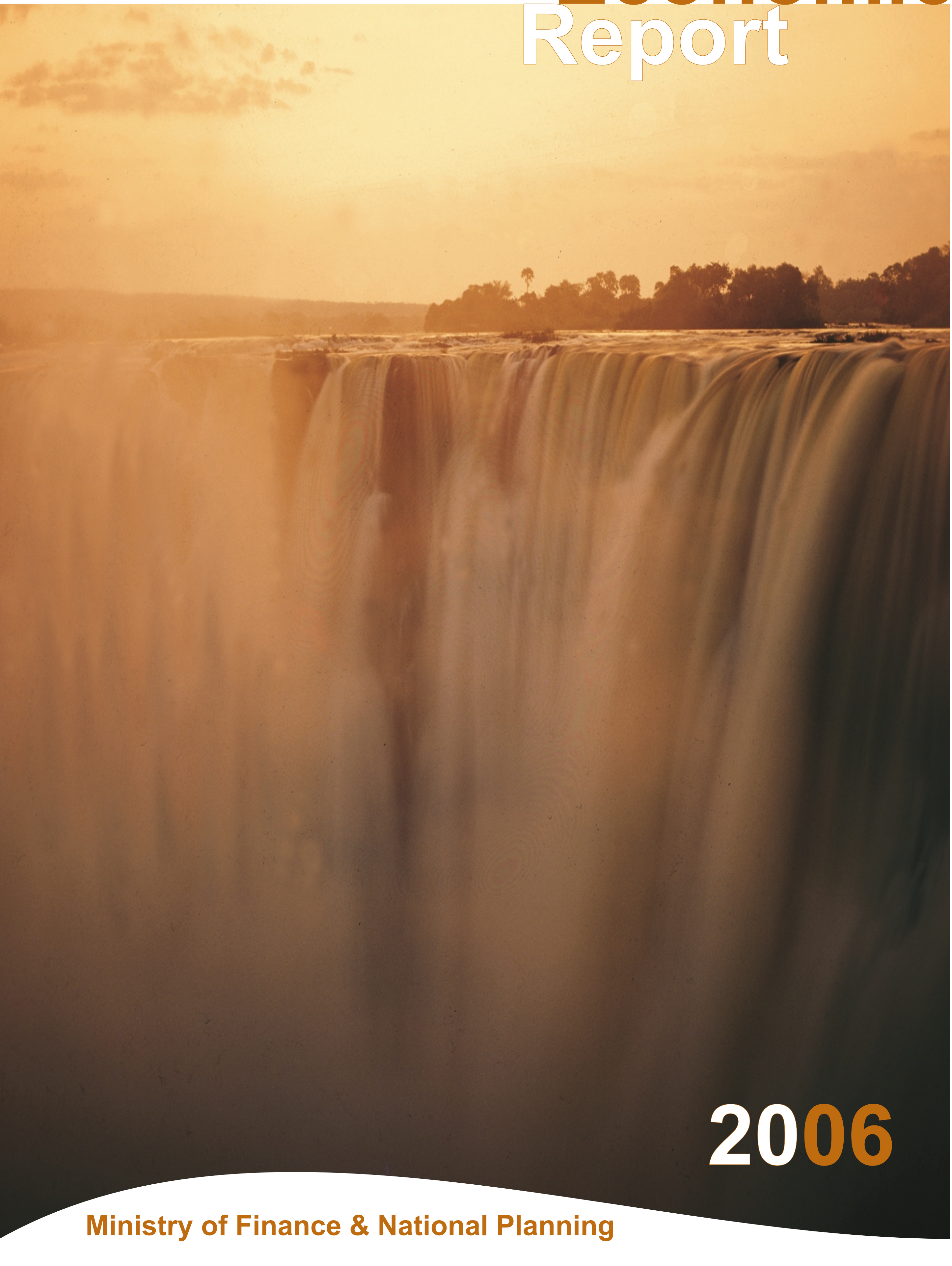
Republic of Zambia

# Economic Report



# 2006

Ministry of Finance & National Planning

# Contents

# Contents

# Contents

# Foreword

The Economic Report is prepared through a collaborative effort within the various government ministries and departments, statutory boards and some private sector institutions, to whom I am appreciative for the support rendered in the preparation of this Report.

Economic growth has maintained momentum and picked up in 2006 to a preliminary estimate of 5.8 percent, largely driven by expansion in mining, transport and construction sectors. This growth was underpinned by favourable macroeconomic conditions.

Macroeconomic conditions remained favourable with inflation reaching single digit levels for the first time in more than three decades. The fiscal deficit continued to be within sustainable levels whilst interest rates, though relatively high, were edging downwards. It is evident that implementation of prudent monetary and fiscal policies is paying off coupled with debt relief received from international creditors. Supply-side factors, such as increased food supply following a good harvest in 2006, also contributed to reducing inflation.

The world economy continued to be strong with emerging markets and developing countries enjoying exceptional growth. Global economic expansion was supportive of growth in the domestic economy as it led to continued high demand and prices for commodities such as copper, which is Zambia's chief export commodity. The rise in the price of copper positively affected the trade balance, which recorded a significant surplus in 2006. Consequently, the current account deficit reduced by a large margin. However, rising oil prices exerted pressures on the prices of petroleum products and inflation in general.

On the social front, marginal progress was recorded as evidenced by improvements in some health service delivery and education indicators. However, service delivery in general remains a source of concern with outcomes still precarious especially in the health sector. The health sector continued to operate below 40 percent human resource capacity for nearly all categories of staff. This is a huge challenge which will require concerted efforts to overcome.

While noting the pick up in economic growth, it is important to note that mining expansion has strongly contributed to this growth. To make major strides in uplifting the living conditions of many of the poor people, major inroads have to be made to accelerate and achieve higher growth rates in the key sectors of manufacturing and agriculture. This is consistent with the growth and poverty strategy outlined in the Fifth National Development Plan (FNDP). Enhancing the business environment to to facilitate easier entry in these key sectors is also essential. Moving ahead, it is imperative that the reforms under the private sector development programme are accelerated together with infrastructural improvements in line with the FNDP.

C. Evans Chibiliti
Secretary to the Treasury
Ministry of Finance and National Planning

# CHAPTER 1 DEVELOPMENTS IN THE GLOBAL ECONOMY

## Overview

The global economy continued to grow in 2006, registering a growth of 5.1 percent compared to 4.3 percent in 2005. This growth was led by the United States, the euro area and Japan. Additionally, continued growth in emerging markets and developing countries added impetus to world output. This phenomenal growth in emerging markets was led by China. In line with the expansion in the global economy, the volume of world trade grew by 8.9 percent from 7.2 percent in 2005.

Inflation in advanced economies in 2006 increased modestly to 2.6 percent from 2.3 percent in 2005, mainly on account of the high oil prices. However, inflation in emerging markets and developing countries was lower. Interest rates in major advanced economies were relatively higher, against a background of rising inflation and continued growth.

## Developments in Industrial Countries

Gross Domestic Product (GDP) growth in industrial countries was 3.1 percent compared to 2.6 percent in 2005. This growth was led by the U.S economy, which increased by 3.4 percent compared to 3.2 percent in 2005, mainly on account of increased corporate investment supported by high capacity use and strong profitability. Nonetheless, the slowdown in the housing market dampened private consumption and residential investment (see table 1.1).

Growth in the euro area was highest in six years at 2.4 percent, up from 1.3 percent in 2005, with Germany leading the growth. This growth was mainly on account of stronger corporate balance sheets that paved the way for higher investment, rising employment, and a better balanced expansion. However, in Italy, profitably was weaker and corporate debt was on the increase.

The Japanese economy continued to grow and registered a growth of 2.7 percent compared to 2.6 percent in 2005. The base of this expansion was the continued growth in private final domestic demand. Private fixed investment, in particular, continued to be buoyant, underpinned by robust profits and a turnaround in bank credit. Private consumption also increased but at a moderate rate. In the newly industrialized economies (NIEs), growth strengthened with a pickup in exports especially of electronic goods due to rapid growth in China and the strong global economy.

Table 1.1 Overview of the World Economic Outlook (Annual Percent Change unless Otherwise Stated)

| | 2004 | 2005 | 2006* |
|---|---|---|---|
| **World output** | **5.3** | **4.9** | **5.1** |
| Advanced economies | 3.2 | 2.6 | 3.1 |
| United States | 3.9 | 3.2 | 3.4 |
| Euro area | 2.1 | 1.3 | 2.4 |
| Germany | 1.2 | 0.9 | 2 |
| France | 2.0 | 1.2 | 2.4 |
| Italy | 1.1 | - | 1.5 |
| Spain | 3.1 | 3.4 | 3.4 |
| Japan | 2.3 | 2.6 | 2.7 |
| United Kingdom | 3.3 | 1.9 | 2.7 |
| Canada | 3.3 | 2.9 | 3.1 |
| Other advanced economies | 4.6 | 3.7 | 4.1 |
| New Industrialized Asian economies | 5.9 | 4.5 | 4.9 |
| Other emerging market and developing countries | 7.7 | 7.4 | 7.3 |
| Africa | 5.5 | 5.4 | 5.4 |
| Sub-Sahara | 5.6 | 5.8 | 5.2 |
| Central and eastern Europe | 6.5 | 5.4 | 5.3 |
| Commonwealth of Independent States | 8.4 | 6.5 | 6.8 |
| Russia | 7.2 | 6.4 | 6.5 |
| Excluding Russia | 11.0 | 6.7 | 7.6 |
| Developing Asia | 8.8 | 9.0 | 8.7 |
| China | 10.1 | 10.2 | 10.0 |
| India | 8.0 | 8.5 | 8.3 |
| ASEAN-4 | 5.8 | 5.1 | 5 |
| Middle East | 5.5 | 5.7 | 5 |
| Western Hemisphere | 5.7 | 4.3 | 4.8 |
| Brazil | 4.9 | 2.3 | 3.6 |
| Mexico | 4.2 | 3.0 | 4.0 |
| ***Memorandum*** | | | |
| European Union | 2.4 | 1.0 | 2.8 |
| World growth based o market exchange rates | 3.9 | 3.4 | 3.8 |
| **World trade volume (goods and services)** | **10.6** | **7.0** | **8.9** |
| Imports | | | |
| Advanced economies | 9.1 | 6.0 | 7.5 |
| Other emerging market and developing countries | 16.4 | 11.9 | 13.0 |
| Exports | | | |
| Advanced economies | 8.8 | 5.5 | 8.0 |
| Other emerging market and developing countries | 14.6 | 11.8 | 10.7 |
| **Commodity prices (U.S. dollars)** | | | |
| Oil[1] | 30.7 | 41.3 | 29.7 |
| Non fuel (average based on world commodity export weights | 18.5 | 10.3 | 22.1 |
| **Consumer prices** | | | |
| Advanced economies | 2.0 | 2.3 | 2.6 |
| Other emerging market and developing countries | 5.6 | 5.3 | 5.2 |
| **London interbank offered rate (LIBOR,percent)** | | | |
| On U.S. dollar deposits | 1.8 | 3.8 | 5.4 |
| On euro deposits | 2.1 | 2.2 | 3.1 |
| On Japanese yen deposits | 0.1 | 0.1 | 0.5 |

Source: World Economic Outlook, International Monetary Fund, September 2006
* Projections

## Developments in other Emerging Markets and Developing Countries

Growth in other emerging markets and developing countries remained strong at 7.3 percent with China sustaining growth of around 10.0 percent. In developing Asia, growth remained above 8 percent mainly due to the robust growth in China and India. In China, there was a renewed acceleration in investment growth and an increase in net exports. In contrast, growth slowed down in most of the ASEAN-4 countries, owing mainly to the effects of higher oil prices and monetary policy tightening in response to rising inflation.

The current account surplus expanded to 4.3 percent of GDP in 2006 compared to 3.7 percent in 2005, explained largely by continued increase in China's current account surplus that accounted for about 70 percent of the regional surplus of about US $260 billion per annum. Structural factors, including capacity expansion in sectors producing import substitute, accounted for the rise in China's surplus in addition to the exceptionally strong export growth. The continued current account surpluses and substantial reserve accumulation in turn reduced external vulnerabilities in the region.

There were however marked variations in the current account performance within the region. In Korea and Indonesia, current account surpluses declined, while Thailand and India experienced a deficit for two consecutive years. In these countries, exchange rate flexibility continued to increase, in the context of inflation targeting monetary policy frameworks, while domestic demand played a more prominent role in output growth. Private investment nevertheless remained relatively weak in many countries as a result of dampened business environment, repressed capital markets and regulatory burdens.

Although inflation increased with higher oil prices, most countries succeeded in restraining core inflation. The restraint in core inflation was aided by real currency appreciation that reflected strong external position. In addition, real interest differentials against the major currencies were generally low in line with the declining risk premiums.

## Developments in Sub-Saharan Africa

Sub-Saharan Africa, for the third consecutive year, continued to enjoy its strongest period of sustained economic expansion since early 1970s with regional growth projected at 5.2 percent in 2006 compared to 5.8 percent in 2005. This growth was underpinned by continued macroeconomic stability and enhanced structural reforms coupled with favourable commodity prices on the international market. Sudan and Angola led the growth at 12.1 percent and 14.3 percent, respectively. Notably, there was higher growth in oil-exporting countries than oil-importing countries. Inflation was generally contained and the current account balance was strong while fiscal positions deteriorated modestly (see table 1.2).

Growth in oil-importing countries held up on account of a general rise in non-fuel commodity prices. This was however on case by case basis, for example, Mozambique, Zambia, and South Africa benefited from higher metal prices while Burundi Ethiopia, Sierra Leon, Rwanda, and Uganda from stronger coffee prices. By contrast, there was a down turn in terms of trade in exporters of cotton (Benin, Burkina Faso, Mali and Togo) and cocoa (Cote d'Ivorie, Ghana, Sao Tome and Principle). However, the countries that experienced deterioration in their terms of trade in recent years experienced an increase in aid and stronger capital inflows that helped cushion the income losses.

## Commodity Price Developments

Movements in commodity prices in 2006 were phenomenal and unprecedented particularly for the two most widely traded base metals of aluminium and copper. This was mainly driven by demand from China which accounted for about one quarter of the total world demand for aluminium, copper

The non-fuel commodity prices, particularly of copper, also had a phenomenal increase in 2006, mainly spurred by demand from China which accounted for about one quarter of the total world demand for copper, aluminium and steel. The average price of copper rose to US$3.05 per pound in 2006 from US$1.67 per pound in 2005.

Oil prices increased significantly, reflecting buoyant global activity. The average petroleum spot price rose by 16 percent and the oil price increased sharply to reach a new record high of US $78 per barrel in July. This rise in prices was largely on account of conflicts, especially in the middle-east.

The non-fuel commodity index rose by 19 percent reaching its highest level in real terms since 1990 while metal prices increased by 32 percent mostly on the strength of copper, zinc and nickel. The rise in the prices of non-fuel commodities, particularly for metals defrayed losses from higher oil import bills for exporters of these commodities. The price increases were also aided by supply bottle-necks.

Food prices rose by 8.0 percent largely due to unfavourable weather conditions, which reduced grain production significantly. In addition, high demand drew down on the already low global stocks.

**Table 1.2: Selected African Countries: Real GDP, Consumer Prices and Current Account Balance, 2004-2006**

| | Real GDP | | | Consumer Prices[1] | | | Current Account Balance[2] | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2004 | 2005 | 2006* | 2004 | 2005 | 2006* | 2004 | 2005 | 2006* |
| **Africa** | **5.5** | **5.4** | **5.4** | **8.0** | **8.5** | **9.9** | **(0.1)** | **2.3** | **4.2** |
| **Maghreb** | **5.1** | **4** | **5.8** | **2.9** | **1.5** | **4.1** | **7.1** | **12.2** | **14.5** |
| Algeria | 5.2 | 5.3 | 4.9 | 3.6 | 1.6 | 5.0 | 13.1 | 21.3 | 24.8 |
| Morocco | 4.2 | 1.7 | 7.3 | 1.5 | 1.0 | 2.5 | 1.9 | 1.8 | 0.5 |
| Tunisia | 6 | 4.2 | 5.8 | 3.6 | 2.0 | 3.9 | (2.0) | (1.3) | (1.6) |
| **Sub-Sahara** | **5.6** | **5.8** | **5.2** | **9.6** | **10.7** | **11.7** | **2.3** | **0.6** | **0.4** |
| **Horn of Africa[3]** | **8.1** | **8.2** | **9.4** | **8.4** | **7.8** | **9.0** | **(5.8)** | **(10.0)** | **(7.0)** |
| Ethiopia | 12.3 | 8.7 | 5.4 | 8.6 | 6.8 | 12.3 | (5.1) | (9.1) | (10.1) |
| Sudan | 5.2 | 7.9 | 12.1 | 8.4 | 8.5 | 7.0 | (6.3) | (10.6) | (5.9) |
| **Great Lakes[3]** | **5.6** | **6.0** | **5.7** | **6.9** | **11.6** | **9.1** | **(3.3)** | **(3.4)** | **(5.6)** |
| Congo, Dem. Rep. of | 6.6 | 6.5 | 6.5 | 4.0 | 21.4 | 10.0 | (5.7) | (4.9) | (4.2) |
| Kenya | 4.6 | 5.7 | 5.4 | 11.6 | 10.3 | 13.0 | (2.7) | (2.2) | (3.8) |
| Tanzania | 6.7 | 6.8 | 5.9 | 4.1 | 4.4 | 7.5 | (3.9) | (5.2) | (8.3) |
| Uganda | 5.7 | 6 | 5.5 | 5.0 | 8.0 | 6.7 | (1.0) | (1.6) | (5.0) |
| **Southern Africa** | **5** | **6.5** | **6.1** | **46.5** | **33.9** | **53.3** | **(0.6)** | **3.8** | **4.8** |
| Angola | 11.2 | 20.6 | 14.3 | 43.5 | 23.0 | 12.9 | 3.5 | 12.8 | 12.2 |
| Zimbabwe | (3.8) | (6.5) | (5.1) | 350.0 | 237.8 | 1,216.0 | (8.3) | (11.1) | 0.5 |
| **West and Central Africa** | **6.5** | **5.6** | **4.6** | **8.0** | **11.6** | **7.1** | **(0.5)** | **4.1** | **7.4** |
| Ghana | 5.8 | 5.8 | 6.0 | 12.6 | 15.1 | 8.8 | (2.7) | (7.7) | (7.6) |
| Nigeria | 6 | 6.9 | 5.2 | 15.0 | 17.9 | 9.4 | 4.6 | 12.4 | 15.7 |
| **CFA franc zone** | **7.6** | **4.7** | **3.2** | **0.2** | **4.3** | **3.1** | **(3.6)** | **(1.7)** | **(0.4)** |
| Cameroon | 3.7 | 2.6 | 4.2 | 0.3 | 2.0 | 2.9 | (3.4) | (1.5) | - |
| Cote d'Ivoire | 1.8 | 1.9 | 1.9 | 1.5 | 3.9 | 2.6 | 1.6 | (0.1) | 1.8 |
| South Africa | 4.5 | 4.9 | 4.2 | 1.4 | 3.4 | 4.6 | (3.4) | (4.2) | (5.5) |
| *Memorandum* | | | | | | | | | |
| Oil importers | 4.8 | 4.5 | 4.8 | 7.3 | 8.3 | 11.1 | (2.8) | (3.3) | (4.1) |
| Oil exporters[3] | 7.3 | 7.4 | 6.7 | 9.7 | 9.0 | 7.2 | (5.8) | (12.2) | (15.4) |

Source: World Economic Outlook, International Monetary Fund, September 2006

* Projections

## The Impact of Global Developments on the Zambian Economy

Overall, developments in the global economy impacted positively on the domestic economy. The upswing in copper prices contributed significantly to metal earnings and generally compensated for the rise in oil and petroleum prices. Additionally, the general rise in non-fuel commodity prices induced an increase in non-traditional export earning. Conversely, increases in oil prices had a negative impact on domestic prices. This occurred against a backdrop of marked resilience in the domestic economy. In this regard, the annual rate of inflation was 8.2 percent as at end December compared to the annual target of 10 percent and an outturn of 15.9 percent in 2005.

## Outlook

Global activity is projected to slowdown with world output expected to reach 4.9 percent in 2007 on account of cooling activity in the U.S and Japan. However, this growth will hit the strongest four-year period of global expansion since the early 1970s. In addition, commodity prices are expected to ease as production increases to meet rising demand. Further, inflationary pressures are expected to be contained grounded on tight monetary policy.

# CHAPTER 2 DEVELOPMENTS IN THE DOMESTIC ECONOMY

## Overview

The economy continued to perform well in 2006 with real Gross Domestic Product (GDP) growth estimated at 5.8 percent from 5.2 percent in 2005. This was underpinned by favourable macroeconomic conditions evidenced by the decline in inflation and interest rates and government domestic borrowing as well as strong external sector performance.

Social sector indicators also recorded some marginal improvements, amid human resource constraints, in the health and education sectors. The incidence of diseases and the people contracting HIV declined. Access to education, retention and completion rates increased at both the basic and high school levels. The quality of education, though still unsatisfactory was better than in 2005, reflected by improvements in the pupil/teacher ratio.

## Macroeconomic Conditions in 2006

The macroeconomic situation in 2006 was satisfactory measured against targets set for the year. These were to: (i) attain real GDP growth of at least 6.0 percent; (ii) achieve inflation target of 10.0 percent; (iii) limit domestic borrowing to 1.6 percent of GDP; and (iv) increase Gross International Reserves (GIR) to 1.7 months of import cover (see table 2.1).

The economy registered a real GDP growth of 5.8 percent against the target of 6.0 percent and outturn of 5.2 percent in 2005. Growth was largely driven by the mining, construction and transport sectors. Other sectors that registered positive growth were agriculture, tourism, manufacturing, wholesale and retail trade, and the services sector.

Annual inflation fell to its lowest level in the last 30 years to 8.2 percent as at end-December, 2006 compared to the annual target of 10.0 percent and an outturn of 15.9 percent in 2005. This favourable outturn was amid persistent rise in oil prices on the world market, rapid expansion in money supply growth of 45.1 percent and the depreciation of the Kwacha. The effects of these negative shocks on inflation were mitigated by lower food prices and containment of Government borrowing within the set target of 1.6 percent. By the end of the year, domestic borrowing was 1.5 percent of GDP. The reduced level of Government borrowing also eased pressure on interest rates and the interest cost on the domestic public debt. Consequently, the average commercial banks' lending rate declined to 27.9 percent in December 2006 from 33.9 percent in December 2005.

In line with the drop in interest rates and containment of Government domestic borrowing, demand for credit by the private sector increased. Private enterprises, households and Non-Bank Financial Institutions (NBFIs) credit rose by 62.6 percent, 18.4 percent and 207.4 percent, respectively.

The foreign exchange market was characterized by general depreciation of the Kwacha against major currencies with intermittent volatility. Overall, the average inter-bank mid-exchange rate depreciated by 20.5 percent from K3,428 per US dollar in December 2005 to K4,132 per US dollar in December 2006.

The external sector position strengthened reflected by the build-up of Gross International Reserves (GIR) to 2 months of import cover in 2006 from 1.6 months of import cover in 2005. Similarly, the current account deficit as a percentage of GDP (excluding grants) reduced to 1.1 percent in 2006 from 11.5 percent in 2005. The decline in the current account deficit was due to increased export receipts arising from the record high copper prices and increased export volumes. Total export earnings grew by 73.8 percent to US $3.8 billion in 2006 from US $2.2 billion in 2005 while imports increased by only 21.5 percent to US $2.6 billion from US $2.2 billion in 2005. Non-traditional export earnings rose by 31.3 percent to US $701.4 million from US $534.3 million in 2005.

The external debt relief granted largely by multilateral institutions and the increased budgetary support from cooperating partners in 2006 also helped to strengthen the external position. Preliminary information indicates that the country's external debt stock stood at US $696.7 million as at end-December 2006, a reduction of 83.1 percent from the end-2005 stock of US $4.5 billion. In this regard, Zambia is no longer considered a Heavily Indebted Poor Country.

Performance in the financial sector continued to be satisfactory with the overall financial conditions and performance of the banking and non-bank financial institutions (NBFIs) being satisfactory. The banking sector was adequately capitalised and all banks met their minimum regulatory capital requirements in 2006.

Capital markets also continued to perform favourably evidenced by growth in the market capitalisation of 52 percent compared to 11 percent in 2005 to end the year at K13,072.5 billion or US $3.2 billion. As a share of GDP, market capitalisation was 33.7 percent. In addition, the number of listed companies increased to 15 in 2006 from 13 in 2005.

Further, foreign portfolio investments improved significantly in 2006. Net portfolio investments increased by 49.1 percent to US $7.9 million from US $5.3 million in 2005. This was explained by the favourable economic environment coupled with increased publicity.

**Table 2.1: Selected Macroeconomic Variables, 2004-2006**

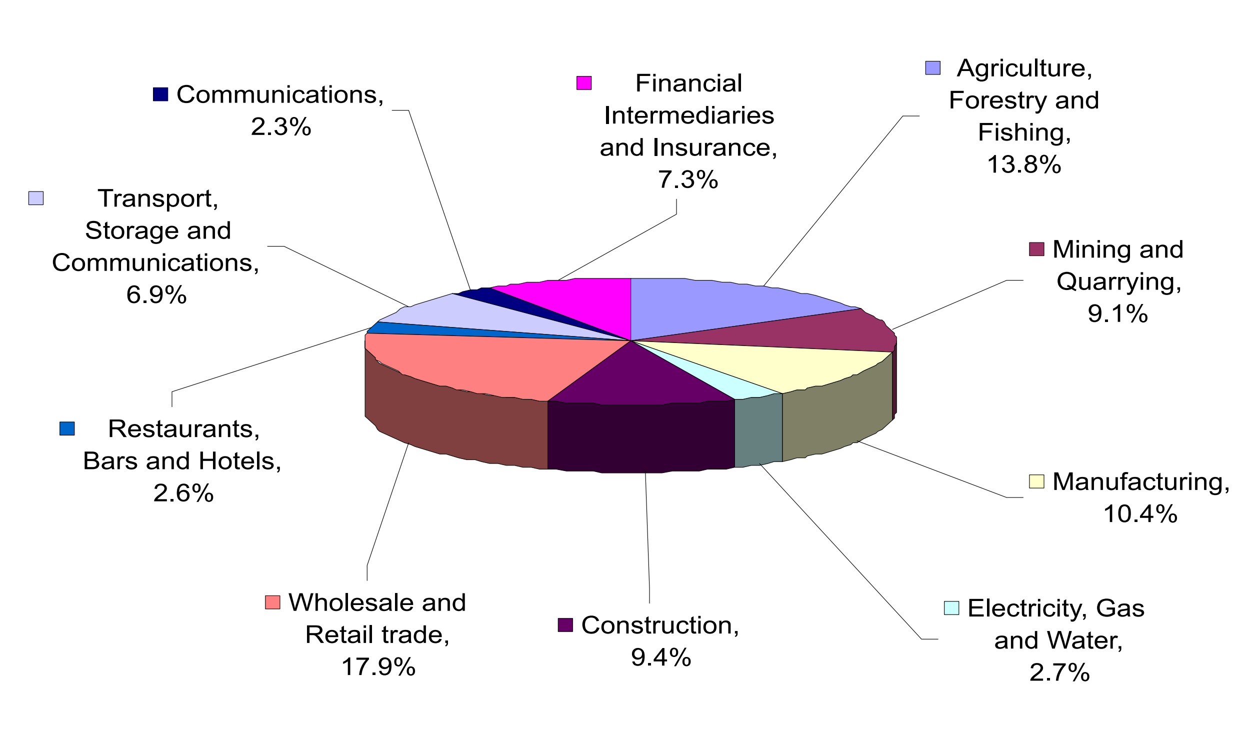
| | 2004 | 2005 | 2006 Target | 2006 Outturn |
|---|---|---|---|---|
| Real GDP | 5.4 | 5.2 | 6.0 | **5.8*** |
| Domestic Financing of fiscal deficit | 1.9 | 1.8 | 1.6 | **1.5** |
| Money Supply Growth (annual % change) | 30.3 | 0.4 | 14.6 | 45.1 |
| Inflation (end period) | 17.5 | 15.9 | 10.0 | 8.2 |
| Interest rates (December values) | 37.1 | 33.9 | | 27.9 |
| Current Account Deficit (% of GDP, excl. grants) | (10.7) | (11.5) | | (1.1) |
| Gross International Reserves (months of import cover) | 1.2 | 1.6 | 1.7 | 2.0 |
| External Debt Stock (in billion of US $) | 7.1 | 4.5 | 0.5 | 0.7 |

Source: Ministry of Finance and National Planning
* Preliminary

## Domestic Output

According to preliminary estimates, real GDP in constant 1994 prices grew by 5.8 percent to K3, 337.6 billion in 2006 from K3, 155.9 billion in 2005. In current prices, GDP grew to K38,586 billion from K32,456.3 billion in 2005. This growth emanated from the secondary and tertiary sectors (see tables 2.2, 2.3 and 2.4). As a share to overall real GDP, wholesale and retail, agriculture, forestry and fishing, and manufacturing sectors accounted for 17.9 percent, 13.8 percent and 10.4 percent, respectively (see figure 2.1).

**Figure 2.1: Industry Shares of G.D.P by kind of Economic Activity at constant 1994 Prices**




Source: Central Statistical Office

The primary sector grew by 5.9 percent in 2006 led by the agriculture, forestry and fishing and mining and quarrying sectors. The agricultural, forestry and fishing sector posted a real GDP growth of 2.4 percent compared to a decline of 0.6 percent. Excluding forestry and fishing, the agricultural sub-sector grew by 3.9 percent. This was mainly on account of increased production of crops. In particular, a good harvest of 1.4 million Mt of maize was recorded during the 2005/2006 agricultural season compared to 866,000 Mt in the previous season. This favourable performance was attributed to good weather conditions, increased credit to the farmers and timely availability of inputs. Other crops recorded increases in production except, soybeans, seed cotton, wheat and paprika. Consequently, the overall food balance position was favourable registering a surplus of maize meal equivalent of 413,064 Mt.

In the mining and quarrying sector, value-added increased to 11.8 percent from 7.9 percent in 2005. This was largely on account of the rise in mineral production. Copper production increased by 11.5 percent to 515,010 Mt in 2006 from 461,748 Mt in 2005. Cobalt production, however, reduced to 4,463 Mt in 2006 from 5,539 Mt in 2005.

Growth in the secondary sector slowed down to 6.6 percent in 2006 from 10.3 percent in 2006, largely on account of deceleration in growth in the construction sector. The construction sector recorded real GDP growth of 9.0 percent in 2006 compared to 21.2 percent in 2005. Growth in this sector was driven by housing, road construction and other civil works.

Value added in the manufacturing sector increased by 3.3 percent in 2006 compared to 2.9 percent in 2005. Growth was mainly driven by the food, beverages and tobacco sub-sector, which grew by 5.5 percent in 2006 compared to 3.6 percent in 2005.

Positive growth was also recorded in other sub-sectors except for the non-metallic mineral products, wood and wood products and the textile and leather sub-sectors.

The tourism sector measured by restaurants, bars and hotels registered a growth of 10.0 percent in 2006 compared to 11.0 percent in 2005. The number of tourist arrivals in 2006 was estimated to have increased by 6.1 percent to 689,625 from 649,867 in 2005. Earnings from this sector were estimated at US $176.7 million in 2006 compared to US $164.8 million recorded in 2005. The growth in this sector continued to be driven by improved infrastructure and marketing as well as private sector investments.

In the energy sector, growth was 11.3 percent in 2006 compared to 5.4 percent in 2005. This growth was largely attributed to increased electricity generation following the completion of rehabilitation and upgrading of machinery at the Kariba North Power Station and increased demand for electricity from sectors such as agriculture and mining. Electricity generation rose by 7.9 percent to 9,683,032 Mega watt hour (Mwh) from 8,974,824 Mwh in 2005.

With regard to the petroleum sub-sector, there was stability in the supply of petroleum products in 2006. Government put in place measures to ensure that the shortage experienced in 2005, did not recur. Albeit these positive developments, the continued rise in the international oil prices had a dampening effect on the economy as a whole seen through persistent increases in domestic petroleum prices.

In the tertiary sector, real GDP growth rose by 6.5 percent from 5.4 percent in 2005 with transport, storage and communications leading the growth. Growth in the transport and communications sector increased to 13.4 percent in 2006 from 11.0 percent in 2005, largely on account of increased economic activities.

Table 2.2: GDP by Kind of Economic Activity at Constant 1994 Prices (K' Billion)

| KIND OF ECONOMIC ACTIVITY | 2004 | 2005 | 2006* |
|---|---|---|---|
| Agriculture, Forestry and Fishing | 450.8 | 448.3 | 459.0 |
| Agriculture | 214.7 | 206.0 | 214.1 |
| Forestry | 159.4 | 165.2 | 167.4 |
| Fishing | 76.8 | 77.2 | 77.5 |
| Mining and Quarrying | 250.9 | 270.8 | 302.8 |
| Metal Mining | 245.1 | 262.5 | 297.4 |
| Other mining and quarrying | 5.8 | 8.2 | 5.4 |
| **PRIMARY SECTOR** | **701.7** | **719.1** | **761.8** |
| Manufacturing | 325.9 | 335.3 | 346.5 |
| Food, Beverages and Tobacco | 198.6 | 205.7 | 217.1 |
| Textile, and leather industries | 50.3 | 48.9 | 46.6 |
| Wood and wood products | 25.4 | 26.3 | 26.1 |
| Paper and Paper products | 8.9 | 9.8 | 9.8 |
| Chemicals, Rubber and Plastic products | 28.6 | 29.5 | 31.6 |
| Non-metallic mineral products | 6.4 | 6.9 | 6.8 |
| Basic metal products | 1.4 | 1.4 | 1.4 |
| Fabricated metal products | 6.4 | 6.8 | 7.2 |
| Electricity, Gas and Water | 76.8 | 81.0 | 90.1 |
| Construction | 237.1 | 287.3 | 313.1 |
| **SECONDARY SECTOR** | **639.8** | **703.6** | **749.7** |
| Wholesale and Retail trade | 563.1 | 576.7 | 599.0 |
| Restaurants, Bars and Hotels | 71.5 | 79.9 | 87.9 |
| Transport, Storage and Communications | 184.1 | 204.4 | 231.8 |
| Rail Transport | 10.7 | 9.4 | 10.2 |
| Road Transport | 85.3 | 90.7 | 96.8 |
| Air Transport | 34.6 | 38.3 | 46.5 |
| Communications | 53.5 | 65.9 | 78.1 |
| Financial Intermediaries and Insurance | 227.7 | 235.9 | 244.6 |
| Real Estate and Business services | 278.2 | 278.1 | 296.2 |
| Community, Social and Personal Services | 211.7 | 235.9 | 265.1 |
| Public Admin. and Defence; Public and Sanitary services | 109.9 | 116.7 | 123.9 |
| Education | 63.0 | 77.0 | 92.9 |
| Health | 15.1 | 14.7 | 14.7 |
| Recreation, Religious, Culture | 9.3 | 12.5 | 18.1 |
| Personal Services | 14.4 | 14.9 | 15.4 |
| **TERTIARY SECTOR** | **1,536.3** | **1,619.1** | **1,724.6** |
| Less: FISIM | (134.6) | (138.0) | (141.0) |
| **TOTAL GROSS VALUE ADDED** | **2,743.2** | **2,903.7** | **3,094.7** |
| Taxes on Products | 256.0 | 252.0 | 242.9 |
| **TOTAL G.D.P. AT MARKET PRICES** | **2,999.206** | **3,155.901** | **3,337.569** |
| Real growth rates | 5.4 | 5.2 | 5.8 |

Source: Central Statistical Office
* Preliminary

**Table 2.3: Percent Changes in GDP by kind of Economic Activity (Constant 1994 Prices )**

| KIND OF ECONOMIC ACTIVITY | 2004 | 2005 | 2006* |
|---|---|---|---|
| Agriculture, Forestry and Fishing | 4.3 | (0.6) | 2.3 |
| Agriculture | 6.1 | (4.0) | 3.9 |
| Forestry | 4.3 | 3.6 | 0.5 |
| Fishing | (0.7) | 0.6 | 0.9 |
| Mining and Quarrying | 13.9 | 7.9 | 11.8 |
| Metal Mining | 13.5 | 7.1 | 13.8 |
| Other mining and quarrying | 35.8 | 42.9 | (34.9) |
| **PRIMARY SECTOR** | **7.5** | **2.5** | **5.9** |
| Manufacturing | 4.7 | 2.9 | 3.3 |
| Food, Beverages and Tobacco | 5.8 | 3.6 | 5.5 |
| Textile, and leather industries | (1.9) | (2.9) | (4.7) |
| Wood and wood products | 4.2 | 3.6 | (0.8) |
| Paper and Paper products | 2.5 | 10.6 | 0.4 |
| Chemicals, rubber and plastic products | 8.5 | 3.2 | 7.0 |
| Non-metallic mineral products | 14.4 | 7.4 | (1.4) |
| Basic metal products | 3.1 | (2.0) | 0.9 |
| Fabricated metal products | 4.8 | 7.4 | 5.5 |
| Electricity, Gas and Water | (1.7) | 5.4 | 11.3 |
| Construction | 20.5 | 21.2 | 9.0 |
| **SECONDARY SECTOR** | **9.1** | **10.0** | **6.6** |
| Wholesale and  Retail trade | 5.0 | 2.4 | 3.9 |
| Restaurants, Bars and Hotels | 6.4 | 11.7 | 10.0 |
| Transport, Storage and Communications | 6.4 | 11.0 | 13.4 |
| Rail Transport | (1.8) | (11.6) | 8.0 |
| Road Transport | 4.2 | 6.3 | 6..8 |
| Air Transport | 18.1 | 10.8 | 21.7 |
| Communications | 5.0 | 23.2 | 18.5 |
| Financial Institutions and Insurance | 3.5 | 3.3 | 4.0 |
| Real Estate and Business services | 4.0 | 3.2 | 3.2 |
| Community, Social and Personal Services | 0.6 | 11.4 | 12.4 |
| Public Administration and Defence/Public sanitary services | 0.2 | 6.2 | 6.2 |
| Education | 0.3 | 22.2 | 20.8 |
| Health | (0.8) | (2.2) | (0.0) |
| Recreation, Religious,Culture | 4.3 | 34.1 | 44.0 |
| Personal Services | 3.5 | 3.5 | 3.5 |
| **TERTIARY SECTOR** | **4.2** | **5.4** | **6.5** |
| Less: FISIM | 2.5 | 2.5 | 2.5 |
| **TOTAL GROSS VALUE ADDED** | **6.2** | **5.8** | **6.6** |
| Taxes on Products | (3.1) | (1.5) | (3.7) |
| **TOTAL G.D.P. AT MARKET PRICES** | **5.4** | **5.2** | **5.8** |

Source: Central Statistical Office
* Preliminary

Table 2.4: GDP by Kind of Economic Activity at Current prices (K' Billions)

| KIND OF ECONOMIC ACTIVITY | 2004 | 2005 | 2006* |
|---|---|---|---|
| Agriculture, Forestry and Fishing | 5,568.2 | 6,723.6 | 7,808.2 |
| Agriculture | 1,249.5 | 1,421.7 | 1,550.1 |
| Forestry | 3,998.5 | 4,920.3 | 5,855.7 |
| Fishing | 320.2 | 381.6 | 402.4 |
| Mining and Quarrying | 809.6 | 1,030.9 | 1,997.8 |
| Metal Mining | 798.3 | 1,011.7 | 1,976.4 |
| Other Mining and Quarrying | 11.3 | 19.1 | 21.5 |
| **PRIMARY SECTOR** | **6,377.7** | **7,754.** | **9,806.0** |
| Manufacturing | 2,827.7 | 3,430.2 | 3,935.3 |
| Food, Beverages and Tobacco | 1,726.6 | 2,121.0 | 2,347.8 |
| Textile, and Leather Industries | 450.7 | 500.4 | 609.1 |
| Wood and Wood Products | 222.2 | 273.4 | 318.4 |
| Paper and Paper products | 123.6 | 162.4 | 191.4 |
| Chemicals, rubber and plastic products | 231.7 | 281.2 | 338.7 |
| Non-metallic mineral products | 41.0 | 51.8 | 57.5 |
| Basic metal products | 4.0 | 4.7 | 8.1 |
| Fabricated metal products | 27.7 | 35.2 | 64.1 |
| Electricity, Gas and Water | 694.7 | 922.7 | 1,174.0 |
| Construction | 2,402.1 | 3,728.0 | 4,855.3 |
| **SECONDARY SECTOR** | **5,924.5** | **8,080.9** | **9,964.5** |
| Wholesale and Retail trade | 4843.7 | 5,868.9 | 6,645.4 |
| Restaurants, Bars and Hotels | 670.9 | 894.0 | 1,048.2 |
| Transport, Storage and Communications | 1,252.3 | 1,395.6 | 1,595.8 |
| Rail Transport | 100.8 | 93.8 | 102.2 |
| Road Transport | 464.0 | 543.0 | 644.4 |
| Air Transport | 203.0 | 243.8 | 325.4 |
| Communications | 484.6 | 515.0 | 523.8 |
| Financial Intermediaries and Insurance | 2,282.7 | 2,771.5 | 3,246.9 |
| Real Estate and Business services | 1,691.8 | 1,979.4 | 2,273.8 |
| Community, Social and Personal Services | 2,046.5 | 2,710.0 | 3,063.6 |
| Public Administration and Defence | 723.9 | 909.9 | 833.9 |
| Education | 867.7 | 1,254.2 | 1,643.3 |
| Health | 292.8 | 338.8 | 365.5 |
| Recreation, Religious,Culture | 28.8 | 45.6 | 47.1 |
| Personal services | 133.3 | 161.5 | 182.9 |
| **TERTIARY SECTOR** | **12,787.9** | **15,619.5** | **17,873.7** |
| Less: FISIM | (1,311.8) | (1,592.8) | (1,865.9) |
| **TOTAL GROSS VALUE ADDED** | **23,778.3** | **29,862.1** | **35,778.3** |
| Taxes on Products | 2,219.1 | 2,594.2 | 2,808.2 |
| **TOTAL G.D.P. AT MARKET PRICES** | **25,997.4** | **32,456.** | **38,586.5** |

Source: Central Statistical Office
* Preliminary

## Social Sector Developments

Progress was recorded in the social sectors although marginal, evidenced by improvements in the health service delivery output and education indicators. The incidence of diseases declined, immunisation coverage for children up to the age of one year increased to 96 percent from 90 percent in 2005 and the incidence of people contracting HIV dropped to 1.7 in 2006 from 3.5 per 1,000 population in 2005. Access to education, retention and completion rates increased at both the basic and high school levels. The quality of education, though still unsatisfactory, was better than in 2005 reflected by improvements in the pupil-teacher ratio at basic school level and infrastructure and distribution of teaching and learning materials throughout the country. The pupil-teacher ratio improved to 51.3 in 2006 from 55.3 in 2005 and against the recommended national average of not more than 45.0.

## Domestic Debt

The stock of domestic debt increased by 6.2 percent to K8,798.24 billion at end-December 2006 from K8,283.42 billion as at end-December 2005. The stock of domestic debt in 2006 was 22.9 percent of GDP compared to 21.5 percent in 2005.The increase in the nominal stock of domestic debt in 2006 was largely on account of an expansion in the stock of government securities and awards and compensation.

The stock of government securities increased by 25.7 percent to K6,706 billion in 2006 from K5,337 billion in 2005. The increase in the stock of government securities was largely attributed to an up-turn in deficit financing by Government and the conversion of the Kwacha bridge loan and part of the long- term bond into Government securities in the 2006 domestic debt restructuring (see table 2.5).

**Table 2.5: Domestic Debt (in K'billions), 2004-2006**

| Debt Category | 2004 | 2005 | 2006 | % increase 2006/2005 |
|---|---|---|---|---|
| **Government Securities** | **2,522.6** | **5,336.97** | **6,706.4** | 25.7 |
| *Treasury bills* | 1,293.7 | 2,088.6 | 3,261.9 | 56.2 |
| *Government bonds* | 1,228.9 | 3,248.3 | 3,444.5 | 6.0 |
| ***Long term Bond** | **1,646.7** | **1,646.7** | **1,120.9** | **(31.9)** |
| ***Kwacha Bridge loan** | **82** | **288.9** | - | (100.0) |
| **Domestic Arrears** | **577.4** | **509.3** | **491.83** | **3.4** |
| *Capital* | 293.2 | 335.5 | 340.4 | |
| *PE's and RDC's* | 284.2 | 173.8 | 174.9 | |
| **Pension Arrears** | **344.3** | **414.0** | **386.5** | (6.6) |
| *PSPF Arrears* | 284.9 | 414.0 | 386.5 | |
| *Other* | 59.4 | - | - | |
| **Contigent Liabilities** | **15** | - | - | |
| *Mkkushi- Barclays* | 14.2 | - | - | |
| *Mkushi- ZANACO* | 0.8 | - | - | |
| **Awards and Compensation** | **58.4** | **87.5** | **92.5** | **5.7** |
| **Total** | **5,246.4** | **8,283.4** | **8,798.2** | **6.2** |

Source: Ministry of Finance and National Planning

*Note: 1) The Kwacha bridge loan amounting to K288.96 billion was converted into government securities

2) Part of the Long term bond was converted into at Treasury bills

Domestic arrears recorded a decline of 3.4 percent in 2006. Similarly, pension arrears recorded a decline of 6.6 percent due to Government's consistency in reducing payments against Public Service Pension Fund arrears. However, in the same period, awards and compensation rose by 5.7 percent mainly due to rulings against Government by the courts of law.

## Structural Reforms

Implementation of structural reforms in the areas of financial sector reform, private sector development, privatisation and parastatal reform and public expenditure management and accountability continued in 2006. The pace of implementation was mixed with good progress in some reform areas while in some areas, it was slow.

Progress in the implementation of the Financial Sector Development Plan (FSDP) was good. The key milestones were the enactment of the Microfinance Regulations, the granting of a licence to a Credit Reference Bureau Africa Limited to operate a credit reference agency and the submission of the National Payments Systems Bill for enactment by Parliament. The other achievement was the completion of the national survey on the demand and supply of financial services in Zambia covering all the districts. The results of the survey will provide the basis for developing specific products to enhance access to financial services.

With regard to the Private Sector Development (PSD) plan, Government intensified the implementation of the prioritised reform areas. Key milestones included the completion of the modernisation of the Lusaka Patents and Companies Registration (PACRO) offices, review of the administrative barriers and a comprehensive review of the Environmental Impact Assessment (EIA) legislation (see table 2.6).

Progress in the implementation of the Public Expenditure Management and Accountability (PEMFA) reforms was rather slow in 2006. The key achievement was the signing of the contract to pilot IFMIS in at least eight line ministries and two provinces.

**Table 2.6: Status on the Implementation of the Key PSD Reforms in 2006**

| Reform A | Planned Outputs | Achievements |
|---|---|---|
| Labour Law Reform | Repeal Statutory Instruments 2 and 3 of 2002. | Statutory Instruments 56 and 57 of 2006 came into force in June. |
| Telecommunications reform | Working Group work-plan and budget approved. | |
| Administrative Barriers | Finalise harmonisation of legislation that affect business operations.<br><br>At least 30 percent reductions in the number of licenses required to start-up and operate a business. | Completion of the modernisation of PACRO offices were developed.<br><br>A review of legislation that negatively affect business operations was started. |
| Trade Expansion | Undertake value chain analysis for livestock and cotton | Consultant engaged |
| Complex immigration procedures | Streamlined immigration regime.<br><br>Trained and confident manpower.<br><br>Review of physical infrastructure as relates to performance of the Dept. | A re -engineering study was undertaken. |
| Public-Private Partnerships (PPP) in Infrastructure | Finalise the formulation of PPP policy and Implementation Strategy.<br><br>Adoption of legal framework for PPP.<br><br>Capacity building to enhance operations of PPPs.<br><br>Information Dissemination. | Draft PPP Policy finalised.<br><br>Work on the PPPs legal framework commenced in December 2006 and is expected to be completed by March 2007. |
| Tourism Development | Review the Tourism and Hospitality Bill Finalise inventory of Tourism establishments. | A comprehensive review of the EIA legislation was done. |
| Livestock disease control | Review of veterinary delivery system. | |
| Land reforms | Finalise the Land Policy and Land Audit. | Draft land policy ready. |
| Citizens Empowerment | Enact Law that would kick start economic empowerment of disadvantaged citizens. | Citizens Empowerment Act enacted and Commissioners appointed. |

Source: Ministry of Commerce, Trade and Industry.

Government completed the privatisation of two state-owned enterprises, namely, Zambia Seed Company Limited and Zambia National Commercial Bank while negotiations were concluded for the privatisation of Maamba Collieries Limited and Kariba Minerals Limited. Companies under negotiation were Ndola Lime Company and Engineering Services Corporation of Zambia (ESCO) while 18 companies were under preparation (see table 2.7).

**Table 2.7: Status of Privatisation Transactions in 2006**

| Company Name | Status |
|---|---|
| Kariba Minerals Limited (KML) | Government reached an agreement to s ale 26 percent of its shares in KML to Gemfields Inc. |
| Zambia Seed Company | Government's 37.5 percent shares were sold to Zambia Seed Merchant Limited and the employees through the employee share ownership scheme. The share transfer formalities are expected to be effected during the first month of year 2007. |
| Ndola Lime Limited | Government is negotiating the sale of its 30 percent shares with full management control in Ndola Lime to Athi River Mining Limited of Kenya. |
| Zambia National Commercial Bank Plc. | Government's 49 percent shares in ZNCB were sold to the preferred bidder, Rabobank of the Netherlands. The Sale and Purchase Agreement was signed by all parties whilst completion formalities will be concluded during the first quarter of the year 2007. |
| Maamba Collieries Limited (MCL) | Negotiations to sale Government shares in Maamba Collieries to ZCCM-IH have been concluded. The company has however been transferred to the ZCCM-IH who will conclude formalities and secure the approval from the Attorney General. |
| State Lotteries Board (SLB) | Government examining options for commercialisation and hive off from GRZ funding. A private sector participation (PSP) options study was commissioned in September 2005 and the recommended options to restructure SLB were approved by the Board of State Lotteries. |
| Mukuba Hotel | Fifty-one percent shares are available for sale to a suitably qualified hospitality industry investors. The ZDA will continue to explore ways of attracting private sector investment in the Hotel during the year 2007. |
| Njanji Commuter | Cabinet approved the concessioning of the assets of the company and the process to concession is underway. |
| Mulobezi Railways | Cabinet approval being awaited on the mode of privatisation. |
| Engineering Services Corporation of Zambia (ESCO) | A total of 50 ESCO properties were sold to various purchasers on different dates during the period 2004 and 2006. Negotiations were opened in 2006 for the sale of the Lusaka ESCO Property to an identified estate development company which is expected to develop the property into an ultra modern multi - facility complex. |
| Zambia State Insurance Corporation | Government is working on the flotation of shares and no actions are expected from the ZDA. |
| Nanga Farms Plc | Government has decided to float 23. 7 percent of its shares in Nanga Farms to Zambians through the Lusaka Stock Exchange. It is expected that the process will progress in 2007. |
| Mpongwe Development Company | The Commonwealth Development Corporation (CDC) offered to purchase the remaining Government shares in Mpongwe Development Company. The offer has been accepted and the sale is expected to be concluded in 2007. |
| Nitrogen Chemicals of Zambia (NCZ) | Government is exploring options for attracting private sector participation in Nitrogen Chemicals. |
| Mulobezi Railway | Cabinet approval being awaited on the mode of privatisation. |
| Tanzania Zambia Railways (TAZARA) | Cabinet approval being awaited on the mode of privatisation. Approval is also required from the Government of Tanzania in the same line. |

Source: Zambia Privatisation Agency

# CHAPTER 3 BUDGET PERFORMANCE

## Overview

The performance of the budget in 2006 was characterised by revenue shortfalls which negatively affected budget execution. Releases of funds to the Ministries, Provinces and Other Spending Agencies (MPSAs) averaged 75 percent of their total allocations. The sharp appreciation of the Kwacha experienced in the first quarter of the year accounted for projected resources (both domestic and foreign) being below target. This was further compounded by the pressure of expenditures from the 2006 tripartite general elections which placed the first call on the resources. Despite the pressures on the budget, the overall budget deficit was well below the projected deficit.

## Policy Objectives

The overall fiscal policy objectives in 2006 were to support macroeconomic stability and economic growth. Consequently, fiscal targets included limiting domestic borrowing to 1.6 percent of GDP. This was expected to allow for increased credit to the private sector in order to stimulate economic growth. Additionally, allocations to Poverty Reduction Programmes (PRPs) were targeted at 11.2 percent of GDP. In an effort to improve tax policy and administration, Government conducted a diagnostic review of the country's tax system in consultation with stakeholders.

## Revenue Performance

During the period under review, total revenues and grants amounted to K8,241.3 billion representing 21.3 percent of GDP compared to 23.7 percent in 2005. Measured against the target of K8,997.8 billion, total revenue and grants were below by K756.5 billion or 8.4 percent. Domestic revenues in 2006 accounted for 80.1 percent of the total revenues, while foreign grants accounted for 19.9 percent (see table 3.1).

### Domestic Revenue

Total domestic revenues in 2006 amounted to K6, 601.2 billion, below target by K358.6 billion or 5.2 percent. This was on account of underperformance in the tax revenues and exceptional revenues. As a ratio of GDP, domestic revenues in 2006 marginally declined to 17.1 percent from 17.3 percent in 2005 (see table 3.2). Tax revenue remained the major contributor to total domestic revenues at 95.7 percent while non-tax revenues and exceptional revenues contributed 2.3 percent and 2.0 percent, respectively.

### Tax Revenues

Total tax revenues in 2006 amounted to K6,317.0 billion, below target by K355.2 billion or 5.3 percent. This unfavourable performance was largely due to lower collections in taxes on domestic goods and services and personal income tax. Personal income tax and import value-added tax remained the largest contributor to total tax revenue at 34.9 percent and 19.5 percent, respectively.

### Income Tax

Total income tax collections in 2006 amounted to K2, 959.9 billion, above target by 2.3 percent. This was mainly due to higher collections under company income tax largely on account of the coming on board of new mines who registered profits earlier than projected. Similarly, collections from extraction royalty stood at K58.7 billion, which was above target of K44.1 billion by K14.6 billion.

Medical levy collections in 2006 were below target by K0.1 billion. A total of K6.5 billion was collected against the target of K6.6 billion.

### Taxes on Domestic Goods and Services

Total collections from taxes on domestic goods and services amounted to K1,379.4 billion and were below target by K409.0 billion or 22.9 percent. This was mainly as a result of the appreciation of the Kwacha in the first half of the year which negatively affected Kwacha tax yield on foreign currency denominated transactions. In addition, Government policy decision to grant relief on excise duty on petroleum products affected collections.

### Trade Taxes

A total of K1,977.8 billion was collected in trade taxes during the period under review, which was below target by K12.8 billion or 0.6 percent. The underperformance was attributed to the appreciation of the Kwacha in the first half of the year which negatively affected collections from trade taxes. Import VAT was however above target by K26.3 billion, largely on account of an administrative decision to limit the import VAT deferment scheme to only a few selected capital goods.

### Non-Tax Revenues

Non- tax revenue collections in 2006 amounted to K143.6 billion, above target by K3.8 billion or 2.7 percent. The over performance was due to the increased declaration of dividends by parastatals.

### Exceptional Revenues

Collections under exceptional revenues amounted to K134.1 billion, below target by 9.3 percent. However, collections under Energy Regulation Board license fees amounted to K7.3 billion, above target by 91.4 percent. Collections under other revenues amounted to K49.1 billion, above target by 104.5 percent.

### Grants

Total foreign grants in 2006 amounted to K1, 640.2 billion and were below target by 19.5 percent. Direct budget support amounted to K550.6 billion and was above target by 14.2 percent. The over performance was due to the shift by most cooperating partners support to programme grants as a result of the growing confidence in Governments satisfactory macroeconomic management, especially in the area of public expenditure management.

Table 3.1 Government Revenues and Foreign Grants (in K' billions)

| | 2006 Budget | Total Actual | Variance of Actual Vs Budget | % Variance of Budget |
|---|---|---|---|---|
| **REVENUE AND GRANTS** | **8,997.8** | **8,241.3** | (756.5) | (8.4) |
| **REVENUE** | **6,959.8** | **6,601.2** | (358.6) | (5.2) |
| **Tax revenue** | **6,672.2** | **6,317.0** | (355.2) | (5.3) |
| **Income Tax** | **2,893.0** | **2,959.9** | 66.9 | 2.3 |
| CIT | 525.7 | **694.5** | 168.9 | 32.1 |
| PIT | 2,323.2 | **2,206.6** | (116.6) | (5.0) |
| o/w PAYE | 2,040.2 | **1,940.3** | (99.9) | (4.9) |
| W/holding and Other Income | 283 | **266.3** | (16.7) | (5.9) |
| Royalty | 44.1 | **58.7** | 14.6) | 33.1 |
| **Domestic Goods and Services** | **1,788.6** | **1,379.4** | (409.2 | (22.9) |
| Excise duties | 931.5 | **821.1** | (110.4) | (11.9) |
| o/w Fuel levy | 204.9 | **175.6** | (29.2) | (14.3) |
| Rural Electrification Levy | 11.7 | **13.9** | 2.3 | 19.6 |
| Carbon Tax | 10.3 | **3.8** | (6.5) | (63.4) |
| Other Excises | 726.7 | **627.8** | (98.9) | (13.6) |
| Domestic VAT | 846.8 | **558.3** | (288.5) | (34.1) |
| **Trade Taxes** | **1,990.6** | **1,977.8** | (12.8) | (0.6) |
| Import VAT | 1,207.0 | **1,233.3** | 26.3 | 2.2 |
| Import tariffs | 776.4 | **742.7** | (33.7) | (4.3) |
| Export Duties | 7.2 | **1.8** | (5.4) | (74.8) |
| **Non-tax Revenue (Fees and Fines)** | **139.8** | **143.6** | 3.8 | 2.7 |
| User Fees and Charges | 116.8 | **98.9** | (17.8) | (15.30 |
| Dividends | 23.1 | **44.7** | 21.6 | 93.8 |
| **Medical Levy** | **6.6** | **6.5** | (0.1) | (1.8) |
| **Exceptional Revenues** | **147.8** | **134.1** | (13.7) | (9.3) |
| Fertiliser Rcoveries | 115 | **77.7** | (37.3) | (32.4) |
| ERB Licence Fees | 3.8 | **7.3** | 3.5 | 91.4 |
| Other Revenues | 24 | **49.1** | 25.1 | 104.5 |
| Housing Allowance Recoveries | 5 | **-** | (5) | (100) |
| **GRANTS** | **2,038.1** | **1,640.20** | (397.9) | (19.5) |
| Programme Grants | **482.3** | **550.6** | 68.3 | 14.2 |
| SWAPS | **398.6** | **371** | (27.6) | (6.9) |
| Project Grants | **1,157.2** | **718.5** | (438.7) | (37.9) |

**Government Revenues and Foreign Grants as percentage of GDP (In K' billions), 2005-2006**

| | **2005 Total Actual** | **% of GDP** | **2006 Total Actual** | **% of GDP** |
|---|---|---|---|---|
| Revenue and Grants | 7,743.70 | 23.7 | 8,241.30 | 21.3 |
| Revenue | 5,643.20 | 17.3 | 6,601.20 | 17.1 |
| Tax Revenue | 5,518.40 | 17 | 6,317.00 | 16.4 |
| Non-Tax Revenue | 88.6 | 0.3 | 143.6 | 0.4 |
| Exceptional Revenue | 36.3 | 0.1 | 134.1 | 0.3 |
| Grants | 2,100.50 | 6.5 | 1,640.20 | 4.3 |

Source: Ministry of Finance and National Planning

## Total Expenditures

Government expenditure as a percentage of GDP declined to 22.5 percent in 2006 from 27.1 percent in 2005. Total expenditures in 2006 amounted to K8,664.8 billion, and were below the approved allocation by 12.9 per cent (see table 3.3). This was mainly attributed to lower than projected revenues and disbursements of foreign project grants. Of the total K8,664.8 billion released, current expenditures accounted for 85.0 percent compared to 68.5 percent in 2005. Capital expenditures were 15.0 percent of the total expenditures compared to 31.5 percent in 2005. Total domestically financed expenditures amounted to K7,284.8 billion and were also below the approved figures of K7,665.2 billion by 4.8 percent or K370.4 billion.

### Budgetary Releases by Economic Classification

### Current Expenditures

Total releases toward current expenditures in 2006 amounted to K7,368.8 billion against an approved figure of K7,735.9 billion. In this regard, releases were below target by 4.7 percent. The major expenditure components under this category were the wages and salaries and the recurrent departmental charges which accounted for 32.7 percent and 20.1 percent of the total releases, respectively. This was followed by the transfers and pensions which accounted for 15.8 percent of the total releases.

### Wages and Salaries

The releases for wages and salaries amounted to K2,832.6 billion against the approved figure of K3,022.8 billion, and were below the allocation by 6.3 percent. This was as a result of lower than planned releases to other personal emoluments.

### Recurrent Departmental Charges

Total releases for recurrent departmental charges in 2006 amounted to K1,745.4 billion. This was below the projected figure of K1,910.0 billion by 8.6 percent or K164.7 billion.

Releases for the clearance of arrears were above the estimated figure for the year of K138.2 billion by K9.3 billion or 6.7 percent. This was due to the supplementary allocation provided in the year to settle arrears to utility bills. In addition, releases for state functions were above the approved budget allocations by 16.2 percent due to increased state functions. The presidential, parliamentary and local government elections absorbed K240.0 billion or 13.8 percent of the total releases under this category.

### Transfers and Pensions

Total transfers and pensions for 2006 were K1, 370.5 billion against an allocation of K1,367.9 billion. Expenditure items under this category included the Public Service Pensions Fund (PSPF) and the Input Pack programme which received 100 percent of their budgetary allocations for 2006.

### External and Domestic Interest

External debt interest payments were significantly lower than programmed for the year, falling below target by 54.0 percent to K59.7 billion. This was as result of the debt relief provided under the Multilateral Debt Relief Initiative (MDRI).

Total domestic interest payments in 2006 amounted to K689.5 billion. This was lower than the programmed figure of K731.4 billion by 5.7 percent or K41.9 billion due to the reduction in interest rates on government securities.

### Other Current Expenditures

Other current expenditures, which included releases toward financial restructuring, the Zambia Revenue Authority (ZRA), strategic food reserves, fertilizer support programme and constitutional posts amounted to K649.3 billion and were above the allocation of K491.8 billion by 32.0 percent. This was mainly on account of the higher than programmed releases toward the financial restructuring of parastatals as well as the strategic food reserves that stood at 79.4 percent and 180.0 percent above allocation, respectively. The higher than programmed releases toward the strategic food reserves were necessitated by the above normal purchase of maize arising from the good harvest of the 2005/2006 farming season.

Releases to the Zambia Revenue Authority were also above target by 3.9 percent in order to facilitate the enhancement of revenue collection. Total releases to the fertiliser support programme were, however, below allocation by 2.9 percent or K5.7 billion.

### Capital Expenditures

Total releases to capital expenditure for the year stood at K1, 295.9 billion and were below the target by K910.6 billion or 41.3 percent. As a percentage of GDP, capital expenditure releases were 3.4 percent of GDP. Both domestically financed and foreign financed expenditure were lower than the allocations for 2006.

Domestically financed capital allocations for the year were K831.7 billion while releases amounted to K589.1 billion, falling short by 29.2 percent. Of the total releases, 76 percent went toward poverty reducing programmes while ordinary capital accounted for 24 percent.

Releases toward the Road Fund, which included both the fuel levy and Government funded roads project, fell below the programmed levels by 50.6 percent. This outturn was attributed to fuel levy collections being lower than programmed for the year.

**Table 3.2 Summary of Central Government Expenditures in 2006**

| | 2006 Approved Budget | Total Prelim | Variance Total | Variance % |
|---|---|---|---|---|
| **TOTAL EXPENDITURES** | 9,942.4 | 8,664.8 | (1,277.6) | (12.9) |
| **TOTAL DOMESTICALLY FINANCED** | 7,655.2 | 7,284.8 | (370.4) | (4.8) |
| **1. CURRENT EXPENDITURES** | 7,735.9 | 7,368.8 | (367.0) | (4.7) |
| **Wages and salaries** | 3,022.8 | 2,832.6 | (190.2) | (6.3) |
| o/w Housing allowance | 121.0 | 121.1 | 0.10 | 0.10 |
| Foreign Financed | 3.4 | - | (3.40) | (100.0) |
| **Public service retrenchment** | 75.0 | 15.0 | (60.0) | (80.0) |
| **Recurrent departmental charges (RDCs)** | 1,910.0 | 1,745.4 | (164.7) | (8.6) |
| **Arrears clearance** | 138.2 | 147.4 | 9.3 | 6.70 |
| 2003 housing allowance | 38.2 | 38.9 | 0.8 | 2.00 |
| Suppliers of Goods and Services | 100.0 | 108.5 | 8.5 | 8.50 |
| Tripartite Elections | 257.6 | 240.0 | (17.6) | (6.8) |
| o/w Foreign Financed | 47.8 | 18.6 | (29.2) | (61.1) |
| Bye-Elections | 4.0 | 1.9 | (2.1) | (51.9) |
| State Functions /Public Affairs and Summits | 29.0 | 33.7 | 4.7 | 16.2 |
| Award and Compensations (Court decision) | 60.0 | 49.3 | (10.7) | (17.8) |
| **Other RDCs/1** | 1,421.3 | 1,273.0 | (148.3) | (10.4) |
| o/w Foreign Financed | 438.5 | 194.5 | (244.0) | (55.6) |
| **Transfers and Pensions** | 1,367.9 | 1,370.5 | 2.60 | 0.2 |
| Pension Fund and Settlement of Statutory Arrears | 254.0 | 254.0 | - | - |
| Input Pack | 15.0 | 15.0 | - | - |
| Road Fund | 34.1 | 37.1 | 3.0 | 8.9 |
| Other Transfers and Pensions | 1,064.8 | 1,064.4 | (0.4) | 0.0 |
| o/w Foreign Financed | 412.5 | 370.2 | (42.2 | (10.2) |
| **Domestic Interest** | 731.4 | 689.5 | (41.9 | (5.7) |
| **External Debt Interest Paid** | 130.0 | 59.7 | (70.3) | (54.0) |
| **Other current expenditures** | 491.8 | 649.3 | 157.4 | 32.0 |
| Financial restructuring | 92.3 | 165.6 | 73.3 | 79.4 |
| ZRA | 127.0 | 132.0 | 5.0 | 3.9 |
| Strategic Food Reserve | 50.0 | 140.0 | 90.0 | 180.0 |
| Fertilizer Support Programme | 198.8 | 193.1 | (5.0) | (2.9) |
| o/w Foreign Financed | 10.2 | 4.5 | (5.7) | (55.9) |
| Constitutional posts | 23.7 | 18.6 | (5.2) | (21.9) |
| **Contigency** | 6.9 | 6.9 | - | - |
| **2. CAPITAL EXPENDITURES** | 2,206.5 | 1,295.9 | (910.6) | (41.3) |
| **Domestically financed** | 831.7 | 589.1 | (242.6) | (29.2) |
| **of which:** | | | | |
| **PRP Capital Programmes** | 668.4 | 448.0 | (220.4) | (33.0) |
| O/w Road Fund | 357.9 | 246.6 | (111.3) | (31.1) |
| o/w Fuel Levy | 204.9 | 173.4 | (31.5) | (15.4) |
| Youth Funds (Empowerment, Inventors and Constituency) | 40.0 | 5.8 | (34.2) | (85.4) |
| Rural Electrification Fund | 11.7 | 11.7 | 0.00 | 0.0 |
| Land Development Fund | 2.6 | 2.6 | - | - |
| Ordinary PRP | 256.3 | 181.4 | (74.9) | (29.2) |
| **Ordinary Capital** | 163.3 | 141.1 | (22.2) | (13.6) |
| **o/w Elections** | 20.6 | - | (20.6) | (100.0) |
| **MDRI Poverty Related Expenditure** | - | 10.0 | 10.0 | |
| **Foreign Financed** | 1,374.8 | 696.8 | (678.0) | (49.3) |
| **PRP Capital Programmes** | 1,255.7 | 696.8 | (558.9) | (44.5) |
| Road Fund | 524.4 | 258.9 | (265.5) | (50.6) |
| Change in balances and statistical discrepancy | | | - | |
| **III. Overall balance** | (944.5) | (423.9) | 520.7 | (55.1) |
| **Domestic balance** | (695.4) | (684.1) | 11.3 | (1.6) |
| **Domestic Primary Balance** | (166.0) | (65.1) | 100.9 | (60.8) |
| **IV. Financing** | 990.7 | 635.7 | (355.0) | (35.8) |
| **1. Domestic** | 592.0 | 706.0 | 114.0 | 19.3 |
| Bank | 592.0 | 125.0 | (467.0) | (78.9) |
| Nonbank | - | 581.0 | 581.0 | |
| **2. External** | 398.7 | (70.3) | (469.0) | (117.6) |
| Program loans | 92.7 | 15.9 | (76.0) | (82.9) |
| Project loans | 554.0 | 81.0 | (473.0) | (85.4) |
| **Amortisation (Paid)** | (248.0 | (167.1) | 80.9 | (32.6) |

Source: Ministry of Finance and National Planning

## Poverty Reducing Programmes

Government allocated a total of K4,338.5 billion or 42.6 percent of the total budget to poverty reduction programmes (PRP), out of which 58.9 percent or K2, 554.6 billion was to be domestically financed. On a comparative basis, the allocation for domestically financed PRPs which stood at 6.5 percent of GDP was higher by 0.8 percentage points from the 5.7 percent of GDP in 2005.

As at end of December 2006, releases toward domestically financed PRP expenditures amounted to K2,347.8 billion, which represented 91.9 percent of the total budgetary allocation. In terms of percentage of GDP, this represented 6.0 percent and was, slightly lower than that for 2005 by 0.3 percentage points. Most of the releases made went toward the social sectors, particularly health and education which together accounted for 57.4 percent of the total releases, with a view of primarily improving service delivery. Priority programmes such as the fertiliser support programme and the strategic food reserves received their budgetary allocation in full (see table 3.3).

Table 3.3: Selected PRPs, Allocations and Releases in 2006

| | 2006 PRPBudget | 2006 Releases |
|---|---|---|
| **Grand Total** | **2,554,641,113,711** | **2,347,834,104,077** |
| **O/W** | | |
| **ZAMBIA POLICE - MINISTRY OF HOME AFFAIRS** | | |
| Implementation of Various Poverty Reduction Programmes | 7,000,000,000 | 6,775,000,000 |
| **MINISTRY OF ENERGY AND WATER DEVELOPMENT** | | |
| Rural Water (Borehole, Well) and Farm Blocks | 1,400,588,954 | 1,386,786,955 |
| Rehabilitation/Construction of Earth Dams | 4,695,585,109 | 4,695,585,109 |
| **MINISTRY OF HOME AFFAIRS** | | |
| Prison Infrastructure Improvement | 3,913,446,965 | 4,709,737,630 |
| **LOANS AND INVESTMENTS - LOCAL GOVERNMENT AND HOUSING** | | |
| Establishment of Municipal Housing Bonds | 1,401,800,000 | 1,911,800,000 |
| Central Province Urban Water Supply Programme | 837,500,000 | 1,737,500,000 |
| **LOANS AND INVESTMENTS - FINANCE AND NATIONAL PLANNING** | | |
| Projects | 48,437,275,225 | 4,473,000,000 |
| Techno-Economic Feasibility Studies and Designs | 10,250,000,001 | 3,000,000,000 |
| Rural Development Programme and Road Rehabilitation | 60,978,000,000 | 10,221,702,803 |
| Routine Maintenance (Road Fund) | 175,320,000,000 | 174,956,519,894 |
| Road Infrastructure Development | 81,807,140,002 | 56,401,773,730 |
| Recapitalisation, Investments and Government Institutions (PRP) 2 | 92,308,507,669 | 165,628,148,000 |
| **MINISTRY OF LOCAL GOVERNMENT AND HOUSING** | | |
| Road Rehabilitation for Local Authorities | 1,550,000,000 | 1,020,944,742 |
| **MINISTRY OF HEALTH** | | |
| Infrastructure Development | 89,004,554,241 | 51,350,010,776 |
| **MINISTRY OF SPORT, YOUTH AND CHILD DEVELOPMENT** | | |
| Skills Training and Youth Empowerment | 6,000,000,000 | 5,824,648,891 |
| Children and Youth Empowerment Programme | 2,300,050,000 | 2,300,050,000 |
| **MINISTRY OF EDUCATION** | | |
| Implementation of Various Poverty Reduction Programmes | 8,175,076,587 | 5,253,840,972 |
| Infrastructure Development | 32,292,046,827 | 39,617,999,085 |
| **MINISTRY OF AGRICULTURE AND COOPERATIVES** | | |
| Agricultural Development Programmes | 11,445,970,027 | 3,191,663,398 |
| Fertiliser Support Programme | 188,590,145,000 | 188,590,145,000 |
| Strategic Food Reserves | 50,000,000,000 | 140,000,000,000 |
| **OFFICE OF THE PRESIDENT - COPPERBELT PROVINCE** | | |
| National Feeder Roads Rehabilitation | 1,987,500,000 | 1,326,458,333 |
| **OFFICE OF THE PRESIDENT - CENTRAL PROVINCE** | | |
| Feeder Roads | 1,200,000,000 | 1,200,000,000 |
| **OFFICE OF THE PRESIDENT - NORTHERN PROVINCE** | | |
| Rehabilitation of Feeder Roads | 2,153,000,000 | 2,153,000,000 |
| **OFFICE OF THE PRESIDENT - WESTERN PROVINCE** | | |
| Roads Rehabilitation (Feeder Roads) | 1,203,834,431 | 1,203,834,431 |
| **OFFICE OF THE PRESIDENT - EASTERN PROVINCE** | | |

Source: Ministry of Finance and National Planning

### Expenditures by Government Function

The expenditure by function expresses the broad social and economic objectives that the Government aims to achieve through the various types of expenditure across all heads. Under this classification, a function groups all heads of expenditures directly related to that function regardless of which Ministry, Province or Spending Agency is carrying out the activity.

During the year under review, releases to general public services were the highest at 47.3 percent, followed by social sectors (36.4 percent) and economic affairs (14 percent), as a percentage of the discretionary budget (see table 3.4).

### Social Sector Expenditures

A total of K2, 042.7 billion was released against an allocation of K2, 071.2 billion to the social sectors in 2006. This represented 98.6 percent of the total allocation or 5.2 percent of GDP.

In comparison to the 2005, the total releases as a percentage of the budgetary allocation reduced from 112.6 percent in 2005 to 98.6 percent in 2006. However, in absolute terms, releases increased to K2,042.7 billion in 2006 from K1,763.8 billion in 2005.

Releases to the education function amounted to K1,269.6 billion representing 96.5 percent of the domestic budget allocation for the sector. There was a rise in total resources released to the sector from 2005 by 19.0 percent. These releases mainly catered for the remuneration of teachers, which included the recruitment of an additional 4,578 teachers. Other key areas of intervention addressed, were the procurement of schools requisites, rehabilitation and building of school infrastructure, including teachers houses in the rural areas.

A total of K603.1 billion was released to the health sector, representing 105.7 percent of the total domestic allocation for the sector in 2006. In absolute terms, releases to the sector were higher than in 2005 by 25.6 percent. The key issues that were implemented in this sector in 2006 included the recruitment of 800 additional medical personnel, improving primary and community health care by increasing funding to hospitals and clinics and the procurement of equipment and drugs.

### Economic Sector Expenditures

Releases to the economic affairs function in 2006 amounted to K784.3 billion, which represented 85.6 percent of the budgetary allocation. Key areas of expenditure under this function included roads infrastructure (K505.5 billion), fertilizer support programme and the strategic food reserves.

Table 3.4 Budgetary Releases by Function of Government

| Government Function | 2006 Total Budget Allocation | 2006 Releases | Releases as % of Budget Allocation | 2006 Releases as % of Total Budget | Releases as % of Discretionary Budget | Releases as % of GDP |
|---|---|---|---|---|---|---|
| General Public Services | 3,860.9 | 2,655.4 | 68.8 | 33.6 | 47.3 | 6.9 |
| Defence | 654.9 | 772.2 | 117.9 | 9.8 | 13.7 | 2 |
| Public Order and Safety | 387.5 | 396 | 102.2 | 5 | 7 | 1 |
| Economic Affairs | 916 | 784.3 | 85.6 | 9.9 | 14 | 2 |
| Environmnetal Protection | 12.4 | 7.2 | 58.3 | 0.1 | 0.1 | 0 |
| **Social Sectors** | | | | | | |
| Education | 1,315.7 | 1,269.6 | 96.5 | 16.1 | 22.6 | 3.3 |
| Health | 570.3 | 603.1 | 105.7 | 7.6 | 10.7 | 1.6 |
| Housing and Community Amenities | 110.1 | 90.6 | 82.3 | 1.1 | 1.6 | 0.2 |
| o/w Water Supply and Sanitation | 20.2 | 17.1 | 84.6 | 0.2 | 0.3 | 0 |
| Social Protection | 45.7 | 48.4 | 105.9 | 0.6 | 0.9 | 0.1 |
| o/w National Disaster | 7.4 | 11.8 | 160.1 | 0.1 | 0.2 | 0 |
| Recreation, Culture and Religion | 29.7 | 30.9 | 104.2 | 0.4 | 0.6 | 0.1 |
| **Total Social Sectors** | **2,071.5** | **2,042.7** | **98.6** | **25.8** | **36.4** | **5.3** |
| **Total Domestic Budget** | **7,903.2** | **6,657.9** | **84.2** | | | |
| **Total Discretionary Budget** | **5,617.3** | | | | | |
| **Gross Domestic Product** | **38,586.5** | | | | | |

Source: Ministry of Finance and National Planning

## Budget Deficit

The overall budget deficit in 2006 stood at 1.1 percent of GDP and was below the projected deficit of 2.4 percent. The deficit was primarily financed through domestic borrowing which was within the target of 1.6 percent of GDP.

## Outlook

The performance of the budget in 2007 is expected to be satisfactory. This is premised on improved revenue performance arising from continued economic growth. In addition, revenue collections are expected to be boosted by improvements in tax administration. Budget execution is also expected to improve and will be in line with priorities outlined in the Fifth National Development Plan (FNDP).

# CHAPTER 4 MONETARY AND FINANCIAL SECTOR DEVELOPMENTS

## Overview

In the year under review, monetary and financial sector developments were favourable. This was evidenced by the fall in annual inflation, edging down of interest rates and the build up in gross international reserves. Domestic credit also grew significantly.

The outturn in inflation of 8.2 percent was a milestone as it was the lowest rate achieved in more than three decades. This occurred against a backdrop of persistent rise in oil prices on the world market, high liquidity and depreciation of the Kwacha whose pass through effects were mitigated by lower food prices.

In the financial sector, the overall financial conditions and performance of the banking and non-bank financial institutions (NBFIs) were satisfactory. The banking sector continued to be adequately capitalised and all banks met their minimum regulatory capital requirements during the year.

## Policy Objectives

The principal focus of monetary and supervisory policy continued to be the achievement of price and financial system stability. In this regard, monetary policy targets were to: (i) achieve inflation target of 10.0 percent; (ii) limit money supply growth to 14.6 percent; (iii) achieve a stable exchange rate; and (iv) increase the coverage of official gross international reserves to at least 1.7 months of imports. With regard to enhancing financial systems stability, a bill to increase the minimum primary paid-up capital was passed.

## Monetary Developments

### Broad Money

Broad money (M3), grew by 45.1 percent to K8,476.9 billion at end-December 2006 from K5,842.0 billion at end-December 2005 compared to a growth of 0.4 percent the previous year (see table 4.1). This outturn was above the projected growth of 14.6 percent. The annual growth in M3 was on account of the expansion in net foreign assets, reflecting improved performance of the external sector, build-up of international reserves and the effect of the debt relief delivered under the Multilateral Debt Relief Initiative (MDRI).

The increase in M3 was despite a reduction in net domestic assets by 25.9 percent to K4,538.8 billion in 2006 from K6,122.7 billion at end-December 2005. The fall in net domestic assets was largely explained by fall in other items net following the reduction in liabilities to the International Monetary Fund (IMF) and effect of the debt relief provided under the MDRI. However, though net domestic assets declined, domestic credit increased by 28.0 percent to K6,469.0 billion at end-December 2006 from K5,054.3 billion at end-December 2005.

### Domestic Credit

There was an improvement in financial intermediation in 2006. This was evidenced by the increase in domestic credit and the decrease in the spread between lending and deposit rates. Domestic credit to the private enterprises, households and non-bank financial institutions rose by 62.6 percent, 18.4 percent and 207.4 percent to K3,054.7 billion, K625.0 billion and K90.0 billion, respectively at end-December 2006 (see table 4.1). As a share of GDP, domestic credit was 16.8 percent compared to 15.6 percent recorded in 2005. This growth of credit to the private sector was spurred by reduced Government borrowing.

**Table 4.1: Monetary Developments (K' billion), December 2004-December 2006**

| | 2004 | 2005 | 2006* | (%) change |
|---|---|---|---|---|
| **NET FOREIGN ASSETS** | **(1,969.4)** | **(312.0)** | **3,887.7** | **1,346.1** |
| Foreign Assets | 6,445.5 | 5,776.5 | 7,398.2 | 228.0 |
| Foreign Liabilities | (8,415.3) | (6,268.6) | (3,510.6) | 44.0 |
| **DOMESTIC ASSETS** | **7,789.3** | **6,122.7** | **4,538.8** | **(25.9)** |
| **DOMESTIC CREDIT** | **4,766.4** | **5,054.3** | **6,469.0** | **28.0** |
| Net Claims on General Government | 2,512.8 | 2,386.9 | 2,474.6 | 3.7 |
| Claims on Government | 3,880.0 | 3,774.0 | 4,044.4 | 7.2 |
| Government Deposits | (1,367.2) | (1,387.0) | (1,569.8) | 13.2 |
| Claims On Public Enterprises | 200.1 | 230.3 | 224.4 | (2.6) |
| Claims On Private Enterprises | 1,746.3 | 1,879.1 | 3,054.7 | 62.6 |
| Claims On Households | 305.3 | 528.0 | 625.4 | 18.4 |
| Claims On Non-Bank Financial Institutions | 1.9 | 29.9 | 90.0 | 207.4 |
| **OTHER ITEMS NET** | **3,022.9** | **1,068.4** | **(1,930.3)** | **(280.7)** |
| **BROAD MONEY** | **5,819.9** | **5,842.0** | **8,476.4** | **45.1** |
| **NARROW MONEY** | **2,044.4** | **2,280.1** | **3,463.7** | **51.9** |
| **QUASI-MONEY** | **3,775.5** | **3,530.6** | **4,962.7** | **40.6** |
| Foreign Currency Deposits | 2,439.5 | 1,950.7 | 2,663.5 | 36.5 |
| Other Deposits | 1,336.0 | 1,579.9 | 2,299.2 | 45.6 |

Source: Bank of Zambia
* Preliminary

On sectoral basis, the agricultural sector continued to account for the highest share of domestic credit, reflecting increased investment in the sector (see table 4.2). This was followed by the wholesale and retail trade, manufacturing, transport and communications. The share of personal loans continued to be high, in part, due to efforts by commercial banks to enhance household's participation in economic activity through consumer expenditures, including home ownership schemes as Government participation in domestic sector significantly reduced.

**Table 4.2: Shares in Total Loans and Advances by Sector (percent), December 2005-December 2006**

| Sector | 2005 | 2006 | % change 2006/2005 |
|---|---|---|---|
| Agriculture | 27.2 | 27.2 | 0 |
| Mining and Quarrying | 3.9 | 4.3 | 10.3 |
| Manufacturing | 12.2 | 13.3 | 9 |
| Electricity, gas, water and energy | 5.8 | 3.2 | (44.8) |
| Construction | 2 | 2.2 | 10 |
| Wholesale and retail trade | 14.3 | 14.5 | 1.4 |
| Restaurants and hotels | 2.3 | 2 | (1.3) |
| Transport, storage and communications | 7.5 | 8 | 6.7 |
| Financial services | 2.4 | 4.7 | 95.8 |
| Community, social and personal services | 2.3 | 2.5 | 8.7 |
| Real Estate | 3 | 4.8 | 60 |
| Personal Loans | 14.2 | 11.2 | (21.1) |

Source: Bank of Zambia

### Inflation Developments

The end-year overall inflation reduced to 8.2 percent from 15.9 percent in 2005 and was below the target of 10.0 percent. This outturn was a milestone as it was the lowest inflation rate achieved in more than three decades. This occurred against a backdrop of the persistent rise in oil prices on the world market, high liquidity and depreciation of the Kwacha. The effects of these negative shocks on overall inflation were mitigated mainly by lower food prices.

Non-food inflation rose to 18.1 percent at end-December 2006 from 14.0 percent in the previous year. The increase in transportation costs driven by the depreciation of the Kwacha and surging world crude oil prices accounted for this unfavourable outturn.

Annual food inflation fell to single digit levels in April when it declined to 8.3 percent from 17.5 percent in 2005. Improved food supply reflected in the maize surplus of 160,000 Mt from the 2005/2006 agricultural season accounted for this outturn. Further, the reversal of Value Added Tax in agricultural products in March 2006 contributed to easing of food inflationary pressures. Hence food inflation fell to negative 0.2 percent at end-December 2006 from 17.5 percent in December 2005.

### Interest Rates Developments

Interest rates were largely influenced by the demand for Government securities. Demand for Government securities in 2006 remained strong and was driven by foreign portfolio investors as well as an active participation from domestic pension funds. Consequently, yield rates trended downwards, with the weighted average yield rates on both Treasury bills and Government bonds declining to 9.2 percent and 12.6 percent in December 2006 from 16.2 percent and 23.0 percent in December 2005, respectively (see table 4.3 and chart 4.1).

**Table 4.3: Treasury bill Yield Rates in percent, December 2004  December 2006**

| Treasury bill Portfolio | Dec 2004 | Dec 2005 | Dec 2006 |
|---|---|---|---|
| 91-day Treasury bill | 16.3 | 15.1 | 8.7 |
| 182-day Treasury bill | 18.3 | 16.3 | 8.8 |
| 273-day Treasury bill | 19.4 | 17.0 | 9.8 |
| 364-day Treasury bill* | - | - | 10.1 |
| Weighted Average T bill Yield Rate | 12.5 | 16.5 | 9.2 |

Source: Bank of Zambia
*The 364-TBill was introduced in August 2005

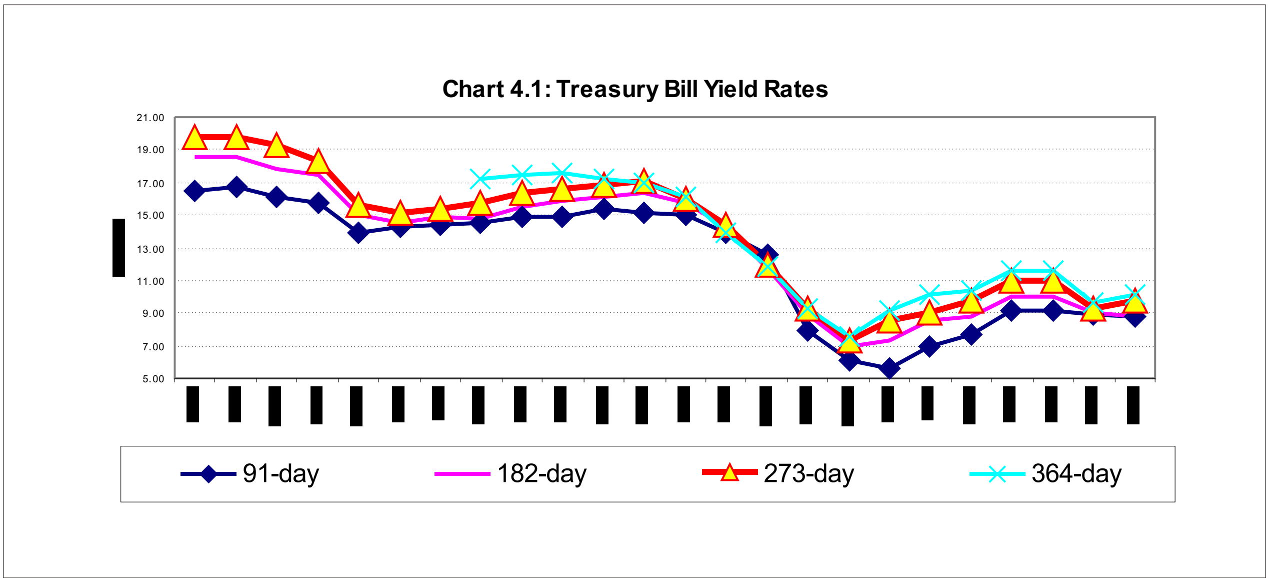


**Chart 4.1: Treasury Bill Yield Rates**

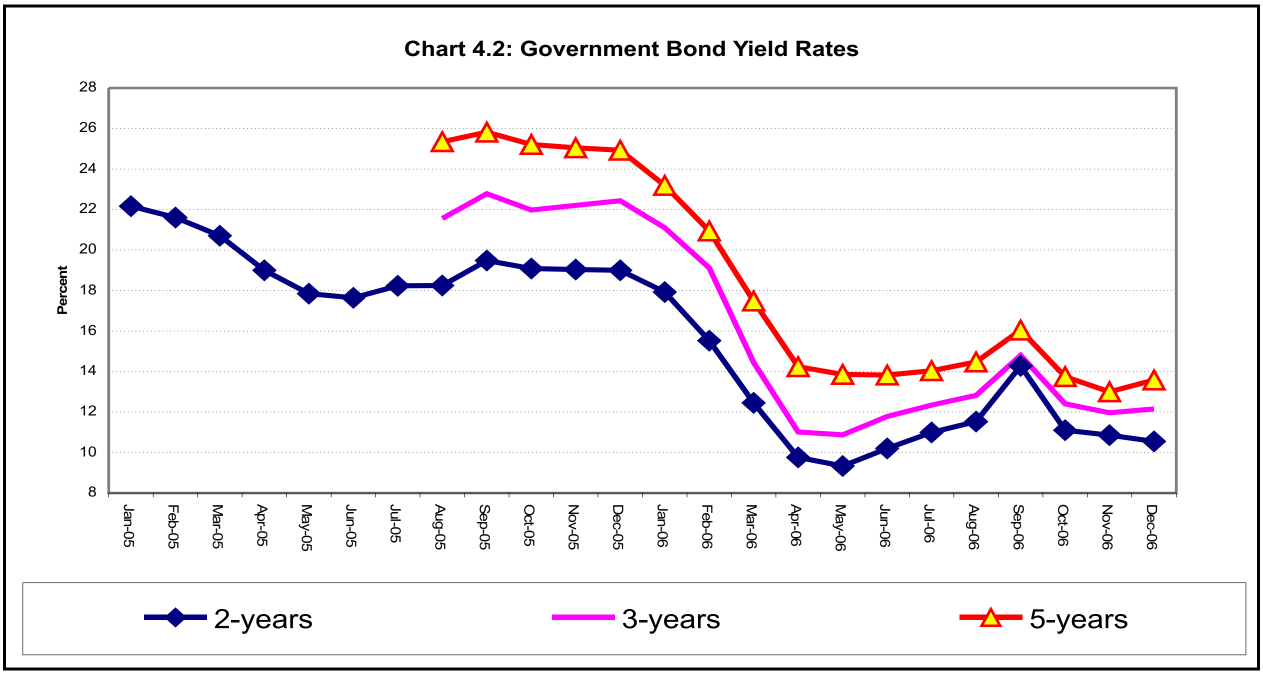
Source: Bank of Zambia

In the Government bond market, yield rates on the 2-year, 3-year and 5-year bonds declined to 10.5 percent, 12.2 percent and 13.6 percent in December 2006 from 18.9 percent, 22.4 percent and 24.9 percent in December 2005, respectively (see table 4.4 and chart 4.2).

**Table 4.4: Government Bonds Yield Rates in percent, December 2004 December 2006**

| Government Bond Portfolio | 2004 | 2005 | 2006 |
|---|---|---|---|
| 2-year Government bond | 22.0 | 18.9 | 10.5 |
| 3-year Government bond | - | 22.4 | 12.2 |
| 5-year Government bond | - | 24.9 | 13.6 |

Source: Bank of Zambia
*The 3-year and 5-year Government Bonds were introduced in August 2005



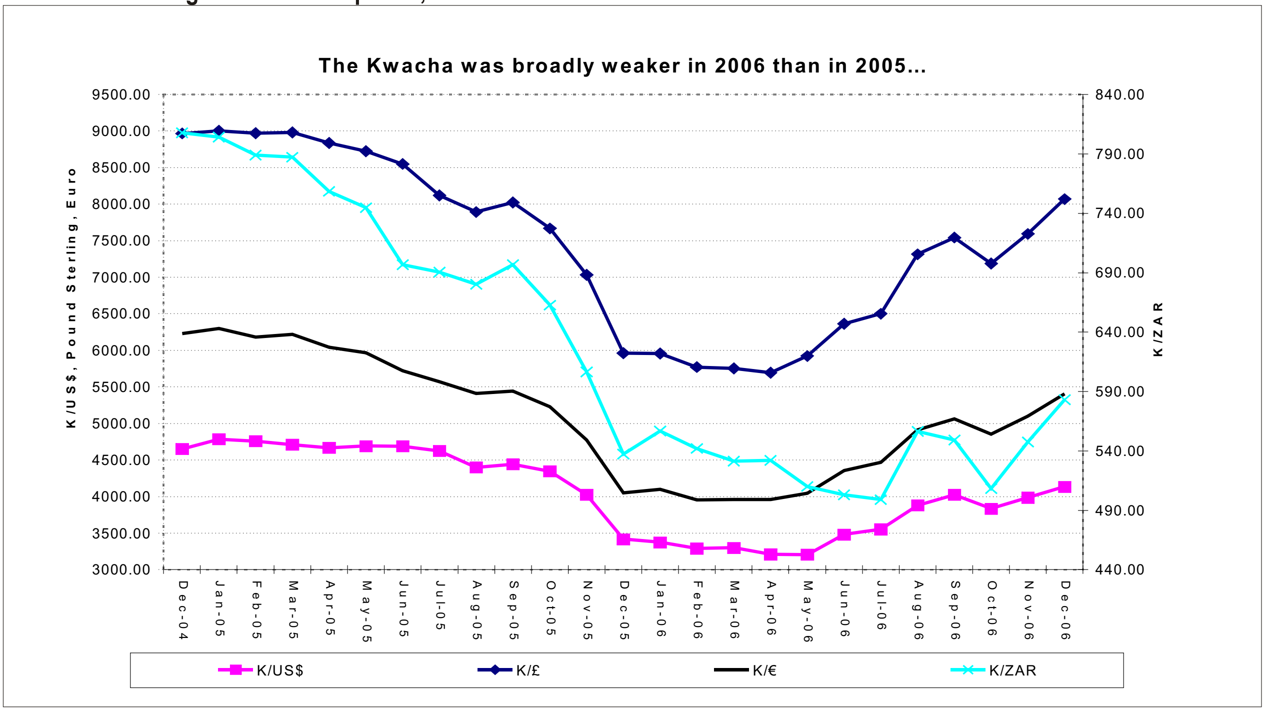

Source: Bank of Zambia

In line with lower inflation and yields on Government securities, the average commercial banks' lending rate declined by 6.0 percentage points to 27.9 percent in December 2006 from 33.9 percent in December 2005. The reduction in the commercial banks' lending rates helped to improve access to credit by the private sector, a key ingredient to economic growth.

## Developments in the Foreign Exchange Market

In the foreign exchange market, the Kwacha depreciated against major currencies during the year. Against the US dollar and the South African rand, Zambia's main trading-partner currencies, the Kwacha depreciated by 21.1 percent and 8.5 percent to end the year at an average of K4,135.56/US$ and K583.06/ZAR, respectively. The depreciation recorded in 2006 was in contrast to an appreciation of 26.4 percent and 33.5 percent recorded against the US dollar and South African rand in 2005, respectively. With regard to the pound sterling and the euro, the Kwacha depreciated by 35.3 percent and 33.5 percent in 2006 compared with an appreciation of 32.5 percent and 32.7 percent in 2005, respectively (see chart 4.3). The reversal was largely on account of reductions in emerging market premiums due to continued interest rate hikes in major global economies. This resulted in a change in the commodity market sentiment aligned with lowering copper prices and uncertainty associated with the run-up to the elections.

**Chart 4.3: Exchange Rates Development, 2005-2006**




Source: Bank of Zambia

The turnover of foreign exchange transacted between commercial banks and the general public in 2006 increased to US $6.1 billion compared to US $5.1 billion in 2005. Similarly, in the inter-bank market, the turnover rose to US $1.6 billion from US $0.5 billion over the same period. The volatility that characterised the foreign exchange market over the last two years also spurred the development of derivative instruments. In this regard, the rate of participation in the forward market increased, with the turnover of US $336.0 million in 2006 from US $70.5 million in 2005.

To reduce volatility in the foreign exchange market, the Bank of Zambia entered the market from time to time to either purchase or sell foreign exchange. In this regard, the Bank of Zambia purchased a total of US $222.0 million from the market while total sales to the market amounted to US $101.2 million in 2006. On a net basis, the Bank of Zambia siphoned excess foreign exchange by purchasing US $120.8 million in 2006 compared with net purchases of US $123.9 million in 2005.

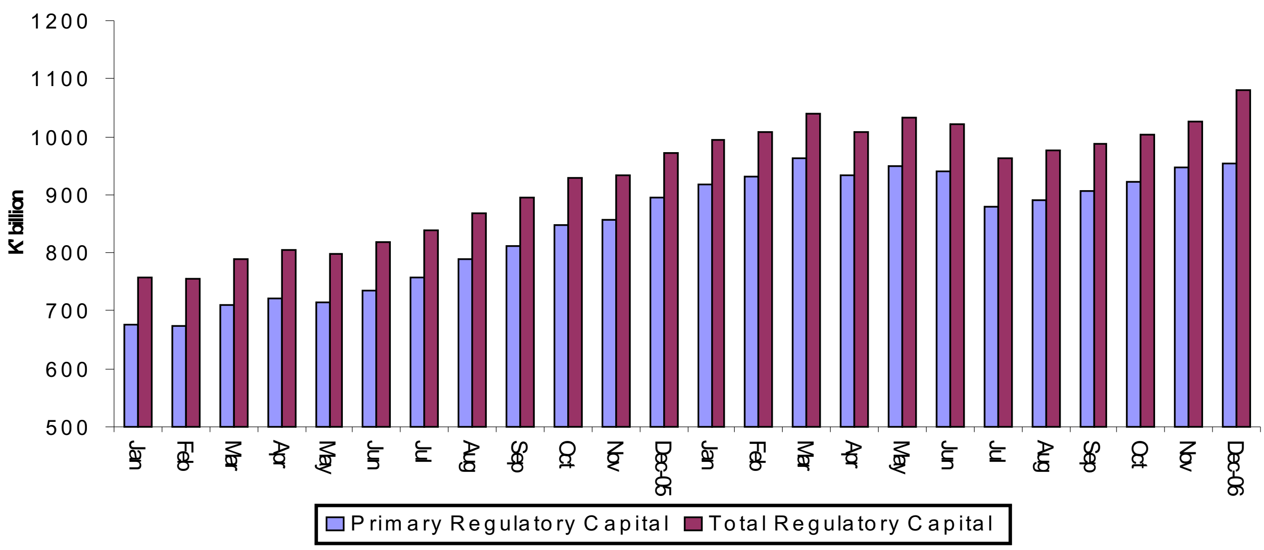
## Financial Sector Developments

### Banking Sector Performance

The overall financial condition and performance of the banking sector during the period under review was satisfactory. This was reflected in the growth in total assets, capital adequacy, asset quality, earnings and liquidity conditions.

The banking sector continued to be adequately capitalized and all banks met their minimum regulatory capital requirements during the year. The industry's net worth improved by 6.0 percent to K1,029.3 billion as at 31 December 2006 compared to K971.0 billion as at 31 December 2005. The primary (core) capital for the industry increased by 6.5 percent to K953.6 billion as at 31 December 2006 from K895.3 billion as at 31 December 2005. Regulatory capital also increased by 11.5 percent to K1,080.2 billion as at 31 December 2006 from K972.1 billion in the preceding year (see Chart 4.4).

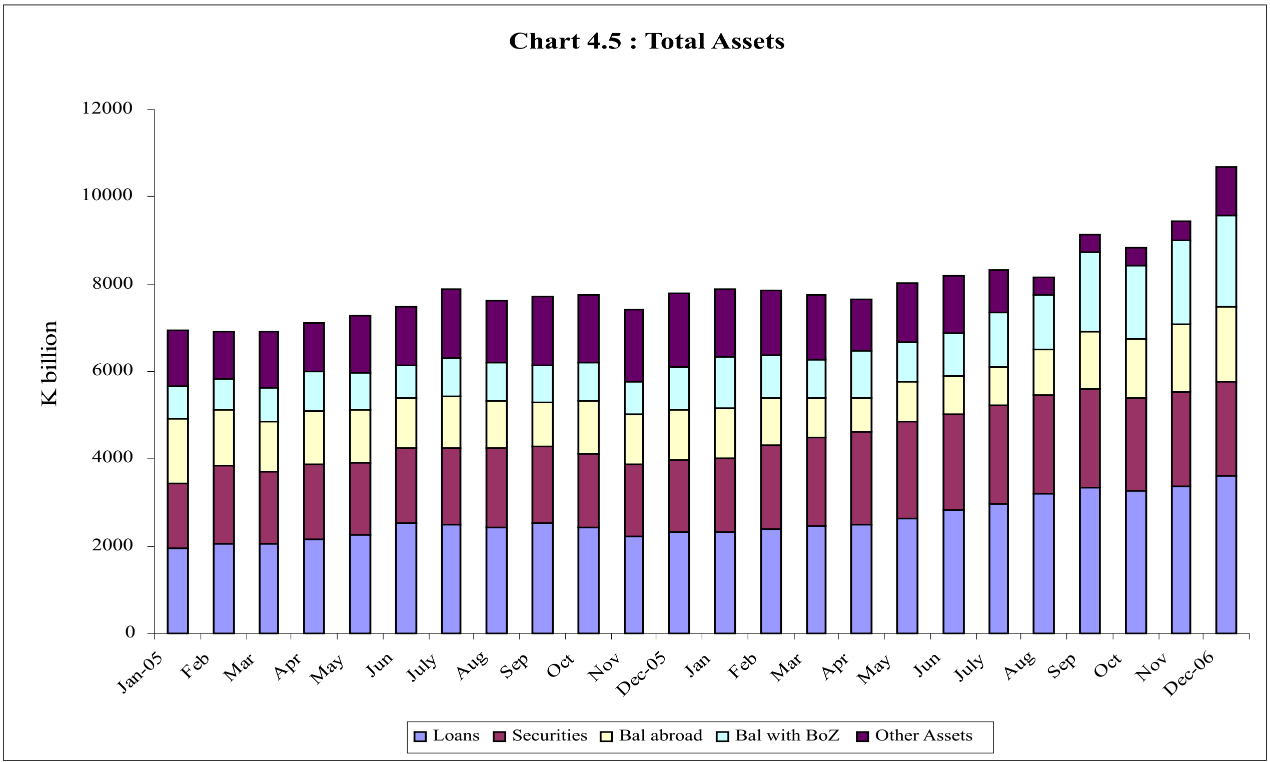
Chart 4.4 : Banking Sector Capital Adequacy Performance




Source: Bank of Zambia

The primary and regulatory capital to risk weighted assets ratios declined to 18.0 percent and 20.4 percent at end-December 2006 compared to 26.2 percent and 28.4 percent respectively at end-December 2005. The lower ratios indicated an increase in the acquisition of assets with a higher risk profile by the commercial banks during the year, largely identified by a switch from investments in Government securities to investments in loans and leases to the private sector. Despite this development, the ratios remained above the prudential benchmarks of 5.0 percent and 10.0 percent for primary and total regulatory capital, respectively. Total liabilities increased by 41.6 percent to close the year at K9,645.9 billion and increased marginally as a percentage of liabilities and shareholders' funds to 90.4 percent.

Deposits which accounted for 73.9 percent of total liabilities and shareholder's funds increased by 43.4 percent to K7, 886.5 billion from K5, 499.8 billion at end-December 2005. Demand deposits were the largest component of total deposits at 68.5 percent as at end-December 2006 compared to 66.3 percent in 2005.Total assets for the banking sector registered a growth of 37.1 percent to K10,675.2 billion as at end-December 2006 from K7,785.5 billion as at end-December 2005. The growth in assets was largely seen in net loans and advances by 55.8 percent (K1,291.0 billion) and balances with foreign institutions by 49.3 percent (K567.8 billion). Similarly, investments in securities also increased by 11.6 percent (see chart 4.5).




Source: Bank of Zambia

Despite the increase in total assets, there was a decline in the quality of the assets. This was reflected by a 100.9 percent increase in gross non-performing loans to K402.1 billion as at end-December 2006 from K217.9 billion as at end-December 2005. Consequently, the ratio of non-performing loans to regulatory capital increased to end the year at 16.1 percent from 8.8 percent at the previous year-end while the gross non-performing loans to total loans ratio also increased to 11.3 percent from 8.9 percent, respectively.

The banking sector's earnings for the year was satisfactory with profit before tax recorded at K449.2 billion, almost the same as the 2005 level of K449.7 billion . The principal sources of income for the banking sector in order of significance were loans and advances at 31.0 percent, foreign exchange income at 20.5 percent, commissions, fees and service charges at 19.2 percent and government securities investments at 14.5 percent.

Overall, the banking sector registered satisfactory cumulative return on assets of 5.1 percent and cumulative return on equity of 30.6 percent at end-December 2006 compared to 6.5 percent and 46.4 percent, respectively for 2005.

### The Non-Bank Financial Institutions (NBFIs) Performance

There were a total of 49 non bank financial institutions compared to 48 in 2005 under the supervision of the Bank of Zambia. These included leasing companies, building societies, micro finance institutions and bureaux de change (see table 4.5).

Table 4.5: Number of Non-Bank Financial Institutions, 2004-2006

| NAME | 2004 | 2005 | 2006 |
|---|---|---|---|
| Bureaux de Change | 30 | 32 | 31 |
| Microfinance Institutions | 2 | 4 | 6 |
| Leasing Companies | 9 | 8 | 8 |
| Building Societies | 3 | 3 | 3 |
| Development Finance Institutions | 1 | 1 | 1 |
| Savings and Credit Banks | 1 | 1 | 1 |
| **Total** | **46** | **49** | **50** |

Source: Bank of Zambia

### Leasing Companies

The overall financial condition and performance of the leasing sector in 2006 remained satisfactory. On average, leasing companies maintained adequate regulatory capital and reserves relative to their risk profiles. As at 31 December 2006, the sector regulatory capital was K38.8 billion compared to K34.5 billion the previous year. This improvement was on account of profits amounting to K11.9 billion in 2006.

The asset quality was also satisfactory. As at end of 2006, total assets amounted to K256.1 billion compared to K211.5 billion in 2005. This was largely due to the increase in borrowings from financial institutions in Zambia to K99 billion from K5.7 billion at the close of 2005. Out of the total assets in 2006, earning assets amounted to K203.1 billion or 80 percent of the aggregate. However, earnings as measured by profits before tax declined to K12.3 billion in 2006 compared to K12.6 billion in 2005, largely due to a reduction in interest rates.

### Building Societies

Building societies continued to register positive performance in 2006 with profit before tax increasing to K7.8 billion in 2006 from K4.4 billion in 2005. This improvement was attributed to the rise in the mortgage portfolio. The aggregate mortgages increased by 51 percent to K39.4 billion as at end of 2006 from K 26.1 billion as at end-2005. These mortgages were largely financed through deposits mobilized from members of the building societies amounting to K91.0 billion as well as borrowings from financial institutions abroad amounting to K5.8 billion.

### Micro Finance Institutions

The overall financial condition and performance of the micro-finance institutions was satisfactory in the period under review. As at 31 December 2006, the total assets of the micro-finance sector stood at K143.0 billion, representing an increase of 61 percent over the 31 December 2005 position of K81.2 billion. The growth in assets was attributed to a rise in capital and reserves to K37.0 billion from K32.2 billion in 2005, largely financed by borrowings of K79.9 billion.

### Bureaux de Change

Total assets of bureaux de change stood at K18.6 billion in 2006, an increase of 47 percent from the end-2005 figure of K12.6 billion. The increase in total assets was mainly reflected by the rise in aggregate capital and reserves. As at end-December 2006, the sector's regulatory capital stood at K15.1 billion, representing an increase of K 5.1 billion over the end-December 2005 figure of K10.0 billion. As at end-December 2006, all bureaux de change except one met the prescribed minimum capital requirement of K 40 million.

## Other Developments

### Financial Sector Development Plan

In 2006, key achievements in the implementation of the FSDP included the following:

- issuance of guidelines for the Credit Data (Privacy) Code;
- the granting of a license to Credit Reference Bureau Africa Limited to operate as a credit reference agency;
- development of a Credit Reference Services Bill;
- enforcement of the Microfinance Regulations; and
- dissemination of the findings of the FinScope Zambia 2005 National Survey on the demand, supply and access to financial services. The results of the survey will allow policy makers and financial service providers to develop strategies which will lead to the expansion of financial access to a larger proportion of the population in Zambia.

## Outlook

In 2007, inflation is expected to continue edging downwards on account of sustained food supply following the favourable 2006/2007 agricultural season. In addition, Government's continued prudent fiscal stance coupled with the Bank's conduct of appropriate monetary policy are expected to ease inflationary pressures. However, challenges to reduce inflation may emanate from increases in world oil prices, depreciation of the Kwacha and lagged pass through effects of the build up in liquidity in 2006.

In the financial sector, financial intermediation is expected to increase on account of falling interest rates, reduced Government borrowing, expanded branch network and increased variety of financial products and instruments.

# CHAPTER 5 CAPITAL MARKET DEVELOPMENTS

## Overview

Capital markets continued to perform well as evidenced by the growth in market capitalisation of 52 percent compared to 11 percent in 2005. As a share of GDP, market capitalisation was 33.7 percent compared to 28.6 percent in 2005. In addition, the number of listed companies increased to 15 from 13 in 2006. Similarly, trading turnover increased by 26 percent. In relation to the market size, trading turnover remained at the 2005 level of 0.7 percent. Foreign portfolio investment also improved in 2006 on account of favourable macroeconomic environment and increased publicity of the Lusaka Stock Exchange.

## Stock Market Activity

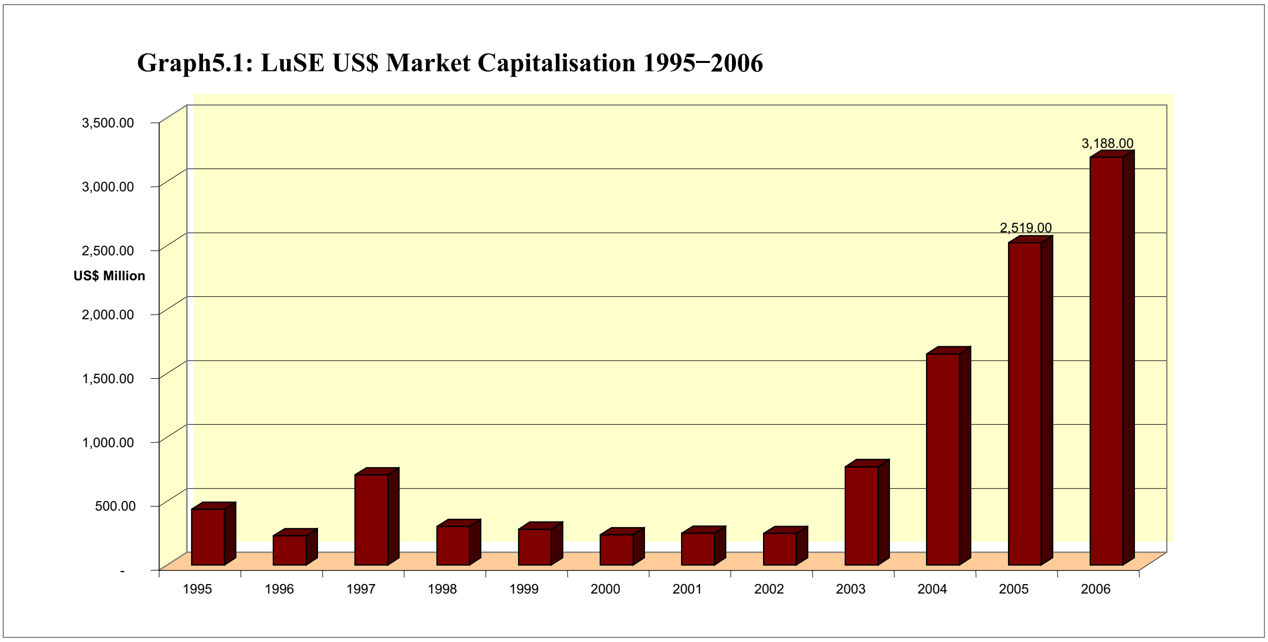
### Market Size

The size of the market in Kwacha terms grew by 52 percent in the year under review compared to 11 percent in 2005 to end the year at K13,072.5 billion. In US dollar terms, it grew by 30 percent to US $3.2 billion. The growth in market capitalisation was attributed to the capital gains experienced by most stocks such as Investrust Bank, Bata Shoe Company African Explosives Zambia (AELZ), Shoprite, Zambian Breweries and the increase in number of shares in Farmers House Plc and the listing of AELZ (see table 5.1 and graph 5.1). Cavmont Capital Holdings Plc graduated to the main listed board from the quoted tier in September while African Explosives Zambia Plc was listed at the

**Table 5.1: Market Size, Market Size Ratios and Number of Companies, 2005 - 2006**

| Indicator | 2005 | 2006 |
|---|---|---|
| Market size (K million) | 8,594,606 | 13,072,468 |
| Market Size (US$ million) | 2,456 | 3,188 |
| Market Capitalisation/GDP ratio (%) | 28.6 | 33.7 |
| Turnover/Market Capitalisation ratio (%) | 0.7 | 0.7 |
| No. of listed companies | 13 | 15 |
| No. of quoted companies | 12 | 11 |
| **Total No. of companies** | **25** | **26** |

Source: Lusaka Stock Exchange




Source: Lusaka Stock Exchange

In terms of listed stock, African Explosives closed the year with an impressive 87.5 percent growth in its share price despite listing towards the end of the review year. This was largely due to the publicity strategy employed by the company in addition to the discounted price offered to Zambians as part of the privatization empowerment policy of Government. Overall, most stocks had good capital gains which cancelled out the capital losses in Pamodzi, Farmers House Preference and Cavmont Capital Holdings (see table 5.2).

**Table 5.2: Share Capital Gain and Dividend Yield, 2005 - 2006**

| Company | | Year Closing Prices | | Capital Gain (percent) | Dividend Yield |
|---|---|---|---|---|---|
| Name | Share Code | 2005 | 2006 | | |
| Bata Shoe Company | BATA | 20 | 40 | 100.0 | 1.5 |
| Investrust Bank | INVESTRUST | 7.5 | 15 | 100.0 | 3.4 |
| African Explosives Zambia | AELZ | - | 1,500 | 87.5 | - |
| Zambeef Products | ZAMBEEF | 1,400 | 2,600 | 85.7 | 2.9 |
| BP Zambia | BPZAM | 410 | 749 | 82.7 | 2.4 |
| National Breweries | NATBREW | 3,350 | 6,005 | 79.2 | 5.7 |
| British American Tobacco | BATZ | 262.3 | 451.1 | 71.9 | 6 |
| Standard Chartered Bank | SCZ | 95.5 | 161 | 68.6 | 6.1 |
| Chilanga Cement | CHIL | 1,900 | 3,000 | 57.9 | 2 |
| Shoprite Holdings | SHOPRITE | 9,600 | 15,000 | 56.2 | 2.5 |
| Zambian Breweries | ZAMBREW | 1,600 | 2,300 | 43.8 | 3.4 |
| Metal Fabricators of Zambia | ZAMEFA | 340 | 410 | 20.6 | 3.7 |
| Zambia Sugar | ZSUG | 155 | 180 | 16.1 | 6 |
| ZCCM Investment Holdings | ZCCM-IH | 4,250 | 4,500 | 5.9 | - |
| Farmers House | FARM | 1,450 | 1,499.9 | 3.4 | 1.8 |
| Pamodzi Hotel | PAMODZI | 170 | 163 | (4.1) | 1.6 |
| Farmers House Preference | FARMPREF | 4,400 | 3,350 | (23.7) | - |
| Cavmont Capital Holdings | CCHZ | 10 | 6.75 | (32.5) | - |

Source: Lusaka Stock Exchange

## Trading Activity

During the period under review, there were significant increases in the total number of trades, face and turnover values. In terms of equity market trading activity, the number of trades increased by 45 percent while volume of trading activities increased by 299 percent. With regard to the Government bond market trading, the number of trades increased by 80 percent (see table 5.3). This was attributed to increased investor confidence, improved macroeconomic performance as well as the yields and capital gains displayed in the equities market. In addition, the increasing recognition of the Lusaka Stock Exchange in the equity market and secondary market for Government bonds led to this increase.

**Table 5.3: Market Trading Activities, 2005 - 2006**

| Equity Market Trading Activity | 2005 | 2006 | % change |
|---|---|---|---|
| No. Trades | 2,519 | 3,662 | 45.4 |
| Volume | 215,330,530 | 858,661,187 | 298.8 |
| Turnover US$ | 15,498,039 | 24,973,672 | 61.1 |
| Turnover K | 68,526,652,839 | 86,554,727,259 | 26.3 |
| **Government Bond Market Trading** | | | |
| No. of trades | 30 | 54 | 80.0 |
| Face value (K) | 20,025,909,865 | 131,174,121,229 | 555.0 |
| (US$) | 4,481,044 | 38,600,046 | 761.4 |
| Turnover (K) | 19,062,646,284 | 138,905,875,766 | 628.7 |
| (US$) | 4,257,469 | 43,583,390 | 923.7 |

Source: Lusaka Stock Exchange

As a result of the increased market activities, the LuSE All Share Index increased, closing at 1,837.61 points up by 48 percent from the end 2005 figure.

## Foreign Portfolio Investment

During the review period, there was a significant increase in foreign portfolio investment of 50 percent over the 2005 figure. Inflows increased by 59 percent to US $ 11.7 million in 2006 from US $ 7.4 million in 2005, while the outflows increased to US $3.7 million in 2006 from US $ 2.0 million in 2005 (see table 5.4). As a result, the total transactions significantly increased by 64 percent.

This favourable performance of FPI was as a result of the favourable economic situation in the country coupled with increased advertising in international publications such as the Standard and Poors World Stock Exchange Handbook.

**Table 5.4: Foreign Portfolio Investment Activity, 2005 - 2006**

| | 2005 | 2006 | % Change |
|---|---|---|---|
| Buying (US$) Inflows | 7,355,182 | 11,691,163 | 59 |
| Selling (US$) Outflows | (2,023,344) | (3,729,399) | 84 |
| Total Turnover (US$) | 9,378,526 | 15,420,562 | 64 |
| **Net Position(US$)** | **5,307,731** | **7,961,764** | **50** |

Source: Lusaka Stock Exchange

## Outlook

The capital market is expected to continue growing in view of the favourable economic situation that is expected to continue prevailing in the country. Activities in the market are also expected to pick up with improved marketing strategies and introduction of more initiatives aimed at increasing the awareness levels.

The Lusaka Stock Exchange will continue to improve its operations so as to meet the increasing demand for services in the capital market by acquiring automated trading, clearing, settlement and central depository systems.

Further, in a bid to streamline the quoted tier, LuSE will continue with the restructuring process of the tier to re-activate the platform as a mechanism through which smaller growth companies will access relatively cheaper long term funds for their various projects.

# CHAPTER 6 EXTERNAL SECTOR DEVELOPMENTS

## Overview

During the year under review, the external sector position was favourable, as evidenced by the balance of payments (BoP) surplus recorded compared to a deficit in the previous year. This favourable outturn was attributed to improvements in the current, capital and financial accounts.

## Policy Developments

In 2006, Government initiated the design of a post-HIPC-era debt strategy to address the inherent risks and costs associated with the nation's foreign loan portfolio. The strategy is aimed at stipulating clear debt management objectives with emphasis on grant financing and concessional borrowing. The Government also drafted an aid policy aimed at improving the procurement and management of aid.

## External Debt Position in 2006

The HIPC Initiative and the MDRI provided for debt relief in the year under review. In this regard, Zambia's foreign loan portfolio reduced by 65.3 percent to US $1,569.5 million between 2005 and 2006. On a bilateral basis, Zambia received 100 percent debt relief from all its Paris Club creditors, with the exception of one, following the attainment of the Completion Point under the Enhanced HIPC Initiative in 2005. The total relief provided under these arrangements at the end of 2006 was US $2,271.9 million.

With regard to the MDRI, the total amount of relief granted to Zambia was approximately US $2,403.4 million in 2006. The International Development Agency (IDA) and the African Development Fund (AfDF) cancelled 100 percent of debts contracted prior to December 2003 and December 2004 amounting to US $1,813 million and US $300.6 million, respectively. Other multilateral organisations such as the International Fund for Agricultural Development (IFAD), the Arab Bank for Economic Development in Africa (BADEA), the European Investment Bank (EIB) and the OPEC Fund for International Development provided debt relief amounting to US$ 729.6 million under the HIPC initiative.

Additionally, Government received debt reduction from Non-Paris Club countries on Paris Club comparable terms. China also provided partial cancellation of interest free loans that matured in December 2005 amounting to US $11 .3 million.

Consequently, the total stock of external debt as at end 2006 declined by 66.5 percent to US $1,516.2million from US$ 4,528 million in December 2005. The stock of public debt reduced by 83.1 percent to US $ 696.7 million (see Table 6.1 ). Approximately, 60.0 percent of public debt was accounted for by multilateral creditors. As a result of the reduction in the debt stock, debt service payments declined to US $65.18 million from US $133.03 million in 2005.

**Table 6.1: External Debt Stock (in US$ million), 2004-2006**

| | 2004 | 2005 | 2006 | % Change 2005/6 |
|---|---|---|---|---|
| **Multilateral** | **3,872.0** | **3,715.7** | **390.4** | (89.5) |
| ADF/ADF | 311.0 | 377.5 | 88.1 | (76.7) |
| World Bank | 2,359.0 | 2,436.4 | 253.9 | (89.6) |
| IMF | 890.0 | 591.1 | 32.5 | (94.5) |
| Others | 312.0 | 310.7 | 205.8 | (33.8) |
| **Bilateral** | **2,748.0** | **408.1** | **147.0** | (64.0) |
| Paris Club | 2,483.0 | 117.5 | 6.7 | (94.3) |
| Non-Paris | 265.0 | 290.6 | 140.3 | (51.7) |
| *Total Govt Debt* | *6,620.0* | *4,123.8* | *696.7* | (83.1) |
| Private and Parastatal Debt | 460.0 | 404.2 | 840.3 | 107.9 |
| **Total External Debt** | **7,080.0** | **4,528.0** | **1,569.5** | (65.3) |

Source: Ministry of Finance and National Planning, Bank of Zambia

In 2006, Government acquired six new loans on concessional terms, valued at approximately US $79.7 million (see table 6.2). These loans were contracted to finance various activities carried out by the Government such as the public service management reforms, investments in the water sector and the TAZARA protocol.

**Table 6.2: Loan Contraction in 2006**

| Creditor | Purpose | Date Signed | Amount | USD Equivalent |
|---|---|---|---|---|
| IDA | Public Service Management Support | 10/02/2006 | SDR 20,700,000 | 29,754,760 |
| IDA | Water Sector Performance Improvement | 22/12/2006 | SDR 15,700,000 | 22,567,620 |
| IFAD | Smallholder Livestock Investment | 20/06/2006 | SDR 7,000,000 | 10,310,934 |
| P.R. China | TAZARA Protocol | 22/06/2006 | RMB 50,000,000 | 6,250,774 |
| BADEA | Water Supply to Six Towns | 14/09/ 2006 | USD 6,800,000 | 6,800,000 |
| OPEC FUND | Water Supply to Six Towns | 13/12/2006 | USD 4,000,000 | USD 4,000,000 |
| | | | **Total** | **79,684,088** |

Source: Ministry of Finance and National Planning

## Balance of Payments Developments

The balance of payments position in 2006 improved remarkably, reflected by an overall balance of US $630.9 million compared to a deficit of US $115.8 million in 2005. This favourable outturn stemmed mainly from improvements in the current and capital accounts (see table 6.3).

**Table 6.3: Balance of Payments, (in US $ millions)2004 -2006**

| | 2004 | 2005 | 2006 Prel |
|---|---|---|---|
| **Current Account Balance** | **(539.7)** | **(835.5)** | **(40.8)** |
| Merchandise Trade Balance | 109.7 | 34.6 | 1,178.4 |
| Exports, f.o.b | 1,816.8 | 2,178.5 | 3,785.6 |
| Metal Sector | 1,358.8 | 1,644.2 | 3,084.1 |
| Copper | 1,074.6 | 1,485.9 | 2,938.1 |
| Cobalt | 284 | 158.2 | 146.1 |
| Non-traditional | 458 | 534.3 | 701.4 |
| Imports, f.o.b | (1,726.9) | (2,160.7) | (2,625.1) |
| Metal sector | (431.1) | (386.1) | (632.7) |
| Non-metal sector | (1,295.8) | (1,774.6) | (1,992.4) |
| Goods procured by airlines | 19.8 | 16.9 | 17.9 |
| Services, non factor (net) | (215.1) | (237.3) | (208.6) |
| Receipts | 231.8 | 271.0 | 335.0 |
| Payments | (446.9) | (508.4) | (543.6) |
| Income (net) | (409.5) | (608.6) | (1,005.4) |
| *Of which:* Interest payments | (203.0) | (177.0) | (82.7) |
| Current Transfers (net) | (24.8) | (24.1) | (5.1) |
| *Of which:* SWAP Grants | 0.0 | 0.0 | 85.5 |
| **Capital and Financial Account** | **237.9** | **719.6** | **671.6** |
| **Capital Account** | **239.0** | **2,080.0** | **2,624.3** |
| Capital Transfers | 239.0 | 2,080.0 | 2,624.3 |
| Project Assistance grants | 239.0 | 287.0 | 216.2 |
| Debt Cancelled/MDRI | 0.0 | 1,793.0 | 2,403.4 |
| **Financial Account** | **(1.1)** | **(1,360.4)** | **(1,952.7)** |
| Foreign Direct Investment | 364.0 | 380.0 | 350.4 |
| Portfolio Investment | (0.1) | 122.4 | 50.4 |
| Increase in NFA - banks(-) | (90.0) | 87.6 | (61.7) |
| Official Loan Disbursement(net) | (221.0) | (1,881.8) | (1,845.9) |
| Project Loans | 110.0 | 136.2 | 25.1 |
| Amortization(-) | (331.0) | (2,018.0) | (1,870.9) |
| Private Foreign borrowing(net) | (54.0) | (68.5) | (81.0) |
| Other Short term Flows | 0.00 | 0.00 | (364.84 ) |
| **Errors and Omissions** | **17.9** | **(167.8)** | **58.1** |
| **Overall Balance** | **(301.8)** | **(115.8)** | **630.9** |
| **Financing of Overall Balance** | **283.9** | **283.6** | **(689.0)** |
| Change: NIR of Bank of Zambia | (43.3 | (446.1) | (844.5) |
| *Of which:* Gross Official Reserves[-increase] | (27.7) | (109.1) | (280.7) |
| BoZ Liabilities | (6.0) | (6.3) | 0.0 |
| Use of Fund Credit and Loans(net) | (9.5) | (236.2) | (563.8) |
| Disbursements | 247.5 | 16.0 | 24.2 |
| Repayments | (257.0) | (252.2) | (588.0) |
| Debt relief | 264.0 | 480.0 | 0.0 |
| HIPC) | 264.0 | 328.2 | 0.0 |
| *Of which:* IMF | 0.0 | 219.3 | 0.0 |
| Bop support grants | 44.1 | 131.1 | 142.6 |
| Bop support loans | 21.0 | 24.0 | 12.9 |
| Multilateral | 21.0 | 24.0 | 12.9 |
| Financing gap | 0.0 | 0.0 | 0.0 |
| **Memorandum Items:** | | | |
| Current acc't bal. excl. grants (% of GDP) | (12.4) | (11.5) | (1.1) |
| Current acc't bal. incl. grants (US$m) | (389) | (417) | 318 |
| Current acc't bal. incl. grants (% of GDP) | (7.2) | (5.7) | 2.9 |
| Merchandise trade balance (% of GDP) | (0.7) | 0.5 | 10.7 |
| Terms of trade (percentage change) | 24.8 | 0.6 | 37.2 |
| Copper volume (thousands of metric tons) | 393 | 439 | 476 |
| Copper price (U.S. dollars per pound) | 1.24 | 1.54 | 2.80 |
| Oil price (U.S. dollars per barrel) | 38 | 53 | 64 |
| Gross official reserves | 222 | 331 | 612 |
| (in months of imports) | 1.1 | 1.5 | 2.3 |
| (percent of official cash debt service) | 59 | 200 | 912 |
| Overall Balance (in % of GDP) | (6.0) | (1.0) | 5.4 |
| BOP financing (in % of exports of GNFS) | 3.1 | 6.3 | 3.8 |
| Total debt service paid | 716 | 2,163 | 2,713 |
| Scheduled official debt service, DSA | 211 | 202 | 96 |
| Scheduled official debt service | 363 | 131 | 91 |
| Official debt service, cash payments | 373 | 166 | 67 |

Source: Bank of Zambia

### Current Account

The current account deficit reduced significantly to US $40.8 million in 2006 from US $835.5 million recorded in the previous year. As a percentage of GDP, the current account deficit excluding grants was 1.1 percent in 2006 compared to 11.5 percent in 2005. This favourable outturn in the current account stemmed from substantial improvements in the merchandise trade balance.

### Trade Balance

Zambia's trade surplus soared to US $1,178.4 million in 2006 from a surplus of US $34.6 million in 2005. Total merchandise export earnings grew by 73.8 percent to US $3,785.0 million from US $2,178.5 million in 2005. Merchandise export earnings more than doubled over the last two years from US $1,816.0 million in 2004. This was mainly on account of an increase in the international price of copper to record levels coupled with the buoyant growth in copper export volumes. The average realised price of copper surged to US $2.80 per pound (US $6,171.0 per ton) in 2006 from US $1.54 per pound (US $3,385.8 per ton) in 2005, while copper export volumes grew by 8.5 percent to 476,104 Mt in 2006 from 438,870 Mt the previous year.

However, cobalt export earnings fell by 7.7 percent to US $146.1 million in 2006 from US $158.2 million in 2005. Sluggish cobalt prices on the international market largely explained this unfavourable outturn.

Non-traditional export earnings continued to increase in 2006 in response to the favourable economic environment and export promotion efforts in the sub-sector. The total value of NTEs in 2006 rose by 31.3 percent to US $701.4 million compared to US $534.3 million in 2005. As a share of total exports, NTEs accounted for 19.0 percent compared to 26.0 percent in 2005. The growth in non-traditional exports emanated from the strong performance in copper wire, electrical cables, burley tobacco and fresh fruits and vegetables (see table 6.4).

**Table 6.4: Ten Major Non-Traditional Exports (C.I.F.) 20042006, US $' Million**

| | 2004 | 2005 | 2006 | % Change 2006/5 |
|---|---|---|---|---|
| Copper Wire | 58.5 | 106.5 | 175.0 | 64.3 |
| White Spoon Sugar | 33.4 | 67.8 | 54.3 | (19.8) |
| Burley Tobacco | 43.3 | 60.3 | 70.5 | 17.1 |
| Cotton Lint | 51.4 | 55.9 | 62.3 | 11.6 |
| Electrical Cables | 32.7 | 48.5 | 103.7 | 113.7 |
| Fresh Flowers | 25.5 | 32.1 | 34.7 | 8.0 |
| Cotton Yarn | 23.9 | 24.1 | 18.9 | (21.4) |
| Fresh Fruit/Vegetables | 23.2 | 21.3 | 25.3 | 18.6 |
| Gemstones | 16.2 | 19.5 | 18.1 | (7.1) |
| Gas oil | 24.3 | 9.8 | 10.3 | 5.4 |
| Electricity | 4.8 | 3.8 | 7.0 | 87.2 |
| **Total** | **337.2** | **449.6** | **580.1** | **29.0** |

Source: Bank of Zambia

Imports surged by 21.5 percent in 2006 to US $2,625.1 million from US $2,160.7 million in 2005, mainly as a result of continued investment and expansionary activity in the mining sector However, this increase was lower than that of exports.

### Services and Income Accounts

The deficit on the services account narrowed to US $208.6 million in 2006 from US $237.3 million in 2005, partly reflecting a higher increase in services receipts relative to services payments. Services receipts grew by 23.6 percent while services payments increased by 6.9 percent. The income account widened to US $1,005.4 in 2006 in 2006 from US $608.6 million recorded in 2005. This was largely on account of a higher increase in receipts relative to income payments.

### Capital and Financial Account

The capital and financial account balance declined to US $671.6 million in 2006 from US $719.6 million recorded in 2005 following the deterioration of the financial account balance that was higher than the improvement in the capital account. The improvement in the capital account balance was mainly explained by debt relief from the IMF (US $582 million) and World Bank (US $1,813 million) under the Multilateral Debt Relief Initiative (MDRI). The deterioration in the financial account was partly as a result of a fall in portfolio inflows and project loans to US $50.4 million and US $25.1 million, from US $115.2 million and US $136.2 million in 2005, respectively.

### Overall Balance and Financing

The overall balance of payments surplus recorded in 2006 of US $630.9 resulted in the increase in official reserves to US $280.7 million compared to US $109 million accumulated in 2005. The overall balance of payments surplus was enhanced by balance of payments grants amounting to US $143.8 million compared to US $ 131.1, Balance of Payment support loans of US $12.9 million and debt relief from the IMF estimated at US $582.0 million.

## Outlook

The country's external position is projected to be favourable in 2007 underpinned by an improvement in the current account balance. Improvements in the current account will be driven by growth in non-traditional and metal exports. Further, it is expected that private and donor inflows will increase in response to favourable macroeconomic and structural policies.

# CHAPTER 7 AGRICULTURE

## Overview

During the period under review, the agriculture, forestry and fishing sector grew by 2.4 compared to a decline of 0.6 percent in 2005. This growth was attributed to the favourable performance in the agricultural sub-sector which grew by 3.9 percent. The favourable weather conditions and timely availability of agricultural inputs led to this growth. This growth was also supported by the favourable macro-economic environment, specifically, falling interest rates which resulted into increased credit to the sector.

Notwithstanding these positive growth, there were also factors that impeded growth in the sector. These included among others, the low producer prices for cash crops due to the appreciation of the currency which began late 2005 and continued through the first half of 2006, continued outbreaks of livestock diseases, poor fishing methods that depleted fish stocks, and poor rural infrastructure particularly, feeder roads.

## Policy Developments

Key policy measures and developments in the year under review included the commencement of the formulation of the co-operative development policy, Agriculture Marketing Bill, and review of the Co-operative Societies Act, 1998 aimed at improving and strengthening marketing of agricultural inputs and produce.

Further, the National Irrigation Plan (NIP) covering the period 2006 to 2010 was launched aimed at mitigating the dependence on rains for agricultural production and harmonising increased investments in the irrigation sub-sector. A pilot National Irrigation Fund whose objective is to mobilise funds to be disbursed to smallholder farmers for acquisition of irrigation equipment was also established in 2006.

## Sectoral Performance

### Crop Production

During the 2005/2006 agricultural season, production of most crops increased except for cash crops such as soybeans, seed cotton, tobacco, wheat and paprika recorded a decline. Further, there was a reduction in the area planted for most crops while the yield per hectare increased for most crops (see table 7.1).

Increased agricultural production and yield per hectare, was attributed to favourable weather conditions, early delivery of agricultural inputs facilitated through implementation of programmes such as the fertiliser support programme and food security pack, improved crop husbandry practices and enabling policy environment.

The decline in the hectarage was attributed to partial drought experienced during the previous season. The partial drought resulted in reduced incomes for small scale farmers and therefore could not afford to procure agricultural inputs such as certified seed and fertilizer. Further, the decline in cash crop production (soybeans, seed cotton, tobacco, wheat and paprika) was mainly due to low producer prices and poor contractual arrangements under some out grower schemes. The low producer prices emanated from currency appreciation which the country experienced in late 2005 and continued through the first half of 2006.

Total maize production in the 2005/2006 agricultural season increased by 64.4 percent to 1,424,439 Mt from 866,187 Mt in the 2004/2005 agricultural season (see table 7.1).

Table 7.1: Area Planted, Yields and Crop production, 2004 - 2006

| Crop | Area Planted (Ha) | | % Change 2006/2005 | Production (Mt) | | % Change 2006/2005 | Yield in (Mt/ha) | | % Change 2006/2006 |
|---|---|---|---|---|---|---|---|---|---|
| | 2004/05 | 2005/06 | | 2004/05 | 2005/06 | | 2004/05 | 2005/06 | |
| Maize | 834,981 | 784,524 | (6.0) | 866,187 | 1,424,439 | 64.4 | 1.04 | 1.8 | 75.0 |
| Sorghum | 57,432 | 43,627 | (24.0) | 18,714 | 21,047 | 12.5 | 0.33 | 0.5 | 48.1 |
| Rice | 18,243 | 14,358 | (21.3) | 13,337 | 13,964 | 4.7 | 0.73 | 0.9 | 33.0 |
| Millet | 63,411 | 69,529 | 9.7 | 29,583 | 48,159 | 62.8 | 0.47 | 0.7 | 48.5 |
| Sunflower | 31,191 | 39,416 | 26.4 | 8,112 | 15,003 | 84.9 | 0.26 | 0.4 | 46.4 |
| Groundnuts | 161,962 | 144,250 | (10.9) | 74,218 | 84,010 | 13.2 | 0.46 | 0.6 | 27.1 |
| Soy beans | 65,170 | 44,034 | (32.4) | 89,660 | 57,815 | (35.5) | 1.38 | 1.3 | (4.6) |
| Seed Cotton | 176,217 | 152,262 | (13.6) | 155,213 | 118,426 | (23.7) | 0.88 | 0.8 | (11.7) |
| Mixed beans | 50,496 | 54,532 | 7.9 | 23,098 | 27,697 | 19.9 | 0.46 | 0.5 | 11.0 |
| Bambara nut | 3,407 | 2,387 | (29.9) | 1,237 | 1,593 | 28.8 | 0.36 | 0.7 | 83.9 |
| Cowpeas | 6,687 | 7,120 | 6.5 | 1,249 | 3,146 | 151.9 | 0.19 | 0.4 | 136.6 |
| Sweet potatoes | 27,232 | 33,148 | 21.7 | 66,926 | 101,287 | 51.3 | 2.46 | 3.1 | 24.3 |
| Virg. Tobacco | 15,630 | 11,765 | (24.7) | 23,211 | 20,000 | (13.8) | 1.49 | 1.7 | 14.1 |
| Burley Tobacco | 21,624 | 18,333 | (15.2) | 26,000 | 22,000 | (15.4) | 1.20 | 1.2 | 0.0 |
| Wheat | 22,323 | 17,144 | (23.2) | 136,833 | 97,648 | (28.6) | 6.13 | 5.7 | (7.0) |
| Paprika | 320 | 577 | 80.3 | 728 | 284 | (61.0) | 2.28 | 0.5 | (78.4) |
| Cassava | 361,026 | 362,355 | 0.4 | 1,059,000 | 1,059,887 | 0.4 | 11.70 | 11.7 | 0 |

Source: Ministry of Agriculture and Co-operatives

Similarly, cowpeas production rose by 151.9 percent during the 2005/2006 agricultural season to 3,146 Mt from 1,249 Mt during the 2004/2005 agricultural season. Sunflower production rose to 15,003 Mt in 2005/2006 from 8,112 Mt in 2004/2005, an increase of 84.9 percent.

Increased agricultural production and yield per hectare, was attributed to favourable weather conditions, early delivery of agricultural inputs, improved crop husbandry practices and conducive policy environment. The decline in the hectarage was attributed to the partial drought experienced during the previous season. The partial drought resulted in reduced incomes for small scale farmers and therefore could not afford to procure agricultural inputs.

However, there was a reduction in cash crop production. Paprika production declined by 61.0 percent to 284 Mt in 2005/2006 from 728 Mt in 2004/2005 agricultural season. Soybeans production declined by 35.5 percent to 57,815 Mt in 2005/2006 agricultural season from 89, 660 Mt in 2004/2005 agricultural season. Seed cotton production declined by 23.7 percent.

The decline in cash crop production was mainly due to low producer prices and poor contractual arrangements under some out grower schemes. The low producer prices emanated from currency appreciation which the country experienced in late 2005 and continued through the first half of 2006.

## Livestock Sub sector

During the year under review, the country continued to experience outbreaks of livestock diseases of Foot and Mouth Disease (FMD) in Southern, Central, Northern provinces, and Contagious Bovine Pleural Pneumonia (CBPP) in the Southern, Western and North Western provinces. These diseases constrained production and productivity of the livestock despite favourable weather conditions experienced in the 2005/2006 rain season.

These diseases were brought under control through various disease control programmes such as vigorous vaccination campaigns, livestock movement controls and maintenance of bio-security measures through establishment of checkpoints, sensitisation and surveillance activities, and construction of the cordon line. A total of 160,000 cattle were vaccinated against FMD and 222,222 cattle against CBPP during 2006.

### Fisheries Sub-sector

During the year under review, Government continued to develop the fishing industry as a good source of protein, income, and employment. The total annual fish production from all major fishery areas was estimated at 70,000 Mt against the consumption demand of over 100,000 Mt. Catches continued to decline in 2006 due to the bad fishing practices employed by fishers. In this regard, measures were put in place that ensured the conservation and utilization of fisheries resources in a sustainable manner.

Further, Government in 2006 continued to promote community-based management of fisheries in major fishing areas. A total of 80 dams were restocked with fish in southern province. A fish pen was constructed in Mweru Wantipa in Luapula province where fingerlings were being bred for restocking the water bodies. Further, the fishing gear for catching Kapenta in Lake Itezhi-tezhi was designed and constructed and the annual fishing ban was implemented.

## Other Developments

### Cooperative Development

The Government in 2006 began a process of developing the legal and institutional frame work that would facilitate for the re-orientation and reformation of co-operative organization. A total of 332 co-operatives were registered in 2006 bringing the cumulative total to 14, 339 co-operatives.

### Irrigation development

Government continued to promote irrigation in order to increase food security in the country in 2006. Under the small holder irrigation programme, four dams were constructed in Pemba, Kafue, Kalomo and Chibombo districts, increasing the irrigated area by 150 hectares.

Under the Peri-urban Irrigation programme launched in 2006, a total of K300 million loan funds were disbursed to 26 smallholder farmers in Lusaka for acquisition of various irrigation equipment.

## Food Security Position

During the 2005/2006 agricultural season, the country recorded an overall food surplus of 413,064 Mt of maize mealie meal equivalent compared to 214,413 Mt recorded in the previous year. Surplus production of 160,000Mt of maize and 335,948 Mt of cassava was recorded in 2006 compared to a maize deficit of 85,000 Mt and a cassava flour surplus of 324,834 in 2005. However, deficits were recorded in paddy rice and wheat (see table 7.2).

During the 2006/2007 marketing season, the Food Reserve Agency (FRA) purchased 397,000 Mt of maize at a cost of K217 billion aimed at building the National Strategic Reserve. Cassava, rice, and mixed beans were also purchased for improving the overall food security position of the country.

The Government in 2006 continued with the Fertilizer Support Programme aimed at improving both households and national food security, and rebuilding the asset base of smallholder farmers through a matching grant (subsidy). A total of 50,000 Mt of fertilizer to cater for 125,000 beneficiaries was procured and distributed throughout the country.

Table 7.2: Zambia National Food Balance Sheet for the 2006/2007 Marketing Season

| | Maize | Paddy rice | Wheat | Sorghum/ millet | Sweet and Irish potatoes | Cassava Flour | Total (Maize mealie meal equivalent |
|---|---|---|---|---|---|---|---|
| **A. Availability:** | | | | | | | |
| (i) Opening stocks (1st May, 2006) | 20,259 | 101 | 0 | 1,168 | 0 | 2,794 | 21,914 |
| (i) Total production (2005/06) | 1,424,439 | 13,964 | 93,482 | 69,206 | 101,865 | 1,059,887 | 2,430,128 |
| **Total Availability** | **1,444,698** | **14,065** | **93,482** | **70,374** | **101,865** | **1,062,681** | **2,452,042** |
| **B. Requirements:** | | | | | | | |
| (i) Staple food requirements: | 1,050,976 | 25,367 | 133,826 | 64,914 | 96,771 | 702,587 | 1,795,123 |
| Human consumption | 80,000 | 0 | 0 | 1,000 | 0 | 2,949 | 75,609 |
| Food Reserve Stocks (net) | | | | | | | |
| (ii) Industrial requirements: | | | | | | | |
| Stock feed | 60,000 | 0 | 0 | 0 | 0 | 0 | 54,000 |
| Breweries | 15,000 | 0 | 0 | 0 | 0 | 0 | 13,500 |
| Seed | 7,500 | 0 | 1,500 | 1,000 | 0 | 0 | 8,733 |
| (iii) Losses | 71,222 | 698 | 4,674 | 3,460 | 5,093 | 21,198 | **92,014** |
| **Total Requirements** | **1,284,698** | **26,065** | **140,000** | **70,374** | **101,865** | **726,734** | **2,038,979** |
| **C. Surplus/Deficit (A-B)** | **160,000** | **-12,000** | **-46,519** | **0** | **0** | **335,948** | **413,064** |
| **D. Commercial import requirements** | | **12,000** | **46,519** | | | | |
| **E. Food aid import requirements** | | | | | | | |

Source: Ministry of Agriculture and Co-operatives

## Poverty Reducing Programmes

Government released a total of K355.9 billion for poverty reducing programmes in the agricultural sector. The major focus for 2006 was the promotion of commercial agriculture, irrigation, land and infrastructural development and targeted support systems for food security (see table 7.3)

## Table 7.3 Status on the Implementation of Poverty Reducing Programmes, 2006

| | Programmes or Field of intervention | Planned GRZ Inputs in K | Actual GRZ inputs in K | Planned Outputs | Actual Outputs |
|---|---|---|---|---|---|
| Promotion of commercial Agriculture | **Out grower Schemes** | | | | |
| | Cotton | 350,000,000 | 129,166,667 | 20,363 farmers 30,604 Ha | 20,363 farmers were reached in 2006 covering 30,604 hectares |
| | Tobacco | 400,000,000 | 133,333,333 | 1,396 farmers/ 1300 Ha | 1,396 farmers (1,176 males and 220 females), covering 1, 653.8 hectares. Expected production in 2006 is 1,950 Mt with the expected total value of K6,700,000,000 |
| | Coffee | 400,000,000 | 233,333,333 | 137 farmers/144 Ha | 137 farmers(123 males and 14 females), 144 hectares were covered in 2006 binging the cumulative total area under coffee cultivation to 3, 543 hectares. Expected production in 2006 is 77.6 Mt with the expected total value of K43, 200,000. |
| | Vegetables | 100,000,000 | 58,333,333 | 80 farmers/ 80 Ha | 89 Farmers, 89 Ha. |
| | Paprika | 250,000,000 | 80,833,333 | 1,700 farmers/1000 Ha | 390 Farmers, 205 Ha |
| | Cashew Nut | 100,000,000 | 58,333,333 | | 912 farmers were reached covering 100 hectares with 30,015 existing trees. |
| | Pineapple | 100,000,000 | 58,333, 33 3 | 50 Farmers on 50 Ha | Promoter identified i.e. Mwinilunga District Cooperative Union. MOU between MACO an Promoter developed. |
| Irrigation, Land And Infrastructure Development | **Irrigation Development Programme** | | | | |
| | Smallholder Irrigation Scheme | 283,685,192 | 113,508,983 | | Irrigation Scheme under construction in Kaoma, installation of sprinkler Milenge District under the Mulumbi Irrigation Scheme in process |
| | Water Resources Development for Irrigation | 117,250,000 | 42,750,000 | 10 dams and Weirs, one national Inventory | Questionnaires developed and sent to provinces- funds for the exercise sent to provinces that submitted budgets |
| | Peri-urban Irrigation Development | 343,750,000 | 59,010,417 | 12,000 smallholder farmers - along the line of rail | Advertisement for MFI engagement, MBT appointment. launched 0n 25th September, 2006. tranche K 300 million released to MBT for on-lending to peri-urban framers. Sixteen farmers benefited. |
| | Irrigation Development fund | 1,086,375,000 | 131,750,000.00 | Community Estates. Water harvesting facilities. Equipment. Irrigation Research. | National Institute of Research at Nanaga carried out reseach activities. ZamCapitol hosted and produced proposal for manufacturing. |
| | Women in Irrigation and Water Resource Management | 205,346,204 | 121,033,521.00 | WUAs. On-farm training. | WUAs in Mwense, Kafue and Choma strengthened. |
| | **Land development Programme** | | | | |
| Land Development | Zambia Namibia Agric Production Joint Venture | 872,500,000 | 95,000,000 | Feasibility studies, environmental impact assessment | Title Deeds for farms amounting to 10,660 were issued by the Ministry of Lands and are in custody of the Ministry of Agriculture and Cooperatives. Sichinga forest degazetted - now farm 10, 660. Crop selections, infrastructure requirements and farm model done as at end of 2006 process, physical land resource survey completed- report being compiled that will contain information on crop suitability recommendations, Environmental Impact Assessment yet to be done. |

## Table 7.3 Status on the Implementation of Poverty Reducing Programmes, 2006

| | Programmes or Field of intervention | Planned GRZ Inputs in K | Actual GRZ inputs in K | Planned Outputs | Actual Outputs |
|---|---|---|---|---|---|
| Land Development | Kalumwange farm block | 430,000,000 | 47,777,778 | Shaping and grading of 40.5 km of roads - Mulalila 8km, Shindongwe 8km, Kashumba 8km, Kakoma 8km and Kalumwange 8.5km | The total expenditure on Kalumwange Farm Block was K 783,099,080. Road rehabilitation in process - vegetation control (24km), pegging out and surveying (40.5km), Major gradings and formations - Mulalila dambo (300m), Shindongwe river (900m). Five Culverts opened up and cleared. Reshaping and grading Kanamilumbu (500m). |
| | Luena Farm Block | 430,000,000 | 47,777,778 | Demarcation and evironmental impact assessment | To date, a total of K 356,859,000 have been spent on Luena Farm Block. Surveying of the core venture (Sugar Project) and commercial farms done.Beaconing in process, demarcation to be done after rainy season, road impactment connecting chief Mushota to the core venture is being investigated. Training on environmental impact assessment done by the Environmental Council of Zambia and team to carry out the Assessment was being assembled. |
| | Nasanga farm block | 4,689,119,456 | 521,013,237 | 60km trunk road, 200 km farm roads, electrification,1 dam, 2 bridges, 1,561 farms, feasibility studies and land delivery | To date, K 10.5 billion have been spent on Nansanga Farm Block. Surveys of core venture, commercial and medium farms done, Funds sent to the district for demarcation of surveyed farms, money for environmental impact assessment sent to the district, 1 bridge, 1 culvert constructed, 14 km of road graded and spot gravelled, 7km road from Kampumbu Junction to Kabundi School has been constructed, Road and bridge assessment by Provincial Roads Engineer in process |
| | Rural Investment Fund | 1,000,000,000 | 931,818,182 | Rice Dehaullers, irrigation schemes, boreholes and storage sheds, Fish Ponds | Rice Dehuller - Chama and Chilubi, Smallscale Nabuyani Irrigation Scheme - Kalomo, Fish Pond Construction-Solwezi,Mwinilunga,Mkushi, Chililabombwe, Chibombo. |
| | **Rehabilitation Of Agricultural Training Institutions** | | | | |
| Rehabilitation of infrastructure | Popota Tobacco Training College | 65,231,000 | 31,810,333 | College Infrasture and equipment | Purchased office equipment and agrochemicals. |
| | Kasaka Fisheries Training Institute | 119,185,000 | 22,217,500 | Construction of ponds and Infrastructure rehabilitation | Constructed new hostel for female students. |
| | Zambia Centre for Horticulture Training | 245,580,000 | 225,580,000 | Two 40 H.P. Water pumps Two 40 H.P. Electrical Motors Two switch panels Four 6m*6" aluminium suction pipes | K 239,930,000 released of which K 226,876,774 was spent on rehabilitation of the water reticulation system . |
| | Farm Institutes and Training centers rehabilitation | 795,000,000 | 271,166,666 | Maintenance of buildings at Mkushi, Kembe, Namukashende, Masaiti, Kanchomba and Kyafukuma FTI's. | Funds for rehabilitation and to support farmer training disbursed to Masaiti, Mpongwe Mkushi, Serenje, Mutaba and Mibenge. |

## Table 7.3 Status on the Implementation of Poverty Reducing Programmes, 2006

| | Programmes or Field of intervention | Planned GRZ Inputs in K | Actual GRZ inputs in K | Planned Outputs | Actual Outputs |
|---|---|---|---|---|---|
| Rehabilitation of infrastructure | Co-operative education and training | 329,097,500 | 95,758,125 | | Conducted training on Participatory Approach for business problem Solving model in Monze, Mazabuka, Kafue and Choongwe. |
| Technology Development | **Technology for Value Adding** | | | | |
| | Empowerment of small and medium scale farmers with new processing technology developments. | 268,757,161 | 1,087,446,920 | Mobile ginning equipment for 2000 cotton farmers in Eastern, Central, Lusaka and Southern Provinces. | Empowering small and medium scale farmers to gin cotton on farm. |
| | **Improve Household Food Security** | | | | |
| | Post harvest technology demonstration and training for farmers and staff. | 81,939,617 | 696,000,000 | Target is 600 small and medium scale farmers. | Training for camp extension officers and farmers in the construction of appropriate improved storage bins. |
| | **Research, Adoption and Promotion of Small Scale Equipment.** | | | | |
| | Technology Development | 47,483,399 | 27,748,964 | 80 ADP families and 25 individual farmers for power tillers. | Two teams to North and Western Provinces were dispatched for technological investigations for identification of existing gaps preparations of intervention measures. |
| **Farm Advisory Services** | | | | | |
| Support to community | Support to Community Action Plans | 668,576,000 | 141,902,167 | | Inventory of Community Action Plans undertaken to identify eligible micro projects Training in mitigation strategy conducted for SAOs in central and copperbelt provinces, generic farm budgets, record keeping and farm management resource guides in process of being printed, backstopping, sensitization of farmers done in Central, Lusaka and Luapula Provinces. SAOs from Central and Copperbelt Provinces toured micro projects in Lusaka Province in order to facilitate enlisting of appropriate Micro projects for funding. |
| | Crop Forecasting Survey | 2,400,660,000 | 1,298,630,000 | Crop Forecasting Report, Food Balance Sheet and production estimates. | Survey undertaken in April, tables on forecasted crop production, crop availability were released.<br><br>The National Food Balance Sheet was produced to come up with a maize surplus of about 160,000 Mt. Apart from maize crop, the estimates for other cereals recorded surplus values. |
| | Provision of anti-retroviral drugs | 156,390,004 | 96,695,000 | | K 99,430,000 was spent for care and support; capacity building and sensitization. |
| | Community Radios | 295,140,000 | 49,595,000 | Procurement and distribution of 950 wind up solar radios | Radios were procured. |

## Table 7.3 Status on the Implementation of Poverty Reducing Programmes, 2006

| | Programmes or Field of intervention | Planned GRZ Inputs in K | Actual GRZ inputs in K | Planned Outputs | Actual Outputs |
|---|---|---|---|---|---|
| | **Farm Advisory Services** | | | | |
| Support to community | Support to Community Action Plans | 668,576,000 | 141,902,167 | | Inventory of Community Action Plans undertaken to identify eligible micro projects Training in mitigation strategy conducted for SAOs in central and copperbelt provinces, generic farm budgets, record keeping and farm management resource guides in process of being printed, backstopping, sensitization of farmers done in Central, Lusaka and Luapula Provinces. SAOs from Central and Copperbelt Provinces toured micro projects in Lusaka Province in order to facilitate enlisting of appropriate Micro projects for funding. |
| | Crop Forecasting Survey | 2,400,660,000 | 1,298,630,000 | Crop Forecasting Report, Food Balance Sheet and production estimates. | Survey undertaken in April, tables on forecasted crop production, crop availability were released.<br><br>The National Food Balance Sheet was produced to come up with a maize surplus of about 160,000 Mt. Apart from maize crop, the estimates for other cereals recorded surplus values. |
| | Provision of anti-retroviral drugs | 156,390,004 | 96,695,000 | | K 99,430,000 was spent for care and support; capacity building and sensitization. |
| | Community Radios | 295,140,000 | 49,595,000 | Procurement and distribution of 950 wind up solar radios | Radios were procured. |
| | Animal Disease Control | 1,532,695,200 | 2,053,900,000 | Manufacture and Procure vaccines (cbpp, corridor, new castle. Anthrax vaccines) | Purchase of vaccines and vaccination, surveillance and monitoring, livestock movement controls, livestock disease awareness campaigns, tick and tick borne disease control. |
| | Cordon Line Contruction | 50,000,004 | 2,050,000,000 | | Constructed 425 kilometres of the Cordon Line in Western Province. |
| Targeted Support System For Food Security | **Input Support Programme** | | | | |
| | Fertiliser support programme | 198,000,000,000 | 188,590,145,000 | 125,000 beneficiaries | 210,000 beneficiaries. 80,000 Mt of fertilizer and 4,200 seed |
| | Seed Multiplication | 124,375,000 | 70,413,798 | | |
| | **Crop Marketing** | | | | |
| | Food Reserve Agency | 50,000,000,000 | 140,000,000,000 | 80,000 Mt | 397, 000 Mt of maize purchased of which 10,000 Mt was brought forward from 2005 and 387,000 Mt of white maize were purchased. |

Source: Ministry of Agriculture and Cooperatives

## Outlook

The agriculture sector is poised for further growth in 2007 in view of the favourable weather conditions in the 2006/2007 rain season. This will be complemented by the stable macro-economic environment and the continued implementation of good land management practices and techniques that would increase agricultural production, productivity and income.

The enactment of the Agriculture Marketing Bill is expected to ease marketing constraints thereby contributing to growth in the sector. The Food Reserve Agency (FRA) will continue to purchase designated crops for the national strategic reserves.

In the fisheries sub-sector, catches are expected to improve with the implementation of community based resource management and aquaculture development.

In the livestock sub-sector, overall production and productivity is expected to increase on account of improved management of marketable livestock, restocking and controlling livestock diseases, among others.

# CHAPTER 8 LAND

## Overview

During 2006, the Government continued to implement programmes aimed at making land more accessible. There was a general increase in the number of properties allocated, surveyed and titled. This favourable performance was as a result of measures undertaken by Government which included the constitution of the land allocation committee, issuance of guidelines on land allocation procedures, opening up of additional regional offices and the purchase of equipment. Progress was also made in demarcation of international boundaries and land dispute resolution.

In a bid to increase accessibility to land, the Government in 2006 also disbursed funds in form of the Land Development Fund to a number of councils throughout the county to enable them open up land for development through provision of services such as roads, water, electricity, surveying and improvements to sanitation.

## Policy Developments

The major policy development was the completion of the draft land policy. The policy is aimed at addressing issues related to land administration and management, equity and efficiency in accessing land, improvement of tenure and security of rights of both Zambians and non-Zambians and provision of information to members of the public.

Other areas addressed by the policy include issues of the land audit, surveying of chief's and international boundaries, addressing administrative barriers to acquiring land through creation of private-public partnership in land administration and management.

## Sector Performance

In 2006, there was a general increase in land allocated, surveyed and titled.

### Survey of Properties

A total of 13,249 parcels of land were surveyed in 2006 compared to 8,321 in 2005 and these included stands, smallholdings and farms (see table 8.1).

**Table 8.1: Properties Surveyed, 2004-2006**

| Year | Properties Surveyed (parcels) |
|---|---|
| 2004 | 11,714 |
| 2005 | 8,321 |
| 2006 | 13, 249 |

Source: Ministry of Lands

Developments in the area of surveying of land, included the acquisition of equipment such as Global Positioning Systems (GPS) and scanners as a way of enhancing surveying. Apart from the general surveys, the Government in 2006 targeted to survey the remaining 604 km of the 804 km Zambia/Malawi international boundary. At the end of 2006, only a stretch of 204 km had been done. With regard to other international boundaries, preparatory work commenced on the demarcation of the Zambia/Congo, Zambia/ Angola and the Zambia/Tanzania international boundaries.

## Land Allocation by Type and Category

Land allocation patterns on state land showed that there was a general increase in the number of people who were allocated land during the period 2004 to 2006. The categories of land allocated which increased significantly were for agriculture and residential. The increase in land allocated for agricultural purposes was attributed to the number of out-grower schemes registered where as the increase in residential plots was due to the impact of the Government housing empowerment policy (see table 8.2).

**Table 8.2: Land Allocation by Type and Category, 2004-2006**

| Category | 2004 | 2005 | 2006 |
|---|---|---|---|
| Agricultural-urban | 1,080 | 514 | 7 |
| Agricultural | - | - | 1,423 |
| Any other use | - | 1 | 5 |
| Commercial | 116 | 117 | 444 |
| Heavy Industrial | 8 | 4 | 79 |
| Light Industrial | 44 | 14 | 101 |
| Mining area | 1 | 0 | 0 |
| Municipal/Government | 8 | 4 | 18 |
| Recreational | 2 | 3 | 1 |
| Religious | 19 | 7 | 42 |
| Residential | 2,473 | 1,088 | 5,475 |

Source: Ministry of lands

## Properties Titled

There was a general increase in properties titled to 1,598 in 2006 compared 964 in 2005. Despite improvements in titling, the process continued to be constrained by slow manual processes and limited dissemination of information on the procedures for acquiring title (see table 8.3).

**Table 8.3: Properties Titled According to Category, 2004-2006**

| Category | 2004 | 2005 | 2006 |
|---|---|---|---|
| Agricultural - urban | 0 | 0 | 1 |
| Agricultural | 247 | 268 | 341 |
| Any other use | 1 | 19 | 1 |
| Commercial | 57 | 55 | 136 |
| Heavy Industrial | 2 | 4 | 22 |
| Light Industrial | 23 | 14 | 32 |
| Municipal/Government | 2 | 3 | 9 |
| Recreational | 1 | 0 | 0 |
| Religious | 3 | 4 | 12 |
| Residential | 593 | 597 | 1,044 |
| **Total** | **929** | **964** | **1,598** |

Source: Ministry of Lands

## Outlook

With the adoption of the land policy in 2007, prospects for improvement of land delivery are high. It is expected that the review of the policy and legislation will address administrative barriers to land delivery which will result in improved land administration and management. This notwithstanding, the sector continues to face the challenge of increased demand for land especially in view of the intensity of economic activities that are dependent on land.

# CHAPTER 9 MINING AND QUARRYING SECTOR

## Overview

The mining sector registered positive real GDP growth of 11.8 percent from 7.9 percent in 2005. This growth was mainly attributed to the metal mining sub-sector.

## Policy Developments

During the period under review, Government initiated the process of reviewing both the Mining Policy and the Mines and Minerals Act to bring them in line with the changing mining environment. Government also commenced the process of developing the uranium mining regulations to provide for mining of uranium ores and other radioactive mineral products not adequately provided for in the existing laws and regulations.

## Sector Performance

### Metal Mining Sub-Sector

The metal mining sub-sector continued to register positive growth in 2006 with real GDP estimated at 19.6 percent compared to 7.1 percent in 2005. Copper production increased by 11.5 percent to 515,010 Mt in 2006 from 461,748 Mt in 2005. The rise in copper production was attributed to investments in rehabilitation of infrastructure and technological innovations in existing mines, the coming on board of new mines and the increase in small-scale copper mining activities. Increased copper prices on the international market also spurred higher production.

Cobalt production, on the other hand recorded a decline of 16.1 percent to 4,648 Mt from 5,539 Mt in 2005 (see table 9.1). The low production was attributed to the reduction in the known reserves at Nchanga Open Pit mine.

**Table 9.1: Metal Production (in Mt), 2004-2006**

| Period | 2004 | 2005 | 2006 | % Change 2006/5 |
|---|---|---|---|---|
| Copper | 393,336 | 461,748 | 515,010 | 11.5 |
| Cobalt | 6,390 | 5, 539 | 4,463 | (16.1) |

Source: Ministry of Mines and Minerals Development

### Metal Prices

Metal prices continued to increase in 2006. Copper average prices increased from US $2.18 per pound in 2005 to US$3.18 per pound in 2006 (see table 9.2). The rise in copper prices was largely on account of the increase in demand for the commodity from growing economies, notably China.

**Table 9.2: Metal prices (US$/pound), 2004-2006**

| Period | *2004* | *2005* | *2006* | *% change 2006/5* |
|---|---|---|---|---|
| Copper | 1.28 | 2.18 | 3.15 | 44.5 |
| Cobalt | 22.78 | 13.50 | 14.76 | 9.3 |

Source: Ministry of Mines and Minerals Development

### Other Mining and Quarrying Sub-sector

The other mining and quarrying sub-sector recorded a decline of 34.1 percent in 2006 compared to a growth of 42.9 percent in 2005. This outturn was mainly attributed to the low coal production at Maamba Collieries. Coal production at Maamba Collieries reduced to 62,498 Mt in 2006 from 129,339 Mt in 2005.

## Other Developments

### Lumwana Project

Following the signing of the Development Agreement between the Government and Equinox Copper Ventures Limited in December 2005, mine construction works began in early 2006 and are expected to take two years. Production at this mine is expected to average 140,000 Mt of copper per annum.

### Munali Hills Nickel Project

Construction works at the mine site commenced in September 2006 following the signing of the Development Agreement in June 2006. Development of access to the underground mine is expected to begin in the first quarter of 2007 and production of nickel is envisaged to commence in 2008, with an annual average production of 39,059 Mt.

### Mkushi Copper Project

During the period under review, Katanga Resources Limited undertook prospecting operations at the old Mkushi copper mine. The company commenced in-fill drilling to define the ore body that was left out after mining ceased in the late 1970s.

### Muliashi North Deposit and Oxide Caps

The Muliashi North Deposit and Oxide Caps that formally belonged to RAMCOZ were finally sold to Luanshya Copper Mines Plc in September 2006 at a price of US $33.6 million. Following the sale, Luanshya Copper Mines Plc is working on a feasibility study to develop the deposit into a mine. Investment amounting to US $80 million is required for the development of the deposits.

### Oil and Gas Exploration

In 2006, investigations of oil and gas occurrences in North Western Province using the Microbial Prospecting for Oil and Gas (MPOG) technology were carried out. The results revealed a strong possibility of the presence of oil and gas in the area. This necessitated the setting up of a Petroleum Committee to formulate policies and guidelines relating to the development of the petroleum industry.

### Mining Sector Diversification Programme (MSDP)

The first phase of the MSDP which began in 2002 came to an end in December 2006. The Programme was however extended to May 2008 and it will focus on building capacity in the Ministry of Mines and Minerals Development. During the first phase, the MSDP provided support to small-scale miners by facilitating training of miners in mining and processing techniques, business management and gemstone valuation. MSDP also carried out export promotion and marketing of gemstones by providing miners with market information and facilitating their participation in international and local trade fairs.

In addition, a credit facility of Euro 16.5 was set up although it remained largely inaccessible to many small-scale miners due to the commercial conditions set by the banks acting as agents to MSDP. A total of 10 loans amounting to Euro 7.3 million were disbursed by the end of the programme in 2006. A further 12 loans were disbursed under the Small Loan Facility which was established from the same Fund.

## Outlook

Growth in the sector is expected to continue in 2007 mainly as a result of increased mineral production arising from the sale of Muliashi North Deposit and the commencement of construction works at Lumwana Copper and Munali Hills Nickel Projects. Further, the results of the oil and gas exploration that were conducted by Government will lead to increased oil exploration activities. Growth of the sector is also anticipated to come from exploration and mining of uranium once the Uranium Mining Regulations are in place.

The future of small-scale mining is also promising especially with increased access to credit through the introduction of the Mining Sector Revolving Fund (MSRF) and the creation of the Small-scale Loan Facility. In addition, the establishment and operationalisation of the Gemstone Exchange will provide a ready market for gemstones.

# CHAPTER 10 TOURISM

## Overview

During the year under review, the performance of the tourism sector continued to be favourable. Measured by restaurants, bars and hotels, the sector registered a growth of 10.0 percent in 2006 from 11.0 percent in 2005. The favourable policy environment, vigorous marketing of tourism products and increased private sector investments explained this outturn

## Policy Developments

Zambia signed a Memorandum of Understanding (MoU) on the Kavango-Zambezi Conservation Trans-frontier in order to strengthen bilateral and multilateral cooperation in tourism in this area. The MoU was signed between Zambia and four of its neighbours namely, Angola, Botswana, Namibia and Zimbabwe.

Government also refocused the objectives of the Support for Economic Expansion and Diversification (SEED) Project to ensure that Livingstone is restored as a 'flagship' and competitive tourist destination for Zambia. The Government also took steps to harness the tourism potential in Northern and Luapula provinces. In this regard, advertising and financing of tourism was targeted to the Northern circuit.

## Sector Performance

International tourist arrivals by origin continued to show an upward trend increasing to 689,625 from 649,867 in 2005. The highest number of tourists came from the Southern African Region followed by visitors from Europe (see table 10.1).

**Table 10.1: International Tourist Arrivals by Origin, 2004-2006**

| Country of Origin | 2004 | 2005 | 2006* |
|---|---|---|---|
| Southern Africa | 290,199 | 309,110 | **328,021** |
| East Africa | 42,937 | 45,735 | **48,533** |
| North Africa | 706 | 752 | **798** |
| West Africa | 1,508 | 1,607 | **1,705** |
| Central Africa | 57,428 | 61,171 | **64,913** |
| Europe | 140,595 | 149,757 | **158,919** |
| America | 36,638 | 39,025 | **41,413** |
| Asia and Oceania | 40,097 | 42,710 | **45,323** |
| **Total** | **610,108** | **649,867** | **689,625** |

Source: Ministry of Tourism, Environment and Natural Resources.
*projections

Similarly, the room occupancy rate increased by 3.3 percentage points to 59.1 in 2006 from 57.2 in 2005. The number of beds also rose marginally by 0.1 percent to 9,425 from 9, 417. Employment levels increased to 21,204 in 2006 from 19,652 in 2005 in line with the private sector investments in the sector (see table 10.2)

**Table 10.2: Employment, Room and Bed Occupancy Rates, 2004-2006**

| Indicator | 2004 | 2005 | 2006 | % Change 2006/2005 |
|---|---|---|---|---|
| Number of Rooms | 5,360 | 5,521 | 5,682 | 2.91 |
| Number of Beds | 9,115 | 9,417 | 9,425 | 0.08 |
| Room Occupancy Rates | 55.2 | 57.2 | 59.1 | 3.32 |
| Bed Occupancy Rates | 48 | 49 | 51 | 4.08 |
| Employment | 18,100 | 19,652 | 21,204 | 7.89 |

Source: Ministry of Tourism, Environment and Natural Resources.

The number of both local and international tourists visiting the country's leading national parks increased marginally by 0.1 percent to 61,495 from 61,400 in 2005. Out of this total number, international visitors accounted for 43, 453, representing an increase of 3.5 percent while visits by local tourists declined by 7.2 percent to 18, 042 (see table 10.3).

**Table 10.3: Tourist Visits to the National Parks, 2004 2006**

| | 2004 | 2005 | 2006 | % Change 2006/2005 |
|---|---|---|---|---|
| Lower Zambezi | 6,059 | 6,040 | 7,898 | 30.8 |
| Mosi-oa-Tunya | 17,762 | 19,972 | 17,132 | (14.2) |
| South Luangwa | 23,929 | 25,814 | 27,960 | 8.3 |
| Kafue | 3,789 | 6,202 | 4,785 | (22.8) |
| Lochnivar | 415 | 784 | 401 | (48.9) |
| Other Parks | 2,024 | 2,588 | 3,309 | 27.9 |
| International | 38,821 | 41,964 | 43,453 | 3.5 |
| Local | 15,157 | 19,436 | 18,042 | (7.2) |
| **Total** | **53,978** | **61,400** | **61,495** | **0.1** |

Source: Zambia Wildlife Authority

South Luangwa National Park continued to receive the highest number of tourists at 27,960, accounting for 45 percent of the total visitor arrivals at major parks. Notable increases were also recorded at the Lower Zambezi by 30.8 percent. However, Lochnivar, Kafue and Mosi-oa Tunya, National Parks recorded declines of 48.9 percent, 22.8 percent and 14.2 percent, respectively.

The reduction of tourist visits to the national parks was largely due to the continued poor state of park infrastructure. For Lochniver National Park, the problem was compounded by the Mimosa Pigra weed which made the park inaccessible.

Investments by the private sector in the parks continued and at the end of the year, two lodges out of the seven under construction were completed in Kafue and Nsumbu National Parks.

In 2006, the focus of the Visit Zambia Campaign was on promoting the numerous waterfalls located in Northern and Luapula provinces. To this effect, Government increased international road shows from one in 2005 to four in 2006. Other tourist campaigns involved promoting tourist attractions throughout the country.

### Wildlife Sub-sector

During the year under review, Government continued to undertake programmes aimed at conserving and managing the wildlife as a major tourist attraction. In this regard, hunting licenses continued to be issued as a source of revenue for the management of wildlife and for development programmes for communities living in Game Management Areas. Law enforcement operations also continued to be undertaken.

The issuance of hunting licences declined to 1,524 in 2006 from 2,063 in 2005. This decline was mainly on account of suspected bird flu resulting in a reduction in the acquisition of birds' resident hunting licenses by 98.8 percent. In terms of revenues, ZAWA collected a total of K 12.8 billion compared to K15.0 billion in 2006, a decline of 14.4 percent. This decrease in revenue was partly due to the appreciation of the Kwacha for the licenses paid in US dollars (see table 10.4).

**Table 10.4: Licenses Issued and Revenues Collected by ZAWA, 2005 - 2006**

| Item | Number of Licences | | | Revenue (K' billions) | | % Change |
|---|---|---|---|---|---|---|
| | 2005 | 2006 | % Change | 2005 | 2006 | |
| **Non-Resident Hunting** | | | | | | |
| Safari Hunting Concessions | 33 | 33 | 0 | 4.6 | 4.7 | 2.2 |
| Safari Outfitters Licenses | 33 | 33 | 0 | 0.4 | 0.4 | 0 |
| Non- Resident hunting Licenses | 471 | 494 | 4.9 | 8.7 | 6.7 | (23.0) |
| Non- resident hunting Licenses (birds) | 313 | 355 | 13.4 | 0.2 | 0.13 | (35.0) |
| **Resident Hunting** | | | | | | |
| Resident hunting licenses (animals) | 426 | 539 | 26.5 | 0.6 | 0.6 | 0 |
| Resident hunting licenses (birds) | 720 | 9 | (98.8) | 0.1 | 0.01 | (90.0) |
| **Professional hunters** | | | | | | |
| Professional hunters licenses issued | 67 | 61 | (9.0) | 0.4 | 0.3 | (25.0) |
| **TOTAL** | **2,063** | **1,524** | **(26.1)** | **15** | **12.8** | (14.4) |

Source: Zambia Wild life Authority

ZAWA continued implementing programmes through Game Management Areas (GMAs) and realized a total of K12 billion of the shareable component from hunting licenses in 2006 compared to K7.9 in 2005. Of this total, K3.6 billion was disbursed to the communities living in the GMAs, and the remainder of K8.4 billion was retained by ZAWA (sees table 10.5). The amount disbursed to the GMAs was used for various development programmes such as building community schools and

**Table 10.5: Distribution of Revenues (K'million) by ZAWA from Hunting Licences in GMAs, 2004-2006**

| | 2004 | 2005 | 2006 | % change 2006/2005 |
|---|---|---|---|---|
| Total revenue (shareable components only) | 5, 190 | 7,910 | 11,982 | 51.5 |
| Share to communities | 2,595 | 3,955 | 3,575 | (9.6) |
| Retained by ZAWA | 2,595 | 3,955 | 8,407 | 112.6 |
| **Total** | **5, 190** | **7,910** | **11,982** | 51.5 |

Source: Zambia Wildlife Authority

In terms of law enforcement operations, Government continued to undertake anti-poaching activities and confiscation of weapons. In this regard, 1,476 arrests were made compared to 1, 690 arrests in 2005. In addition, 658 firearms and 8,113 other weapons were confiscated compared to 930 and 9, 939 firearms and other weapons in 2005, respectively. As a result, there was a reduction of 2.8 percent in the amount of game meat seized. This positive result was largely due to the increased patrol man days to 174,338 from 169,761 in 2005 (see table 10.6).

**Table 10.6: Confiscations and Other Anti poaching Activities by ZAWA, 2004 2006**

| Item | 2004 | 2005 | 2006 | % Change |
|---|---|---|---|---|
| Firearms | 1,264 | 930 | 658 | (29.2) |
| Military rifles | 100 | 52 | 25 | (52.9) |
| Sport rifles | 61 | 30 | 26 | (13.3) |
| Shotguns | 214 | 235 | 167 | (28.9) |
| Home made shotguns | 171 | 168 | 87 | (48.2) |
| Muzzle loading guns | 718 | 445 | 353 | (20.7) |
| **Other Weapons** | **10,772** | **9,939** | **8,113** | (18.4) |
| **Game meat (kg)** | **9,220** | **11,953** | **11,617** | **(2.8)** |
| **Arrests** | **1,783** | **1,690** | **1,476** | **(12.7)** |
| **Patrol man-days** | **72,393** | **169,761** | **174,338** | **2.7** |
| **Elephant tusks** | **112** | **156** | **160** | **2.6** |

Source: Zambia Wildlife Authority

## Poverty Reduction Programmes

A total of K1.7 billion was disbursed by Government for poverty reduction programmes. These funds were spent on the development of the Northern Tourism Circuit (Northern and Luapula provinces) and on the Lower Zambezi/ Siavonga and Luangwa District Development projects. Other programmes implemented were on product development and marketing of Zambia as a major tourist destination of choice. The Tourism Development Credit Facility (TDCF) was another programme that was implemented under the PRPs. Applicants from the Northern and Luapula provinces were considered during 2006.

## Outlook

Strong growth is expected to continue in the tourism sector. This growth will be driven by enhanced marketing and increased investment levels. The regulatory framework in the sector is also expected to be improved with the enactment of the Tourism and Hospitality Bill and the Zambia Tourism Board Bill.

Notwithstanding this positive outlook, its realization is challenged by inadequate facilities and equipment for wildlife management and continued poor state of infrastructure in tourist areas.

# CHAPTER 11 ENERGY AND WATER DEVELOPMENT

## Overview

In 2006, the performance of the energy sector was favourable as it grew by 11.3 percent compared to 5.4 percent in 2005. This growth was mainly on account of increased power generation following the completion of the rehabilitation and upgrading of some power stations in the country. In addition, increased demand for power in the economy especially in agriculture and mining, contributed to the growth.

The supply of petroleum products in 2006 was stable compared to the erratic situation in 2005. However, the continued rise in the international oil prices had an adverse impact on the economy as a whole since Zambia is a net importer of all its petroleum requirements. The importation of crude oil for refining was costly, thus resulting in an upward trend in the domestic prices of petroleum products.

## Policy Developments

Major policy developments and objectives in 2006 included the review of the 1994 National Energy Policy (NEP). The revised policy takes into account developments in the energy sector and the whole economy. Some of the key elements of the policy include establishment of the biofuel industry, setting up petroleum strategic reserves and liberalisation of the electricity industry.

Other policy developments during the year included the formulation of the 2006 water bill whose objective is to provide for integrated water resource management and to establish river basin organisations in order to regulate surface and groundwater, including international waters.

## Sector Performance

### Electricity sub-sector

During the year under review, electricity generation increased by 7.9 percent to 9,683,032 Mega watt hours (Mwh) from 8,974,284 Mwh in 2005. This improvement was attributed to the increased power generation capacity at major power plants through the on-going power rehabilitation programme. Notably, all the main hydro-plants recorded increases in generation capacity, with the highest recorded at Victoria Falls plant at 34 percent over the previous year. Kariba North Bank and Kafue Gorge Power stations recorded 11.0 percent and 5.3 percent increases, respectively.

However, power generation from diesel stations declined further by 7.4 percent in 2006 compared to the decline registered in 2005 of 8.2 percent. This was as a result of the decommissioning of Kaoma diesel power plant which was connected to the national grid (see table 11.1).

Table 11.1: Electricity Generation (in Mwh), 2004- 2006

| Power station | (in Mwh) 2004 | 2005 | 2006 | % Change 2005/6 |
|---|---|---|---|---|
| **Main Hydro Power Stations** | **8,191,946.0** | **8,920,522.0** | **9,611,531.0** | **7.7** |
| Kafue Gorge | 4,066,944.0 | 4,596,370.0 | 4,838,260.0 | 5.3 |
| Kariba North Bank | 3,637,729.0 | 3,652,791.0 | 4,055,396.0 | 11.0 |
| Victoria Falls | 262,057.0 | 532,156.0 | 717,875.0 | 34.9 |
| Mulungushi | 225,216.0 | 139,205.0 | - | (100.0) |
| **MiniHydro Power Stations** | **48,267.0** | **38,908.0** | **57,752.0** | **48.4** |
| Lusiwasi | 13,687.0 | 3,711.0 | 27,384.0 | 637.9 |
| MusondaFalls | 16,146.0 | 16,894.0 | 16,084.0 | (4.8) |
| Chishimab falls | 16,788.0 | 16,106.0 | 11,459.0 | (28.9) |
| Lunzua | 1,646.0 | 2,197.0 | 2,825.0 | 28.6 |
| **Diesel Power stations** | **16,183.0** | **14,854.0** | **13,749.0** | **(7.4)** |
| Kabompo | 2,140.0 | 2,266.0 | 2,759.0 | 21.8 |
| Zambezi | 1,724.0 | 2,018.0 | 2,201.0 | 9.1 |
| Mwinilunga | 2,416.0 | 1,933.0 | 2,469.0 | 27.7 |
| Lukulu | 1,074.0 | 1,182.0 | 1,109.0 | (6.2) |
| Kaoma | 5,593.0 | 4,124.0 | 688.0 | (8.3) |
| Luangwa | 1,097.0 | 1,092.0 | 783.0 | (28.3) |
| Kaputa | 592.0 | 483.0 | 1,167.0 | 141.6 |
| Mufumbwe | 816.0 | 975.0 | 1,036.0 | 6.3 |
| Chavuma | - | - | 701.0 | 0.0 |
| Chama | 731.0 | 781.0 | 836.0 | 7.0 |
| **National Total** | **8,256,396** | **8,974,284** | **9,683,032** | **7.9** |

Source: ZESCO Annual Statistical Reports

## Exports

Electricity exports significantly increased by 119.6 percent, from 249,291,878 kilo watt hours (kWh) in 2005 to 547,326,113 kWh in 2006. Power exports, particularly to Zimbabwe, were high from 4,593,000 kWh exported in 2005 to 287,772,136 kWh exported in 2006. Exports to Congo, DR increased by 50.9 percent from 4,390,383.0 kWh in 2005 to 6,624,091.0 kWh in 2006. Generally, this increase in power exports was on account of the increased demand in the region (see table 11.2).

Table 11.2: Power Exports (in Kwh), 2004- 2006

| country /Year | Kwh 2004 | 2005 | 2006 | %Change 2006/2005 |
|---|---|---|---|---|
| South Africa | 434,530,000.00 | 185,576,000.00 | 191,869,000.00 | 3.4 |
| Zimbabwe | 3,607,454.00 | 4,593,000.00 | 287,772,136.00 | 6,165.5 |
| Namibia | 21,570,000.00 | 22,302,000.00 | 23,552,041.00 | 5.6 |
| Tanzania | 17,756,518.00 | 20,530,335.00 | 21,588,823.00 | 5.2 |
| Congo DR | 3,807,873.00 | 4,390,383.00 | 6,624,091.00 | 50.9 |
| Botswana | 10,906,508.00 | 11,900,160.00 | 15,920,022.00 | 33.8 |
| **Total** | **492,178,353.00** | **249,291,878.00** | **547,326,113.00** | **119.6** |

Source: Zambia Electricity Supply Cooperation

### Imports

Imports declined significantly by 87.3 percent to 54,409,945 kWh in 2006 from 429,446,000 kWh in 2005. This significant decline was attributed to the increased power generation locally and the highly inhibitive cost of procuring power from the region (see table 11.3).

**Table 11.3: Power Imports (in Kwh), 2004 - 2006**

| Country / Year | 2004 | Kwh 2005 | 2006 | % Change 2006/5 |
|---|---|---|---|---|
| South Africa (Escom) | 199,265,000.0 | 410,580,000.0 | 44,574,000.0 | (89.1) |
| Zimbabwe (ZESA) | - | 6,160,000.0 | 3,082,300.0 | (50.0) |
| Congo DR (Snel) | 9,880,000.0 | 7,940,000.0 | - | (100.0) |
| Malawi | 3,914,000.0 | 4,766,000.0 | 6,753,645.0 | 41.7 |
| **Total** | **213,059,000.0** | **429,446,000.0** | **54,409,945.0** | **(87.3)** |

Source: Zambia Electricity Supply Cooperation

### Petroleum Sub-Sector

Generally, the supply of petroleum products in 2006 was stable. This was despite the shut-down of Indeni in the last quarter of the year for routine maintenance. During the shut-down, Government also commenced the recapitalisation programme.This was on account of Government's measures of allowing the private sector to import finished petroleum products. Government gave a waiver on the 25 percent duty imposed on the importation of petroleum products in order to enable Oil Marketing Companies import products timely and cost effectively.

Overall, there was a notable increase in the levels of Diesel from 330.3 thousand cubic meters ($m^3$) in 2005 to 361.3 thousand $m^3$ in 2006. Consumption of Jet A1 increased from 32.1 thousand $m^3$ in 2005 to 35.8 thousand $m^3$ in 2006. This rise was attributed to the improved supply measures put in place by Government to counter any shortages and the growing demand for fuel in the mining sector (see table 11.4).

**Table 11.4: Fuel Consumption(in m3), 2004-2006**

| Petroleum Product/Year | 2004 | 2005 | 2006 | % Change 2006/2005 |
|---|---|---|---|---|
| Petrol | 159,777 | 152,332 | 149,390 | (1.9) |
| Diesel | 314,473 | 330,287 | 361,323 | 9.4 |
| Kerosene | 17,645 | 11,349 | 11,182 | (1.5) |
| Jet A1 ($m^3$) | 33,513 | 32,088 | 35,839 | 11.7 |

Source: Energy Regulation Board

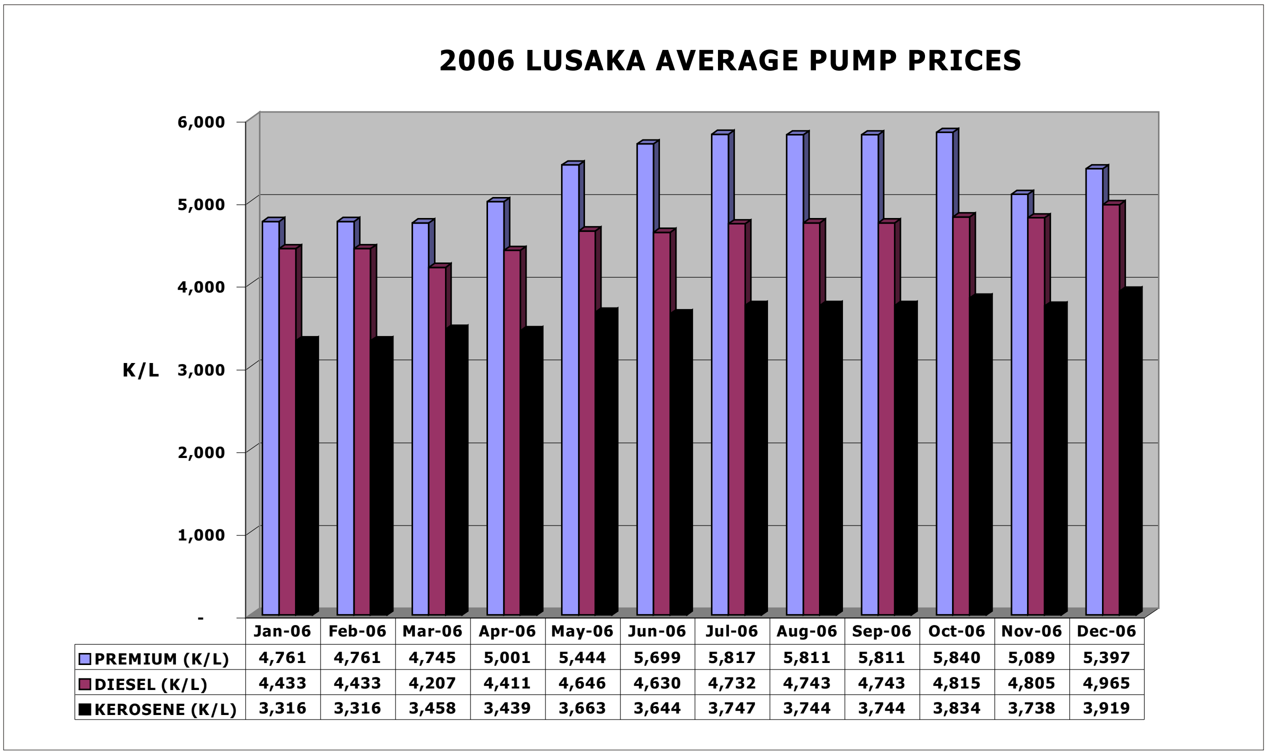
### Oil Price Developments

In the year under review, oil prices on the International markets were extremely volatile, reaching an all time high of US$ 78.4 per barrel (bbl) in July 2006. This was on account of the robust demand growth in China, United States of America and India. In addition, the instability in some of the major oil producing regions, coupled with the middle-east stand-off with the Western powers over its nuclear programme contributed to this price volatility.

The adverse impact of increasing prices on the international markets in the first half of the year and the depreciation of the Kwacha experienced during the same period affected domestic prices. By October 2006, prices on the local market hit their highest, reaching K5,840 of premium per litre. This rise in prices was registered despite a decline in product prices on the international markets. Further, the high prices were also due to the inherent costs associated with logistical constraints of importing products of the volumes that were being required to meet the country's demand at the time (see figure

This rise in prices was registered despite a decline in product prices on the international markets. Further, the high prices were also due to the inherent costs associated with logistical constraints of importing products of the volumes that were being required to meet the country's demand at the time (see figure 11.1).

**Figure 11.1: Average Lusaka Pump prices in 2006**

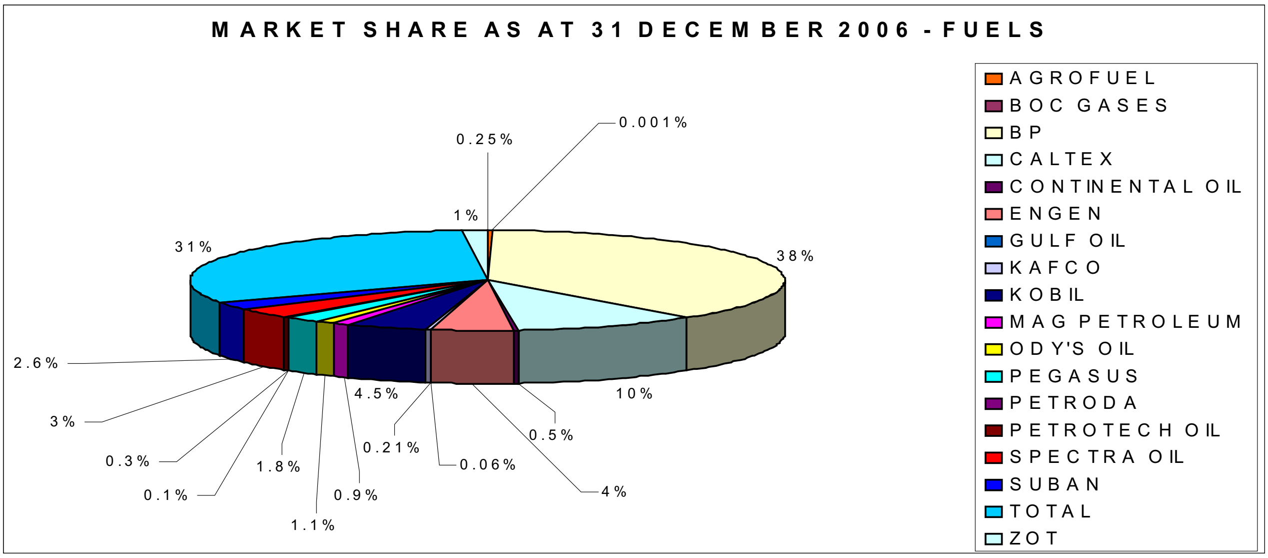



| | Jan-06 | Feb-06 | Mar-06 | Apr-06 | May-06 | Jun-06 | Jul-06 | Aug-06 | Sep-06 | Oct-06 | Nov-06 | Dec-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PREMIUM (K/L) | 4,761 | 4,761 | 4,745 | 5,001 | 5,444 | 5,699 | 5,817 | 5,811 | 5,811 | 5,840 | 5,089 | 5,397 |
| DIESEL (K/L) | 4,433 | 4,433 | 4,207 | 4,411 | 4,646 | 4,630 | 4,732 | 4,743 | 4,743 | 4,815 | 4,805 | 4,965 |
| KEROSENE (K/L) | 3,316 | 3,316 | 3,458 | 3,439 | 3,663 | 3,644 | 3,747 | 3,744 | 3,744 | 3,834 | 3,738 | 3,919 |

Source: Energy Regulatory Board

The petroleum market continued to grow, with two additional Oil Marketing Companies (OMCs) licensed in 2006, bringing the total to 20. With regard to market share, beyond petroleum (bp) remained the largest player in the market, with 38 percent. This was followed by Total, at 31 percent, after it acquired assets of Exxon Mobil towards the end of the year (see figure 11.2).

**Figure 11.2 Market Shares, 31st December 2006**




Source: Energy Regulatory Board

## Power Rehabilitation Project

The implementation of the Power Rehabilitation Project by ZESCO continued during the year under review. The overall Project costs were estimated to be US $300 million at completion. About 87 percent of the total project cost had been disbursed by the end of the year. Although initial indications were that the rehabilitation works would be completed by December 2007, the completion of works have since been extended to December 2009 with the addition to up rate units 3 and 4 at Kariba Power Station. The project is expected to be completed by May 2009 (see table 11.5).

**Table 11.5: Summary of Power Rehabilitation Works**

| Station | Rehabilitation works carried out | Financiers | cost US$ million | Completion date | Status and capacity after rehabilitation |
|---|---|---|---|---|---|
| Victoria falls | Refurbishing of generation units, Slop protection and relocation of siphon scour discharge from the falls area | EIB Development bank Of South Africa DBSA and ZESCO | 49.1 | 2006 | Completed and restored to original 108 Megawatts |
| Kafue Gorge | Rehabilitation and up-rating of generators and replacement of the 17.5kV and 330kV switchgear. | DBSA and ZESCO | 68.7 | Jul-08 | Station capacity will be increased from 900 MW to 990 MW. |
| Kariba North Bank | Upgrading generator and installation of new transformer units | Co-financed by EIB, DBSA and ZESCO. The revised estimated cost to completion | 79 | May-09 | Once completed the station capacity will be increased from 600 MW to 720 MW. |

Source Ministry of Energy and Water Development

## Water Sub-Sector

In the year under review, Government continued with the development of infrastructure, improving water resource management and establishment of water utility companies for urban and rural water supply and sanitation service provisions. By the end of 2006, there were ten water utilities operating in the country, which included Chambeshi and Lukanga Water and Sewerage Companies, established within the year under review. With regard to infrastructure development, Government continued with the rehabilitation of dams and the drilling of boreholes. A total of 1,326 boreholes were sunk and 28 dams were constructed, compared to 896 boreholes and five dams constructed in 2005 (see table

**Table 11.6: Water Infrastructure Development**

| Province | 2004 | | 2005 | | 2006 | |
|---|---|---|---|---|---|---|
| | Dams | B/holes | Dams | B/holes | Dams | B/holes |
| Central | 1 | 375 | 2 | 15 | 6 | 870 |
| C/Belt | 1 | 13 | - | 24 | 1 | 40 |
| Eastern | 3 | 224 | - | 645 | 3 | 69 |
| Luapula | 1 | 63 | 1 | 2 | 1 | 29 |
| Lusaka | 2 | 7 | - | 8 | 3 | 25 |
| Northern | 2 | 10 | - | 72 | 2 | 123 |
| NWestern | 2 | 2 | 1 | 13 | 1 | 21 |
| Southern | - | 125 | 2 | 117 | 10 | 87 |
| Western | - | 30 | - | 23 | 1 | 62 |
| **Totals** | **12** | **849** | **5** | **896** | **28** | **1,326** |

Source: Ministry of Energy and Water Development

## Outlook

The outlook for the energy sector in 2007 and beyond is favourable as demand for energy is expected to increase with growing economic activities, particularly in the mining sector and the anticipated power shortage in the region. The demand will be met by the expected increase in power generation, given the continued power rehabilitation programme and the anticipated development of new hydro power stations through the Public-Private-Partnerships agreements concluded in 2006.

In the petroleum sub-sector, supply is expected to be stable through out the year. This will be on account of the various measures put in place by Government in 2006, including the build-up of strategic petroleum reserves and the recapitalization of INDENI oil refinery. The anticipated easing in oil prices on the international market will further contribute to the stability in the domestic petroleum prices.

In water sub-sector, access to water resources is expected to increase particularly in rural areas, given the investments by Government in water-related infrastructure development and maintenance. In addition, the enactment of the Water Bill will ensure sustainable use of water for socio-economic activities and improved water resources management.

# CHAPTER 12 MANUFACTURING

## Overview

In 2006, the manufacturing sector grew by 3.3 percent compared to 2.9 percent in 2005, largely on account of improved macro-economic conditions. Growth was recorded in all sub-sectors except in non-metallic mineral products, wood and wood products, and the textile and leather sub sectors. Notably, the food, beverages and tobacco sub-sector recorded the highest growth.

## Policy Developments

Government during the period under review finalised the draft Commercial, Trade and Industrial (CTI) Policy in order to give a policy context to industrial development. The policy is aimed at promoting value addition on primary exports.

In order to operationalize the CTI policy, Government established a number of key institutions and implemented programmes such as the Zambia Development Agency (ZDA), the Multi-Facility Economic Zones (MFEZ), the Citizens' Economic Empowerment Commission (CEEC), and the Private Sector Development (PSD) Programme (see box 12.1).

Box 12.1: Highlights on ZDA. MFEZ and CEEC

***Zambia Development Agency (ZDA)***
The ZDA is an institution that will facilitate both local and foreign investors to do their business with less bureaucratic and other barriers. This development will help improve the investment climate and thereby help stimulate investments and industrial development in the country. The ZDA Act was enacted in 2006

***Multi-Facility Economic Zones (MFEZ)***
The MFEZs are special industrial areas designated for the promotion of both export –oriented and domestic-oriented industries. The zones will have the necessary infrastructure that will facilitate manufacturing activities. There were two areas namely Chambishi and Lusaka that were identified. In the zones, investors are expected to enjoy fiscal incentives.

***Citizens' Economic Empowerment Commission***
In 2006 Government established the Citizens Economic Empowerment Commission, whose objective is to encourage, facilitate and increase the levels of citizens' participation in all facets of the Zambian economy so as to improve their well being. The Citizens Economic Empowerment (CEE) is an all-inclusive process and one of the key elements is promotion of partnerships between foreign and Zambian investors.

## Sector Performance

The manufacturing sector grew by 3.3 percent in 2006, compared to 2.9 percent in 2005. All the sub-sectors contributed to this growth except the textiles and leather industries, wood and wood products, and the non-metallic products sub-sectors, which registered declines (see table 12.1).

**Table 12.1: Manufacturing Sector Value Added by Sub-sector, 2004-2006**

| SUB-SECTOR | 2004 | 2005 | 2006 | % Change 2006/05 |
|---|---|---|---|---|
| Food, Beverages and Tobacco | 198.6 | 205.7 | 215.0 | 4.5 |
| Textile, and leather Industries | 50.3 | 48.9 | 48.7 | (0.4) |
| Wood and Wood Products | 25.4 | 26.3 | 24.4 | (7.2) |
| Paper and Paper Products | 8.9 | 9.8 | 10.0 | 2.1 |
| Chemicals, Rubber and Plastic Products | 28.6 | 29.5 | 31.5 | 6.7 |
| Non-metallic Mineral Products | 6.4 | 6.9 | 6.0 | (12.1) |
| Basic Metal Products | 1.4 | 1.4 | 1.4 | 0.1 |
| Fabricated Metal Products | 6.4 | 6.8 | 7.0 | 2.6 |
| Total Manufacturing | 325.9 | 335.3 | 344.0 | 2.6 |
| Total GDP | 2,999.2 | 3,153.5 | 3,332.0 | 5.6 |
| Share of Manufacturing in total GDP | 10.9 | 10.6 | 10.5 | |

Source: Central Statistical Office

The food, beverages and tobacco sub-sector grew by 5.5 percent in 2006 compared to 3.6 percent in 2005. This outturn was mainly due to an increase in production of grain mill products, opaque beer, sugar and tobacco products. The continued demand for sugar in the European market also contributed to the growth in the sub-sector.

Positive growth was also recorded in the chemicals, rubber and plastics sub-sector, which grew by 7.0 percent in 2006, compared to 3.2 percent recorded in 2005. This growth was largely due to increased demand for products from mining, agriculture and construction sectors.

On the downside, the textiles and leather industries sub-sector declined for the second year running. Output declined by 4.7 percent in 2006 compared to a decline of 2.9 percent in 2005. The continued poor performance of the sub-sector was due to several factors, including competition from imported textile products.

## Outlook

Positive growth is expected to be registered in 2007 supported by a stable macroeconomic environment, incentives that have been provided by Government and expected growth in the agricultural and mining sectors. The operationalization of the ZDA is also expected to provide impetus for growth in the sector.

# CHAPTER 13 TRANSPORT,STORAGE AND COMMUNICATIONS

## Overview

During the period under review, the transport and communications sector grew by 13.4 percent compared to 11.0 percent in 2005. This growth was mainly on account of increased economic activities in other sectors and infrastructural development which led to growth in all the sub-sectors.

## Policy Developments

In 2006, a draft Information and Communications Technology (ICT) bill was developed. The ICT bill is aimed at updating the legislative and regulatory framework in the sector and also provide for regulation of postal services. In line with the draft ICT Bill, a communications department in the Ministry of Communications and Transport was established.

In the meteorology sub-sector both the draft Meteorology Policy and draft Meteorology Bill were completed in 2006. These were aimed at providing a legal and regulatory framework and putting a mechanism to charge for services.

In order to effectively operationalise the road agencies that were established in 2004, placement of staff continued in 2006. At the National Road Fund Agency and Road Development Agency the placements were completed while at the Road Transport Safety Agency 90 percent of the staff were recruited.

In the rail sub-sector, Government concluded the review of the rail concession of the Zambia Railways system with Railway Systems of Zambia (RSZ). This review was aimed at improving the efficiency of operations of the rail system and increasing investment in the rail infrastructure.

## Sector Performance

### Transport sub-sector

#### Railways

The rail sub-sector recorded a growth of 8.0 percent in 2006 from a decline of 11.6 percent mainly on account of increased passenger traffic.

Passenger traffic rose by 20.2 percent to 1,410,099 in 2006 from 1,173,339 in 2005. This was attributed to rising passenger fares for road transport resulting in increased demand for rail transport. Passenger fares, on long distance routes for road transport went up by 15 percent.

However, total cargo carried by rail in Zambia reduced by 3 percent to 1,702,871 Mt in 2006 from 1,755,899 (Mt) in 2005. This was mainly attributed to a reduction in freight tonnage transported by the major mining companies such as Konkola and Mopani that switched their mode of transporting cargo from rail to road.Rail transport continued to be beset by frequent derailment, low wagon availability and longer turn-around times which made road transport more competitive.

Cargo moved by the Tanzania Zambia Railways Authority (TAZARA) declined by 10.8 percent to 555,291 Mt in 2006 compared to 622,560 Mt in 2005. The Railway Systems of Zambia (RSZ) on the other hand recorded an increase of 1.3 percent in the cargo transported to 1,147,580 Mt in 2006 from 1,133,339 in the 2005 (see table 13.1).

Table 13.1 : Cargo and Passenger Transported by Rail, 2004 -2006

| Railway Company | Metric tones 2004 | 2005 | 2006 | % Change 2006/2005 | No. of Passengers carried 2004 | 2005 | 2006 | % Change 2006/2005 |
|---|---|---|---|---|---|---|---|---|
| **RSZ** | 1,235,241 | 1,133,339 | 1,147,580 | **1.3** | 340,000 | 332,017 | 354,019 | 6.6 |
| **TAZARA** | 568,100 | 622,560 | 555,291 | **(10.8)** | 829,913 | 841,322 | 1,056,080 | 25.5 |
| **TOTAL** | **1,803,341** | **1,755,899** | **1,702,871** | **(3.0)** | **1,169,913** | **1,173,339** | **1,410,099** | **20.2** |

Source: Ministry of Communications and Transport, RSZ and Tazara

## Other Developments

In 2006, the procurement process for the Build-Operate-and Transfer (BOT) for construction of six railway systems commenced. The projects involved the following lines: Chipata-Tazara; Nseluka-Mpulungu; Chingola-Solwezi; Solwezi-Lumwana-Benguela; Kafue Lions Den; and Mulobezi-Caprivi Strip.

Government contracted Zambia Railways Limited (ZRL) to construct the Chipata Mchinji rail line at a cost of K 20 billion. Civil works commenced in 2006, which included rail formation and vegetation control over the 24 km stretch. Other civil works such as the laying of concrete sleepers and the rails were expected to commence in early 2007. The construction of the rail line is expected to be completed within 18 months.

Government reviewed the investment plan of the rail concession with RSZ during the period under review. The purpose of the review was to address inefficiency and inadequacy of investment in rail infrastructure by the concessionaire since take-over 2003. The revised investment plan is expected to improve the condition of the line.

A total of six locomotives were overhauled in 2006, while 528 wagons underwent heavy and light repairs. Track maintenance also commenced in 2006 and amongst the works conducted were the Muzoka Kafue where 140km of ballasting and interlacing of concrete with wooden sleepers was undertaken. With regard to the Kitwe- Chambishi, a total of 29 km of ballasting, replacement of worn out rails and insertion of steel sleepers were done.

## Air Transport

The air transport sub-sector registered a strong growth of 21.7 percent in 2006 compared to 5.8 percent in 2005. This growth was mainly on account of increased passenger and air cargo traffic volumes induced by infrastructural expansion works at Livingstone and Lusaka International airports. In addition, increased economic activities triggered growth in the sub-sector. However, the sector performance continued to be constrained by the high aviation fuel prices that impacted negatively on the cost of the airfare and freight charges.

Aircraft movements declined mainly due to changes in the aircraft types from smaller to bigger ones which accommodated more passengers per flight. Aircraft movements fell by 3 percent to 38,761 in 2006 from 39,987 in 2005. This was mainly on domestic flights. The change in aircraft types utilized was necessitated by the need to optimize airline operations (see table 13.2).

Table 13.2: Domestic And International Aircraft Movements for Arrivals and Departure, 2005-2006

| Airport | 2005 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Dom | Int | Total | Dom | Int | Total |
| **Lusaka** | 13,530 | 7,783 | 21,313 | 11,340 | 8,886 | 20,226 |
| **Ndola** | 3,836 | 2,535 | 6,371 | 4,811 | 2,723 | 7534 |
| **Livingstone** | 2,594 | 5,345 | 7,939 | 2,095 | 5,486 | 7,581 |
| **Mfuwe** | 3,354 | 1,010 | 4,364 | 2,560 | 860 | 3,420 |
| **TOTAL** | **23,314** | **16,673** | **39,987** | **20,806** | **17,955** | **38,761** |

Source: Ministry of Communications and Transport, RSZ and Tazara

Despite the reduction in aircraft movement, passenger traffic increased by 31 percent to 882,944 in 2006 from a total of 674,925 in 2005. The increase was mainly attributed to increased tourism activities in the country, especially in Livingstone, and the reduction in airfares, in particular on the Lusaka-Johannesburg and Lusaka-Dar-es-salaam routes. Further, the introduction of budget airlines services by Zambian Airways made it cheaper and more convenient than traveling using other modes of transport (see table 13.3).

Table 13.3: Domestic and international Air Passenger Movements for both Arrivals and Departures, 2004 2006

| | 2004 | | | 2005 | | | 2006 | | Total | % change 2006/2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Airport** | **Dom** | **Int.** | **Total** | **Dom** | **Int.** | **Total** | **Dom** | **Int.** | | |
| Lusaka | 62,918 | 327,332 | 390,250 | 61,620 | 358,609 | 420,229 | 76,699 | 510,905 | 587,604 | 39.8 |
| Ndola | 27,443 | 51,901 | 79,344 | 30,763 | 46,374 | 77,137 | 37,074 | 55,715 | 92,789 | 20.0 |
| L/stone | 9,218 | 117,086 | 126,304 | 12,613 | 142,243 | 154,856 | 14,536 | 165,780 | 180,316 | 16.0 |
| Mfuwe | 16,196 | 3,661 | 19,857 | 19,688 | 3,015 | 22,703 | 19,980 | 2,255 | 22,235 | (2.0) |
| **TOTAL** | **115,775** | **499,980** | **615,755** | **124,684** | **550,241** | **674,925** | **148,289** | **734,655** | **882,944** | **31.0** |

Source: National Airports Corporation Limited and Ministry of Communications and Transport

Cargo traffic grew by 30.3 percent to 35,070 in 2006 from 26,906 in 2005. This outturn was mainly due to increased imports of machinery and spares for the mining industry and export of horticultural produce (see table 13.4).

Table 13.4: Cargo transported by air in Mt, 2004 2006

| Airport | 2004 | 2005 | 2006 | % change 2006/2005 |
|---|---|---|---|---|
| **Lusaka** | 19,109 | 25,423 | 33,199 | 30.6 |
| **Ndola** | 1,509 | 1,484 | 1,871 | 26.1 |
| **TOTAL** | **20,618** | **26,906** | **35,070** | **30.3** |

Source: National Airports Corporation Limited and Ministry of Communications and Transport

There was also a general increase in weekly frequencies of airlines using Zambian airspace. This was due to a rise in demand for more air transport services as a result of increased economic activities in the mining and tourism sectors.

### Infrastructure Development

In order to maintain and develop aviation infrastructure to internationally accepted standards, some major projects were undertaken. These included completion of rehabilitation works on the taxiways at Lusaka International Airport at a cost of K12.6 billion, supply and installation of standby generators at the cost of K2.6 billion, and installation of a 'pay on exit' parking system at a cost of K245.3 million at Lusaka International Airport.

Rehabilitation works were also carried out at Livingstone International Airport. Works involved the extension of the runway by 700 metres from the current 2.3km to 3.0km and were expected to be completed in 2007. The runway extension project is intended to accommodate long haul aircrafts of up to Boeing 767 or 157 Mt aircraft. At the Ndola International Airport, a new international arrivals hall costing K6.0 billion was commissioned in 2006.

Further, an Aeronautical Remote Controlled Air to Ground voice (RCAG) communication radio station was commissioned at Lusaka international airport. Installation of two more RCAG Stations at Kasama and Chipata at a cost of K1.6 billion also commenced, and were expected to be completed in 2007. The RCAG provides air traffic control with complete air to ground voice communications coverage on aeronautical mobile services for all major routes in the Zambian Airspace above the stipulated International Civil Aviation Organisation (ICAO) and African and Indian Ocean region standards.

### Water Transport

The performance in the water transport sub-sector was was mixed. At Mpulungu harbour, cargo traffic rose by 20.2 percent to 68,795 Mt in 2006 from 57,255 in 2005 mainly due to increased cement and sugar exports to Congo DR and Burundi, while passenger traffic declined by 77.9 percent to 1,354 in 2006 from 6,135 in 2005.

At Mulamba harbour cargo traffic declined by 44.6 percent to 54.1 Mt in 2006 from 97.4 Mt in 2005. However, passenger traffic increased by 105 percent to 3,276 in 2006 from 1,596 in 2005.

### Communications sub-sector

Growth in the communication sub-sector continued to be strong at 18.5 percent in 2006. This outturn was attributed to increased investments, especially by the mobile phone providers.

The performance of the mobile phone segment improved significantly in line with increased investments The geographical coverage increased by 26 percent in 2006 from 16 percent in 2005, while population coverage rose by 65 percent from 48 percent . Consequently, the national mobile tele-density rose to 14 percent in 2006 from 8.5 percent in 2005. The total subscriber base registered a growth of 78.8 percent from 970,028 to 1,734,276 subscribers (see table 13.5).

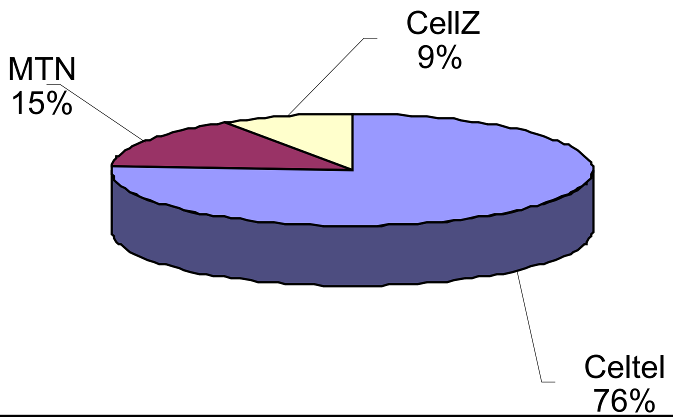
**Table 13.5: Growth Trends in the Mobile Phone Segment, 2004-2006**

| | 2004 | | 2005 | | 2006 | | Subscriber % change |
|---|---|---|---|---|---|---|---|
| | Installed capacity | Subscribers | Installed capacity | Subscribers | Installed capacity | Subscribers | 2006/2005 |
| Celtel | 1,000,000 | 268,000 | 1,000,000 | 700,438 | 2,000,000 | 1,325,108 | 89.2 |
| MTN | 100,000 | 131,599 | 200 | 175,122 | 275,000 | 260,000 | 48.5 |
| CellZ | 60,000 | 60,120 | 65,000 | 94,468 | 150,000 | 149,168 | 58.0 |
| **Total** | **1,160,000** | **459,719** | **1,065,200** | **970,028** | **2,425,000** | **1,734,276** | **78.8** |

Source: Communications Authority of Zambia

Celtel continued to dominate the market increasing its market share to 76 percent in 2006 from 72 percent in 2005. MTN's share declined to 15 percent in 2006 from 18 percent in 2005, while that of CellZ reduced to 9 percent in 2006 from 10 percent in 2005 (see figure13.1).

Figure 13.1 Mobile Market Share by Subscribers




Source: Communications Authority of Zambia

### Internet Segment

A total six Internet Service Providers were registered in 2006 bringing the number of licensed entities to 14. Despite the increase in access to the internet, the number of subscribers remained unchanged. This was attributed to increased usage of internet café.

### Telecenters

The number of tele-centres increased to 524 in 2006 from 501 in 2005 despite the high start-up license fees. The increase was due to high demand for mixed services such as high speed internet, photocopying and laminating.

The major challenge for the sector was the continued prohibitive cost of US $12 million licensing of the International gateway. This has resulted in failure by private operators to enter the international gateway market.

## Poverty Reduction Programmes (PRPs)

A total of K12.3 billion was released for poverty reduction programmes was 43 percent above the 2006 budgetary allocation of K 8.6 billion. Major projects implemented were infrastructural-related (see table 13.7).

Table 13.7: Status of Implementation of Poverty Reduction Programmes, 2006

| Prgramme | Activities/field of intervention | Planned inputs GRZ and donor | Actual Inputs GRZ and donor | Planned outputs | Actual outputs |
|---|---|---|---|---|---|
| Monitoring of Poverty Reducing Programmes | Inspection visits | 112,500,000 | 55,000,000 | Quarterly M and E visits undertaken | All M and E visits undertaken |
| New Railway Development | Construction of 23km of rail at Chipata Mchinji | 277,886,552 | 1,555,000,000 | 23km of rail constructed | Rail formation on 23km of rail undertaken |
| Policy Co-ordination | Development of the Meteorology policy | 638,750,000 | 426,516,634 | Met Policy produced | Policy document produced |
| Rehabilitation of Airports | Expansion of Livingstone airport and routine maintenance of several aerodromes | 5,754,842,765 | 9,083,742,765 | 75 percent of Livingstone airport project accomplished | 80 percent of the airport runway constructed |
| | | | | | Mongu, Chipata, Solwezi and Southdowns airports maintained |
| | | | | Other aerodromes rehabilitated. | |
| Meteorological Observation and Establishment of Meteorological Stations | Replacement of obsolete meteorological equipment | 270,696,000 | 129,130,000 | | 25 percent of the planned equipment replaced |
| Waterways Management | Dredging of Canals in three provinces | 1,550,000,000 | 1,050,000,000 | 1000km of canals dredged | 250km of canals dredged |
| **Total** | | **8,604,675,317** | **12,299,389,399** | | |

Source: Ministry of Communications and Transport

## Outlook

The outlook for the transport storage and communications sector is bright premised on continued increased economic activities in the country.

In the rail sub-sector, continued growth is expected in 2007. The improvements in infrastructure will be induced by investments in the sector which will spur growth in cargo and passenger traffic.

The air transport sub-sector is also expected to continue registering strong growth based on increased economic activities especially from the tourism and mining sectors. Further, the completion of the expansion programme of the runway at Livingstone International airport is expected to provide the impetus for increased activity.

In the water transport sub-sector, the procurement of vessels and the continued dredging of canals is expected to improve accessibility and mobility.

In the communication sub-sector, the laying of the fibre optic network is expected to improve efficiency and eventually lower the cost of telecommunications. Further, mobile phone companies are also expected to continue with investments for nationwide expansion aimed at improving coverage especially in rural areas.

In terms of the policy and legal framework, Government will review and revise the Transport Policy of 2002 to take into account new developments in the sector. The Meteorology Sector Policy is expected to be in place and the Communications Technology (ICT) Bill enacted.

# CHAPTER 14 BUILDING AND CONSTRUCTION

## Overview

Growth in the construction sector slowed down to 9.0 percent in 2006 compared to 21.2 in 2005. This was attributed to the increased domestic price of cement and reduced funding to the sector. Growth was driven by housing, road rehabilitation and maintenance and other civil works.

## Policy Developments

The key policy development during the period under review was the development of the public-private partnership policy. Other policy developments included the amendment of part five of the Public Roads Act No. 12 of 2002 to provide for decriminalization of the offences committed in exceeding the legal road limits.

## Sector Performance

### Cement Production and Domestic Sales

Production and sales of Chilanga cement declined during the review period compared to the previous year. Production declined by 3.7 percent in 2006 to 549,870 Mt from 571,242 Mt in 2005. Sales were however more than the production mainly due to carry-over stocks from the previous year. Sales declined by 4.5 percent in 2006 to 551,481 Mt from 577,615 Mt in 2005. The decline in cement production was as a result of the effects of appreciation of the Kwacha in late 2005 and early 2006 which made imported cement cheaper than the locally produced.

**Table 14.1 Chilanga Cement Production and Sales Figures in Mt, 2004-2006**

| Activity | 2004 | 2005 | 2006 | % Change 2006/2005 |
|---|---|---|---|---|
| Production | 510,668 | 571,242 | 549870 | (3.7) |
| Sales | 496,625 | 577,615 | 551,481 | (4.5) |

Source: Chilanga Cement plc

## Road Sub-sector

### Financing of the Road Sub-Sector

Total budgetary allocation to the road sector (both GRZ and Donor) amounted K902.2 billion in 2006. A total of K522.4 billion or 57.9 percent was released (see table 14.2).

**Table 14.2: Funding for the Road Sub-sector, 2006**

| Funding Source | Budgetary Allocation K' billion | Amount Released K' billion |
|---|---|---|
| Road Fund | 193.6 | 200.5 |
| GRZ | 243.1 | 72.2 |
| European Union | 121.4 | 100.2 |
| World Bank | 137.8 | 67.4 |
| DANIDA | 70.3 | 55.0 |
| Nordic Development Fund (NDF) | 29.1 | 1.4 |
| OPEC | 27.1 | 13.2 |
| NORAD | 20.6 | 0.2 |
| BADEA/Kuwait Fund | 59.3 | 12.2 |
| **Total** | **902.2** | **522.4** |

Source: Ministry of Works and Supply and Road Development Agency

Government during the period under review continued constructing, rehabilitating and maintaining the road infrastructure. Consequently, the overall condition of the paved roads of the core road network improved to 64 percent good in 2006 from 60 percent good in 2005. While the overall condition of the unpaved core road network improved to 44 percent good in 2006 from 24 percent good in 2005.

Rehabilitation of paved trunk and main roads was carried out at a cost of K471.5 billion resulting in 56.8 percent progress and an improvement of 789 km of the road network in good condition. Among the major roads rehabilitated was the Lusaka-Chirundu, Chingola-Kasumbalesa, Luanshya-Kafulafuta, Mutanda-Kasempa and Kasama-Luwingu. A total of 387.5 km of the unpaved road network was rehabilitated (see table 14.3).

**Table 14.3: Rehabilitation of Paved and Unpaved Roads**

| Project Name/Road Description | Targeted Distance | Status on Progress | | Financing | | |
|---|---|---|---|---|---|---|
| | Km | Km | Percent | Contract Sum K' Billion | Amount Paid K' Billion | Funding Source |
| Chingola – Kasumbalesa[7] | 44.0 | 44.0 | 100 | 53.9 | 47.0 | IDA/OPEC |
| M9 Lusaka- Mongu Road (Phase IIA) | 132.0 | 132.0 | 100 | 67.0 | 67.0 | DANIDA |
| RD 536 Situmbeko-Chimbotela Road | 22.3 | 22.3 | 100 | 1.2 | 1.2 | DANIDA |
| RD 185 Mumbwa – Kaporoso Road | 31.6 | 31.6 | 100 | 3.1 | 2.3 | DANIDA |
| Kaporoso - Mwango Road | 29.0 | 28.4 | 98 | 1.9 | 1.7 | DANIDA |
| Kaoma Town Link Road | 1.3 | 1.3 | 100 | 0.5 | 0.5 | DANIDA |
| Kaoma – Kasempa Road A | 44.1 | 44.4 | 100 | 3.5 | 3.0 | DANIDA |
| Kaoma – Kasempa Road B | 35.0 | 32.6 | 93 | 3.0 | 3.2 | DANIDA |
| Luampa – Machile Road B lot 1 | 3.3 | 3.3 | 100 | 0.3 | 0.2 | DANIDA |
| Luampa – Machile Road B lot 3 | 5.9 | 5.9 | 100 | 0.9 | 0.6 | DANIDA |
| Chisaka – Nangoma Road (lot 1) | 10.0 | 8.0 | 80 | 0.7 | 0.3 | DANIDA |
| Luampa – Machile Road B lot 2 | 12.4 | 10.0 | 81 | 0.9 | 0.4 | DANIDA |
| Luanshya – Kafulafuta Road | 41.0 | 32.0 | 78 | 32.4 | 19.5 | IDA/OPEC |
| Mongu - Kalabo Road | 79.0 | 35.0 | 50 | 166.1 | 131.2 | Kuwait Fund |
| Kasama – Luwingu Road | 165.0 | 56.7 | 40 | 136.5 | 112.2 | GRZ |
| Mwinilunga-Jimbe Road(T5) | 11.0 | 2.0 | 20 | 303.5 | 0.1 | GRZ |
| Lusaka – Chirundu Road | 34.0 | 6.0 | 20 | 110.9 | 25.8 | IDA/OPEC |
| Chisaka - Nangoma Road (lot 2) | 9.3 | 1.0 | 11 | 0.5 | 0.1 | DANIDA |
| Kasempa Turn off – Kabompo Road | 235.0 | 40.0 | 10 | 211.4 | 54.0 | GRZ |
| Mwembeshi-Nampundwe-L1 RD556 Road | 9.0 | 0.8 | 9 | 0.6 | 0.1 | DANIDA |
| Mwembeshi-Nampundwe-L2 RD556 Road | 8.8 | 0.2 | 3 | 0.7 | 0.1 | DANIDA |
| **Total** | **963.1** | **543.16** | | **1099.4** | **471.5** | |
| **Rehabilitation of Unpaved** | | | | | | |
| Munyumbwe-Chipepo road- culvert | 0 | 0 | 100 | 3.3 | 2.3 | GRZ |
| Namushekende-Nalikwanda Road | 60.0 | 60.0 | 100 | 1.1 | 0.9 | GRZ |
| Kausenga Culvert | - | - | 100 | 0.04 | 0 | GRZ |
| Kalombo – Sakawawa Lot 2 | 3.5 | 0 | 100 | 0.05 | 0.05 | GRZ |
| Kalombo – Sakawawa Lot 3 | 3.5 | 3.5 | 100 | 0.03 | 0.03 | GRZ |
| Kalwilo Road – Vegetation control | 25.0 | 25.0 | 100 | 0.05 | 0.05 | GRZ |
| Kamusongolwa Culvert | - | - | 100 | 0.1 | 0.1 | GRZ |
| Kasampula Culvert | - | - | 100 | 0.1 | 0.1 | GRZ |
| Lumwana - Kakoma Road | 11.0 | 11.0 | 100 | 0.1 | 0.05 | GRZ |
| Mtenguleni-Kasenengwa Road | 16.5 | 16.5 | 100 | 0.2 | 0.2 | GRZ |
| Lundazi-Chama Road | 150.0 | 35.0 | 100 | 0.4 | 0.4 | GRZ |
| Nyimba-Kasusu Washaway | - | - | 100 | 0.1 | 0.1 | GRZ |
| Simungoma – Mulobezi Road | 15.0 | 13.0 | 90 | 0.6 | 0.5 | GRZ |
| Magwero Road | 15.4 | 13.0 | 90 | 0.1 | 0.1 | GRZ |
| Chilombo – Katoya Road | 4.0 | 2.0 | 85 | 0.2 | 0.1 | GRZ |
| Karare Njonjolo Road | 21.0 | 18.5 | 60 | 0.2 | 0.1 | GRZ |
| Shiwangandu Road | 74.0 | 37.0 | 50 | 0.6 | 0.6 | GRZ |
| Kalumwange Farm Block | 34.0 | 16.0 | 40 | 0.6 | 0.2 | GRZ |
| Chipata Lundazi Road | 150.0 | 60.0 | 40 | 0.3 | 0.3 | GRZ |
| Pedicle Road | 55.0 | 25.0 | 10 | 2.0 | 0.8 | GRZ |

Source: Ministry of Works and Supply and Road Development Agency

## Poverty Reduction Programmes

### Rural Roads Development

During the period under review, K13.8 billion was released against the budgetary allocation of K61.5 billion to the rural roads development programme for periodic and routine maintenance in all the nine provinces. A total of 1,819 km of the unpaved road network was maintained against a target of 2,250 km at a cost of K17.5 billion (see table 14.5).

**Table 14.4: Periodic Maintenance of Paved Roads**

| Project Name/Road Description | Targeted Distance | Status on Progress | | Financing in K' Billion | | |
|---|---|---|---|---|---|---|
| | Km | Km | Percent | Contract Sum | Amount Paid | Funding Source |
| Chipata-Lundazi Road Lot 2; From Km 100 to Lundazi Road | 80.00 | 72.00 | 100 | 21.40 | 0.02 | Fuel Levy |
| Mansa-Luwingu Road | 161.00 | 161.00 | 100 | 5.25 | 0.70 | Fuel Levy |
| Mungwi-Kasupe Road | 16.00 | 16.00 | 100 | 5.30 | 5.10 | Fuel Levy |
| Mongu-Senanga Road | 106.00 | 106.00 | 100 | 10.80 | 10.80 | Fuel Levy |
| Mansa-Chembe Road | 92.70 | 92.70 | 100 | 2.00 | 0.40 | Fuel Levy |
| Nyimba-Minga Road | 43.00 | 43.00 | 100 | 0.06 | 0.06 | GRZ |
| Great East Road T4-Feira (D145) Road | 91.60 | 91.60 | 90 | 4.30 | 1.90 | EU |
| Katete-Chanida Border Road | 56.00 | 55.00 | 90 | 2.50 | 1.05 | Fuel Levy |
| Output Based Performance Contracts | 649.50 | 614.10 | 90 | 2.85 | 1.37 | GRZ |
| Katete-Chipata-Mwami Border Road | 110.00 | 93.50 | 80 | 18.90 | 17.19 | Fuel Levy |
| Output Based Performance Contracts | 120.04 | 92.96 | 80 | 0.86 | 0.10 | GRZ |
| Batoka-Maamba Road (D775) | 88.00 | 67.00 | 76 | 1.60 | 1.60 | Fuel Levy |
| Zimba-Livingstone (T1) Road | 87.00 | 87.00 | 70 | 0.18 | 0.25 | Fuel Levy |
| Lusaka-Kabwe Road (Between Makombe to Kabwe Warriors Complex) | 53.00 | 32.70 | 50 | 41.50 | 16.50 | EU |
| Output Based Performance Contracts | 775.6 | 351.93 | 50 | 7.85 | 2.60 | GRZ |
| Output Based Performance Contracts | 806.9 | 244.01 | 32 | 7.30 | 1.59 | GRZ |
| Mutanda - Mwinilunga (T5) Road | 40.00 | 10.00 | 30 | 0.56 | 0.15 | GRZ |
| Mongu-Limulunga Road | 17.00 | 5.60 | 30 | 1.85 | 0 | Fuel Levy |
| Kasama -Mbala-Mpulungu Road | 208.00 | 50.00 | 25 | 2.30 | 0.31 | Fuel Levy |
| Road T2 at Landless Corner-Mumbwa Road | 110.00 | 9.00 | 8 | 1.80 | 0.56 | EU |
| Dag Hammasjoeld Road | 5.80 | 0 | 8 | 0.11 | 0 | GRZ |
| Lusaka-Kabwe (Between Chisamba-mukoboto Junction) Road | 42.00 | 0 | 0 | 28.80 | 4.90 | EU |
| Lufwanyama Roads | 4.00 | 4.00 | 0 | 0.05 | 0 | GRZ |
| Luanshya Roads | 12.00 | 1.00 | 0 | 0.05 | 0 | GRZ |
| **Total** | **3775.14** | **2300.1** | | **168.17** | **67.1** | |

Source: Ministry of Works and Supply and Road Development Agency

Periodic maintenance of paved roads was also carried out on 2,300 km against the target of 3,775 km at a cost of K67.1 billion (see table 14.4).

**Table 14.5: Periodic Maintenance of Unpaved Roads**

| Project Name/Road Description | Targeted Distance | Status on Progress | | Financing in K' Billion | | |
|---|---|---|---|---|---|---|
| | Km | Km | Percent | Contract Sum | Amount Paid | Funding Source |
| Chiundaponde-Mpika Road | 26.00 | 26.00 | 100 | 0.37 | 0.37 | GRZ |
| Kabwe-Mukonchi Road | 40.00 | 40.00 | 100 | 1.40 | 0 | GRZ |
| Mpula-Masansa Road | 55.00 | 55.00 | 100 | 0.89 | 0.60 | GRZ |
| Mumbwa-Kasempa Road | 25.00 | 25.00 | 100 | 0.49 | 0.44 | GRZ |
| Chiyuni-Ipongo Road (Chibombo) | 11.00 | 11.00 | 100 | 0.18 | 0.18 | GRZ |
| Mapili-Naluyanda Road (Chibombo) | 7.50 | 7.50 | 100 | 0.18 | 0.18 | GRZ |
| Chikumbi-Kaluwe Road (Chibombo) | 20.00 | 20.00 | 100 | 0.18 | 0.18 | GRZ |
| Katete-Musopelo Road (Chibombo) | 7.00 | 7.00 | 100 | 0.18 | 0.18 | GRZ |
| T2-Lwamabwe Road (Chibombo) | 10.00 | 10.00 | 100 | 0.18 | 0.18 | GRZ |
| Chief Nkole Road (Kapirimposhi) | 1.30 | 1.30 | 100 | 0.18 | 0.18 | GRZ |
| Chibwelelo culvert (Kapirimposhi) | 1 No. | 0 | 100 | 0.18 | 0.18 | GRZ |
| Lunchu-Mita Hills Road (Kapirimposhi) | 44.00 | 44.00 | 100 | 0.18 | 0.18 | GRZ |
| Bwacha-Muwowo Road (Kabwe) | 10.00 | 10.00 | 100 | 0.18 | 0.11 | GRZ |
| Chitina-Fibanga Road (Mkushi) | 26.00 | 26.00 | 100 | 0.18 | 0.18 | GRZ |
| Tuyu-Mpale Road (Mkushi) | 11.00 | 11.00 | 100 | 0.18 | 0.18 | GRZ |
| Chilisha-Munte Road (Serenje) | 12.00 | 12.00 | 100 | 0.18 | 0.17 | GRZ |
| Mpande Road (Serenje) | 8.00 | 8.00 | 100 | 0.18 | 0.17 | GRZ |
| Fikondo Road (Serenje) | 10.00 | 10.00 | 100 | 0.18 | 0.17 | GRZ |
| Kalonga-Kabansa Road (Serenje) | 20.00 | 20.00 | 100 | 0.18 | 0.17 | GRZ |
| Chief Mailo Road (Serenje) | 20.00 | 20.00 | 100 | 0.18 | 0.17 | GRZ |
| Malcom Moffat Road (Serenje) | 2.00 | 2.00 | 100 | 0.18 | 0.17 | GRZ |
| Mununga – Kaputa Road | 60.00 | 60.00 | 100 | 1.05 | 0.75 | GRZ |
| Kaufutuma Farm Block Road | 4.00 | 4.00 | 100 | 0.11 | 0.11 | GRZ |
| Kaoma-Makasa Road | 20.00 | 20.00 | 100 | 0.12 | 0.12 | GRZ |
| Mushota – Buyaka Road | 10.00 | 10.00 | 100 | 0.16 | 0.15 | GRZ |
| Katena – Mashika Road | 12.00 | 12.00 | 100 | 0.13 | 0.12 | GRZ |
| Chienge - Chief Lunchinda Road | 4.00 | 4.00 | 100 | 0.08 | 0.07 | GRZ |
| Mangamu – Kanaya Road | 4.00 | 4.00 | 100 | 0.10 | 0.09 | GRZ |
| Nyimba - Mtirizi Road | 60.00 | 60.00 | 100 | 0.15 | 0.09 | GRZ |
| Nyimba – Utotwe Bridge | 11.00 | 11.00 | 100 | 0.28 | 0.08 | GRZ |
| Old Congo Road Lot 1 | 50.00 | 50.00 | 100 | 0.98 | 0.71 | GRZ |
| Mpongwe - Machiya Road | 56.60 | 56.60 | 100 | 1.50 | 0.84 | GRZ |
| Chakwenga Mine Road Lot 1 | 40.00 | 39.50 | 100 | 0.23 | 0.23 | GRZ |
| State Lodge Road Lot 1 | 5.30 | 5.30 | 100 | 0.13 | 0.08 | GRZ |
| State Lodge Road Lot 2 | 6.70 | 6.70 | 100 | 0.10 | 0.10 | GRZ |
| Old Kafue Road Lot 1 | 6.00 | 6.00 | 100 | 0.07 | 0.06 | GRZ |
| Old Kafue Road Lot 2 | 8.00 | 8.00 | 100 | 0.08 | 0.08 | GRZ |
| Old Kafue Road Lot 3 | 8.60 | 8.60 | 100 | 0.09 | 0.09 | GRZ |
| Twikatane Road Lot 1 | 4.50 | 4.50 | 100 | 0.12 | 0.12 | GRZ |
| Kasupe Road Lot 1 | 8.30 | 8.30 | 100 | 0.02 | 0.07 | GRZ |
| Kasupe Road Lot 2 | 8.30 | 8.30 | 100 | 0.06 | 0.06 | GRZ |
| Mikango Barracks (D152) Road Lot 1 | 32.00 | 32.00 | 100 | 0.71 | 0.71 | GRZ |
| Kafue – Mungu Road | 15.00 | 15.00 | 100 | 0.30 | 0.30 | GRZ |
| Chongwe Mulalika Road | 35.00 | 35.00 | 100 | 0.47 | 0.36 | GRZ |
| Lusaka Boundary- T1 Junction | 72.00 | 72.00 | 100 | 0.09 | 0.08 | GRZ |
| Maintenance of Kafubu Farm Block Roads | 14.00 | 14.00 | 100 | 0.27 | 0.27 | GRZ |
| Grading of Town Roads - Ndola | 13.00 | 13.00 | 100 | 0.06 | 0 | GRZ |
| Grading of Town/ZNS Camp Roads – Kitwe | 21.00 | 21.00 | 100 | 0.05 | 0 | GRZ |
| Masati -Repair of Bangwe & Mutaba-Culvert | 32.00 | 32.00 | 100 | 0.47 | 0 | GRZ |

| Project Name/Road Description | Targeted Distance | Status on Progress | | Financing in K' Billion | | |
|---|---|---|---|---|---|---|
| | Km | Km | Percent | Contract Sum | Amount Paid | Funding Source |
| Magoye-Chivuna Road | 34.00 | 34.00 | 100 | 0.05 | 0.05 | GRZ |
| Kawambwa- Mushota Road | 18.00 | 18.00 | 95 | 0.98 | 0 | GRZ |
| Kalene Hills - Congo Border Road | 26.00 | 20.00 | 90 | 0.43 | 0.28 | GRZ |
| Mpundwe-Ngabwe Road | 20.00 | 18 | 90 | 0.12 | 0.09 | GRZ |
| Serenje-Nansanga Road | 40.00 | 40.00 | 90 | 0.44 | 0.26 | GRZ |
| Ntambo – Makangu Road | 87.10 | 85.10 | 90 | 0.69 | 0.60 | GRZ |
| Kalabo – Sikongo Road | 28.00 | 28.00 | 90 | 0.75 | 0.52 | GRZ |
| Kalabo - Sitoti Road | 30.00 | 27.00 | 90 | 0.87 | 0.52 | GRZ |
| Samfya-Katanshya Road | 35.00 | 29.75 | 85 | 0.20 | 0.13 | GRZ |
| Chipata - Chadidza Road | 70.00 | 58.00 | 82 | 0.18 | 0.01 | GRZ |
| Mumbwa-Namwala Road | 61.00 | 41.00 | 80 | 3.10 | 0 | GRZ |
| Pemba - M11 Road Road | 61.00 | 59.00 | 80 | 0.74 | 0.61 | GRZ |
| Samfya-Lubwe-Kasaba(D96) Road | 80.00 | 60.00 | 75 | 1.96 | 0.49 | GRZ |
| Chembe – Mokambo Road | 55.00 | 41.00 | 75 | 2.00 | 0 | GRZ |
| T2-Kasavasa (Chibombo) Road | 35.00 | 24.5 | 70 | 0.39 | 0.18 | GRZ |
| Chowa-Mpanga (Kabwe) Road | 3.00 | 3.00 | 70 | 0.18 | 0.11 | GRZ |
| Musonda Falls – Chisheta Road | 2.00 | 2.00 | 70 | 0.11 | 0.10 | GRZ |
| C1 road (Mumbwa) Road | 3.40 | 2.00 | 60 | 0.18 | 0.10 | GRZ |
| Mishimi Road | 12.00 | 7.00 | 60 | 0.12 | 0.06 | GRZ |
| Watopa - Lukulu Road | 60.00 | 40.00 | 60 | 0.92 | 0.37 | GRZ |
| Mkubwe-Chishimu (Kapiri) Road | 19.00 | 10.00 | 50 | 0.18 | 0.18 | GRZ |
| Katunda – Lukulu Road | 37.00 | 27.00 | 50 | 0.71 | 0.35 | GRZ |
| Mumbwa - Blue Lagoon Road | 90.00 | 25.00 | 30 | 0.25 | 0.03 | GRZ |
| C1 road culvert (Mumbwa) Road | 1 No. | - | 30 | 0.18 | 0.10 | GRZ |
| Mwenda-Kashiba Road | 66.00 | 3.00 | 15 | 1.20 | 0.20 | GRZ |
| Kafulamase (Kabwe) Road | 10.00 | 10.00 | 10 | 0.18 | 0.11 | GRZ |
| Chilongozi –Sinda Road | 15.00 | 1.00 | 5 | 1.21 | 0.24 | GRZ |
| Nakonde – Border with Malawi Road | 85.00 | 32.00 | 0 | 1.20 | 0.31 | GRZ |
| Bulaya – Kaputa Road | 80.00 | 75.00 | 0 | 1.20 | 0.99 | GRZ |
| Kengomba (Kabwe) Road | 4.40 | 0 | 0 | 0.18 | 0.11 | GRZ |
| Nambala-Butinti (Mumbwa) Road | 30.00 | 0 | 0 | 0.18 | 0.10 | GRZ |
| Kalulushi-Sabina Road | 14.70 | 6.20 | 0 | 0.31 | 0.12 | GRZ |
| Chirundu-Chiawa Road Lot 2 | Culverts | - | 0 | 0.08 | 0 | GRZ |
| Mwamolo-Lukoshi Road Lot 4 | Culverts | - | 0 | 0.09 | 0 | GRZ |
| Kavalamanja Road Lot 1 | 6.00 | 6.00 | 0 | 0.22 | 0.02 | GRZ |
| Luangwa D145 Road | 47.00 | 0 | 0 | 0.60 | 0.12 | GRZ |
| Kalulushi (Repair of Mwembeshi Dam) | 0 | 0 | 0 | 0.05 | 0 | GRZ |
| **Total** | **2,250.4** | **1,819.2** | | **37.48** | **17.54** | |

Source: Ministry of Works and Supply and Road Development Agency

## Urban and Feeder Roads

Further routine maintenance of roads was carried out in all provinces covering 6,178 km against the target of 7,145 km at a cost of K2.1 billion (see table 14.6). In addition, a total of 457 km of the urban road network was maintained. The urban roads that were completed and commissioned under the six zones identified for routine maintenance in Lusaka province were Chitanda in Matero, Kasangula road from Great East road through Roma township to join the Great North road in Mandevu and the Bauleni road with support from cooperating partners.

Urban roads were also rehabilitated in Southern, Copperblt, Western, Northern, North-western and Luapula provinces at a cost of K18 billion. In southern province, urban roads in Livingstone, Choma and Mazabuka were done while on the Copperbelt province urban roads were rehabilitated in Chililabombwe, Kitwe, and Kalulushi. In Western province, the roads done were in Mongu. With regard to Central province, the urban roads rehabilitated were in Kabwe. Northern province roads were done in Kasama and in North-western and Luapula provinces roads were worked on in Solwezi and Mansa, respectively.

**Table 14.6 Routine Maintenance of Roads**

| Programme / Project Name | Province | Length (Km) | Status on Progress | | Financing in K' Billion | | |
|---|---|---|---|---|---|---|---|
| | | | (Km) | Percent | Revised Contract Sum | Amount Paid | Funding Source |
| Routine Maintenance (Various) | Eastern | 801.00 | 564.00 | 70 | 2.69 | 0.11 | GRZ |
| Routine Maintenance (Various) | Lusaka | 767.00 | 590.00 | 75 | 2.40 | 0.41 | GRZ |
| Routine Maintenance (Various) | Northern | 1,286.00 | 1,286.00 | 42 | 3.80 | 0.55 | GRZ |
| Routine Maintenance (Various)-paved | Luapula | 1,090.00 | 890.40 | 80 | 4.00 | 0 | GRZ |
| Routine Maintenance (Various) | Copperbelt | 630.00 | 514.00 | 90 | 1.98 | 0.24 | GRZ |
| Routine Maintenance (Various) | Central | 1,912.00 | 1,912.00 | 85 | 3.50 | 0.75 | GRZ |
| Routine Maintenance (Various) | Southern | 583.70 | 422.00 | 76 | 1.55 | 0.05 | GRZ |
| **Total** | | **7,144.9** | **6,178.4** | | **19.92** | **2.11** | |
| **Routine Maintenance of Urban Roads** | | | | | | | |
| Accelerated Urban Roads Rehabilitation Programme | | 49.65 | 49.65 | 100 | 32.40 | na | GRZ |
| Lusaka Performance Contracts | | 245.30 | 245.30 | 100 | 3.50 | na | GRZ |
| Kitwe Urban Roads | | 19.50 | 19.50 | 100 | 9.70 | na | GRZ |
| Mufulira Urban Roads | | 8.70 | 8.70 | 100 | 4.30 | na | GRZ |
| Mansa & Mumbwa Performance Contracts | | 123.55 | 123.55 | 100 | 1.70 | na | GRZ |
| Lusaka City Roads - JICA Grant Aid | | 10.54 | 10.54 | 100 | 20.70 | na | GRZ |
| **Total** | | **457.24** | **457.24** | | **72.3** | **na** | |

Source: Ministry of Works and Supply and Road Development Agency

## Bridges and Weigh Bridge Construction

During the period under review, the Government continued with the rehabilitation and construction of bridges, weighbridges and pontoons. Four bridges and three culverts were completed namely Nkalamabwe bridge, Luena bridge, Mufwashi Bridge and Lunyiwe bridge. Lusitu on Siavonga road, Matebo and Mangowa culverts were also completed (see table 14.9). Further, in order to improve movement of people and goods across the Zambezi river, Government procured pontoon components at a cost of K500 million to undertake repairs.

**Table 14.7: Bridges and Pontoon Construction**

| Project Name/Road Description | Status on Progress | Financing in K' Billion | | |
|---|---|---|---|---|
| | Percent | Revised Contract Sum | Amount Paid | Funding Source |
| Luena Bridge | 100 | 4.80 | 4.32 | GRZ |
| Weigh Bridge Construction in Kapirimposhi | 100 | 2.90 | 1.62 | NORAD/EU |
| Lunyiwe Bridge | 100 | 0.30 | 0.24 | GRZ |
| Lusitu Culvert | 100 | 1.70 | 0.20 | GRZ |
| Matebo Culvert | 100 | 0.11 | 0.11 | GRZ |
| Mangowa Culvert | 100 | 0.05 | 0 | GRZ |
| Mufwashi Bridge Deck | 100 | 0.12 | 0 | GRZ |
| Nkalamabwe Bridge | 100 | 4.50 | 1.67 | GRZ |
| Lubungu Pontoon | 90 | 0.15 | 0.07 | GRZ |
| Mufundwe Culvert | 70 | 0.11 | 0 | GRZ |
| Nkole Mfumu/Chilubi/Nkanchibi Bridge | 30 | 2.90 | 2.30 | GRZ |
| Weigh Bridge construction in Mansa | 30 | 0.25 | 0 | NORAD/EU |
| Kawilo Bridge | 25 | 0.25 | 0.25 | GRZ |
| Mkubwe Bridge | 20 | 1.10 | 1.00 | GRZ |
| Chembe Bridge | 10 | 46.40 | 10.93 | GRZ |
| **Total** | | **65.64** | **22.71** | |

Source: Ministry of Works and Supply and Road Development Agency

## Axle Load Control Programme

Government embarked on the construction of a number of weigh bridges which included the Kapiri Mposhi. The Kapiri Mposhi weighbridge was completed and commissioned in 2006. On-going works on weigh bridges were on the Kazungula and Lusaka-Mongu road at Mumbwa turn off junction. This was aimed at establishing an efficient control system with capacity to protect the entire core road network against overloading.

## Building sub-sector

In 2006, the new chirundu bridge was opened to traffic although works on support infrastructure were on-going. Progress on the freight terminal was 85 percent complete while the customs office and the warehouse were at 78 percent and 58 percent complete, respectively. Out of the budgetary allocation of K49.8 billion to the building sub-sector in 2006, K28.4 billion went towards the Chirundu support infrastructure (see table 14.8).

**Table 14.8: Status of Public Buildings under Construction in 2006**

| Programme | Allocation K'billion | Releases K'billion | Expenditure K'billion | Status |
|---|---|---|---|---|
| Katima Mulilo Bridge Infrastructure | 4.9 | 4.9 | 0 | Blinding was completed |
| New Government Complex | 3.5 | 2.5 | 1.2 | Trunking continued |
| New Chirundu Bridge Infrastructure | 28.9 | 15.7 | 16.3 | Civil works completed, passenger and freight terminal progressed significantly |
| **Total** | **49.8** | **28.4** | **23.4** | |

**Source**: Ministry of Works and Supply

Private sector projects continued to be implemented in 2006 and included the Falls Park shopping mall and Chrismar Hotel in Livingstone, and the Cross Roads shopping mall in Lusaka which were completed. In addition, the National Housing Authority entered into public private partnership (PPP) to construct a hospital at a cost of K6.1 billion along the Great North road. Another development in the line of PPP was the construction of a Nursery school in Ibex Hill at a cost of K160 million.

The National Housing Authority (NHA) mainly concentrated on developing housing units at Bennie Mwiinga Site, Ibex Hill and Nyumba Yanga. Under the housing sub-sector, 463 housing units were built at a total cost of K51.1 billion. Some of these units were on public private partnership arrangements with Malaysian and Chinese firms. In promoting service delivery, 114 plots were serviced by NHA at a cost of K2.2 billion. Of the serviced plots, 39 plots were sold to the general public.

### Outlook

Prospects for the construction sector are bright premised on increased economic activities, especially from the mining sector and private housing. Growth is further expected to be spurred by on-going infrastructural projects in the road sub-sector and hospitality industry. Further,

# CHAPTER 15 SCIENCE AND TECHNOLOGY SECTOR

## Overview

The major focus in science and technology during the period under review was building capacity at research centres through the procurement of research equipment and rehabilitation of laboratories Research activities were also coordinated in the areas of agriculture and detection of genetically modified organisms (GMO).

## Sector Performance

### Research and Development

During the year under review, four very high yielding and heat tolerant varieties of wheat and three legumes tolerant to storage pests (beans and groundnuts) were released for commercialization by the private sector. In addition, research was also undertaken on methods of village chicken production for laying and growing chickens. Further, research was undertaken in optimizing production of sweet sorghum for Bio-ethanol production. Three promising varieties with high yield of stem and sugar content Ray, Cowley and Keler were identified.

To enable capacity building in testing of Genetic Modified Organisms GMOs, six Zambian scientists were trained on (GMO) detection and monitoring in Norway and Zimbabwe. Further, training on GMO for plant health inspectors was conducted. Border Post Health Inspectors were also provided with equipment to undertake GMO detection tests in maize.

Notwithstanding these achievements in the area of research, institutions were unable to undertake significant research and development owing to low funding. Research was further constrained by huge statutory debts and outstanding gratuity currently standing at over K20 billion.

### Capacity Building

Various equipment was procured with a view of enhancing research capacity in the scientific research and development institutions. At the National Institute of Scientific Research, a new Gas Liquid Chromatograph (GLC) to facilitate the testing and detection of GMOs was installed in the GMO laboratory and is functional.

At the Tropical Diseases Research Centre (TDRC), a teaching microscope and compound microscopes and an Atomic Absorption Spectrophotometer were purchased to build capacity for training in laboratory diagnosis. Furthermore, the TDRC building was renovated to strengthen vector work while the insectary was refurbished to enable mosquito and insecticide studies to be undertaken in support of the national programme in entomological studies for control of the malaria vector.

## Poverty Reducing Programmes

The focus of Government with regard to the PRPs was building institutional capacity to undertake scientific research. This was mainly through rehabilitation of laboratories and supply of research equipment. Government also undertook financing of research in Biofuel production and crop development. In this regard, K1.9billion was disbursed (see table 15.1).

Table 15.1: Status on Implementation of Poverty Reducing Programmes, 2006

| Programme | Activities/Field of Intervention | Planned inputs GRZ | Actual input GRZ | Planned outputs | Actual output |
|---|---|---|---|---|---|
| Rehabilitation of Research Institutions | Rehabilitation of Laboratories at NISIR | 800,000,000 | 400,000,000 | Rehabilitate laboratories at Kitwe and HQs of NISIR | Laboratory at NSIIR Hqs rehabilitated |
| Supply of research equipment | Supply Research Equipment for NISIR | 500,000,000 | 500,000,000 | Supply specialised laboratory equipment for NISIR | Laboratory equipment for Chilanga Campus procured |
| Science and Technology Development | Development and Implementation of Science and Technology Development Programme | 300,000,000 | 300,000,000 | Finalise plan and commence implementation of STDP | STDP plan finalised and fed into FNDP |
| | Establish Knowledge Networks at Scientific Institutions | 508,000,000 | 508,000,000 | Computerisation of NISIR, NSTC and NTBC | Computers procured for the institutions |
| | Provide Strategic Research Support | 568,244,892 | 250,000,000 | Provide strategic funding for priority research | Research in Biofuels and other research commenced |

Source: Ministry of Science Technology and Vocational Training

## Outlook

The focus of the sector in 2007 will be to increase investments into actual research, rehabilitation of infrastructure and improving operations in statutory institutions. Priority will be given to research in agriculture, health, industry and energy.

# CHAPTER 16 EDUCATION AND TRAINING

## Overview

Access to education, retention and completion rates continued to register an increase both at basic and high school levels in 2006. There was also an improvement in the quality of provision of education services reflected by an improvement in the pupil/teacher ratio, provision of teaching and learning materials and improvements in school infrastructure. At the tertiary education level, enrolments also registered increases.

Notwithstanding these positive developments, the sector continued to face challenges of shortage of teachers especially in the rural basic schools. This translated into the pupil-teacher ratio still remaining higher than the national recommended standard.

## Policy Developments

During the year under review, the Education Act was revised aimed at updating it and incorporating unlegislated issues in education. Government also initiated the development of policies on Early Childhood Care, Education and Development (ECCED) and Adult Literacy with the intention of integrating them into the education system. The statutory instrument for transforming the National College for Management Development Studies as a Public University under section 4 (2) of the University Act was submitted for approval.

In an effort to improve awareness on HIV/AIDS among school going children and schools, policy directives concerning provision of HIV/AIDS materials were implemented.

## Sector Performance

### Basic School Sub-sector

#### Basic Schools

The total number of government and grant aided basic schools increased to 4,705 in 2006 from 4,622 in 2005, while private and community schools decreased from 443 and 2,582 in 2005 to 355 and 2,575, respectively. This decline in private and community schools was as a result of Government's policy of providing free education (see table 16.1).

**Table 16.1: Basic Schools by Agency, 2004-2006**

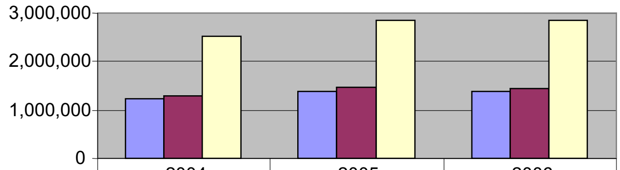
| Provider | 2004 | 2005 | 2006 | %Change |
|---|---|---|---|---|
| GRZ / Grant Aided | 4,962 | 4,622 | 4,705 | 1.8 |
| Private / Church | 395 | 443 | 355 | (19.9) |
| Community | 1,371 | 2,562 | 2,575 | 0.5 |
| **Total** | **6,728** | **7,647** | **7,635** | **(0.2)** |

Source: Ministry of Education

### Enrolment for Grades 1 - 9

During the year under review, the gross enrolment for grade 1-9 was 2,847,956 out of which, 1,453,106 were boys and 1,394,850 were girls compared to 2,852,370 in 2005. This represented a marginal decline of 0.2 percent (see figure 16.1).

**Figure 16.1: Gross Enrolments in Grades 1-9, 2004 - 2006**



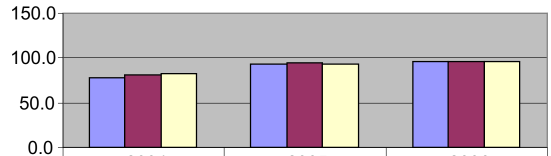

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Female | 1,218,611 | 1,391,988 | 1,394,850 |
| Male | 1,300,530 | 1,460,382 | 1,453,106 |
| Total | 2,519,141 | 2,852,370 | 2,847,956 |

Source: Ministry of Education

### Net Enrolment Ratio for Grades 1- 9

Access to basic education continued to rise in 2006, but marginally to 95.7 from 93.5 in 2005. The net enrolment for girls was 95.7 percent while, that for boys stood at 95.6 percent (see figure 16.2)

**Figure 16.2: Net Enrolments for Grades 1- 9, 2004 - 2006**




| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Female | 78.2 | 92.3 | 95.7 |
| Male | 80.7 | 94.0 | 95.6 |
| Average | 82.7 | 93.5 | 95.7 |

Source: Ministry of Education

### Completion Rates

The average completion rates continued to rise in 2006 for both boys and girls with the former having higher rates. The completion rate for grade 7 improved to 85.2 percent from 80.9 percent while, that for grade 9 improved to 43.1 percent from 42.7 percent in 2005 (see table 16.2).

**Table 16.2: Completion Rate for Grade 7 and 9**

| Basic School Teachers by Gender | | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| Female | 21,955 | 23,897 | 24,991 |
| Male | 23,806 | 26,125 | 27,536 |
| **Total** | **45,761** | **50,022** | **52,527** |
| **High School Teachers by Gender** | | | |
| Female | 2,395 | 2,662 | 5,344 |
| Male | 5,442 | 5,679 | 8,193 |
| **Total** | **7,837** | **8,341** | **13,537** |

Source: Ministry of Education

### Pupil-Teacher Ratio

In 2006, the national level pupil-teacher ratio for grades 1-9 was 51.3 compared to 55.3 in 2005. The worst hit provinces were Northern and Luapula. In contrast, the urban provinces of Lusaka and Copperbelt Provinces had the lowest pupil-teacher ratios (see table 16.3). This reflected the continued problem of shortages of teachers in rural areas.

Table 16.3: Pupil/Teacher Ratio by Grade Groups and Province

| Province | Gr. 1-4* | Gr. 5-7 | Gr. 1-7 | Gr. 8-9 | Average |
|---|---|---|---|---|---|
| Central | 75.6 | 37.1 | 54.8 | 31.3 | 51.2 |
| Copperbelt | 67.4 | 34.3 | 49 | 30.9 | 45.6 |
| Eastern | 81.8 | 36.7 | 58.1 | 34.8 | 55.7 |
| Luapula | 87.7 | 41.0 | 63.4 | 34.5 | 59.4 |
| Lusaka | 60.0 | 32.7 | 44.5 | 28.2 | 41.9 |
| N. Western | 78.7 | 33.7 | 54.7 | 32.4 | 51.3 |
| Northern | 95.2 | 43.2 | 67.8 | 38.5 | 64.3 |
| Southern | 76.6 | 38.4 | 55.5 | 32.3 | 51.7 |
| Western | 76.7 | 31.8 | 52.4 | 34 | 49.9 |
| **National Average** | **76.5** | **36.4** | **54.7** | **32.3** | **51.3** |

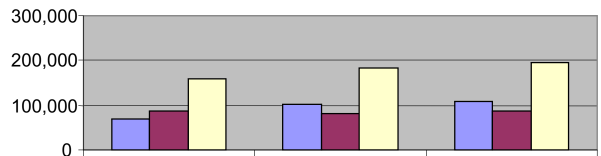
Source: Ministry of Education

## High School Sub-sector

### Enrolments for Grades 10-12

In the year under review, enrolment for grades 10-12 continued to rise. There were 193,726 pupils enrolled in grades 10 -12 in 2006 out of which 107,781 and 85,945 were boys and girls, respectively (see figure 16.3).

Figure 16.3: Enrolments in Grades 10-12, 2004 - 2006



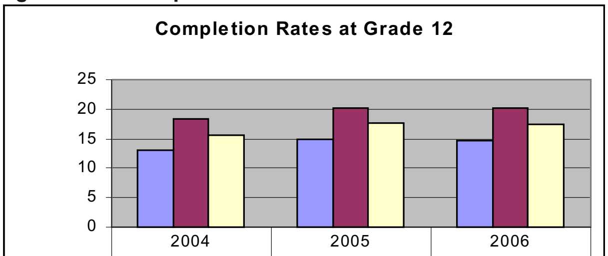

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Female | 70,062 | 100,856 | 107,781 |
| Male | 88,176 | 81,730 | 85,945 |
| Total | 158,238 | 182,586 | 193,726 |

Source: Ministry of Education

### Completion Rates for Grades 10-12

Although enrolment rates increased, the completion rates at grade 12 remained low. The completion rates increased marginally for boys to 20.2 percent in 2006 from 20.1 percent in 2005 while that of girls declined to 14.7 percent from 15.0 percent in 2005 (see figure 16.4).

Figure 16.4: Completion Rates at Grade 12




| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Female | 13 | 15.0 | 14.7 |
| Male | 18.4 | 20.1 | 20.2 |
| Average | 15.7 | 17.6 | 17.5 |

Source: Ministry of Education

## Pupil-Teacher Ratio, Grades 10-12

The national level pupil-teacher ratio for grades 10-12 averaged 20. 3 ranging from the highest of 23.8 in Luapula Province to a lowest of 17.9 in Central Province (see table 16.4). These were in line with acceptable national standards of 22.8 set for 2006.

Table 16.4: Pupil/Teacher Ratio for grade 10-12 in 2006

| Province | Gr. 10-12 |
|---|---|
| Central | 17.9 |
| Copperbelt | 22.5 |
| Eastern | 20.3 |
| Luapula | 23.8 |
| Lusaka | 17.1 |
| N. Western | 19.8 |
| Northern | 19.4 |
| Southern | 22.6 |
| Western | 20.9 |
| **Average** | **20.3** |

Source: Ministry of Education

## Teacher Recruitment and Deployment

In 2006, Government recruited 4,026 teachers to fill up the teaching positions. In addition, 3,074 teachers were replaced (see table 16.5). This resulted in an improvement in the pupil-teacher ratio.

Table 16.5: No of Teachers by Gender.

| Basic School Teachers by Gender | | | |
|---|---|---|---|
| | **2004** | **2005** | **2006** |
| Female | 21,955 | 23,897 | 24,991 |
| Male | 23,806 | 26,125 | 27,536 |
| **Total** | **45,761** | **50,022** | **52,527** |
| **High School Teachers by Gender** | | | |
| Female | 2,395 | 2,662 | 5,344 |
| Male | 5,442 | 5,679 | 8,193 |
| **Total** | **7,837** | **8,341** | **13,537** |

Source Ministry of Education

### Tertiary Education

#### Teacher Training

A total of 3,000 and 350 teachers graduated from basic and high school colleges, respectively. Additionally, 3,300 graduated with the Primary Teacher's Diploma by Distance Learning.

A total of 360 trainers of trainers were trained to conduct the read-on course for grade 3 to 7 while, 839 teachers and lecturers attended in-service training. In addition, 38 mathematics and science teachers were trained under the school based science project.

The school guidance programme conducted a career exhibition to 1,410 grade twelve learners and 210 teachers attended in-service training in specialized programmes such as library management and career guidance. A total of 12,000 books were distributed by Zambia Library Service to augment teacher training.

#### University Education

Student enrolments at both universities increased to 12,774 from 14,038 in 2005. At the University of Zambia, enrolments increased to 10,007 in 2006 from 9,250 in 2005. Out of the total enrolments, 6, 136 and 3,871 were male and female students, respectively. Similarly enrolments at the Copperbelt University rose to 4,031 from 3,524 in 2005 (see table 16.6). By sex, enrolments at both universities were in favour of males.  This was despite the affirmative action of reserving 25 percent of the available bursaries for female university students.

Table 16.6. University Enrolments by Gender, 2004-2006

| Copperbelt University Enrolments | | | | |
|---|---|---|---|---|
| | **2004** | **2005** | **2006** | %change 2006/2005 |
| Male | 2,465 | 2,815 | 3209 | 14.0 |
| Female | 625 | 709 | 822 | 15.9 |
| **Total** | 3,090 | 3,524 | 4031 | 14.4 |
| **University of Zambia Enrolments** | | | | |
| Male | 4,994 | 5,780 | 6,136 | 6.2 |
| Female | 2,565 | 3,470 | 3,871 | 11.6 |
| **Total** | 7,558 | 9,250 | 10,007 | 8.2 |

Source: Ministry of Education

### Infrastructure Development

Government continued with the construction and rehabilitation of infrastructure for the basic, high school, teacher training colleges and teachers' houses (see table 16.7).

**Table 16.7: Status on the Infrastructure Development Programme in 2006**

| Project type | Status as at end -December 2006 |
|---|---|
| Construction of 1x 3 classroom blocks at 11 Colleges of Education | On-going |
| Construction of 8 Basic Schools under ADB Education III Project | Completed |
| 151 Portal frame classrooms at Basic Schools | Completed |
| 271 Basic Schools | Ongoing |
| Construction of 10 Basic Schools in Lusaka District under JICA | 4 completed and 6 on-going |
| Construction of 40 Zonal centers | On-going |
| Construction of Kafumbwe and Lumezi High Schools funded by IDA Credit | Completed |
| Construction of Sioma High school | On-going |
| Construction of Ndola High School | On-going |
| Rehabilitation of 21 High Schools in 9 provinces | On-going |
| Construction of 10 Staff houses at Kitwe College of Education | On-going |
| Construction of 15 staff houses at Mulakupikwa College of Education | Completed |
| Construction of Kyundu Basic School | Contract concluded |
| Construction of Kafushi High School | Contract signed |
| Construction of 10 houses at Munali, Itezhi tezhi, Kazungula and Chitambo | Tendered |
| Construction of houses at 5 high schools | At tender process |

Source: Ministry of Education

## Technical Education Vocational and Entrepreneurship Training Sub-sector

During the year under review, the sector grew in terms of both enrolments and institutions registered with Techincal Education Vocational and Entrepreneurship Training Authority (TEVETA). Enrolments increased by 7.8 percent from 28,303 students in 2005 to 30,521 in 2006. However, gender imbalance in the distribution of students in different programmes remained a challenge as demonstrated by engineering and secretarial programmes being dominated by males and females, respectively (see table 16.8).

**Table16.8: Enrolment by Programme and Gender, 2004-2006**

| Programme | 2004 | | 2005 | | 2006 | |
|---|---|---|---|---|---|---|
| | Male | Female | Male | Female | Male | Female |
| Business Studies | 5,024 | 4,678 | 5, 321 | 5,012 | 5,630 | 5,412 |
| Secretarial Studies | 1 | 1,590 | 0 | 1,603 | 2 | 1,626 |
| Hotel and Tourism | 543 | 1,235 | 675 | 1,560 | 875 | 1,960 |
| Media and Applied Arts | 766 | 1,574 | 809 | 1587 | 869 | 1,627 |
| Paramedical | 180 | 97 | 120 | 130 | 140 | 150 |
| Aviation | 54 | 8 | 100 | 30 | 114 | 89 |
| Craft | 5,972 | 567 | 6,122 | 698 | 6,422 | 829 |
| Advanced Certificate/Diploma | 3,571 | 342 | 3,604 | 543 | 3,644 | 703 |
| Technologist | 344 | 13 | 380 | 9 | 420 | 9 |
| | **16,455** | **10,104** | **17,131** | **11,172** | **18,116** | **12,405** |
| **Total** | **26,559** | | **28,303** | | **30,521** | |

Source: TEVETA

In terms of the institutions registered by TEVETA, there was an increase in the number by 5.9 percent. Eastern Province recorded the highest with 16 new institutions while Lusaka and Copperbelt registered declines. This decline was due to de-registration of some institutions which failed to meet the minimum requirements.

In terms of ownership, private participation in training provision continued to grow with Private-for-Profit institutions having the highest number of institutions at 175 from 159 in 2005 (see table 16.9).

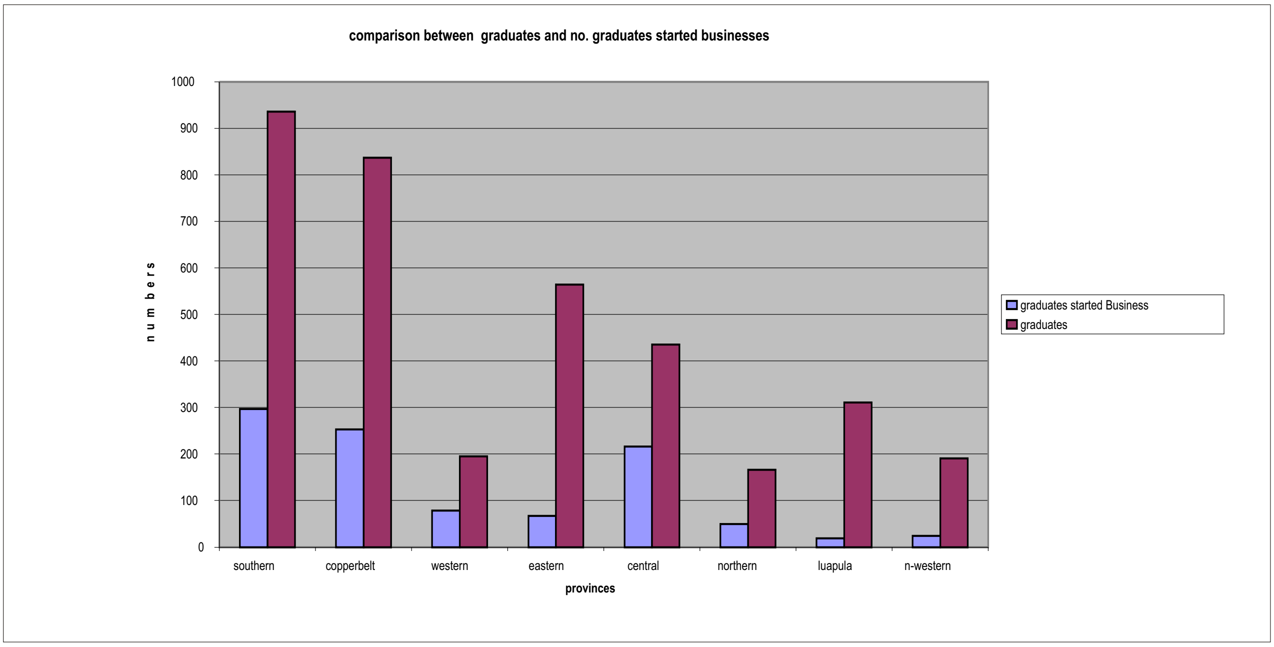
**Table 16.9: Registered TEVET institutions by province and ownership (2004 2006)**

| PROVINCE | 2004 | 2005 | 2006 |
|---|---|---|---|
| Lusaka | 119 | 106 | 105 |
| Copperbelt | 76 | 76 | 72 |
| Central | 11 | 15 | 21 |
| Southern | 37 | 47 | 52 |
| North-western | 12 | 13 | 11 |
| Northern | 15 | 13 | 13 |
| Western | 25 | 24 | 25 |
| Eastern | 12 | 15 | 31 |
| Luapula | 7 | 10 | 8 |
| **Total** | **314** | **319** | **338** |
| | **OWNERSHIP** | | |
| Church | 55 | 59 | *60* |
| Community/NGO | 20 | 20 | *22* |
| In-Company | 13 | 13 | *13* |
| Public/Government | 56 | 56 | *56* |
| Private-for-Profit | 158 | 159 | *175* |
| Trust | 12 | 12 | *12* |
| **TOTAL** | **314** | **319** | ***338*** |

Source: TEVETA

An average of 26 percent of those trained in entrepreneurship skills started their own businesses with Central Province reporting the highest at 49 percent (see figure 16.5). Limited access to start up capital and market opportunities contributed to low rates in establishing businesses.

**Figure 16.5: Comparisons Between Graduates and Number of Graduates Starting Businesses**




Source:TEVETA

Notwithstanding these developments, the sub-sector continued to face constraints in terms of inadequate infrastructure, obsolete and inadequate equipment and training materials.

### Financing to the Sector

Financing to TEVET continued to improve. A total of K15.5 was disbursed to the_sector by Government compared to K10.8 billion in 2005 (see table 16.10). Despite this increase in grants to TEVET, the problem of outstanding Personal emoluments (mainly outstanding gratuity payments) continued to severely cripple some institutions.

**Table 16.10: Financing to the Education Sector (K'billions), 2005 - 2006**

| | 2005 | 2006 | % change 2005/2006 |
|---|---|---|---|
| Government | 1,062.6 | 1,227.6 | 26.2 |
| Of which MoE | 1,016.1 | 1,280.1 | 25.9 |
| TEVET | 10.8 | 15.5 | 43.5 |
| Donor | 533.2 | 205.6 | (61.4) |
| Pool funding | 389.3 | 188.8 | (51.5) |
| Designated | 100.3 | 16.8 | (83.3) |
| **Total** | **1,593.80** | **1,638.80** | **(3.8)** |

Source: Ministry of Education and Ministry of Finance and National Planning

### Poverty Reducing Programmes

Poverty reducing programmes focused on equity of access and infrastructure development at training institutions especially in rural areas**.** Major programmes included community school support, bursary provision and construction of TEVET institutions (see table 16.11).

Table 16:11 Status on Poverty Reduction Programmes

| Programme | Activities/Field Intervention | Planned Inputs GRZ/Donor (ZMK) | Actual inputs GRZ/Donor (ZMK) | Planned outputs | Actual outputs |
|---|---|---|---|---|---|
| School Health and Nutrition (SHN) | School feeding,<br>Food supplements,<br>De-worming | 3,477,105,020 | 1, 476,420,407 | 38,800 pupils on school feeding programmes | 17, 500 pupils benefited in eight districts |
| Community School Support | Community school grants for education materials | 1,159,035,007 | 1,084,490,633 | 3, 245 community schools funded | 2,198 community schools funded |
| Bursary Provision | Bursary provision | 4,056,622,523 | 2,333,414,449 | 10,000 pupils | 4,454 benefited |
| HIV/AIDS Awareness at Work | HIV/AIDS campaigns and materials | 579,517,503 | 322,736,000 | | |
| Procurement of Equipment for Training Institutions | Procurement of Kitchen Equipment | 450,000,000 | 449,736,667 | Supply industrial cookers, freezers to 6 institutions | Equipment procured as planned |
| | Procurement of Training Materials and Equipment | 2,000,000,000 | 2,000,000,000 | Procure motor vehicles for 16 institutions | Motor vehicles procured as planned |
| | Procure Kitchen Furniture | 300,000,000 | 300,000,000 | Suppply cafeteria furniture to two institutions | Tables and chairs supplied as planned |
| | Procurement of Printing Equipment | 400,000,000 | 400,000,000 | Supply of printing press to Printing services Unit | Printing Equipment procured as planned |
| Construction of TEVET Institutions | Construction of Training institutions | 1,770,300,000 | 1,770,200,000 | 4 workshops contructed | 3 workshops contructed at Mongu and Solwezi TTI |

Source: Ministry of Education and Ministry of Science Technology and Vocational Training

### Other Key Programmes

Funding to the bursary scheme grew to K5.8 billion in 2006 from K1.2 billion in 2005. Consequently, the number of beneficiaries increased to 1,640 students from 833 in 2005.

Through the TEVET Development programme (TDP), a total amount of US $2 million was invested in various capacity building activities including purchase of equipment, training materials and rehabilitation. Work on the rehabilitation of 13 institutions commenced of which, ten were completed and handed over, while significant progress was made on the other three institutions. In addition, Government set up Local Area Networks (LAN) and internet connection at selected training institutions in order to improve information generation, storage and retrieval.

Another significant development in 2006 was the operationalisation of the TEVET Fund which is a long term mechanism of funding TEVET. Through this fund, K3.5billion was disbursed for pre-employment training, in-service training, Small and Medium Enterprises (SME) and informal sector training and investment in training facilities and human resources development to both public and private training institutions. A total of 2,313 learners were trained.

## Outlook

Government will further enhance access to education at all levels and improve the equity and quality of the education provided. In this regard, the focus in 2007 will be on recruiting teachers, supplying teaching and learning materials, intensifying HIV/AIDS work place programmes and improving the institutional capacities at all levels.

In the areas of technical education, vocational and entrepreneurship training, Government will intensify the rehabilitation and construction of facilities of training institutions.

# CHAPTER 17 HEALTH

## Overview

The sector recorded improvements in the health service delivery system in the period under review compared to 2005. Output indicators for most immunisable diseases improved and immunization coverage for one-year old children significantly improved to 96 percent in 2006 from 90 percent in 2005. With the policy of providing free anti-retroviral therapy, coverage improved with over 75,000 patients on the programme against the target of 100,000. The human resource position and infrastructure recorded marginal improvement from the 2005 situation. However, high levels of maternal mortality remained a challenge and malaria continued to be the leading cause of morbidity.

## Policy Developments

In order to improve access and equity to provision of quality health care, Government abolished user fees in 54 rural districts during the period under review. This was in response to evidence that user fees impeded access to health services. Government established a Drug Supply Fund to facilitate the bulk procurement of drugs and medical supplies from reputable suppliers at competitive prices as a way of addressing the erratic drug and medical supplies.

## Sector Performance

### *Disease Burden*

Generally, there was a decline in the disease incidence. The five leading causes of death in Zambia in 2006 continued to be malaria, respiratory infection non-pneumonia, diarrhea, trauma-related diseases, respiratory infection pneumonia and suspected and confirmed cases of AIDS (see table 17.1).

**Table 17.1: Top Ten Disease 2005 and 2006 (based on second quarter data**

| | Diagnosis | Year | Incidence per 1000 population | Total Diagnosis | Inpatient Deaths |
|---|---|---|---|---|---|
| 1 | Malaria | 2006 | 76.1 | 1,347,504 | 1,706 |
| | | 2005 | 200.1 | 2,398,539 | 4,139 |
| 2 | Respiratory Infection : non Pneumonia | 2006 | 34.5 | 125,686 | 868 |
| | | 2005 | 78.7 | 943042 | 432 |
| 3 | Diarrhoea –non Bloody | 2006 | 13 | 230,673 | 580 |
| | | 2005 | 34.2 | 410,255 | 1,331 |
| 4 | Trauma:accidents,injuries,wounds, burns | 2006 | 8.1 | 143,217 | 158 |
| | | 2005 | 21.8 | 260,860 | 418 |
| 5 | Respiratory Infection : Pneumonia | 2006 | 7.1 | 125,686 | 868 |
| | | 2005 | 21.9 | 263,085 | 2,061 |
| 6 | Skin infections | 2006 | 6.5 | 115,286 | 48 |
| | | 2005 | 21.6 | 258,739 | 52 |
| 7 | Musculoskeletal and connective tissue | 2006 | 4.2 | 74,586 | 18 |
| | | 2005 | 8.9 | 106,977 | 35 |
| 8 | Digestive system(not infectious) | 2006 | 4 | 70,564 | 115 |
| | | 2005 | 9.2 | 109,926 | 295 |
| 9 | Anaemia | 2006 | 2.3 | 41,560 | 615 |
| | | 2005 | 3.2 | 37,895 | 555 |
| 10 | Aids (suspected and Confirmed cases | 2006 | 1.7 | 29,515 | 1,707 |
| | | 2005 | 3.5 | 21,674 | 1,384 |

Source: Ministry of Health

### *Malaria*

Malaria continued to be the leading cause of morbidity and ranked second in terms of mortality after AIDS. However, the incidence rate decreased to 76 per 1,000 populations in the second half of 2006 from 200 per 1,000 populations during the same period in 2005. Similarly, deaths attributable to malaria declined by 58.7 percent to 1,706 from 4,135 in 2005.

The decline in malaria incidence and mortality rate was mainly due to the positive effects arising from the continued scaling up of effective preventive and curative interventions such as the use of Insecticide Treated Nets (ITNs), In-door Residual Spraying (IRS), and use of coartem malaria drug. The IRS coverage in 2006 improved from five districts in 2005 to 15 districts in 2006 thus increasing household coverage from 217,340 households to 700,000. Significant progress was made in the implementation of the malaria control programme with training of 61 district Trainers of Trainers and 1,100 spray operators. In addition, 1,808,505 mosquito nets were distributed against the target of three million by end of 2006.

### *Respiratory Infections (Non-Pneumonia)*

There was a sharp rise in deaths attributable to non-pneumonia respiratory infections in 2006 to 868 from 432 in 2005. Conversely, the incidence rate declined to 34.5 per 1,000 population in 2006 with 125,686 diagnoses compared to the incidence of 78.7 per 1,000 population in 2005 with 943,042 cases. Tuberculosis (TB) continued to be one of the leading cause of non-pneumonia respiratory infections, in-spite of improvements in T.B management. The cure rates for smear positive cases improved to 75.5 percent (532/100,000) in 2005 from 73 percent (580/100,000) in 2004. The Directly Observed Treatment (DOTs) coverage was maintained at 100 percent in all the districts. The TB notifications declined to 53,627 in 2005 from 58,070 in 2004.

### HIV/AIDS

According to the Health Management Information System, (HMIS) the number of people contracting HIV in 2006 dropped to 1.7 per 1,000 population compared to 3.5 per 1,000 population in 2005. This outturn could be largely attributed to the positive impact of sensitization programmes which have been going on for sometime. Provision of free ARVs also improved reaching 75,000 patients in 2006 from 42,000 patients in 2005 and against the target of 100,000. In addition, 17,290 employees were reached through the public sector workplace programme. The Prevention of Mother-to-Child-Transmission (PMTCT) Centres increased to 278 from 200 in 2005 while the number of Voluntary, Counselling and Testing Sites (VCT) increased to 600 from 450 in 2005. However, confirmed and suspected cases of AIDS ranked tenth in terms of morbidity in 2006.

### Maternal Health

Maternal mortality continued to be one of the highest in the world at 729 deaths per 100,000 live births despite Government's efforts to bring down the high rates. The factors contributing to these high rates included shortage of trained midwives in most of the Zambian facilities, lack of transport and communication facilities and ill-equipped theatres in district hospitals to deal with pregnancyrelated complications.

In an effort to reduce the high maternal mortality rates, Government embarked on the construction of maternity annexes in all districts in Northern and Eastern Provinces which had one of the highest rates of martenal mortality. Government also introduced midwifery schools in Chilonga and Kitwe and procured ambulances and radio communication equipment in Northwestern provinces to facilitate referral of patients needing specialised attention.

In addition, clean delivery kits were introduced in districts where maternal mortality cases are high. As part of community partnerships, traditional birth attendants were trained and equipped.

### Child Health

Immunisation coverage increased to 96 percent in 2006 from 90 percent in 2005 largely due to the expanded programme on immunisation whose main objective was to ensure that all the children were fully immunised before the age of one. In addition, Government continued with the implementation of the Reaching Every District (RED) Strategy, which focuses on tracing children that have missed their routine immunisation. Technical support supervision was undertaken in 20 districts in 2006 compared to 10 districts in 2005 to improve access and reduce the number of drop-outs. Further, the Government replaced 55 percent of all the cold chain equipment (see table 17.2).

### Drugs and Medical Supplies

The supply of drugs during the period under review did not improve. The percentage of months for which essential drugs were in stock in health centres reduced to 72 percent in 2006 from 74 percent in 2005. For hospitals, the percentage of months remained constant at 82 percent. The core services of storage and distribution of drugs and medical supplies to districts and hospitals continued smoothly by end of quarter three of 2006. To address the problem of erratic drug and medical supply to the sector, Government established a Drug Supply Fund (DSF) to facilitate bulk procurement of drugs and medical supplies from reputable suppliers at competitive prices.

**Table 17.2: Trends of selected Health Care Delivery indicators, 2004- 2006**

| INDICATOR | 2004 | 2005 | 2006* |
|---|---|---|---|
| Health Center Outpatient Per capita Attendance | 0.76 | 0.78 | 0.66 |
| First Antenatal Coverage (%) | 97 | 93 | 71 |
| Average Antenatal Visits | 3.1 | 3 | 3 |
| Supervised Deliveries (%) | 61 | 62 | 48 |
| Fully Immunized Children under 1 year (%) | 80 | 90 | 96 |
| Underweight prevalence (%weight) | 17 | 16 | 16 |
| New Family Planning Acceptors Rate per 1000 | 127 | 138 | 101.6 |
| Health Center Staff Load | 17.4 | 17 | 16.5 |
| Drug Kits Opened per 1000 patients. | 0.93 | 1.08 | 1.02 |

Source: Ministry of Health
*2nd Quarter 2006

During the review period, the human resource situation remained inadequate in 2006 with all categories of staff operating at less than 50 percent of the recommended operational capacity (see table 17.3). The worst hit category of staff continued to be that of doctors, nurses and other paramedics. In order to address the shortage of frontline medical personnel, Government in 2006 recruited a total of 744 staff. In addition, Government made efforts to improve conditions of service for the medical staff such as the introduction of a retention allowance for nurses and medical paramedics.

**Table 17.3:Human Resources Staffing Levels against Recommended Levels, 2004 - 2006**

| Staff Category | 2004 | 2005 | 2006 | % Change | Recommended staff levels | Variance | Staff : Population Ratio |
|---|---|---|---|---|---|---|---|
| Doctors | 693 | 646 | 718 | 11.14 | 2,300 | 1,582 | 16,016 |
| Clinical Officers | 1,165 | 1,161 | 1,254 | 8 | 4,000 | 2,746 | 9,170 |
| Nurses | 8,356 | 8,369 | 8,650 | 3.3 | 22,332 | 13,682 | 1,329 |
| Laboratory Technologists | 454 | 417 | 432 | 3.5 | 1,560 | 1,128 | 26,620 |
| Pharmacists | 24 | 108 | 133 | 23 | 162 | 29 | 86,466 |
| Other Paramedics | 840 | 1,138 | 1,396 | 22.5 | 9,006 | 7,664 | 8237 |
| **Total** | **11,532** | **11,839** | **12,583** | **~** | **39,360** | **26,831** | **~** |

Source: Ministry of Health

### Other Programmes

In 2006, Government commenced the process of tracking expenditures in health through the public expenditure tracking survey (PETS). This survey is aimed at strengthening capacity in the area of resource mapping, financial tracking, and outcomes monitoring in the health sector.

### Health Sector Financing

Total budget releases to the Ministry of Health were K603.1 billion, which was above the budgetary allocation by 8.8 percent of K556 billion. This was an improvement compared to the K480 billion released in 2005. Of the amount released, K36.7 billion was meant for poverty reduction programmes. As a share of the discretionary budget releases to the Ministry of Health in 2006 increased to 12.0 percent from 10.2 percent in 2005.

### Infrastructural Development

The construction of health posts increased to 20 in 2006 from 17 in 2005 while 34 health posts were still under construction in 2006. In addition, a total of ten health centres were completed. This accounted for 50 percent of the construction contracts that were awarded in 2004. Further, 58 rural health centres and eight urban clinics in Lusaka were upgraded to cater for maternity wings and radiography units in order to strengthen the referral system.

## Outlook

The prospects of improving health service delivery in 2007 are threatened by many challenges. These challenges include poor infrastructure, inadequate human resources, the heavy disease burden and inadequate medical equipment and drugs.

Notwithstanding, Government in 2007 will scale-up support to the health sector in the areas of primary, secondary and community health care and multi-sectoral response to HIV/AIDS. Further, the Government will recruit an additional 1,900 front-line medical personnel to help reduce the shortage of health workers and enhance service delivery.

# CHAPTER 18 GENDER AND DEVELOPMENT

## Overview

During the period under review, Government continued to facilitate the mainstreaming of gender in policies and programmes with a view of making the development process gender responsive. In this regard, there was an increase in access to and retention in schools by the girl child, social and economic empowerment of women and awareness creation on gender-based violence. This was evidenced by the rise in reported cases of gender based violence especially among women and children.

## Policy Developments

In recognising the importance of gender to the development process, Government established a Ministerial position in the Cabinet leadership during the period under review. In addition, Government submitted a Cabinet memorandum on gazetting 8th March, the international Women's Day as a Public Holiday, and initiated the process of preparing the draft Gender Based Violence Bill.

Further, Government continued with the process of incorporating the provisions of the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) into national legislation which included the Gender Based Violence Bill. In addition, the process of drafting legislation and policy on human trafficking, aimed at protecting the rights of the vulnerable groups, especially women and children was underway.

Draft protocols on prevention and suppression of sexual violence against women and children, on the internally displaced persons and protocols on the property rights of returning persons were completed. Zambia signed the pact on security, stability and development in the Great Lakes Region which is yet to be ratified.

In an effort to curb the increased number of reported cases of gender based violence, Government introduced stiffer penalties for sexual offenders and cases of defilement through Penal Code Act No.15 of 2005. Rape now attracts a minimum prison sentence of 15 years.

In the area of affirmative action, Government introduced a bursary scheme for girls who are pursuing science and technology subjects in order to promote their participation.

## Gender in Decision Making

In 2006, women representation in some areas of decision making increased. However, measured against the SADC Declaration on Gender and Development of 1997, which demands 30 percent representation of women in decision making positions at all levels, the levels continued to be low.

At Cabinet level, the number of female ministers (five) remained at the same level of 2005 out of twenty-three Cabinet Ministers. While at Deputy Minister level, representation increased to 18.2 percent from 8.9 percent in 2005. In terms of Parliamentary representation, 22 women (14.7 percent) out of the 150 were members compared to 19 percent in the previous Parliament (see table 18.1).

**Table 18.1: Percentage of Women in Decision-making position**

| Position | 2004 | 2005 | 2006 |
|---|---|---|---|
| Members of Parliament | 12.0 | 19.0 | 14.7 |
| Cabinet Ministers | | 23.8 | 23.8 |
| Deputy Ministers | 7.0 | 8.9 | 18.2 |

Source: Cabinet Office

In the civil service, female representation at Permanent Secretary level stood at 18.6 percent compared to 15.8 percent in 2005. At Director and Deputy Director levels, women representation accounted for 23 percent and 18.3 percent, respectively (see table 18.2).

**Table 18.2: Women's Participation in Decision Making For 2006 For Selected Public Service Positions**

| Position in Civil Service | 2005 | | | % female/total | 2006 | | | % female/total |
|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | | Women | Men | Total | |
| Permanent Secretaries | 6 | 32 | 38 | 15.8 | 8 | 35 | 43 | 18.6 |
| Deputy Permanent Secretaries | 1 | 14 | 15 | 6.7 | 0 | 24 | 24 | 0 |
| Directors | 16 | 59 | 75 | 21.3 | 23 | 77 | 100 | 23 |
| Deputy Directors | 31 | 58 | 71 | 43.7 | 13 | 58 | 71 | 18.3 |
| Assistant Directors | 37 | 140 | 177 | 20.9 | 37 | 140 | 177 | 20.9 |
| District Commissioners | 11 | 57 | 68 | 16.2 | 11 | 57 | 68 | 16.2 |

Source: Cabinet Office

## Gender Based Violence

Government continued with sensitization of the public on gender based violence through the annual commemoration of the 16 days of Activism Against Gender Violence under the theme "*celebrate 16 years of 16 days: advance human rights; end violence against women*".

Further, one stop centres for victims of gender based violence were established in Lusaka, Eastern and North-Western provinces.

## Outlook

In 2007, Government will continue to facilitate an enabling environment that will make the development process more gender responsive by among other things, pursuing the enactment of the Gender Based Violence Bill and the human trafficking policy and bill. Government will also facilitate the empowerment of vulnerable groups by providing grants in agriculture and entrepreneurship ventures.

Furthermore, mainstreaming of gender in the implementation of the Fifth National Development Plan will be priority in order to ensure full participation of both men and women in the development process. This will include the development of gender disaggregated data in the various sectors for improved monitoring and evaluation of gender issues in the plan.

# CHAPTER 19 SOCIAL PROTECTION

## Overview

During the year under review, Government continued to implement various social safety net programmes aimed at enhancing quality of life for the poor and vulnerable persons. The programmes implemented included the Public Welfare Assistance Scheme (PWAS), Food Security Pack (FSP), Peri Urban Self Help (PUSH), Child Care upgrading programme as well as programmes on the Vulnerable Children.

## Policy Developments

A key policy development in 2006 was the review of the National Policy on Social Welfare. The policy aims at articulating the roles of social partners and other stakeholders in the implementation process including incorporating emerging social issues such as child defilement.

## Sector Performance

### Public Welfare Assistance Scheme

In 2006, a total of K10.6 billion was disbursed for the Public Welfare Assistance Scheme (PWAS) compared to K10.4 billion in 2005. The number of beneficiaries increased by 17.4 percent to 151,731 from 125,307 in 2005. However, the number of beneficiaries reached fell short of the target of 200,000 persons or 2 percent of the total population (see table 19.1).

**Table 19.1: Funding to the PWAS and Beneficiaries, 2004 - 2006**

| Year | GRZ Funding (K'billion) | | Beneficiaries (persons) | | |
|---|---|---|---|---|---|
| | Allocation | Releases | Males | Females | Total |
| 2004 | 7.8 | 7.2 | 47,685 | 68,262 | 115,947 |
| 2005 | 10 | 10.4 | 50,310 | 79,690 | 130,000 |
| 2006 | 10.6 | 10.6 | 69,460 | 82,271 | 151,731 |

Source: Ministry of Community Development and Social Services

### Street Children Activities

The country continued to experience the problem of street children. The number of street children was estimated at 12,500 during the period under review. In this regard, Government undertook various interventions to address the problem which included reintegration of street children into families, provision of support to families, training in life skills and recruitment into the Zambia National Service (ZNS) Camps for training in life skills.

Consequently, a total of K426.7 million was released in 2006, for street children programmes, compared to K50 million disbursed in 2005. Of this amount, K200 million was disbursed to District Street Children Committees (DSCC) and to Non-Governmental Organisations (NGOs) running street children centres. A total of 1,630 street children were assisted in 2006 through various programmes. Of this number, 712 street children were reached through DSCCs. Additionally, 406 street children were reached through mobile clinics. Further, 160 families were counseled and empowered in order to prevent them from going back to the streets. The empowerment was in the form of provision of seed capital and training in business management and provision of sewing machines (see table 19.2).

**Table 19.2:Assistance Under Street Children Committees in 2006**

| Name of DSCC | No. of Street Children Assisted |
|---|---|
| Chipata DSCC | Nine Street children sponsored to learn shoe making and carpentry at Chipata craft centre. |
| Lundazi DSCC | Fourteen street children trained in carpentry and gardening |
| Kalomo DSCC | Thirteen street children sent back to school and provided with school requirements and food stuffs. |
| Kasama DSCC | Thirteen street children re-integrated into the communities. |
| | Eight street children were also sent back to school. |
| | Five older street children were sponsored to attend skills training at Kasama Skills Training Centre. |
| Mpika DSCC | Fifteen street children were reintegrated back into the communities and also sent them to school. |
| Nakonde DSCC | Ten street children assisted with income generating activities such as catering and from the funds they raised five of them went back to school. |
| Lusaka DSCC | A total of 297 children re-integrated into their families and communities |
| | A total of 406 street children were also reached through the mobile clinic with the help of Project Concern International (PCI). |
| Kabwe DSCC | Six street children were reintegrated back into their families and another Six street children were sponsored to go for skills training at Kabwe Trades Training Institute. An additional 25 students were identified to go to Zambia National Service in 2007. |
| Kapiri Mposhi DSCC | Registered 42 street children needing assistance |
| Copperbelt | A total of 216 street children assisted with feeding, skills training and placed in centres. |
| Solwezi DSCC | A total of 48 children placed back into school |
| **Totals** | **1,118 street children** |

Source: Ministry of Community Development and Social Services.

In addition, Government in conjuction with some Lusaka based Non-Governmental Organizations (NGOS) provided care and services to the street children in Lusaka in the form of shelter, meeting their educational needs and rehabilitating these children. A total of 512 street children were reached (see table 19.3).

**Table 19.3: Status on Street Children Centres in Lusaka**

| | | | No of Children | | | |
|---|---|---|---|---|---|---|
| **No** | **Project Name** | **Location** | **M** | **F** | **Total** | **Activities** |
| 1 | Lazarous Project | Makeni | 23 | 0 | 23 | Education, Shelter, Rehabilitation |
| 2 | New Horizon | Chainama | 0 | 20 | 20 | Education, Shelter, Rehabilitation |
| 3 | Mapode | Mtendere | 5 | | 5 | Education, Shelter |
| 4 | Zanelic | Linda | 15 | 20 | 35 | Shelter Counseling Sports |
| 5 | Jesus Cares | Mtendere | 14 | 15 | 29 | Education, Shelter |
| 6 | Messiah Ministries | Makeni | 7 | 5 | 12 | Shelter, Counseling, Education |
| 7 | City of Hope | Makeni | | 80 | 80 | Shelter, Counseling, Education, Agriculture |
| 8 | Kakabalika | Lusaka West | 15 | | 15 | Shelter, Education, Rehabilitation |
| 9 | St Lawrence Home of Hope | Kamwala | 22 | | 22 | Education, Gardening, Sports |
| 10 | Flame | Chongwe | 8 | 12 | 20 | Education, Sports |
| 11 | Fountain of Hope | Kamwala | 48 | | 48 | Education, Gardening, Sports |
| 12 | Bauleni | Bauleni | 21 | 4 | 25 | Education, Shelter, Counseling |
| 13 | Chisomo | | 32 | 7 | 39 | Counseling, Education, Sports |
| 14 | Mthunzi | Lusaka West | 76 | 17 | 93 | Education, Shelter, Rehabilitation |
| 15 | Zambia Shanty | | 23 | | 23 | Counseling, Tailoring, Chicken Rearing |
| 16 | Life Net | | 23 | | 23 | Counseling, Shelter, Education |
| | **Total** | | **332** | **180** | **512** | |

Source: Ministry of Community Development and Social Services.

### Child Care Upgrading Programme (CCUP)

During the period under review, a total of K172.4 million was disbursed to 62 children homes in the form of grants in all provinces. In addition, a total of 20,000 copies of manuals on "How to run a Child Care Facility" was developed, printed and distributed to all provinces. This manual was translated into seven major languages in order to increase the outreach. Government in 2006 continued to register organizations dealing with child welfare matters. In this regard, 46 organizations were registered bringing the total to 300.

### Micro-Bankers Trust

During the year under review, a total of K3.8 billion was released compared to K2.2 billion in 2005, representing an increase of 42 percent. A total of 6,824 benefited in 2006 compared to 6,333 in 2005. The number of districts reached increased to 33 from 24 in 2005. The average loan size was K513,427.

### Programme against Malnutrition (PAM)

In 2006, a total of K21 billion was released for the Food Security Pack Programme and 34,942 farmers benefited. The inputs distributed included 300 Mt of cereal seed, 342.4 Mt of legume seed, 8.5 million x 30cm cassava cuttings and 4,011.6 Mt of fertilizer.

The programme impacted positively on the households reflected by an increase in average food production of 36 x 50kg (cereal and legumes) which was adequate to meet food requirements for an average household of six. In addition, 4,700 beneficiaries graduated from the programme.

### Peri Urban Self Help (PUSH)

Peri-urban Self Help (PUSH) programme was implemented in 18 districts benefiting 43,223 households in 2006 compared to 34,173 households in 2005. A total of K4.0 billion was disbursed compared to K 4.1 billion in 2005, representing a decrease of 2.4 percent. Major outputs from the programme were the construction of 540 water wells in Western Province, construction of two community markets in North Western Province and establishment of three community schools in Central Province (see table.19.4).

**Table 19.4: Activities Undertaken by Peri-urban Self Help, 2006**

| Province | No. of Communities | Activities undertaken | Output | No. of Households |
|---|---|---|---|---|
| Western | 210 | Construction of shallow water wells | 540 water wells constructed | 34,270 |
| | | Canal clearing and dredging | Nine Canals cleared | |
| | | livestock water ponds and Conservation farming and Wetland cultivation | Two Livestock water ponds dug, 34,270 trained in conservation farming | |
| | | Crush pens | Five Crush pens created | |
| | | Road Embankments | Two Road embankments done | |
| Copperbelt | 18 | Gardening and Conservation farming | 2,230 participants trained in conservation farming | 2230 |
| | | Community Development Centre | Five Community development centres constructed | |
| | | Community school | One Community school established | |
| Southern | 36 | Conservation farming | 4,750 participants trained in conservation farming | 4750 |
| | | Earth Dam rehabilitation | Three Earth Dams rehabilitated | |
| | | Livestock multiplication | 3,000 participants engaged in animal rearing | |
| | | Community Development Centre | One development centre constructed | |
| N/Western | 3 | Conservation farming | 700 participants trained in conservation farming | 700 |
| | | Banana Plantation | One Community engaged in banana plantation | |
| | | Construction of 2 markets | Two Markets constructed | |
| | | Fish farming | One Community engaged in fish farming | |
| Lusaka | 5 | Chicken rearing and Knitting | 3-8 participants engaged in chicken rearing and knitting | 73 |
| | | Community Development centre | Two Community development centres constructed | |
| | | Community school | One Community school established | |
| | | Access roads | Access road in two communities 15 participants engaged in road construction | |
| | | Fish farming and Gardening | one community engaged in fish farming gardening and livestock rearing | |
| Central | 6 | Conservation farming | About 1,200 participants trained in conservation farming | 1200 |
| | | Community Development Centre | Two development centres constructed | |
| | | Community School | Three community schools established | |
| | | Fish farming, gardening and livest ock multiplication. | Four Communities engaged in fish farming, gardening and livestock rearing | |

Source: Ministry of Community and Social Services.

## National Trust for the Disabled

In the year under review, disbursements to the disabled by National Trust for the Disabled (NTD) reduced significantly to K27 million from K60.5 million in 2005. Consequently the number of beneficiaries reduced to 39 from 76 in 2005. This reduction was policy induced in order to improve upon the recovery rates which over the years have been poor. In 2005, K60.5 million was disbursed out of which K35.9 million was not paid back.

### Food Programme Management

In 2006, a total of K2.3 billion was released compared to K2.2 billion in 2005. The programme focused on (i) improving childrens access to basic education, especially girls, orphans and from the hungry-poor households, (ii) improving basic school completion rate (iii) Improving nutrition status and reduce malnutrition related mortality among chronically malnourished children under five, expectant and nursing (lactating) mothers and people living with HIV/AIDS, and (iv) improving food security and well-being among hungry poor households, particularly in areas vulnerable to natural disasters (see table 19.5).

**Table 19.5: Food Distributed and Beneficiaries 2004 – 2006 In Metric Tons**

| | ACT 1 ABE | | ACT 2 NPVG | | ACT 3 FFA | | ACT 4 ART | |
|---|---|---|---|---|---|---|---|---|
| | In 7 Districts | | In 22 Districts | | In 8 Districts | | In 7 Districts | |
| | Beneficiaries. | Food Mt | Beneficiaries.. | Food Mt | Beneficiaries. | Food Mt | Beneficiaries. | Food Mt |
| **2004** | 24,927 | 544 | 128,472 | 5,750 | 75,420 | 5,422 | - | - |
| **2005** | 66,870 | 1,250 | 135,507 | 6,376 | 53,076 | 5,497 | 12,935 | 193 |
| **2006** | 102,920 | 2,985 | 99,860 | 6,983 | 50,409 | 3,883 | 25,990 | 2,010 |

Source: Ministry of Community and Social Services

**Beneficiaries**: For ABE and NPVG, the rations are calculated on daily basis per head. FFA and ART rations are family rations based on the family size of six people per family.

### Other Programmes

#### Self Help initiatives

In the year under review, Government, through the Africa Housing Fund, released K370 million for the construction of 18 housing units in addition to K450 million released in 2005 for the first 22 units. This scheme was aimed at empowering low income households with housing units.

#### Non-formal Education and Skills Training

Government in the year 2006, increased funding to this programme by 23.8 percent to K788 million, from K600 million in 2005. Despite increased funding to the programme, literacy classes dropped to 77 in 2006 from 206 in 2005. Consequently, the number of students reduced to 1,145 from 5,150. This decline was due to the decision by Government to move adult literacy classes to the education sector. This led to the shift of priorities in this area to non-formal skills development rather than non-formal education. The objective of this programme was to reduce illiteracy among youths and adults, with special focus on girls and women, through literacy programmes.

#### Women's Development Programmes

A total of K1.0 billion was released in 2006 to support women's clubs engaged in income generating activities. Other activities included HIV/AIDS, environment and reproductive health.

### Development of Cultural Infrastructure

During the year 2006, a total of K1.0 billion was released for Cultural Infrastructure development in four Cultural Villages namely Maramba, Yuka, Kapata and Kabwata. In addition, Government facilitated training in management and administration of cultural projects to the National Arts Council and selected Cultural Institutions. Zambia participated in the visual arts exhibitions of the 1st African Caribbean Pacific (ACP) Cultural Festival held in the Dominican Republic. Further, Government ratified the UNESCO convention on Safeguarding the Intangible Cultural Heritage and facilitated the awarding of two Diplomas by UNESCO declaring Gule Wa Mkulu and Makishi masquerades Masterpieces of Oral and Intangible Heritage of humanity.

In order to promote Zambian performing Artists to exchange ideas with the rest of the Continent about current trends in Choreography as well as music and dance, Government supported the Africa Freedom Dance Festival. The Africa Freedom dance festival has since attracted more than 25 Countries and is supported by various local and international financing institutions.

# CHAPTER 19 ECONOMIC PROSPECTS AND POLICIES IN 2007

## Global Outlook

The outlook for the global economy in 2007 is expected to be favourable with real GDP growth projected at 4.9 percent, though lower than 5.1 percent in 2006. This expansion will be led by the United States, Japan and Germany. Economic growth in all three countries is projected to be slightly lower than the rates recorded in 2006 given the anticipated reduction in activity in the housing market in the United States and increases in the German tax base. In this regard, growth in the United States is expected to fall to 2.9 percent from 3.4 percent in 2006 while output growth in the Euro zone will reduce marginally to 2.0 percent in 2007 from 2.4 percent in 2006. In contrast, growth in emerging markets is projected to stay robust with China and India expanding rapidly at 10.0 percent and 7.3 percent, respectively. In addition, commodity prices are expected to ease as production increases to meet rising global demand.

Global financial conditions are expected to be favourable despite potential destabilising developments, such as the marginal increases in interest rates and intensified inflationary pressures. Private capital flows to developing and emerging market economies are expected to fall moderately in 2007. However, a large proportion of foreign direct investments (FDI) from high income countries are expected to be advanced to China and the newly industrialised economies thus, improving market liquidity in those regions.

In Africa, strong economic growth is expected to continue in 2007, and will reach 5.9 in 2007. Significant growth is anticipated particularly in the Southern African region excluding, South Africa, at 11.4 percent compared to 6.1 percent in 2006. Nonetheless, persistently high oil prices remain a concern, particularly for oil importing countries. Non-fuel commodity prices are expected to fall as global demand decreases, thus affecting export performance in these countries. However, FDI flows to Africa are expected to rise marginally by US $2 billion to US $27.8 billion in 2007.

## Domestic Economy

Domestic output in 2007 is expected to be higher than in 2006 with real GDP projected at 7.0 percent. Increases in domestic output will be spurred by growth in the agricultural, mining, manufacturing and construction sectors.

Macroeconomic stability is expected to be maintained anchored on prudent fiscal and monetary policies. In this regard, inflation is expected to fall to 5.0 percent from 8.2 percent in 2006. Similarly, Gross International Reserves (GIR) are projected to increase to 2.5 months of import cover from 2.0 months in 2006. In addition, Government borrowing is anticipated to fall to 1.2 percent of GDP from 1.5 percent in 2006. Fiscal policy objectives in 2007 will focus on strengthening tax administration and and reallocating resources tp priority sectors in line with the Fifth National Development Plan.

Following the implementation of the Multilateral Debt Relief Initiative (MDRI) and the significant reduction in Zambia's foreign debt portfolio, efforts will be made to maintain debt sustainability. New financing strategies will focus on concessional loans and the acquisition of grants to fund projects in priority areas of the economy.

Furthermore, financial intermediation is expected to increase given continued stability in the domestic financial system, improvements in the quality of products coupled with the increase in the number of financial institutions and the expected fall in domestic interest rates. The continued implementation of the Financial Sector Development Plan (FSDP) aimed at addressing rigidities in domestic financial markets will further enhance the process of financial intermediation. The existence of licensed credit reference bureaux and the acquisition of a sovereign credit rating for Zambia will induce increases in both private and official capital flows as the country's creditworthiness and risk management procedures in domestic financial markets improve.

Prospects for capital market developments are also bright premised on continued macroeconomic stability. Stock market capitalisation and turnover are expected to increase following the listing of companies in various sectors of the economy on the Lusaka Stock Exchange (LuSE). Initial Public Offers (IPOs) are expected in the telecommunication, agricultural, mining, banking and financial sectors of the economy. Other notable activities to be carried out in 2007 include the issuance of several corporate bonds in domestic debt markets.

Implementation of various structural reforms in the areas of the Public Expenditure Management and Financial Accountability and Private Sector Development aimed at enhancing the delivery of public services and the business environment will continue in 2007 . In addition, the business environment is expected to improve with the advent of the Zambia Development Agency (ZDA).

In addition, the creation of the Multi-Facility Economic Zones (MFEZ) is expected to facilitate and enhance economic diversification and export promotion. Further, it is expected that these zones will spur technological innovations, facilitate skills transfer, and increase employment opportunities in the country.

The demand for energy in 2007 is expected to rise due to increased economic activities, especially in the mining sector. In an effort to meet the increased demand for energy, Government will continue with the power rehabilitation programme complimented by new hydro power stations to be constructed through Public-Private-Partnership Agreements. In addition, the supply of petroleum products is predicted to be stable throughout 2007 in view of efforts initiated by Government in 2006 such as the establishment of strategic petroleum reserves and the recapitalisation of INDENI oil refinery.

With regard to social investment, Government will focus on improving the quality and delivery of health, education, water and sanitation services. Further, the Government will endeavour to recruit and retain staff to meet required levels as well as invest in infrastructural developments in both health and education sectors. It is also expected that access to water and sanitation services in rural, peri-urban and urban areas will improve in 2007, following the enactment of the Water Bill and anticipated additional investments in water-related infrastructure by water utilities companies.