was encouraged. Donors were actively involved in programmes of rehabilitating schools, improving water supply and sanitation and providing learning materials.

PRIMARY AND SECONDARY EDUCATION

178. Although no new schools were built in 1994, primary school enrollments continued to increase. In the seven year period from 1986 to 1992, primary school enrollment increased by 11.2 percent while between 1992 and 1993 enrollment rose by 8.7 percent. Indications from the foregoing statistics were that enrollments for 1994 increased. (See table 3.29)

179. With regard to secondary education, three new secondary schools were constructed in 1994, while, 54 basic schools were upgraded. This increased the number of secondary schools from 167 in 1993 to 224 in 1994. As a result of this, enrollment rose from 245,156 in 1993 to 249,329 in 1994. However, access to secondary school education continued to be limited due to inadequate places.

Table 3.29: EDUCATION EXPANSION AT VARIOUS LEVELS, 1983-1994.

	1983	1986	1992	1993	1994
NO. PRI. SCH	2,926	3,214	3,752	4,000	4,000
TOTAL ENROL.	1,195,274	1,378,022	1,534,005	1,667,480	-
NO. SEC. SCH	144	-	167	167	224
TOTAL ENROL.	114,919	146,979	207,762	245,156	249,329

Source: Ministry of Education.

TERTIARY EDUCATION

TEACHER TRAINING

180. There was no significant change in the enrollment level of both primary and secondary school teachers in the review period partly because no new teacher training colleges were built to allow for the increase in intake of students.

VOCATIONAL TRAINING

181. In spite of the Department of Technical Education and Vocational Training (DTEVT) having adequate infrastructure to produce the required human resources, total enrollments decreased from 3,987 (3,051 males and 936 females) in 1993 to 2,862 (2,070 males and 792 females) in 1994. This was attributed to insufficient funds to implement some programmes. However, output rose from 1,374 in 1993 to 1,723 in 1994.

UNIVERSITY EDUCATION

182. Enrollment of students at the University of Zambia decreased from 911 during the 1992/93 academic year to 729 during the 1993/94 academic year. This decrease was partly attributed to insufficient funding from Government. The shortage of lectures also led to the University phasing out some of the courses which were offered in the previous years.

183. However, enrollment at the Copperbelt University rose from 148 (121 males and 27 females) during the 1992/93 academic year to 381 (351 males and 30 females) in the 1993/94 academic year.

EDUCATION INFRASTRUCTURE AND LEARNING MATERIALS

184. As of December 1994, Government had released about K1.5 billion for capital expenditure. External resources continued to supplement government efforts at the community level. A total of 54 lower primary schools were upgraded in 1994 to full primary schools and 77 primary schools were expanded. In the same period, Government released K5 million to each Parliamentary Constituency for desk manufacturing and repairing. In addition, the donor community rehabilitated about 18,250 desks during the review period. A total of 2,520,378 text books were distributed to various primary and secondary schools.

PROSPECTS FOR 1995

185. The implementation of the National Education Policy is expected to change the entire system of education for the better. Education provision will be guided by the fundamental benchmarks of efficiency, accountability and cost effectiveness.

186. The increase in the budget allocation for the education sector from 15 percent in 1994 to about 16 percent in 1995 will further improve the access and quality of education.

10.0 GENDER AND DEVELOPMENT**OVERVIEW**

187. In 1994 a window of opportunity for accelerating the advancement of men and women was opened. Awareness creation on the important role women play in the development process made tremendous strides. Workshops, seminars outreach activities with grassroots participation and gender training were conducted throughout the country. The grassroots initiative culminated into the formulation of the Platform of Action for Zambia which is a blueprint for the advancement of women up to the year 2000.

188. Zambia participated in international meetings which addressed the issues of social, economic and cultural development. Notable were the International Conference on Population and Development (ICPD), the Fifth African Regional Preparatory Conference on Women and preparatory meetings for the World Summit for Social Development.

189. However women continued to face a number of problems arising from the implementation of the economic and structural reform programme. The number of women in formal employment declined while there was a general decline in standards of living. Equally women's accessibility to credit fell.

EMPLOYMENT

190. Although the number of women in the formal sector has declined women still constitute about 8 percent of the work-force in the formal sector. However, women continue to opt for stereotyped jobs such as nursing and clerical and continue to shun jobs in defence and security, as shown by the aptitude tests conducted by the Department of Educational and Occupation Assessment Service at the Ministry of Labour and Social Security.

191. Tests conducted in 1994 showed that, out of a total of 15,518 only 40 percent were women and of these over 90 percent opted for teaching, clerical and nursing professions. Professions such as electrical and defence (combat) were dominated by men.

INFORMAL SECTOR EMPLOYMENT

192. About 80 percent of economically active population of women are in the informal sector. They are engaged in beer brewing, stone crushing, vegetable and meat vending, dealing in second hand clothes and labour intensive public works programmes such as food-for-work.

GENDER, AGRICULTURE AND FOOD SECURITY

193. Over 60 percent of labour input into agriculture is supplied by women. Out of this 80

percent goes to the production of food crops such as millet, sorghum, cassava and groundnuts. The 1993/94 Central Statistics Office Crop Survey showed that the number of women growers was much higher in traditional food crops than cash crops. Table 3.30 shows that of the total number of farmers that grew tobacco and sunflower, women were less than 1 percent while they dominated (55 percent) groundnut production.

TABLE 3.30: TYPE OF CROPS GROWN BY SEX (1993/94)

TYPE OF CROP	MALE	FEMALE	TOTAL
Maize	387,207	116,244	503,451
Sunflower	28,978	2,467	31,445
Soyabeans	5,082	1,097	6,179
Groundnuts	112,115	61,668	173,783
Paddy rice	15,507	5,634	21,141
Millet	83,456	20,855	104,311
Mixed beans	45,548	15,791	61,339
Seed cotton	58,250	9,360	7,610
Tobacco	1,853	18	1,871
Tobacco B	6,779	685	7,464
Rain-fed Wheat	2,290	420	2,710

Source: CSO, Crop Forecast 1993/94

194. Women are the main actors that ensure household food security. Over 60 percent of women live in rural areas and they consume about 70 percent of their produce therefore, the partial drought, inconsistent crop marketing policies and the general deterioration of the economy increased the level of food insecurity in their households.

ENTREPRENEURSHIP DEVELOPMENT

195. The Government with the assistance of donors, Non-Governmental Organisations and other financial institutions organised resources to equip small scale entrepreneurs to respond to challenges and opportunities of a liberalized economic system. The following activities were undertaken in 1994:

THE VILLAGE INDUSTRY SERVICE (VIS)

i. Administered a revolving loan fund in Western Province. The venture benefitted 22 enterprises of which 7 were women's clubs. A total of over K29 Million was loaned to finance activities in crafts, trading, tailoring, poultry, hammer mills and food processing.

ii. Provided credit to 66 women enterprises under the UNDP women's credit project. Of these enterprises, 14 were women's clubs while 52 were individual enterprises run by both women and men. By September, 1994 a total of K10 million was disbursed for food processing and preservation, textile processing, trading, poultry, craft, catering, baking and knitting.

In the remaining provinces there were no special loan schemes besides the general programmes such as the Hammer mill programme which now stand at 253 Hammer-mills. Besides providing repairs and maintenance facilities.

ZAMBIA COOPERATIVE FEDERATION (ZCF)

i. Provided a loan facility amounting to K80 million to women groups dealing in poultry, hammer-mill, tailoring and oil extraction through its Development Services Division

ii. Undertook a seed growing venture to promote the production of seeds of squash, watermelon, cucumber pumpkin and sorghum in conjunction with Zambia Seed Company. Women and men were involved in this project which operated mainly in Southern, Eastern, Lusaka and Central Provinces.

iii. Incorporated gender sensitisation in cooperative and business development seminars for management, union board members and various co-operative societies.

GENDER AND SOCIAL DEVELOPMENT

196. Social development is a process of change aimed at improving and enhancing the quality of life, freedom and self-esteem of men and women. It involves creating an environment for eradication of poverty, generation of productive employment and social integration of men and women in the development process. However Women have been the most disadvantaged and there is a need to create mechanisms for their social empowerment.

197. In an effort to empower women, government strengthened the implementation of gender and development programmes through the following activities:

- (i) Produced the Gender Statistics Report aimed at improving availability of reproductive health information.
- (ii) Initiated the formulation of sectoral policies on gender. The draft policy on gender and education was produced and the formulation of a policy on Women, Population and Development was also started.

- (iii) The formulation of a National Gender Policy, that would give macro policy guidelines on integration of gender into sectoral activities also commenced.
- (iv) A number of outreach activities took place throughout the provinces. These were aimed at creating awareness and publicising core issues that affect women's social and economic lives in Zambia.

198. The participation of Zambia at the International Conference on Population and Development (ICPD) held in Cairo, Egypt and the 5th African Regional Preparatory Conference held in Dakar, Senegal consolidated the country's commitment to respond to urgent human and social concerns.

GENDER AND CURRICULUM DEVELOPMENT

199. Gender imbalances and inadequacies in Zambia's education system continued. The progression and performance of girls continued to decline for each high step in the education system. Some of the reasons for this trend were stereotyped educational materials and negative attitudes towards education of the girl child. Within the context of empowering women and improving the participation of girls in education, the Gender Focal Point was strengthened in Curriculum Development. The role of the Gender Focal Point was to ensure that development of educational materials is gender responsive.

200. In this regard Curriculum Development Centre (CDC) developed strategies to eliminate factors that hinder the progression of females in institutions of learning. Some of them were:

- (i) Reviewing of guidelines for representation of boys and girls in instructional materials.
- (ii) Training of writers on how to write gender balanced and responsive materials.
- (iii) Gender sensitisation of educationists and the communities.

PROSPECTS FOR 1995

201. Gender and development activities in Zambia are expected to be heightened with the completion of the National Gender Policy. The completion of the National Gender Policy will compel all institutions to integrate gender issues and concerns in their activities.

11.0 SPORT, YOUTH AND CHILD DEVELOPMENT**OVERVIEW**

202. The Government has continued its objectives in this area this year of improving the children's rights, redressing youth unemployment and development of sport. In the area of sport, the Government initiated during 1994 in upgrading the Independence Stadium, to reconstruct the Dag Hammarskjöld Stadium and construct a modern indoor sports complex to host international indoor sports competitions. In redressing youth unemployment, the Government and some NGOs funded a number of youth training programmes. The Government has continued to aim at improving children's rights. The Cabinet has approved the Child policy and now they will be reviewing the child's law. These objectives have not been adequately realized during the year due to inadequate budgetary allocation to these areas.

SPORT DEVELOPMENT

203. During 1994 due to inadequate funds, only minor work was done at the Independence Stadium to upgrade it. A lot has to be done in order to bring it to international standards as well as to cope with increasing number of spectators. There was need to increase the seating capacity of the open wing which had permanent structure. More has got to be done like provision of independent water system, a sports hall, synthetic running track and for various sports courts.

204. There was actually no serious work to show that the reconstruction of the Dag Hammarskjöld stadium underway. This is due to inadequate funding from the Government. At the moment only K500 million is available, raised through Government budgetary allocation. This is too little considering that K16 billion is needed for the project.

205. Zambia does not have a modern indoor sports complex to host international indoor sports competitions. Structural drawings have been done for an indoor complex. Unfortunately, due to inadequate funding, no work has been undertaken at the site. The current estimate for the project is about US \$16 million.

206. Work is going on for the Provincial sports stadia but the pace of construction has been very slow. This is due to inadequate funding, incompetence of the constructors engaged in construction of these stadia and also lack of departmental personnel at provincial centers to monitor construction.

207. The idea of constructing at the Independence Stadium a Sports Academy for Research and Training which was initiated in 1973 has not been realized. Inadequate funding is the cause of this. The Sports Academy if constructed would play a vital role in uplifting the standards of performance of sports persons. Lack of a systematic training programme and appropriate training facilities has led the standards of sports in Zambia remaining relatively low.

208. Due to inadequate Government budgetary allocation for sports development this has continued to hamper sports development in the country.

YOUTH DEVELOPMENT

209. During 1994, the Government continued redressing youth unemployment. In doing so, a number of programmes were implemented in 1994. Some of the programmes were aimed at redressing youth unemployment are the Youth Skills Training Programme, community based youth projects, youth enterprise promotion and various research programmes. Zambia has a large youth population of about 5.5 million people aged between 0 and 24 years. This youth population faces a number of problems mainly arising from unemployment. To solve the problem of youth unemployment a number of programmes were initiated by the Government of which about 20,000 youth were expected to benefit in 1994. However, due to limited resources only about 2,000 benefitted.

210. There are some other organizations which render services to youths. The Government through the Ministry of Sport, Youth and Child development provides advice to all organizations running youth related programmes. The Government does provide grants to affiliated youth organizations. In 1994, a total of K22.7 million was allocated for the youth organizations. These organizations run various programmes like the skills training, leadership training and health education.

211. During the period under review, various international organizations came to the aid of the Government in form of materials, funds, personnel and equipment. Notable assistance rendered was financial assistance and equipment for youths in the country, volunteers, materials and equipment for Samfya youth center, equipment for the research training center in Kabwe, training materials for Mumbwa center and funds for Kalomo youth project.

212. These need to coordinate activities of youth development in the country. The Ministry of Sport, Youth and Child Development interacts with other Government ministries which deal with youth related issues such as community and social welfare, health, environment and local Government and housing. Plans are underway to establish an inter-ministerial coordinating committee which will be looking at needs of the youths in the country.

CHILD DEVELOPMENT

213. During the year under review a number of activities were undertaken to improve children's rights and insure health development of a Zambian child. The Department of Child Affairs is the coordinator of The National Programme of Action for the child. The National Programme of Action has been approved. It's objective is to create a wariness among the Zambian community to meet basic needs of the child. This programme is being implemented with donor support and other line ministries.

214. To date the bill to improve the children's rights which was initiated in 1980 has not been reviewed. It was realized that there was need to first come up with a child policy before the law

of the child could be revised and approved. The child policy was approved by the Cabinet in 1994. Given this outcome the Child Affairs Department has to form a committee to make recommendations to the 1980 codification of the child rights law.

215. Other activities in this area included undertaking mobile training in the Copperbelt and North-western provinces. Training was aimed at sensitizing rural and urban people on the rights and needs of the children. Due to inadequate funding, the government could not do the same in other provinces. However, radio programmes and publications on the rights and needs of the child were produced. The sensitizing of the public was also done through the June, 16 Day of the African Child and 11th December International Children's Day of Broadcasting.

216. The government is also carrying out health programmes and projects to sensitize the community on the importance of health related issues including the need to immunization, sanitary health and breast feeding and weaning practices.

PROSPECTS FOR 1995

217. Prospects in child development are high considering that the child policy and the National Programme of Action for the Child have been approved. The strategies of disseminating information on child policy and National Programme of action are being worked out by the Government. As regards to youth development the government will continue to emphasize on training in practical skills.

218. The upgrading of the Independence stadium, the reconstruction of the Dag Hammarskjöld stadium, construction of an indoor sports complex in Lusaka and improvement of Provincial stadia if all realized in 1995 would raise the standards of sports in the country. Withdrawal of some companies in sponsoring sports teams and tournaments will negatively impact on sports development in the country.

12.0 DEVELOPMENTS IN THE PRIVATE SECTOR

OVERVIEW

219. The Government in 1994 continued to pursue policy measures intended to enhance the growth and development of the private sector under a market driven economy. The sector is beginning to respond to the incentives offered in the economy. This is reflected in increased investment pledges at the Investment Centre which were in excess of US \$150 million during the first three quarters of 1994. There was also an upsurge in small scale industrial activity as well as construction and business activity. During the year the privatisation programme was streamlined so as to increase its pace and encourage the participation of Zambians.

220. The Lusaka Stock Exchange (LuSE) became operational in February 1994 and public floatation are expected in early 1995. The stock exchange is expected to play an important role in the development of the country's capital market.

POLICY MEASURES

221. During the review year some of the policy measures undertaken by the Government included the following:

- (a) The exchange control act was abolished as it had become unresponsive to the needs of a liberalised economy.
- (b) Tax on non traditional exports was reduced to 15 percent in line with the provisions of the Investment act of 1993.
- (c) A Competition and Fair Trading Act was enacted to promote private sector growth.
- (d) Amendments to the Small Scale Industrial Development Organisation (SIDO) Act were initiated to further strengthen the institutional and organisational framework of the organisation.

These measures were undertaken to further re-enforce the conditions necessary for private sector development.

SECTORAL PERFORMANCE

INVESTMENT

222. The Investment Centre has the major mandate of promoting and facilitating investment in the economy. In the period January to September, 1994, the Centre issued a total of 302 licenses

PERFORMANCE**SECTORAL**

valued at approximately US \$154 million. The manufacturing and agricultural sectors accounted for 34 percent and 29 percent, respectively, of the total number of licenses issued. See table 3.31.

TABLE 3.31: CERTIFICATES ISSUED BY THE INVESTMENT CENTRE (JAN-SEPT, 1994)

SECTOR	LICENSE WITH GENERAL AND SPECIAL INCENTIVES	LICENSE WITH GENERAL INCENTIVES ONLY	CERTIFICATE INVESTMENT VALUE US\$
AGRICULTURE	87	-	50,796,164
MANUFACTURING	76	26	57,908,759
TOURISM	29	4	5,882,366
TRANSPORT	2	25	9,771,148
MINING	13	-	17,777,201
CONSTRUCTION	2	3	2,039,585
CONSULTANCY	-	-	-
FISHING	2	-	708,994
ENGINEERING	-	4	362,930
HEALTH	1	4	2,565,896
SERVICES	5	19	3,237,259
TOTAL	217	85	154,050,302

Source:

Investment

Centre.

223. The Investment centre is in direct contact with local and foreign private sector investment organisations to ensure Government policy and procedures are in line with those being promoted in the subregion and elsewhere. A number of promotional activities were undertaken abroad in countries like South Africa, Italy and Sweden. The centre also expected to raise about K150 million in fee revenue during 1994.

224. In the last 2 years, over 678 licenses with investment pledges in excess of US \$450 million have been issued by the investment centre. However, the Centre has not yet ascertained

the level of actual investments arising from the issue of licenses.

225. The operations of the Investment Centre during the year were constrained by inadequate funds. The centre is funded by the Government, some United Nations (UN) agencies and other donors. Government funding was inadequate prompting the centre to drop capital expenditure and recruitment of additional staff.

226. Apart from the investment licenses issued at the Investment Centre, the registrar of companies registered a total of 2,167 limited local liability companies during the period January to November 1994. In addition, a total of 18 foreign companies were registered to start operating in Zambia.

THE PRIVATISATION PROGRAMME

227. The Zambia Privatisation Agency (ZPA), had by November, 1994 privatised 14 State Owned Companies (SOEs). The status of the privatisation programme at the end of 1994 is as shown in table 3.32.

TABLE 3.32: STATUS OF PRIVATISATION AS OF NOVEMBER, 1994

	Tranche 1	Tranche 2	Tranche 3	Total
Legal transfer has occurred	8	3	0	11
Sales agreement signed	2	0	0	2
Negotiations completed	1	0	0	1
Under negotiations	2	2	0	4
To be handed back to former owners	0	4	0	4
Privatisation stalled by liquidation	1	0	0	1
Privatisation by dilution	0	1	0	1
Milling companies offered to previous owners who will be given refusal rights	0	2	0	2
Privatisation strategy being defined	0	4	0	4
To be offered either by competitive bid or negotiation with pre-emptive right holders	6	12	0	18
offered	0	3	30	33
Total	20	31	30	81

Source: Zambia Privatisation Agency.

228. In 1994, 2 large companies, namely, Chilanga Cement and Zambia Breweries Central Division had ownership transferred into private hands. The 30 percent and 10 percent shares held by ZIMCO in both companies, respectively, were lined up for public floatation on the Lusaka Stock Exchange (LuSE). The floatation are expected to take place during early 1995. By the end of November, 1994, negotiations were in progress for the sale of 4 large companies including ZAMEFA and the Zambia Sugar Company. In addition, a total of 33 companies had been offered

and tender bids had already been opened for 3 of them including Zambia Breweries - Northern Division. The remaining 30 companies were offered as management and employee buy-outs. By December, 1994, the privatisation programme had realised more than K15 billion.

229. The Government undertook measures to accelerate the pace of the privatisation programme. ZPA was reorganised and its role as the final authority on all technical issues related to the programme was reaffirmed. The Government authorised ZPA to offer some companies as management and employee buy-outs. This move was intended to enhance the participation of Zambians in the programme. The operations of ZPA were however, hampered by the late release of funds from its financiers.

FINANCIAL AND CAPITAL MARKETS

230. The financial sector has continued to expand with the liberalization of the economy. Provisional estimates indicate that the Financial and Insurance services sector grew by 13.8 percent in 1994. During the review year, a total of 23 commercial banks were registered by the registrar of banks and 17 of them were operational with numerous branches between them.

231. During the review year, a major feature of the capital market was the emergence of a stock exchange. The Lusaka Stock Exchange (LuSE) commenced operations in February 1994 and the first trading took place in March. Business activity was initially slow. It gradually picked up and by mid August more than 2 million shares had been traded. In addition 6.02 million shares had been registered in the name of LuSE in the same month. There were also 3 collective investment schemes run by Meridien Financial Services (MFS). By November 1994, the number of shares deposited in the name of LuSE was over 8 million. In addition, more the than 3 million shares had been traded by the end of November. (See table 3.33).

TABLE 3.33: SHARES TRADED AND DEPOSITED ON THE LuSE AS OF NOVEMBER, 1994

<u>COMPANY</u>	<u>SHARES TRADED</u>	<u>SHARES IN THE DEPOSITORY</u>
Standard Chartered bank	2,933,881	5,866,264
Bata Shoe Company	263,822	2,394,419
Farmers House	375	27,324
ZCCM	1,418	9,700
Zambia Sugar Company	-	-
Chilanga Cement	-	-
Rothmans Of Pall Mall	-	-
	3,199,501	8,477,707

Source: Lusaka Stock Exchange

232. In September, commissioners on the Securities and Exchange Commission (SEC) were appointed. The non-appointment of commissioners had slowed business activity as the security

of investors could not be assured. The Commission authorised licenses and approvals for investment dealership. This is expected to increase business activity on the stock exchange.

233. Although no company was floated to the public under the privatisation programme, a number of companies have been lined up for public floatation on the stock exchange during early 1995. They include Chilanga Cement which is expected to float 30 percent of its shares to the public.

EXPORT PROMOTION

234. Minerals account for a large part of Zambia's export earnings. To ensure export diversification, Government policy has been aimed at promoting Non-Traditional Exports (NTE's). During the year under review, the Export Board of Zambia (EBZ) and the European Development Fund (EDF), initiated a five year promotional programme of Non Traditional Exports (NTEs). The programme is targeted at the Zambia Export Growers Association (ZEGA), Zambia Coffee Growers Association (ZCGA), Tobacco Association of Zambia (TBZ) and the Textile Producers of Zambia (TPZ). The total amount of funds available under the programme are ECU 10 million (US \$11.5 million). The facility comes at a concessional rate and is intended for the procurement of inputs and the marketing of the products in European markets.

235. The availability of credit under this programme was able to enhance the operations and export earnings of the four associations. For instance, yarn exports increased by 50 percent in volume and 70 percent in value compared to those of 1993. It is envisaged that at the end of the programme in 1998 export earnings by the four sectors would have more than doubled their 1993 levels.

DEVELOPMENT OF SMALL SCALE ENTERPRISES (SSEs)

236. Small Scale Enterprises (SSEs) are an important area of the private sector. The Government also realises the importance of SSEs in employment generation. In this regard, the Government during the review year continued to offer support to institutions that promote the growth of the SSEs like the Small industries Development Organisation (SIDO) and the Village Industry Service (VIS). Government efforts were also augmented by Non Governmental Organisations (NGOs) like the Small Scale Industries Association of Zambia (SSIAZ).

237. In the financial year beginning April up to November 1994, SIDO undertook a total of 43 project units costing about K356 million. Approximately 26 percent of the amount went to special rural development projects. In addition 42 hammer mills were sold and distributed throughout the country.

238. The liberalization of external trade and the second hand clothing business (salaula) had during the review year impacted negatively on the small scale clothing manufacturers particularly

dress makers. Over 70 percent of them were affected and were consequently forced to shift to industrial protective clothing where they recorded good business.

239. The closure of the parastatal trading sector has resulted in difficulties for rural households as the private sector did not move in to fill the vacuum as expected. SIDO was during the year involved in identifying and helping clients who had indicated willingness to establish small scale retail and wholesale outlets.

CONSTRAINTS TO PRIVATE SECTOR DEVELOPMENT

240. The tight money market which obtained during the first half of the year and the relatively high rate of inflation impacted negatively on the private sector. Demand for investment capital was affected as it was expensive to borrow. However, the situation began to improve in the second half of the year as the interest rates sharply moved downwards and the inflation rate abated.

241. The complications in implementing the duty draw back system, meant that local producers who import raw materials continued to suffer from double taxation. Sales tax was charged on finished domestic products as well as on raw materials imports.

242. The economic adjustment continued to pose some problems in the manufacturing sector during the review year as most of them had to contend with competition from relatively advanced economies in the region like Zimbabwe and South Africa. Furthermore, the manufacturing sector was adversely affected by smuggling of finished competing products into the country.

PROSPECTS FOR 1995

243. Further improvements in the macroeconomic environment are expected to prevail in 1995. This is expected to boost the growth of the sector. Coupled with the anticipated introduction of Value Added Tax (VAT) to remove the double taxation inherent in the current sales tax system will greatly enhance the competitiveness of local enterprise.

244. The passing of the Minerals and Royalty Act in 1994 to bring Zambia's taxation system in mining in line with international standards is expected to contribute to the development of the mining industry in 1995.

245. The continued rehabilitation of the country's infrastructure, particularly the road network will further enhance the conditions for private sector participation in the economy.

13.0 ENVIRONMENTAL PROTECTION AND CONSERVATION

OVERVIEW

246. A major feature of the environment sector during the year was the completion of a draft Natural Environmental Action Plan (NEAP). This is an environmental policy framework document whose objective is to integrate environmental concerns into the social and economic development of the country. A draft Environmental Impact Assessment (EIA) regulations document was also produced by the Environmental Council of Zambia (ECZ).

247. The country's major environmental problems include land degradation, deforestation, industrial emissions, disposal of hazardous wastes and inadequate facilities for disposal of solid wastes. The problems of land degradation and deforestation are prevalent in the Eastern and Southern Provinces. Those of pollution of air and water sources are pronounced in the Copperbelt region due to the mines and a larger concentration of industries.

POLLUTION AND PESTICIDES

248. The country in 1994 experienced increased levels of pollution of Water sources emanating mainly from industrial and sewerage effluent, and fertiliser runoffs from farms. The Kafue river during the review year had most of the blunt of water pollution. Metals such as cadmium and zinc, and salts such as phosphates and nitrates continued to be discharged in the Kafue river affecting aquatic life and livestock. The discharge of nitrates and phosphates contributed to the problem of eutrophication (blossoming of weeds). Eutrophication was during the year a major problem in the Kafue river posing potential damage to the Kafue bridge and the hydropower station. The problem of eutrophication in the Kafue river has been compounded by the non-operation of the Kafue town council sewerage treatment plant. The problem of non-operation of sewerage treatment plants was also common in most towns in the Southern Province including Livingstone which during the year continued to discharge untreated sewerage effluent into the Zambezi river.

249. As a short term measure, the Government during the year contracted the Zambia Army at a cost of K56 million to mechanically remove the weed around the Kafue highway bridge. A long term river basin management plan will however, be required to address the underlying problems of weed infestation.

250. Air pollution has been a major problem in the mining areas especially in towns like Mufulira, Kitwe and Luanshya. It is also experienced at large industrial point sources such as Nitrogen Chemicals of Zambia (NCZ) in Kafue town and Chilanga Cement in Lusaka. Sulphur dioxide gas emitted from the mines is the major polluter of air on the Copperbelt. It affects the upper respiratory system in humans. Most health centre's in the affected areas reported high cases of respiratory ailments during the review year. Vegetation has also been adversely affected.

251. To redress the situation, the Zambia Consolidated Copper Mines (ZCCM) in 1994, installed precipitators to reduce the emissions of sulphur dioxide gas by capturing some of it to produce sulfuric acid. This capture however, was not very effective as only about 30 percent of the emissions were captured. The ECZ is currently undertaking a comprehensive study of the emissions and the effects of the gas on human beings and vegetation. Environmental Impact Assessments at several Copperbelt and Lusaka industries that emit gases were also undertaken by the Council during the year. Emission regulation standards are there after expected to be formulated. A polluter pays principle was also encouraged in which industries that pollute the air and water sources are required to meet the costs of redress the situation.

252. Regulations on the importation, manufacturing and storage of pesticides and toxic substances were passed on in March 1994, by the Council. The Council conducted training sessions for pesticide handlers. Furthermore an audit of several Copperbelt industries was undertaken during the year to determine the levels of imports and utilizations of various chemicals.

NATURAL RESOURCE CONSERVATION AND WASTE MANAGEMENT

253. The Government during the review year undertook several measures to ensure the sustainable exploitation of the country's forest reserves. The measures undertaken included the following;

(1) Reactivating the system of licensing in charcoal production to curb the rampant exploitation of forests.

(2) The Timber Export Policy and the pricing of forest products were reviewed and a relevant statutory instrument was in the process of being reviewed.

(3) The removal of illegal squatters from forest reserves was approved.

254. Furthermore, projects in nurseries for afforestation were implemented in several parts of the country. Tree planting was also undertaken mainly in the Southern Province with the help of Non Governmental Organisations (NGO's).

255. Land use planning and environmental impact assessments were conducted by the ECZ in several parts of the country. Inspections of farms were carried out in several parts of the country for the purpose of land subdivisions. A total of 40 farms were inspected.

256. A tour of all wet-land areas in Zambia was conducted by the ECZ during the review year. A report has since been produced and will be the basis for the country's wet-lands policy. The

country has no policy that relates to the wet-lands. As a result, there has been an uncoordinated exploitation of the country's wetlands which include the Kafue flats, Bangweulu swamps and the Zambezi flood plains. The wetlands policy will ensure the sustainable use of country's wetlands which provide several services to the communities.

257. The efforts of the Government in enhancing the management and conservation of the country's natural resources, have been supplemented by those of donors and (NGO's) like the World Wide Fund for nature (WWF). The WWF is currently funding projects in community based natural resource management and institutional strengthening. The areas involved include the lower Zambezi Valley, Kafue Flats and the Bangweulu basin.

258. In an effort to control the dumping of solid waste, regulations to be adhered to with regard to disposal of waste were put in place during the review year. The regulations require that industries and town and city councils that meet the stipulated standards as regards waste disposal have to be given licenses. To this effect, the Council during the year issued more than 60 licenses to those that meet the standards.

AWARENESS CAMPAIGN

259. During the year under review, the ECZ undertook several educational campaigns intended to enhance the level of public awareness on environmental issues. These were mainly undertaken in the national media as well as through seminars and workshops. A newsletter was also published.

CONSTRAINTS

260. The operations of the in the area of environment protection and conservation were hampered by inadequate resources. As a result, major works like inspections and enforcing of most of the regulations were affected. Major projects were also cut down.

14.0 COMMUNITY DEVELOPMENT AND SOCIAL WELFARE**OVERVIEW**

261. In 1994, Government continued to address the needs of the vulnerable groups. Promotion and enrichment of Zambia's culture, customs and traditions, was enhanced. In this regard, various schemes and programmes aimed at improving the welfare of the needy in society were carried out by Government and Non-Governmental Organisations that have the capacity to identify the needy.

SECTOR PERFORMANCE**SOCIAL WELFARE**

262. The social welfare of the vulnerable groups was negatively affected due to the less than satisfactory performance of the economy. Per capita incomes in constant (1977) prices fell from K266 in 1993 to K240 in 1994 a fall of 9.8 per cent in real incomes. In order to improve the welfare of the vulnerable groups, Government pursued the following objectives:

- (i) To alleviate the suffering of the poor and distressed and to improve their quality of life.
- (ii) To provide financial support to destitute families and individuals so as to make them self-reliant.
- (iii) To support development and income generation activities for street children.

These objectives were attained through schemes and programmes, of which the most important follow below:

PUBLIC WELFARE ASSISTANCE SCHEME

263. Assistance to the needy through the Public Welfare Assistance Scheme continued in 1994. The implementation of the Scheme began in 1992, offering public assistance to the needy, especially those affected by natural disasters, the destitute, retirees and old persons. During the first six months of 1994, the scheme had rendered help to 102,844 destitutes at a cost of K200 million. Furthermore, a total of 66 destitutes were repatriated to their homelands.

264. Improvements were also made to old people's homes at Mitanda, Maramba, Chibolya and Insakwa. In addition, machinery and farm implements were provided to specific vulnerable groups which had skills to participate in the informal and agricultural sectors. Furthermore, a national trust fund for the disabled was created to provide financial assistance to those with

physical disabilities. A total of K102.6 million was disbursed, for income generating activities, to all the provinces, and 157 applicants benefitted from the funds during the period under review. Further, Government offered support in income generating activities and counselling services to 1,718 street children.

THE SOCIAL SAFETY NET

265. In view of the negative impact of the Structural Adjustment Programme and the consequences of the drought and AIDS on the vulnerable groups, Government took steps to ameliorate their suffering through funding various schemes and programmes under the Social Safety Net Council. The Council was established to create and enhance productive capacities among the vulnerable groups. Council members consist of the Ministry of Community Development and Social Welfare and five NGOs, which implement projects on behalf of the Ministry. These are the Programme Against Malnutrition (PAM), Programme for Urban Self help (PUSH), NGO Co-ordinating Committee (NGO-CC), National Youth Development Council (NYDC); and Zambia National AIDS Network (ZNAN).

266. In light of the above, Government disbursed K2.6 billion to the five NGOs to enable them carry out their activities.

267. The disbursements to PAM were utilized on the post drought recovery projects, of which a total of K208.8 million was used to support an agricultural credit scheme for small scale farmers. In addition, PAM received 46,000 bags (90kg) of maize from the national strategic reserve stocks to distribute to vulnerable groups in rural areas affected by the partial drought of the 1993/94 season. Other activities undertaken included those to promote household food security at community level and prevention of malnutrition.

268. The improvement of sanitation as well as roads and drainage construction in peri-urban areas were undertaken by PUSH. These activities were mainly undertaken through the Food-for-Work Programme, which benefitted about 500,000 participants in four provinces covering 19 compounds.

269. A total of K114.8 million was disbursed to the National AIDS Network for its activities. These included the Kwasha Mukwenu project which looks after orphans and the Family Health Trust. The Kwasha Mukwenu project rendered support to 2,325 orphans. The Family Health Trust helped 35 families by giving them food and accommodation. In addition, four communities benefitted from skills training in various income generating activities.

270. The NGO Co-ordinating Committee was allocated K8.6 million for renovating the carpentry workshop for the City of Lusaka Disabled Peoples' Self Help Project. This was successfully completed. During the same period, funds distributed to the National Youth Development Council were put under the Youth Entrepreneurship Revolving Fund, which

benefitted 400 applicants.

COMMUNITY DEVELOPMENT

271. In 1994, the Government assisted various communities to solve their development problems by using locally available resources. The major objectives in the area of community development included the following:

- (i) Promoting women and girls education and development especially in income generating activities;
- (ii) Improving skills and imparting knowledge through the national functional literacy campaign;
- (iii) Organizing communities into action groups to embark on various self-help projects.
- (iv) Helping local communities to identify, analyze and solve development problems; and
- (v) Encouraging self reliance in communal planning and action through various community based development programmes.

WOMENS' PROGRAMMES

273. The Government developed various programmes aimed at empowering women and building capacity at grassroots level. A total of 3,000 womens' clubs were organised. Of these, 1,821 clubs were active. The clubs were strengthened through the provision of hammer mills, ploughs, hoes, seed, fertiliser and poultry. This support was intended to reduce the workload on women and improve the nutritional status of people in the various communities.

274. In addition, a total of 464 women participated in different activities such as tailoring, poultry farming and nutritional education at different home craft centers in the nine provinces.

GROUP HOUSING SCHEME

275. The scheme was aimed at improving housing of people in rural and peri-urban areas. A total of 1,567 people participated to this effect. In addition, free labour was provided by the people, while Government supplied materials such as hinges, window frames and nails. By the end of the year, 87 houses were completed.

MINOR SELF HELP PROJECTS

276. Minor self help projects aimed at improving peoples' socio-economic well being were also initiated by Government, mainly in rural and peri-urban areas. A total of 354 projects were embarked upon during the year. These included the construction of schools, health centres, feeder roads, foot bridges, deep tanks, market shelters and pit latrines.

BASIC AND FUNCTIONAL LITERACY

277. The basic and functional literacy campaign is aimed at reducing the level of illiteracy to about 12 percent by the year 2000. During 1994, a total of 432 literacy classes were established in 8 provinces with a total enrolment of 7,355 students. Further, 1,539 literacy instructors benefitted from the campaign by receiving teaching skills. Literacy aids such as chalk boards and instruction manuals were developed and distributed country wide.

COMMUNITY DEVELOPMENT TRAINING PROGRAMMES

278. To enhance community development training, Monze Community Development College enrolled 42 community development trainees in 1994. The syllabus was reviewed and the duration of the training up-graded to a two year programme, to equip community development workers face all the challenges in the field. The National Vocation Rehabilitation Center in Ndola which trains handicapped persons in various skills conducted thirteen courses. These included Home Economics, Industrial Sewing, Weaving, Metal Fabrication and Telephone Operating. The Centre enrolled 141 students, of which 21 successfully completed their courses.

PROSPECTS FOR 1995

279. Prospects for the year look favourable but contingent upon more resources being channelled into community development and social welfare activities. With the recruitment of about 70 professionally qualified social welfare officers, the sector is poised to improve the delivery of social and community services.

15.0 SCIENCE AND TECHNOLOGY**OVERVIEW**

280. The area of science and technology being largely traditionally funded from public funds had financial constraints in 1994 leading to non-implementation of some projects. Despite financial constraints experienced, projects implemented achieved tremendous progress. The year also recorded large participation by the private sector with large companies financing research projects most of which were implemented by public institutions such as The National Council for Scientific Research (NCSR) for commercial and economic purposes.

281. The areas focused in research and development activities during 1994 were livestock and pest control, tree improvement, water resources, building and industrial minerals, food technology and technical services.

LIVESTOCK AND PEST CONTROL

283. During the year, a multi-disciplinary research project was implemented in the area of livestock. The objective of the project was to ascertain the effects of supplementary feeding in cattle with urea and molasses. The results obtained show that live-weights and condition scores of the supplementary group of animals are better than those of non-supplemented group. This development has a positive economic result in the improvement of livestock quality in Zambia once implemented on a commercial basis.

284. Two projects in the area of pest control were implemented in 1994. These involved an investigation into tick resistance to acaricides and investigation into the development of acaricides from local plants for use at village level and for commercial purposes.

285. In the first investigation, isotopically labelled acaricides were used to establish mechanisms through which resistance develops in ticks. From this investigation, it was established that resistance has a higher likelihood of development through oxidative metabolism. In view of this result, procedures were developed to stabilize acaricides in livestock dips and simplified methods to measure their concentration using nuclear techniques. The results of this research project once put to commercial use, tick oriented diseases in livestock have a higher probability of control given that tick resistance will have been remedied.

286. In the second investigation, an extraction of the active compounds of the plant *Tephrosia Vogelli* was done with a view of carrying out mammalian toxicity studies on the extract. If the results of the investigation upon completion are positive, it is envisaged that economic application of the research ideas would bring about an enhanced production of acaricides from local plants with implied results of improved livestock farming.

287. A research project aimed at increasing knowledge on the environmental impact of

organochlorine pesticides on agro-ecosystems was implemented. The investigation involved an analysis of samples collected for content of lindane residue and moisture. The levels of lindane residue and moisture from the study determines the overall implied environmental impact of organochlorine pesticides on agro-ecosystems and as such, knowledge thereof is invaluable to pesticide users.

PLANT RESEARCH

288. A number of projects in the area of plant research were implemented during 1994 and yielded positive results. Of significant economic impact were the phytolacca dodecandra project, the induced mutation breeding and tissue culture project, the industrial oils project, and the *Jatropha Curcas* project.

289. The objective of the *Phytolacca Dodecandra* project was to eradicate the rising snail population in the country by extracting an active compound from the *phytolacca dodecandra* berries. The results from the implementation of the project showed that there were significant population control of both *Biomphalaria* and *Bulinus* species.

290. The induced mutation breeding and tissue culture project was focused on the development of virus free - potato varieties. The results of this project revealed that it was possible to produce virus-free potato varieties in Zambia. This implies that production costs would be reduced due to non-use of pesticides.

291. The industrial oils project was implemented in 1994. The aim of the project is to increase the production of industrial oils from eucalyptus plants. The project is on-going in 1995.

292. The objectives of the *Jatropha Curcas* project were to study the agronomic characteristics of the plant so as to assess the technical, economical and sociological feasibility of cultivating it under Zambian conditions and to determine the seed and oil of yield *Jatropha Curcas*. The physio-chemical properties of the extracted oil were found to be suitable for use in the soap manufacturing industry. The oils were found to be suitable for diesel fuel although there is need to carry out esterification and dehydrogenation to the oil. However due to the low flash point and residue content observed, ignition problems and lower carbon monoxide emissions would be experienced by using this diesel fuel.

WATER RESOURCES

293. Research activities in the area of water resources during 1994 were centred on the development of low cost technology to improve the quality of water. As such, the low cost technology project on filtration using ceramic elements was implemented during the year. Under this technology, there is a reduction in turbidity substantially in comparison to the technology available prior to its development.

ENERGY RESEARCH

294. The research activities implemented under energy preservation category focused on technology development that is more thermally efficient in comparison to the conventional "Mbaula". In light of this goal, two major project activities were undertaken. In the first project clay stoves were produced and marketed with an encouraging acceptability level of 25 percent. In the second activity, coal briquettes at semi-commercial scale were produced and assessed for product acceptability by users. The project is on-going in 1995.

FOOD TECHNOLOGY

295. Activities in the area of food technology during 1994 were mostly consultancy oriented to public institutions, private companies and individuals. There were also research activities in nutritional values of foods during the year. Physio-chemical evaluations of bread made from composite flours were carried out revealing that the best diluent in bread from composite flour is sorghum meal although it results in lower levels of protein. An analysis on the effect of pre-treatment methods on protein, fat and ash content of dry Kapenta from Lakes Tanganyika and Kariba were carried out. It was found out that pre-treatment of Kapenta significantly reduces the protein value in both Kapenta species. This finding is invaluable in nutrition and health.

CONSULTANCY AND TECHNICAL SERVICES

296. During 1994, a number of consultancy services were provided by institutions in science and technology. For example during the year, NCSR provided analytical services for cotton samples received from two local companies. The samples were analyzed for maturity fibre strength, trash content, micronnaire fibre elongation and fibre elongation. A number of researchers from institutions in science and technology are members of boards of Directors and Technical committees of various institutions. Through this fora, there is a direct input of science and technology labour resources into economic activities. Availability and utilization of these resources by the business community will in the long run be invaluable to the development of Zambia.

PROSPECTS

297. It is envisaged that the coming year will see a completion of on-going projects. If financial resources will be readily available, most of the projects that were abandoned due to financial constraints will be implemented. In light of the competitive business environment prevailing in the economy it is perceived that there will be a lot of private sector activities in the area of science and technology through financing of research projects. Due to information dissemination to the business community in 1994, it is envisaged that consultancy services will grow in 1995.

CHAPTER 4

REGIONAL DEVELOPMENT

1.0 OVERVIEW

1. In 1994, all provinces experienced problems with the release of capital funds for development projects. Out of the approved allocation of K6.2 billion, only about K1.4 billion was released, representing 22 per cent of the budgeted allocation. The amounts released amounted to about K150 million to each of the provinces. The provinces were not allocated funds from the Social Sector Rehabilitation and Maintenance Task Force for the rehabilitation of the social and economic infrastructure. However, towards the end of the year, they were allocated about K50.0 million each from the USAID supported Social Action Fund. In addition, the roads rehabilitation programme benefitted from the K1.9 billion released from the fuel levy fund.

2. During the year under review, two provinces experienced the closure of some major industrial operations namely, the Kabwe Lead and Zinc Mine in Central Province, and the Mansa Batteries in Luapula Province. There was also a closure of many of the outlets of parastatals in the trade sector which also previously served the rural population. These included the Zambia Consumer Buying Corporation (ZCBC), National Import and Export Corporation (NIEC) and Zambia National Wholesale and Marketing Corporation (ZNWMC) outlets. In the transport sector, the United Bus Company of Zambia and Zambia Railways also experienced major operational problems while, Zambia Airways which served tourist destinations such as Mfuwe, Victoria Falls and Kasaba Bay was liquidated.

3. The performance of the agricultural sector was adversely affected by the drought. Furthermore, unfavourable marketing conditions contributed to the poor performance resulting in reduced hecterage and crop yields. Livestock production was also affected by the drought as well as outbreaks of diseases in most provinces.

4. During the review period, Government policy on local administration was to strengthen local government to make it more responsive to the needs of the people in districts and provinces.

2.0 DEVELOPMENT PROGRAMMES IN PROVINCES

5. In the review period, authorised expenditure for provinces was K6.2 billion, as compared to K5.2 billion in 1993, representing a nominal increase of about 21 per cent. There was a reduction in the allocations for most of the provinces except for Lusaka and Northern provinces. Table 4.1 shows that in terms of releases, each province received K150.0 million totalling about K1.4 billion or 22 per cent of authorised expenditure. Out of the released amounts, more than 85 per cent of all the funds were utilised by November, 1994 on rehabilitation and maintenance of schools, health centers, roads and bridges. The remaining 15 per cent was utilised on water and

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sanitation and community development work.

Table 4.1: PROVINCIAL CAPITAL EXPENDITURE

PROVINCE	AUTHORISED 1993 (K'm)	AUTHORISED 1994 (K'm)	% CHANGE 1993-1994	RELEASED 1994 (K'm)	% AUTHORISED 1994
CENTRAL	509.4	476.7	-6.4	150.0	31
COPPERBELT	347.4	242.0	-30.3	150.0	62
EASTERN	362.6	288.2	-20.5	150.0	52
LUAPULA	368.5	289.5	-21.4	150.0	52
LUSAKA	360.1	691.2	92.0	150.0	22
NORTHERN	1,387.1	2,523.0	82	150.0	6
NORTHWESTERN	398.5	399.0	0.1	150.0	38
WESTERN	409.7	362.1	-11.6	150.0	41
SOUTHERN	1,011.1	954.1	-5.6	150.0	16
TOTAL	5,154.3	6,226.0	21.0	1,350.0	22

Source: Provincial Planning Units.

3.0 AGRICULTURE

6. The problems of marketing of produce and access to inputs affected mainly the small scale farmers who were not adequately prepared and had all along depended on the Government to purchase their produce. Lack of credit from lending agencies coupled with high interest rates especially at the beginning of the season as well as the state of most of the rural road network adversely affected agricultural activity. This resulted in the non-delivery of essential agricultural inputs to rural areas. Expected agricultural production for a selected number of major crops is shown in Table 4.2.

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Table 4.2: CROP PRODUCTION, 1993/1994

PROVINCE	AREA MAIZE (Ha)	EXP PRDN 90 Kg Bags	AREA S/FLOWER (Ha)	EXP PRDN 80 Kg Bags	AREA G/NUTS (Ha)	EXP PRDN 80 Kg Bags	AREA SGHM (Ha)	EXP PRDN 90 Kg Bags	AREA S/BEANS (Ha)	EXP PRDN 90 Kg Bags
CENTRAL	161,269	2,433,220	11,783	66,657	8,835	27,308	12,140	132,270	10,241	109,725
COPPERBEL T	29,785	608,961	100	1,352	4,108	18,701	9,634	91,688	4,916	58,844
EASTERN	174,816	2,376,061	4,219	35,155	39,890	117,911	3,493	28,673	3,966	23,724
LUAPULA	16,697	525,781	-	-	7,810	53,143	1,120	5,582	78	1,189
LUSAKA	30,583	354,326	657	4,753	2,251	6,746	-	-	1,902	15,216
NORTHERN	70,817	2,009,576	109	1,465	22,099	136,833	513	6,416	197	1,572
N. WESTERN	24,595	484,389	153	1,672	3,493	24,598	2,463	11,006	-	-
WESTERN	40,108	398,175	34	238	2,774	17,281	8,582	38,503	-	-
SOUTHERN	130,745	2,151,171	14,024	95,426	14,477	31,729	14,875	71,840	4,147	63,394
TOTAL	679,356	11,341,66 0	31,079	206,718	105,737	434,250	55,245	389,669	25,447	273,664

Source: CENTRAL STATISTICS OFFICE, LUSAKA.

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7. Central Province was expected to produce the highest amount of maize with an expected production of 2.4 million bags, followed by the Eastern and Southern Provinces with 2.3 and 2.2 million bags respectively. For sunflower production, Southern Province was expected to produce the largest amount with 95,426 bags. For groundnuts, Northern Province recorded the largest expected production of 136,833 bags. Sorghum production was expected to be largest in Central Province with 132,270 bags while for soya-beans the largest production was expected in Central Province.

4.0 INFRASTRUCTURE DEVELOPMENT

ROADS REHABILITATION

8. The objective in this area was to rehabilitate and maintain the existing network including feeder and rural roads. Most trunk roads such as the Kabwe-Lusaka, Lusaka-Kafue and Kapiri-Ndola roads were rehabilitated. Rural and feeder roads were rehabilitated with financial resources from the fuel levy fund as shown in Table 4.3. The largest share was allocated to Northern Province with 18.1 per cent of total amounts followed by Copperbelt and North Western Provinces with 14.4 and 13.2 per cent respectively. The least amount was allocated to Eastern Province which received 5.9 per cent.

Table 4.3: ALLOCATIONS UNDER THE FUEL LEVY AS AT DECEMBER, 1994.

PROVINCE	AMOUNT (K'm)	% SHARE
CENTRAL	209	11.0
COPPERBELT	273	14.4
EASTERN	112	5.9
LUAPULA	148	7.8
LUSAKA	214	11.2
NORTHERN	344	18.1
NORTHWESTERN	250	13.2
WESTERN	189	10.0
SOUTHERN	158	8.3
TOTAL	1,897	100

SOURCE: ROADS DEPARTMENT

5.0 WATER AND SANITATION

9. The objective in the sector was to improve the provision of clean water and sanitation to all. To this end, there was need to repair and rehabilitate all water and sanitation facilities which were run down. The table below shows the types of water schemes in the country.

Table 4.4: TYPE OF WATER SCHEMES BY PROVINCE

PROVINCE	COMPANY	CITY COUNCIL	MUNICIPAL COUNCIL	DISTRICT COUNCIL	DWA
CENTRAL	0	0	1	2	4
COPPERBELT	0	2	5	0	1
EASTERN	1	0	0	0	6
LUAPULA	0	0	0	1	4
LUSAKA	1	0	0	2	0
NORTHERN	0	0	1	2	7
N. WESTERN	0	0	0	1	5
WESTERN	0	0	0	3	5
SOUTHERN	0	0	1	4	6
TOTAL	2	2	8	15	38

SOURCE: Ministry Energy and Water Development

10. There were only two water supply and sanitation companies providing services in Lusaka and Eastern Provinces (City of Lusaka and the Municipality of Chipata), while the two cities on the Copperbelt (Ndola and Kitwe) and 8 Municipal Councils of Copperbelt, Central, Northern and Southern Provinces (Chingola, Chililabombwe, Kabwe, Kalulushi, Kasama, Livingstone, Luanshya and Mufulira), continued to operate their own delivery supply systems. Of the district councils scattered throughout the country, 15 operated their own supply systems. The Department of Water Affairs provided water and sanitation services in 38 centers.

11. A number of water supply and sanitation establishments received donor support for the rehabilitation. In the rural areas, bore-holes were sunk mainly as a result of the drought which affected the availability of drinking water for both man and animals.

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6.0 COMMUNITY AND SOCIAL SERVICES

12. Government's policy in the area of community development and social services is to alleviate the suffering of those not able to fend for themselves. To this end, several programmes have been put into place, namely, the Public Welfare Assistance Scheme, the Child and Family Welfare Scheme and the Social Safety Net.

PUBLIC WELFARE ASSISTANCE SCHEME

13. The scheme is aimed at providing assistance to those affected by drought, floods and other disasters. The assistance was provided in the form of food, clothes, and other essentials. In 1994, district committees were formed to assist the Department of Social Welfare identify the needy. The Public Welfare Assistance Scheme was allocated K412.5 million in 1994 as compared to about K300 million in 1993. More than 300,000 destitute persons benefitted from this scheme in the period under review. The provincial breakdown is shown in Table 4.5.

Table 4.5: ALLOCATIONS OF PUBLIC WELFARE ASSISTANCE SCHEME BY PROVINCE

PROVINCE	ALLOCATION 1993 (K'm)	ALLOCATION 1994 (K'm)	% CHANGE 1993-1994	% ALLOCATION 1994
CENTRAL	32.7	38.4	17.4	9.3
C/BELT	77.5	80.9	4.3	19.6
EASTERN	34.5	52.8	52.9	12.8
LUAPULA	25.5	69.7	173.7	17.0
LUSAKA	21.7	26.4	21.4	6.4
NORTHERN	28.5	44.6	56.0	10.8
N.WESTERN	17.4	19.4	11.3	4.6
WESTERN	14.0	50.0	257.2	12.1
SOUTHERN	48.2	30.5	-36.6	7.4
TOTAL	300.0	412.5	37.5	100

Source: Ministry of Community and Social Development.