The World Bank in ZAMBIA

Country Brief 2005-2006
The World Bank Group is one of the world’s largest sources of development assistance. It is a multilateral institution made up of 184 member countries, including Zambia, each of which is a shareholder with decision-making power. The loans, credits, and grants provided by the World Bank come from contributions by its wealthier member countries and from global capital markets. Key elements of the mission, principles, and values of the World Bank Group are:

- Fighting poverty with passion and professionalism.
- Helping people help themselves and their environment by providing resources, sharing knowledge, building capacity, and forging partnerships in the public and private sectors.
- Encouraging national institutions to take leadership in the development process and working in partnership with them.
- Ensuring accountability for quality results, financial integrity, and cost-effectiveness.
- Inspiring honesty, integrity, and commitment in development work; empowering others and respecting differences, and encouraging responsible risk-taking.

The World Bank Group, as part of the international community, has committed to an expanded vision of development, which promotes human development as the key to sustaining social and economic progress in all countries and accepts the Millennium Development Goals (MDGs) as a framework for measuring development results.

The World Bank Group is an important partner in helping Zambia move toward its MDGs and reach its development priorities. Since the founding of the World Bank Group in 1944, its five component institutions have invested around US$3.2 billion in Zambia to support development projects in a variety of sectors, ranging from mining to infrastructure to health. This booklet describes the collaboration between the Government of Zambia and the World Bank Group.

To better understand the work of the World Bank Group in Zambia, it is useful to have an overview of the role of its five institutions, each of which plays a distinct role in promoting economic development and foreign investment in Zambia.
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

Originally created to help European countries recover from the destruction of World War II, over time the IBRD has come to focus largely on lending for large-scale development projects in middle-income countries and creditworthy low-income countries, as well as on gathering and disseminating knowledge and information that permit better understanding of a country’s development potential and constraints.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

As the Bank Group’s “soft-money” window, IDA provides more than US$6 billion each year in grants and low-interest credits to the world’s poorest countries, which cannot afford to borrow from commercial lenders. IDA credits are offered at zero interest with a 10-year grace period and maturities of 35 to 40 years. Most of Zambia’s support from the World Bank Group is currently provided through IDA grants or credits.

INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC seeks to promote economic development through the private sector. Working with business partners, the IFC invests in sustainable private enterprises in developing countries by taking equity partnerships and providing long-term loans, guarantees, and risk management and advisory services to its clients. The IFC invests in project, regions, and sectors underserved by private investment, and finds new ways to develop promising opportunities in markets that commercial investors would consider too risky. In 2001 and 2002, the IFC invested US$55.5 million in Zambia, predominantly in mining, tourism, information, and finance and insurance.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

MIGA helps to encourage foreign investment in developing countries by providing guarantees to foreign investors against losses caused by noncommercial risks, such as expropriation, currency inconvertibility and transfer restrictions, or war and civil disturbances. MIGA also provides technical assistance to help countries disseminate information on investment opportunities. Zambia is a member of MIGA.

INTERNATIONAL CENTER FOR SETTLEMENT OF INVESTMENT DISPUTES

ICSID encourages foreign investment by providing international facilities for reconciling and arbitrating investment disputes, thus helping to foster an atmosphere of mutual confidence between states and foreign investors.
Zambia has established a solid track record of performance: after five years of economic reforms, improved economic performance, and substantive per capita growth, it reached the HIPC Completion Point in April 2005. Today there is a window of opportunity to achieve sustainable private sector growth that is shared widely across the economy. The World Bank is Zambia’s partner and friend in helping the country achieve its full potential.

The fight against poverty and for a better future requires that all partners join forces and support a development strategy that is led by Zambians for Zambians. The World Bank Country Team is committed to accelerating our program of “3 Ps”—projects, policy dialogue, and partnerships. The core of our support strategy is built around accelerating private sector growth and diversification, better health and increased literacy, higher productivity in the agricultural sector, improved infrastructure, and a frontal attack on HIV/AIDS.

On a personal note, I am delighted to work for Zambia. I first worked on the country as an economist in 1990, and I consider it a privilege and honor to now lead the World Bank’s Country Team for Zambia.

Hart Schafer
Country Director for Malawi, Zambia, and Zimbabwe

The World Bank Group is deeply committed to helping the people of Zambia break free from the bondage of poverty. To achieve this goal, the Bank will continue to provide policy advice, backed by financial resources, to support national strategic development priorities. The emphasis is on effective implementation of nationally owned programs, in the context of the current Zambia Poverty Reduction Strategy, the forthcoming National Development Plan, and on systematic monitoring and evaluation that focuses on results.

Beating poverty in Zambia requires partnership among the government, private sector, civil society, and the World Bank and other development partners. Working in partnership calls for more effective coordination and harmonization of approaches. The World Bank Group can play a pivotal role in nurturing this partnership; to do so, the Bank intends to consolidate, deepen, and widen the scope of its policy dialogue with Zambians, based on mutual respect and trust.

The World Bank’s Country Office in Lusaka and the Zambia Country Team believe that, notwithstanding the daunting development challenges, the goal of achieving social and economic transformation in Zambia is attainable. This booklet provides an overview of how the World Bank supports our shared goal: a better quality of life for the Zambian people.

Ohene Owusu Nyanin
Country Manager for Zambia
Three key areas define the World Bank’s focus in Zambia:

- **Policy Dialogue:** Gathering data and producing analytic studies on the state of economic and social development in the country to inform stakeholders and assist in policy formulation (see box 1)

- **Programs:** Supporting development projects identified by Zambia as key to meeting its development goals.

- **Partnerships:** Working with other multilateral and bilateral donors through in-country (mini-) Consultative Group Meetings, chaired by the Minister of Finance (every other year), to coordinate the provision of development assistance, and working in partnership with Zambia’s Government and civil society.

**Box 1: Status of Bank Group Analytic Work in Zambia**

In addition to providing financial support for development projects, the Bank Group finances studies to help Zambians understand and quantify obstacles to development, and thus contribute to policy dialogue on potential solutions. Some of this analytic work is carried out annually—such as reviews of public expenditure, the financial sector, and the overall economy. Other such work is carried out as needed, to help identify potential projects to be financed by the Bank Group.

**Completed in 2004/05**
- Joint Staff Assessment Note (annual)
- Zambia Private Sector Development Dialogue
- Zambia Health Sector Dialogue
- HIPC Completion Report
- Zambia Trade Diagnostic Study (DTIS)
- Poverty & Vulnerability Assessment

**Under way**
- Zambia Education Public Expenditure Review (PER)
- Zambia Smallholder Agriculture Study
- HIPC Assessment & Action Plan

**Planned for 2005/06**
- Agriculture Sleeping Giant Study
- Land Management Policy Note
- Health Sector PER
- Utility Regulation Review
ZAMBIA’S POVERTY REDUCTION STRATEGY

In 2002 the Government of Zambia produced its first Poverty Reduction Strategy Paper (PRSP), aimed at identifying the obstacles to equitable, sustainable economic growth and strategies for overcoming them. The PRSP sought to draw lessons from Zambia’s past experience to develop more effective strategies for the future. Among the objectives of the PRSP were:

- Diversifying production and exports.
- Improving the delivery of social services.
- Ensuring that development projects always address the cross-cutting issues of HIV/AIDS, gender, and environment.

The PRSP recognized the need for Zambia to diversify exports instead of continuing to rely exclusively on a single export commodity, copper. Agriculture and tourism are assuming more central roles; and improved infrastructure—power, water, telecommunications, and transport—will be necessary to support them. The PRSP also acknowledges that no development project that damages the environment, ignores the needs of women, or fails to take into account the impact of HIV/AIDS belongs in a forward-looking development strategy. Development of the PRSP involved consultations with Zambians representing a wide range of different perspectives.

The World Bank Group contributed to the preparation of the PRSP by providing technical advice.

In conjunction with the PRSP, the Ministry of Finance and National Planning was tasked to prepare the Transitional National Development Plan (TNDP) 2002–2005 and five-year national development plans from 2006 onward. During 2005, the successor to the TNDP will be prepared to guide the development process, including poverty reducing programs. Along with the national long-term vision 2030, the National Development Plan provides an opportunity for reflection on possible medium- to long-term strategies.

BANK GROUP COUNTRY ASSISTANCE STRATEGY

The World Bank’s Country Assistance Strategy (CAS) for Zambia, which is based on the goals set out in Zambia’s Poverty Reduction Strategy, defines the nature and extent of support that the Bank will provide to Zambia between 2004 and 2007. The CAS centers around three main objectives:

- Sustained economic growth anchored in a diversified and export-oriented economy. Here, the CAS focuses on five key areas: Fostering a more friendly international trade environment; improving the climate for private investment and development; building a deeper and broader financial system;
improving the provision of infrastructure services, especially in rural areas; and integrating environmental concerns into development.

- **Improved lives and protection of the most vulnerable.** The CAS provides for Bank Group support of efforts to enhance the efficiency and effectiveness of service delivery in education, health (including HIV/AIDS), and water, as well as agricultural research and extension, and the provision of “safety nets” to help vulnerable members of society survive economic change.

- **Effectively and efficiently managed public sector.** The CAS focuses on two main areas: managing and accounting for public finances, and public service reform.

The preparation of the CAS and of the work plan it embodies was informed by the Bank’s analytic work in Zambia (see box 1). These studies also help Zambian policymakers carry out the country’s development strategies.

In Zambia, as in other countries, the World Bank is committed to supporting development activities that focus on reducing poverty and inequalities and thus result in **sustainable development** in which all citizens receive a share of national wealth. The World Bank Group is convinced that sustainable development can best be achieved when the strategies for reaching development goals arise from within the country itself. Thus, in developing the CAS, Bank staff in Zambia consulted with a broad cross-section of stakeholders: members of civil society, academia, Government, the private sector, and Zambia’s international development partners.

The CAS provided a plan for the high-level analytic work, policy dialogue with Zambian Government and society, projects, and cooperative efforts through which the World Bank Group seeks to be a responsible and reliable development partner for Zambia.
The Bank Group supports projects designed to assist Zambia in achieving its development goals in a wide range of areas—for example, social investment, HIV/AIDS, and economic and public sector reform.

A critical aspect of development is capacity building—that is, ensuring that those responsible for different aspects of the development process have the knowledge and skills to carry out their responsibilities effectively. Projects that overtax the capacity of national institutions often do not succeed. Today many projects supported by the World Bank Group include capacity-building components.

The project summaries in this section provide insight into the many different areas of support for Zambian development provided by the World Bank Group. The listing begins with the most recent projects, and ends with a brief description of projects under study—or “in the pipeline”—as of August 2005.

ENVIRONMENT

Copperbelt Environment Project: Zambia’s mines have been a backbone of national development since the 1920s, but until recently little attention was given to the consequences for the local environment. Although the major copper mines have been privatized, copper mining still requires government oversight to control the many risks—especially air, soil, and water contamination—it entails. The IFC works with private investors in Zambia’s mining sector to reach agreements on addressing some of the most urgent environmental problems. But until some of the issues created by 80 years of neglect are taken care of, private investors may be reluctant to invest in Zambia’s mines. Thus the Copperbelt Environment Project was created to (a) establish an Environmental Management Facility to finance priority actions to protect the environment and nearby communities from the hazards posed by copper mines; and (b) strengthen the capacity of government agencies and nongovernmental organizations to ensure compliance with environmental regulations.
The project aims to promote the consolidation of a comprehensive and long-term environmental management plan for the entire Copperbelt Province and to define remediation measures for a large lead contamination site that affects about 50,000 persons. Urgent remediation works—such as the resettlement of two communities located on subsidence zones resulting from older underground mining works, or the dredging of river segments clogged by tailings—are also being implemented under the project. The project, which drew on a 1997–2003 national environmental support program funded by the Bank Group through a US$20.8 million credit, began in early 2003, with IDA credits and grants totaling US$40 million.

**Securing the Environment for Economic Development (SEED) Biodiversity subcomponent:** A biodiversity subcomponent of the SEED project (see page 9) contributes to and catalyzes tourism initiatives to secure the management and conservation of critical species and habitats that are of key significance to global biodiversity and to Zambia’s economic development. Specifically, this subcomponent contributes to the expansion and improved sustainability of Zambia’s protected area system, taking into account local community use practices, the capacity of the public administration system, and the need for policy and legal reform to improve management.

**HIV/AIDS**

**Zambia National Response to HIV/AIDS (ZANARA):** The HIV/AIDS epidemic constitutes one of the greatest threats to Zambian development: with 16 percent of the economically active population infected with the virus, the disease has made a significant dent in Zambia’s workforce and left some 800,000 orphans in precarious conditions. In early 2003 IDA provided a grant of US$42 million to support government efforts to reduce the spread of AIDS and mitigate its impact on Zambia’s society and economy. The project concentrates on three areas: providing grants to community-based organizations involved in prevention and care, strengthening national-level AIDS agencies, and assisting government ministries to incorporate HIV/AIDS activities into their work. As of July 2005, interventions have benefited 1,688 Orphans and Other Vulnerable Children (OVCs), 404 peer educators, 53 health worker counselors, and 56 lay counselors have been trained; and 29 youth-friendly health services have been rehabilitated and 30 new centers established. Voluntary counseling, testing services, and youth-friendly services are now helping to scale up health interventions across all of the 72 districts in Zambia: two districts have begun providing mobile voluntary counseling and testing services; five have trained staff in gender violence and human rights, and two have trained staff in health care waste management. In the public sector and among parastatals, 31 HIV/AIDS interventions have been implemented and 72 community projects have been approved so far. The project also supports the implementation of sensitization and training activities in thirty-nine public sector line ministries and bodies, reaching more than 21,000 public sector staff.
Economic Reform

Economic Recovery and Investment Promotion—Technical Assistance (ERIPTA): The original US$32 million ERIPTA project began in late 1996 with the aim of supporting the Zambian Government in promoting private sector participation in a number of parastatal firms and carrying out reforms in a range of public utilities. Underlying this approach was recognition that Zambia could no longer rely on copper as the sole source of foreign exchange, and needed to stimulate economic growth by diversifying its economy and creating an environment capable of encouraging private investment. In 2002, IDA provided an additional US$7.5 million in support of these goals, which involve privatization in the power, railway and airport, telecommunications, petroleum, banking, and copper mining sectors. In mid-2003 a second supplementary credit was approved for US$10 million in support of the same objectives. This project will be completed in September 2005.

Support to Economic Expansion and Diversification (SEED): To support the Government’s goal of diversifying the economy, this project provides US$24 million to help lay the foundations for expanded activity in tourism and gemstones in selected locations throughout Zambia. Under the project, selective public investments stimulate private investments and help create the conditions for increasing the contribution of gemstone and tourism sectors to GDP and export revenues. In addition, to underpin the long-term sustainable development of the tourism sector, the project seeks to improve the management of Kafue and Mosi-O-Tunya National Parks.

Economic Management and Growth Credit (EMGC): This US$40 million program aims to (a) strengthen public sector management, including debt management, to regain control over fiscal expenditures; (b) resolve the issues surrounding state-owned non-bank financial institutions, to stop the drain of public resources and strengthen the independence of the Bank of Zambia; (c) to put the (public) pension system on a financially sound footing; and (d) to improve the business environment in Zambia by further defining the role of Government with respect to private sector development and its engagement in this area. As a balance of payments operation, the credit finances 100% of the foreign exchange costs of eligible imports.
TRADE

**Regional Trade Facilitation Project:** Lack of reasonably priced insurance serves as a disincentive for commercial interests to engage in cross-border trade. Zambia is one of ten African countries benefiting from this US$135 million project, aimed at stimulating regional trade by providing insurance in a field that private insurers have been reluctant to cover. Zambia received US$15 million as part of the project, which brings together countries—including Zambia—that are willing to set up a credible insurance mechanism against losses caused by political risks, and also supports the regional Africa Trade Insurance Agency. This project complements the regional integration activities of the Common Market for Southern and Eastern Africa (COMESA).

EDUCATION AND TRAINING

**Education Sector Strategic Plan:** This Ministry of Education program is supported by 13 development partners; among them, IDA has mainly supported basic school infrastructure, education materials, and the construction of two new secondary schools. Strong progress in expanding enrollment in basic education has been complemented by the completion of 900 new classrooms each year and small but statistically significant improvements in learning achievement.

**Technical Education, Vocational, & Entrepreneurship Training (TEVET) Development Program:** This project aims to increase the TEVET system’s quality, sustainability, responsiveness, and equitability (including responsiveness to gender, poverty, and HIV/AIDS). The project supports both employer-based and pre-service employment training, awarding training funds competitively between public and private providers, with incentives for learner achievement and placement in the labor market. Zambia’s Technical Education and Vocational Training Authority is being supported by several cooperating partners, including IDA, which in 2001 committed a credit of US$25 million.

COMMUNITY DEVELOPMENT AND SOCIAL SAFETY NETS

**Zambia Social Investment Fund (ZAMSIF):** This innovative project empowers communities to plan and implement development projects aimed at improving local school, water, health, and transportation facilities. An important part of ZAMSIF is regular poverty monitoring, to provide the Government and others with a clear idea of trends in different districts or...
among different populations (men/women, rural/urban, etc.) and thus contribute to the policy-making process. ZAMSIF began in 2000, with a credit of US$64.7 million, and it is expected that 554 community investment projects will have been approved by the end-of-project date, December 31, 2005. The project is expected to be continued once the first phase is successfully completed.

SERVICE DELIVERY

Mine Township Services Project: This project aims to improve the provision of basic services to the heavily populated townships that have mushroomed around Zambia’s largest mines. It focuses on three areas: rehabilitating water and sanitation infrastructure; contracting with the private sector to provide water and other infrastructure services to establish a viable model; and building the capacity of municipal government officials to eventually take over the provision of these services and meet the needs of more than 300,000 township residents while remaining financially viable. As of August 2005, the majority of works to repair and rehabilitation of selected assets had been completed, with remaining works scheduled for completion before the project closes in December 2005. A long-term strategy for the management of water, wastewater, and solid waste in the Copperbelt province has been developed and agreed with stakeholders.

INFRASTRUCTURE

Power Rehabilitation Project: A reliable supply of electrical power produced efficiently and at the lowest possible cost would benefit all Zambians and encourage investors to establish businesses in the country. This project supports the rehabilitation of seven power generation and distribution systems and of Zambia’s overall transmission system, as well as changes in ZESCO’s operations and regulations to improve efficiency and profitability. Working in partnership with the Ministry of Energy, ZESCO, and several external development partners, the World Bank committed US$75 million to this project, which will be completed in December 2005.

Road Rehabilitation and Maintenance Project: With the closure of the Road Sector Investment Project imminent, the Bank Group has developed a US$50 million follow-on project with similar objectives: stimulating economic growth by repairing the roads needed for commercial transport, delivery of social services, and tourism; strengthening Government agencies involved in implementing Zambia’s transport policy; and creating jobs.

PROJECTS IN THE PIPELINE

Agricultural Development Support Program: Zambia’s significant underutilized agricultural potential (land and human resources) could become a major source of growth and poverty reduction. There is general recognition of the need to boost agricultural productivity, diversify crops, and develop markets. Nonetheless, the agriculture sector faces numerous obstacles-in infrastructure, technology, market link-
age, and general access to term capital; and most Zambian farmers live in poverty. Working with other donors (IFAD, SIDA, and AfDB), the Bank is supporting a smallholder commercialization project that builds on existing capacity and provides complementary investments that fill the missing links in smallholder commodity chains. The objective is to significantly increase smallholder earnings, with the attendant multiplier effects on the rural and national economy.

**Increased Access to Electricity:** This project aims to remove the barriers to, and reduce the implementation costs of, renewable energy technologies to help mitigate greenhouse gas emissions. It will fund subsidies, provide business development and operational support, provide technical assistance to build the capacity of sector institutions and new service providers, and develop cross-sectoral links between electricity and information communications technologies to support other major national objectives, such as the diversification of the economy, and battling HIV/AIDS. Apart from IDA funds, the project will provide funds from the Global Environmental Facility and Prototype Carbon Fund for renewable energy development.

**Support for Water Reform:** Zambia’s recent experiences of alternate flooding and drought have undermined the delivery of water and sanitation services, especially to the country’s poor urban neighborhoods. The Bank Group is working to develop a project to improve the delivery of water and sanitation in two urban areas by strengthening the policy framework and the utilities’ management capacity, and investing in the physical improvement of the supply networks.

**Public Sector Management Program:** Planned for 2006, this project will follow on the Public Service Capacity Building Project, under which several important steps toward improved governance and financial management were achieved. Through funding, training, and provision of equipment the project will support the Government’s introduction of a number of key public expenditure management and accountability systems. These efforts should enhance the government’s capacity to prepare timely reports and account audits, as well as to ensure that budget execution meets its poverty-reduction objectives through the use of an Integrated Information Management System.

**Essential Bridge Rehabilitation Project:** This proposed project would aim to reinstate key river crossings damaged by flooding during the last rainy seasons to (a) reduce transport costs; (b) secure the timely delivery of social services to the affected population by restoring accessibility; and (c) strengthen the Road...
Development Agency’s capacity to implement maintenance management systems.

**Zambia Malaria Booster:** The proposed project will finance a slice of the overall Zambia national malaria control program, as articulated in the national malaria strategic plan 2006–2001, which is cofinanced by the Government and its core Roll Back Malaria partners. The project would contribute to decreased malaria mortality and morbidity by rapidly expanding the coverage and use of effective malaria prevention and treatment interventions.

**Support to Decentralization of Service Delivery:** This project will follow up on the Zambia Social Investment Fund (ZAMSIF), with the aim of contributing to sustained economic growth and poverty reduction by supporting local authorities in becoming transparent, accountable, and participatory in the provision of social and economic services directed towards the felt needs of the people. These objectives are consistent with the community-driven development approach, especially the empowerment of local governments, promotion of accountability, and empowerment of communities.

**Economic Management and Growth Credit II (EMGC II):** The EMGC II will be part of a harmonized initiative to provide the Government of Zambia with poverty reduction budget support. The overall focus of the program will be jointly agreed by the Government and the interested donors, which as of August 2005 consist of Sweden, Norway, DFID, EU, and the Netherlands. The EMGC II will then focus on a specific set of milestones within the overall program—most likely in such areas as governance, debt management, pension reform, and private sector development.

**Southern Africa Power Market Project:** This regional program is intended to facilitate multi-country electricity trade in Southern Africa and support the operations of the Southern African Power Pool (SAPP) by providing technical assistance to the SAPP Coordination Center, strengthening regional transmission core and removing some of the physical bottlenecks that inhibit growth. The main sector issues to be addressed by the program are: (a) insufficient transmission capacity to maximize the benefits of regional power trade; (b) need to develop a fully functional Coordination Center of the SAPP; (c) need to increase trade on the short term energy market; (d) need to introduce clear rules of the game for private sector participation in the regional power operations; (e) harmonization of regulation affecting cross-border power trade as the national utilities embark on a reform process. The project will make more hydro energy from the Democratic Republic of Congo available to the Pool and will improve the stability of the interconnected grid. The project will—among others—connect Zambian and Tanzanian grids which will facilitate the connection of Uganda and Kenya to the Pool in the more distant future. This would expand the market significantly and bring new trading opportunities to all members.
The World Bank seeks to form partnerships within and mobilize funds from other donors to assist in Zambia’s development efforts. In its role as chair of the Consultative Group, which includes all of Zambia’s development partners, the World Bank works closely with bilateral and multilateral agencies to define the most effective way to support national development programs.

Zambia is a pilot under the aid procedures and process harmonization effort. Seven—like-minded—bilateral donors originally formed a group on Harmonization in Practice (HIP) to help reduce transaction cost of aid. The Bank is proactively involved in advancing the harmonization agenda through its work via the Special Program of Assistance for Africa and Development Assistance Committee. The Bank signed the Wider Harmonization in Practice (WHIP) Memorandum of Understanding (MoU) in April 2004, as part of the WHIP group of donors. The WHIP MoU focuses on aid effectiveness.

EASING THE BURDEN OF FOREIGN DEBT: ZAMBIA REACHES HIPC COMPLETION

The international community has recognized that one of the major factors contributing to slow growth and persistent poverty in the poorest countries has been unsustainable external debt burdens, which significantly reduce the resources that can be used to improve conditions for poor people.

In April 2005, the International Monetary Fund (IMF) and the World Bank’s International Development Association (IDA) agreed that Zambia has taken the necessary steps to reach its completion point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Zambia was the 17th country to reach its completion point.

Under the enhanced HIPC Initiative, debt relief from all of Zambia’s creditors will surpass US$3.9 billion over time [or US$2.5 billion in net present value (NPV)] terms as of the end of 1999). IDA will provide debt service relief amounting to US$885.2 million to be delivered from 2001 through 2020; the IMF will provide debt relief of $602 million in NPV terms on payments falling due to the IMF during 2001–08; and the remaining bilateral and multilateral creditors are also expected to provide their share of relief.

In July 2005, the G8 agreed on a proposal to cancel 100 percent of outstanding debts of eligible HIPC countries to the IMF, African Development Fund, and IDA. Given that Zambia has reached HIPC Completion, it is expected to be eligible for such additional multilateral debt relief.

The World Bank works in conjunction with its sister institution, the International Monetary Fund, on an
initiative designed to reduce the burden of foreign debt on the world’s poorest countries. The Enhanced HIPC (Heavily Indebted Poor Countries) Initiative began in the late 1990s, when it became evident that many countries had borrowed such large quantities of money that making debt service payments on loans was undermining their ability to meet the basic needs of their population. The purpose of the Enhanced HIPC Initiative is to permit public resources to be used for poverty reduction rather than debt-service payments. The Initiative does not cover any country’s entire foreign debt, but only the portion judged to be “unsustainable,” usually around 55% of the total.

Two important steps are involved in HIPC relief: the “Decision Point” and the “Completion Point.” At the decision point a country becomes eligible for debt relief, and this relief becomes complete, and (legally) irrevocable, at the completion point. To reach the completion point, a country agrees to: (a) prepare and implement a Poverty Reduction Strategy, (b) implement a HIPC-specific reform program to ensure that the resources freed up are actually used for poverty-reduction programs, and (c) maintain a macroeconomic framework agreed upon with the IMF. Once these three requirements are met, the completion point is reached and debt relief becomes irrevocable.

Zambia reached its decision point in December 2000. To ensure sustainability of Zambia’s external debt situation, a reduction of 62.6 percent on Zambia’s external debt as of Dec. 31, 1999 (equivalent to an estimated debt service reduction of US$3.8 billion) was agreed on at that time. Several creditors (including the Paris Club, bilateral creditors and multilateral organizations such as IDA, the IMF, the African Development Bank, and the European Union) have begun providing relief. IDA contributes to Zambia’s debt relief by lowering the debt service due on Zambia’s outstanding debt as of the end of 1999 by 84 percent, until 2020. Thus Zambia would receive from IDA an estimated debt-service reduction totaling US$885 million between 2001–2020.
# Zambia at a Glance

## Poverty and Social

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<th>Zambia</th>
<th>Sub-Saharan Africa</th>
<th>Low Income</th>
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<tr>
<td><strong>2004</strong></td>
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<tr>
<td>Population, mid-year (millions)</td>
<td>10.5</td>
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<td>GNI per capita (Atlas method, US$)</td>
<td>450</td>
<td>600</td>
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<td>GNI (Atlas method, US$ billions)</td>
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<tr>
<td><strong>Average annual growth, 1998–04</strong></td>
<td></td>
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<tr>
<td>Population (%)</td>
<td>1.8</td>
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<tr>
<td>Labor force (%)</td>
<td>1.7</td>
<td>1.0</td>
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<td><strong>Most recent estimate (latest year available, 1998–04)</strong></td>
<td></td>
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<tr>
<td>Poverty (% of population below national poverty line)</td>
<td>73</td>
<td>–</td>
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<tr>
<td>Urban population (% of total population)</td>
<td>36</td>
<td>37</td>
<td>31</td>
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<td>Life expectancy at birth (years)</td>
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<tr>
<td>Infant mortality (per 1,000 live births)</td>
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<td>101</td>
<td>79</td>
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<td>Child malnutrition (% of children under 5)</td>
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<td>Access to an improved water source (% of population)</td>
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<td>Literacy (% of population age 15+)</td>
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<td>Gross primary enrollment (% of school-age population)</td>
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<td>Male</td>
<td>85</td>
<td>102</td>
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<tr>
<td>Female</td>
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</table>
### Key Economic Ratios and Long-Term Trends

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1994</th>
<th>2003</th>
<th>2004</th>
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</thead>
<tbody>
<tr>
<td><strong>GDP (US$ billions)</strong></td>
<td>2.7</td>
<td>3.3</td>
<td>4.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Gross capital formation/GDP</td>
<td>14.7</td>
<td>8.2</td>
<td>26.1</td>
<td>24.6</td>
</tr>
<tr>
<td>Exports of goods and services/GDP</td>
<td>35.1</td>
<td>36.0</td>
<td>20.6</td>
<td>20.2</td>
</tr>
<tr>
<td>Gross domestic savings/GDP</td>
<td>16.5</td>
<td>7.4</td>
<td>18.7</td>
<td>18.5</td>
</tr>
<tr>
<td>Gross national savings/GDP</td>
<td>5.0</td>
<td>-0.2</td>
<td>15.3</td>
<td>14.9</td>
</tr>
<tr>
<td>Current account balance/GDP</td>
<td>-9.6</td>
<td>-11.9</td>
<td>-16.1</td>
<td>-12.9</td>
</tr>
<tr>
<td>Interest payments/GDP</td>
<td>2.0</td>
<td>3.8</td>
<td>3.1</td>
<td>--</td>
</tr>
<tr>
<td>Total debt/GDP</td>
<td>138.3</td>
<td>203.7</td>
<td>148.2</td>
<td>--</td>
</tr>
<tr>
<td>Total debt service/exports</td>
<td>25.3</td>
<td>31.6</td>
<td>30.4</td>
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<tr>
<td>Present value of debt/GDP</td>
<td>--</td>
<td>--</td>
<td>104.2</td>
<td>--</td>
</tr>
<tr>
<td>Present value of debt/exports</td>
<td>--</td>
<td>--</td>
<td>353.3</td>
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### Economy

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<tr>
<td><strong>GDP</strong></td>
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<td>2.9</td>
<td>5.1</td>
<td>4.6</td>
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<tr>
<td>GDP per capita</td>
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<td>0.9</td>
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<tr>
<td>Exports of goods and services</td>
<td>-1.0</td>
<td>6.2</td>
<td>10.1</td>
<td>12.6</td>
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</table>

### Structure of the Economy

<table>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>0.8</td>
<td>2.5</td>
<td>5.0</td>
<td>4.5</td>
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<tr>
<td><strong>Industry</strong></td>
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<td>1.3</td>
<td>8.7</td>
<td>7.8</td>
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<tr>
<td>Manufacturing</td>
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<td>4.1</td>
<td>7.6</td>
<td>5.1</td>
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<tr>
<td><strong>Services</strong></td>
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<td>5.1</td>
<td>4.7</td>
<td>2.1</td>
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<tr>
<td>Household final consumption expenditure</td>
<td>1.2</td>
<td>-0.5</td>
<td>-0.8</td>
<td>10.3</td>
</tr>
<tr>
<td>General govt final consumption expenditure</td>
<td>-1.8</td>
<td>-2.6</td>
<td>0.8</td>
<td>-3.5</td>
</tr>
<tr>
<td>Gross capital formation</td>
<td>-4.9</td>
<td>11.9</td>
<td>12.8</td>
<td>-11.8</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>-3.3</td>
<td>1.8</td>
<td>4.8</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Note: 2004 data are preliminary estimates.
Source: Development Economics LDB database.