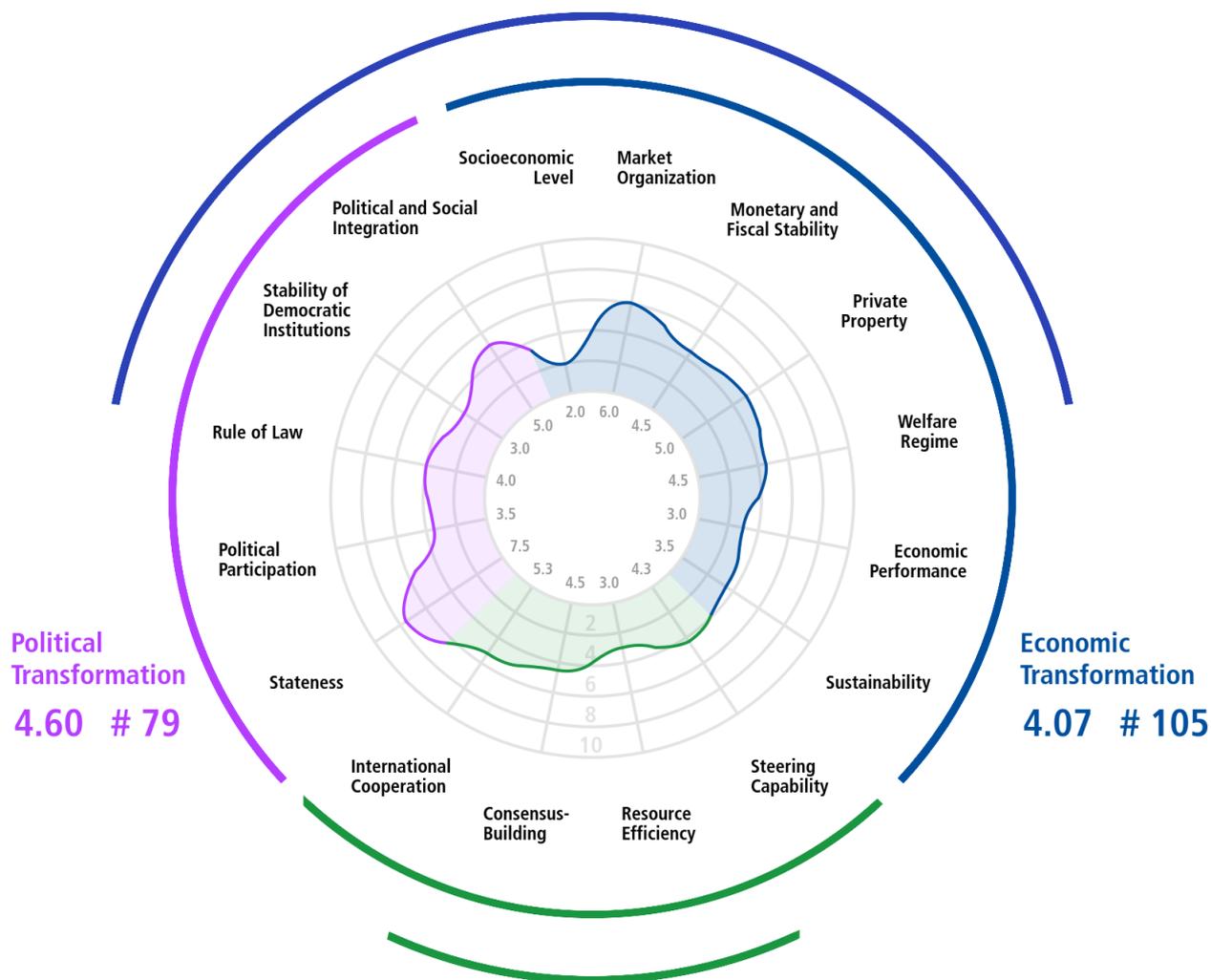


Zambia

Status Index

4.34 # 98

on 1-10 scale out of 137



Political Transformation
4.60 # 79

Economic Transformation
4.07 # 105

Governance Index

3.91 # 101

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	18.4	HDI	0.584	GDP p.c., PPP \$	3450
Pop. growth ¹	% p.a.	2.9	HDI rank of 189	146	Gini Index	57.1
Life expectancy	years	63.9	UN Education Index	0.557	Poverty ³	% 75.4
Urban population	%	44.6	Gender inequality ²	0.539	Aid per capita \$	54.7

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Between 2019 and 2021, political and economic governance in Zambia continued to decline, while dissatisfaction with the status quo has increased. The currency has lost roughly 50% of its value against the U.S. dollar, which has resulted in increasing prices for goods and services. In early 2021, inflation reached more than 20%. The accumulation of high levels of public debt since 2011 led to Africa's first COVID-19-era sovereign debt default in late 2020.

Zambia remains one of the least developed countries in Africa, with 54% of the population living on less than \$1.90 a day and an average life expectancy of 63.5 years. Early research on the impact of the COVID-19 pandemic on the population shows that it has pushed a substantial number of Zambians further into precarious circumstances and has increased food insecurity. Zambia ranked 143 out of 189 countries in the 2019 Human Development Index, with 48% of the population unable to meet their minimum calorie requirements and more than one-third of children under five stunted.

Besides slowing economic growth rates, there are several other barriers to sustainable development. For example, Zambia's landlocked position is a natural obstacle to economic growth. Although there has been an increase in the export of nontraditional goods, the economy remains heavily dependent on the export of copper. Copper exports accounted for 73% of total exports in 2020 – an increase from 2018.

From 2011, the Patriotic Front (PF) administration borrowed heavily on international markets to fund infrastructure development. The Lungu administration, in power since 2015, has borrowed substantially from China and Israel, with rumors of debt accumulation increasingly being conducted at ministerial level without the involvement of the Treasury. There have been serious high-profile corruption scandals involving tenders, public procurement and construction projects, which are believed to have been significantly inflated due to corruption. Corruption in the health care sector has undermined the government's response to COVID-19 and has had problematic consequences for public health more broadly.

Zambia's foreign loans have ballooned since 2014 to over \$12 billion, and total public and publicly guaranteed debt is now estimated to be over 110% of gross domestic product (GDP). Against this background, the sacking of the central bank governor in August 2020 – which was widely seen to have been politically motivated – further undermined confidence in the government's willingness to put national economic development ahead of its own needs. In November 2020, Zambia defaulted on a \$42 million eurobond payment, triggering a sovereign debt default. A bailout from the IMF and a deal to restructure Zambia's debt may not happen before the country's next election in August 2021, as President Lungu seeks to avoid spending cuts that would see his government lose further popularity.

The period between 2019 and 2021 has seen increased state intolerance of criticism, clampdowns on civil society, public protests and online activism as well as the passing of the Cybersecurity and Cybercrimes Draft Bill, which has had a chilling effect on public criticism of the government. The closing down of the independent station Prime TV in 2020 has undermined freedom of the media. Increasing arrests of opposition and civil society figures as well as several arrests of private citizens for "insulting the president" on social media has limited free speech, and COVID-19 restrictions have been used to curtail freedom of assembly.

In March 2020, Zambia recorded its first COVID-19 cases. In August and again in December 2020, the number of infections increased significantly. Measures to contain the spread of the virus included the closure of schools and universities, the suspension of non-essential foreign travel, and the closure of bars. The towns of Kafue and Nakonde have been temporarily locked down.

History and Characteristics of Transformation

Economic and political transformation took place in Zambia simultaneously. Democratic transformation began in March 1990, when the ruling single party, the United National Independence Party (UNIP), was forced to start a debate about a return to a multiparty political system. In 1991, UNIP was ousted by the Movement for Multiparty Democracy (MMD), led by the former trade unionist Frederick Chiluba.

In the 1990s, a dominant party system emerged, which proved un conducive to democratic consolidation. The problematic behavior of Chiluba and his ministers was exacerbated by a lasting sense of insecurity in the face of a state administration manned by supporters and clients of the former one-party state.

Although he initially attempted to bid for a third term in office, Chiluba ultimately supported Levy Mwanawasa in the controversial 2001 elections. The 2008 by-election necessitated by the death of President Mwanawasa saw the MMD's vote share decline again to 41% of the vote.

The 2011 presidential and parliamentary elections were not fair, though they were essentially free. To the surprise of many, Michael Sata and his Patriotic Front were allowed to win. However, this was only after backstage wrangling with high-ranking Zambian officials from the

Electoral Commission and probably leaders of the military as well as some international diplomats. Soon thereafter, the government began implementing a number of reforms that were promised during the election campaign, targeting the formal labor force and increasing social expenditure. Faced with increased criticism, the government demonstrated growing intolerance and resorted to the same repressive instruments as its predecessors.

The death of Michael Sata on October 28, 2014, necessitated a presidential by-election. High turnout in United Party for National Development (UPND) areas, combined with low turnout in much of the rest of the country, saw the UPND increase its share of the vote. Following this highly competitive election, a scheduled general election was held just 18 months later on August 11, 2016. The ruling party addressed some of the issues that had allowed the opposition to gain support in 2015 – including copper mine closures, late payments to farmers, a civil service pay freeze and popular pressure for constitutional reform. In addition, the ruling party deployed state institutions to hinder the opposition's campaign and used state resources to support its re-election. Following the contentious – and at times violent – campaign, the opposition UPND contested the results in the newly-established Constitutional Court. The government has proven increasingly intolerant of criticism, taking a heavy-handed approach to dealing with opposition leaders, civil society members, online dissent and public protests.

Zambia's economic transformation into a free-market system began toward the end of 1991, in stark contrast to the statist African socialist regime of Kaunda. To tackle a serious economic crisis, the government agreed to introduce substantial economic reforms to secure much-needed loans from the World Bank and IMF. One of the greatest challenges was the privatization of the country's copper mines, Zambia's prime export earner. Due to international investment and a recovery in the world price of copper, the profitability of the mining sector improved between 2007 and 2016. The sector contributed substantially to GDP growth rates of more than 5% over the 15 years between 2000 and 2015, though growth slowed due to reduced global demand for copper.

This slowing growth has dampened the government's fiscal space and they have turned to international markets, contracting expensive loans to finance consumption and infrastructure development. Living standards for the majority of the population have not improved. Although the rate of poverty has started to decline in recent years, it is the small high- and middle-class segments of the population that have benefited from Zambia's economic growth. At the same time, there is a common perception that corruption is widespread and largely ignored. Multiple major corruption scandals have rocked the government since 2018 with evidence that links the corruption to State House, but few officials have been held accountable.

After successive derailments of constitutional reform processes, the PF created a new Constitutional Court, eradicated the need for presidential by-elections and introduced a “50% + 1” amendment in January 2016, which would require a candidate to secure an absolute majority of the votes to win a presidential election.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Zambian state is relatively weak and lacks administrative capacity in many rural areas. However, there exist no rebel groups or guerrillas seeking to challenge the state, which therefore enjoys a de facto monopoly on the use of force throughout the territory. From 2012 to 2016 in the Western Province, activist groups advocated for greater federal powers for “Barotseland.” Calls for secession reduced but may resurface amidst widespread allegations of ethnoregional favoritism by the administration, which does not favor Western Province. These calls do not currently have substantial popular support among the population of Western Province, and do not challenge the government’s monopoly on the use of force.

All groups in society accept and support the dominant concept of the nation-state, though some groups contest the legitimacy of the current administration. All citizens have the same civil rights, including immigrants. There is a general consensus concerning the nature of citizenship, and no serious efforts have been undertaken to deny this right to any specific group. Following the contentious 2016 election and its aftermath, there was some evidence of a degree of marginalization of Tonga-speaking citizens in response to their region’s overwhelming support for the main opposition party. It is alleged that this extended to Tonga-speaking members of the government and civil service being removed from their positions or being pressured to retire. This has contributed to a widespread sense of growing political polarization.

Some citizens of Western Province continue to demand greater powers to be devolved on the basis of both historical claims and promises made by the late president Michael Sata. This demand for greater devolution continues in the background, with consistent but quiet calls from Barotseland nationalists for the formation of their own state. This currently lacks popular support and thus does not represent a threat to a broader agreement on the legitimacy of the nation-state. In the event of increased marginalization, Barotse activists might find greater support for their cause.

Question
Score

Monopoly on the
use of force

9



State identity

8



Although the state is defined as secular, Zambia was declared a Christian nation by the president in 1996. However, this had no negative impact on the secular order in general, as religious dogma has had no significant influence on politics or law. There is no serious discrimination based on religion.

In September 2016, President Lungu created the Ministry of National Guidance and Religious Affairs and appointed a Pentecostal-Charismatic Church pastor to be the inaugural minister. Initially, the actions of this ministry were relatively innocuous and largely limited to making statements on advertising that it considers to be offensive to Zambia's "moral standing." But in 2019, the minister intervened to prevent a South African celebrity traveling to attend an event in Lusaka on the basis of his sexuality. The minister argued that inviting a gay person to Zambia would corrupt citizens' morals. Conservative religious bodies have also been outspoken in 2020 about the revision and implementation of Zambia's Comprehensive Sexuality Education for school children.

A constitutional amendment, known as Bill 10 (2019), included a proposal to delete the phrase which describes Zambia as a "multi-religious" state in the preamble to the constitution and replace it with "Christian" nation. The bill was roundly condemned by constitutional scholars and ultimately failed but raised concern regarding the influence of religious dogma in Zambia.

The state's basic infrastructure – administrative institutions, state officeholders, basic court jurisdictions, bodies that implement political decisions – extends throughout the territory. However, the reach of the state is limited in rural areas. For example, justice is often decided on by traditional leaders rather than by judges. The networks of political parties and public administration remain limited.

Poor physical infrastructure remains a challenge in rural areas, with the quality of infrastructure varying greatly between provinces. According to the 2018 Zambia Demographics and Health Survey, 92% of the urban population has access to improved water sources, but this falls to 58% for the rural population. The same source shows that access to improved sanitation ranges from 80% of the population in Lusaka to only 6% of the population in Western Province. COVID-19 has not substantially altered access to most services, except to basic health care services during times of stress on the health care system. A key factor that has seen a decline in services is the country's poor financial position in which funding for services has been reduced in order to service the country's debt burden.

No interference of religious dogmas

8



1

Basic administration

5



1

2 | Political Participation

The peaceful transitions of power from UNIP to the MMD (1991) and the MMD to the PF (2011) suggests that elections can be free and fair. However, the constitution continues to allow the incumbent to enjoy substantial advantages. This includes control over traditional leaders and the ability to manipulate state offices and use state resources for partisan ends.

Since the 2016 election, by-elections and mayoral polls have been highly contentious and marked by high levels of violence. This is largely perpetrated by groups affiliated to the ruling PF.

Rising dissatisfaction and unrest across the country has been blamed on the opposition. In April 2017, the main opposition leader was arrested and imprisoned for four months on charges of treason, disqualifying him from the elections in 2021. In December 2018, President Edgar Lungu was allowed by the Constitutional Court to run for election again in 2021, a decision that opposition parties and some civil society groups say was clearly prohibited by the constitution.

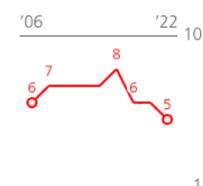
There are serious concerns about the capacity of the Environmental Council of Zambia (ECZ) ahead of the 2021 elections. When the ECZ released the numbers of registered voters in each province in early 2021 and those numbers were compared to the 2016 voters' roll, analysts found that in ruling party-supporting regions there were more registered voters in 2021 than 2016. However, the numbers of registered voters in opposition-supporting regions had declined relative to 2016. This has raised concerns about selective registration and active manipulation of the voters' roll for partisan ends.

COVID-19 regulations have been similarly used to prevent opposition gatherings, while the ruling party has continued to campaign using development projects and other state initiatives, which are branded as party projects.

In early 2021, the ECZ released a statement which refused to allow an independent audit of the voters' roll, as they had in the past; suggested that international observers may not be able to observe the polls; and that due to COVID-19 restrictions parties should have "minimal or no contact with a crowd." These restrictions are not being enforced against the ruling party.

Free and fair elections

5



There are no serious threats to the ability of the democratically elected representatives to govern. The military is firmly under civilian control, and there are no significant rebel or criminal networks that challenge the government.

However, particularly in rural areas, elected officials must contend with traditional power structures (village chiefs, tribal authorities etc.) when it comes to making and enforcing decisions. Given the limited reach of the state, these traditional power structures can sometimes be de facto more powerful than elected officials, and able in some cases to frustrate the latter's authority.

While the constitution provides for freedom of association and assembly, this has often been qualified and restricted. Freedom of assembly is limited by the Public Order Act (POA), which is often used selectively to prohibit assemblies by civil society groups and opposition parties. Opposition parties require a police permit to hold public meetings, while demonstrations and rallies of the political opposition, labor unions and civil society groups have been forcibly dispersed and obstructed by security forces.

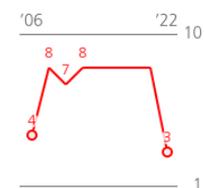
Since the 2016 elections, tensions between the PF and the opposition UPND have continued. In December 2019, two civil society activists were arrested, and charged with "assault on a police officer" and "disorderly conduct" while supporting a singer and activist who was also being targeted after criticizing the ruling party. In September 2020, opposition United Party for National Development (UPND) deputy Secretary-General Patrick Mucheleka was arrested by the police and charged with aggravated robbery. Mucheleka's case was dropped in early 2021, although the prosecutor's office failed to throw out the case but instead entered a nolle prosequi, which allows the state to reopen the case and re-arrest the individual at any time.

The Electoral Commission of Zambia released a statement on the upcoming 2021 elections in which it appeared to declare that the campaigns would need to be conducted "with minimal or no contact with a crowd" due to COVID-19 restrictions. However, this measure seems to only apply to the opposition.

These cases demonstrate an escalation in the use of the POA and COVID-19 restrictions to restrict opposition activities and suppress dissent against the administration and ruling party. These issues demonstrate that the space for dissent in Zambia is increasingly constrained as the government becomes more resistant to criticism.

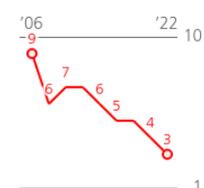
Effective power to govern

3



Association / assembly rights

3



The space for critical voices has been increasingly constricted since the 2016 election. As the government has become less tolerant of dissent, freedom of expression in Zambia has come under strain.

Most radio and TV broadcasting is state-controlled and heavily politicized. According to Freedom House, the government is the largest source of advertising revenue for traditional media outlets and has been known to withhold advertisements from critical outlets. Private companies often do not advertise in news outlets that seem antagonistic to government policies out of fear of the potential repercussions. State-owned or state-sympathetic media reproduces the government's line, often despite clear contradictory evidence.

Journalists are occasionally intimidated, threatened and assaulted by members of the police and political cadres. There have also been several incidents of ruling-party cadres interrupting radio broadcasts or events which are critical of the ruling party, such as the Law Association's discussion forum on Bill 10 in February 2020.

From March 2020 to January 2021, at least six people – including a 15-year-old boy – were arrested for “defamation” or insulting the president on Facebook or WhatsApp. If passed, the new Cybercrimes Bill will be instrumental in controlling online dissent for the government, given that the government's COVID-19 restrictions will limit the ability of the opposition to campaign online. The bill will have a chilling effect on freedom of expression and on the capacity of the opposition to mobilize ahead of the 2021 elections.

3 | Rule of Law

Despite multiple rounds of constitutional amendments, there has been little progressive constitutional reform since the reintroduction of multiparty politics. Successive presidents have pledged to introduce constitutional reforms, which would reduce the powers of the president. However, these pledges have consistently been dropped. As a result, the constitution remains “top heavy,” it does not include sufficient checks and balances on the executive.

Regarding the diffusion of power and authority, State House plays an increasingly central role. It now houses government agencies and projects, such as the Roads Development Agency (RDA) and private-public projects (PPP). Major decisions that should be made at the ministerial level are now taken at the executive level.

The president has the power to dissolve parliament, and to appoint electoral commissioners, the vice president, ministers of cabinet, the cabinet secretary, secretary to treasury, provincial permanent secretaries and the attorney general, among others. The parliament has rarely challenged appointments made by the executive.

Freedom of expression

3



Separation of powers

4



A constitutional amendment, known as Bill 10 (2019), was introduced by the ruling party. The bill was widely criticized both by legal groups in Zambia and externally for being regressive. It ultimately failed to achieve the required two-thirds majority in parliament due to an opposition veto. The bill would have substantially undermined the independence of several crucial state institutions and radically strengthened the powers of the executive.

Even though the bill failed, the ruling party has said that it will bring in another, similar piece of legislation following the 2021 elections.

In order to respond to the COVID-19 pandemic, the government declared two statutory instruments. The first declared COVID-19 a notifiable infectious disease in line with Section 9 of the Public Health Act. The second, SI No. 22 of 2020, set out measures aimed at controlling the spread of COVID-19, including hand washing, restrictions on gatherings and mandatory mask wearing. However, these restrictions were not backed up by any legislation, leading activists and constitutional scholars to raise questions about the rule of law, abuse of power and protection of human rights.

An independent judiciary exists in principle, but in reality, executive manipulation has compromised the image of the bench. Judges are appointed by the Judicial Service Commission, which is an independent agency. The members of the Judicial Service Commission, however, are directly or indirectly appointed by the executive.

The executive continually manipulates the police, judiciary and legislature. As a result, it is rare for the judiciary or parliament to act against the executive, despite many attempts by international donors to strengthen the judiciary and parliament. The judiciary lacks the resources needed to prosecute cases in a timely manner, which leads to lengthy delays.

At the same time, rumors of corrupt deals involving members of the judiciary have called into question judgments on a number of important economic cases. Between 2015 and 2019, Zambia's judicial independence score in the World Economic Forum's "Global Competitiveness Report" declined dramatically from 4.04 to 2.7.

Especially in cases that are politically sensitive, the judiciary is subject to significant pressure from the ruling party. This includes controlling judicial personnel, something that is made possible by the president's power to determine appointments. When President Sata came to power, he used this authority to sack judges who had ruled against him while in opposition. The new Constitutional Court was established in 2016. President Lungu appointed six judges who failed to meet the statutory requirements for their positions, some of whom were known to be close to the president.

Independent
judiciary

4

'06 '22 10



1

Prosecutions for the abuse of public office tend to be extremely political. That is to say, it is a political tool used by a recently elected ruling party to prosecute members of the former ruling party or members of current ruling party factions who have fallen out of favor. Despite the political motivations behind these prosecutions, there is often substance to the charges.

High-profile corruption cases involving the president's close aides appear to be dropped, as with the case against Health Minister Dr Chitalu Chilufya in 2020. Chilufya's involvement in a major public health sector procurement scandal – known as the Honeybee scandal – received widespread coverage in independent media and caused public outrage. After Chilufya was ultimately fired, following nearly a year of reports alleging corruption, he was appointed to the Parliamentary Budget Committee.

The Anti-Corruption Commission (ACC) has also come under pressure from the president in 2020, who publicly stated that he was unhappy with the way the ACC was conducting investigations. This was broadly understood to be a threat intended to stop the ACC investigating those close to the presidency.

An example of a major corruption scandal that has not been investigated is the Mukula Cartel scandal, which implicated the president, the president's daughter, Minister of Lands and Natural Resources Jean Kapata and Minister of Justice Given Lubinda in the illegal logging and trafficking of endangered trees.

Officials often engage in corrupt practices with impunity, and corruption remains one of the greatest obstacles to good governance and economic growth in Zambia. Reported cases of high-level corruption within the executive and by persons closely associated with the ruling elite have created a widespread perception that the government is willing to tolerate extensive corruption.

The Zambian government is rhetorically committed to human rights, and the systematic abuse of specific communities is rare. However, the police and security forces have a poor record, including unlawful killings, torture and other abuses of criminal suspects and detainees. Zambia also has a problem with pretrial detainees who are often held for years in harsh conditions without access to legal aid.

Women are often denied the right to inherit land and are subject to gender-based violence. Traditional leaders continue to dispense “justice” based on established norms and practices in many rural areas. Members of the lesbian, gay, bisexual and transgender (LGBT) community face a high level of discrimination. Colonial era laws that prescribe up to 15 years in prison for homosexual activity among males remain in place, although this is erratically enforced.

Police officers are rarely held accountable for acts of brutality or violations of civil rights. There is an increasing tendency for the police to arrest opposition leaders and civil society activists on spurious charges. According to Freedom House, the

Prosecution of office abuse

3

'06 _____ '22 10



Civil rights

5

'06 _____ '22 10



government has introduced two statutory instruments under the Public Health Act in order to manage the COVID-19 pandemic. Both are thin on details as to how the health regulations will be enforced. These are interpreted and selectively applied by state agencies.

Police have used the COVID-19 restrictions to further infringe on the rights of citizens. On September 26, 2020, a 17-year-old was shot dead in Lusaka as police tried to enforce COVID-19 restrictions against nightclubs. The COVID-19 restrictions are being selectively applied. Government officials and individuals considered close to the ruling party freely hold rallies and large public gatherings without the appearance of any health and safety regulations being adhered to.

4 | Stability of Democratic Institutions

The performance of Zambia's democratic institutions varies considerably. Political power in Zambia is centered in the capital city and in the executive in particular. The legislature has generally failed to adequately perform its oversight function, with the notable exception of the opposition's blocking of regressive legislation in 2020.

One way in which the executive has been able to manipulate the legislature has been through the poaching of opposition members of parliament. This creates disunity within the opposition, increases the government's power and restricts the ability of the opposition to hold the government to account.

The judiciary is also compromised when it comes to issues of horizontal accountability and has been subject to executive manipulation. The bureaucracy has also performed weakly since the election of the Patriotic Front in 2011. This is due to limited administrative capacity and resources, but also to the replacement of the vast majority of senior civil servants with partisan individuals. For example, all 73 district commissioners were replaced.

Decentralization has stalled and promises that more power will be devolved have not been realized. As a result, traditional leaders in the pay of the ruling party, rather than democratic institutions, govern many rural areas. Since 2016, Zambians have directly elected mayors (in cities and municipal councils) and council chairpersons (in district councils). These autonomous individuals have been strong advocates for greater decentralization, but there is heated resistance to the Ministry of Local Government (MLG) ceding actual autonomy to local councils.

Performance of democratic institutions

3

'06 '22 10



There is a clear consensus on the value of multiparty politics and elections, and there have been no serious efforts to return to a one-party state. However, the political elite's toleration of dissent has often been lacking in practice.

Moreover, there are persistent rumors that former President Rupiah Banda, before he agreed to peacefully hand over power to President Sata, contacted the military to gauge levels of support for the declaration of a state of emergency. It is therefore significant that the Zambian military has never held power and, with the exception of two (maybe three) failed coup attempts, has not sought to intervene in civilian politics.

The harassment of journalists, media houses, opposition activists and civil society groups prior to and in the wake of the 2016 election suggests that the administration is less tolerant of dissent than its predecessor and less willing to accept the legitimate roles that these groups inevitably play in a democracy.

When the first few cases of COVID-19 were reported, parliament was debating controversial Bill 10. According to some analysts, after failing to raise the two-thirds majority required to pass the legislation, the ruling party asked the speaker to abruptly suspend parliament using the coronavirus as the pretext. When the parliament re-opened, the ruling party attempted to restore the bill to the order paper several times but withdrew it when it appeared unlikely to pass. In October, the ruling party was confident that they had the numbers to pass the bill – after having provided some opposition members of parliament with funds in return for support – but ultimately it failed when opposition members of parliament voted en masse against it.

5 | Political and Social Integration

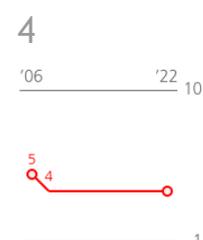
The Zambian party system is unstable and subject to rapid change, which is associated with high voter volatility. The ruling party, the Patriotic Front (PF), performed strongly in urban areas, and developed new bases of support in rural areas through its control over patronage and traditional leaders. The former ruling party, the Movement for Multiparty Democracy (MMD), suffered an embarrassing collapse. This was due in part to a series of damaging internal splits. As a result, the party went from being the ruling party in 2011 to placing fourth in the 2015 presidential by-election.

In many rural areas, the MMD was replaced by the United Party of National Development (UPND). In 2016, the PF continued with many of the populist policies that had won Michael Sata the presidency while the UPND argued that it would pursue more business-friendly policies. However, it is important not to exaggerate their differences; both parties made a series of unrealistic election promises. The connection between parties and their supporters is based on a

Commitment to democratic institutions



Party system



combination of different ties, including clientelistic, ethnic and populist. However, party structures are extremely weak, especially outside of leaders' home areas. With the virtual collapse of the MMD – from 55 members of parliament in 2011 to three in 2016 – the party system has consolidated into a two-party system with other opposition parties garnering just over 2% of the presidential vote and only four of 156 National Assembly seats.

There is a relatively high level of voter volatility intertwined with ethnic party strongholds; the UPND has become the party of anti-incumbent voters in areas where it previously garnered almost no votes such as the Copperbelt, Northern and Eastern regions. The arrests of and investigations into several opposition politicians are only likely to increase political polarization and a sense of persecution among opposition supporters ahead of the 2021 polls. With less than six months until the 2021 elections, and in the midst of a significant economic downturn and several major corruption scandals, there are reports of growing urban discontent. Senior ruling party members have been recorded making statements, regarding the ethnicity of their opponents, that border on hate speech. They are increasingly relying on ethnic appeals and clientelism to win in 2021.

Zambian civil society is relatively weak. It is based primarily in Lusaka. The Catholic Church remains highly influential and is one of the few non-governmental organizations to have a national reach. The former Catholic Archbishop of Lusaka had been outspoken and critical on issues of national interest. The government's alleged lobbying of the Vatican resulted in the more amenable church head, Alick Banda, who is much less critical. Banda quickly distanced himself from his predecessor's criticism of the government. However, the Catholic Church has taken a more outspoken stance over the last 12 months.

Trade unions have historically been important and played a critical role in the campaign against colonial rule and the one-party state. However, the twin economic processes of privatization and informalization (i.e., the increasing proportion of the labor force working in the informal sector) have undermined the strength of the unions. In May 2020, ZCTU Secretary-General Cosmas Mukuka was "retired in the national interest" from his civil service position in an apparent bid to undermine the union.

Civil society alliances have come together at key points to protect democracy, and advance constitutional reform processes. For example, the OASIS Forum opposed President Chiluba's attempt to be elected for a third presidential term.

Tensions between different civil society groups and between civil society groups and the government are increasing. The once critical Law Association of Zambia (LAZ), which had previously faced a hostile reception from the ruling party, appears to have been tamed following the selection of a new committee staffed by several members who are sympathetic to or belong to the ruling party. The current administration has made it harder for civil society groups and coalitions to openly mobilize and represent the views and interests of disaffected communities.

Interest groups

5

'06 _____ '22 10



1

There is a strong consensus in favor of democracy. In the 2017 Afrobarometer survey results, democracy was preferred by 81% of Zambian respondents, down from 90% in 2012. The distribution was roughly equal between urban and rural areas. However, 28% of respondents believe that their country is a democracy “with major problems” (up from 24% two years previously), while 25% believe that Zambia is “a full democracy” (down from 31% in 2015). Similarly, while 32% of respondents report being “fairly satisfied” with the way that democracy works (compared to 45% in 2012), only 16.8% stated that they were “fully satisfied” – down from 29% in 2015.

Approval of
democracy

n/a



Trust in public institutions varies greatly. For example, 44% of respondents state that they trust the president “a lot,” while 39% and 30% of respondents respectively, state that they trust the judiciary and legislature “a lot.” Zambia’s enviable democratic record has been challenged between 2014 and 2018 by an increase in political violence, regionalism, intolerance and authoritarianism that, if not addressed, threatens to undermine its democratic gains.

Unfortunately, the most recent Afrobarometer survey has been delayed by COVID-19. Without adequate polling in the country, there is little substantive information on the way the coronavirus pandemic has affected public perceptions of government and democracy.

Zambia is generally known as a relatively open and tolerant country. Although ethnicity plays an important role in political competition, ethnic violence is rare and ethnicity does not divide the country along sectional lines. Politicians – especially from the ruling party – have increasingly leaned on ethnic rhetoric to try to discredit their opponents, but the impact of this on public attitudes is not yet clear.

Social capital

6



In close-knit rural communities, trust is often higher than in more diverse urban communities. However, neither rural nor urban areas have a vibrant civil society. This is partly due to the deliberate marginalization of self-help initiatives during the 30 years of the one-party state. As a result of that legacy, most Zambians continue to look to the state to provide support, despite its clear failings.

II. Economic Transformation

6 | Level of Socioeconomic Development

Zambia continues to be a very poor country. According to the latest Living Conditions Survey released by the government in 2015, poverty levels vary substantially between rural and urban areas. While poverty increased in rural areas from 74% to 77 % between 2010 and 2015, it declined from 26% to 23% in urban areas during the same period. Nonetheless, cities continue to have a high number of large urban slums. COVID-19 has exacerbated this challenge, as it has undermined revenue from the tourism sector and placed greater demand on key public services. According to a survey conducted by Innovations for Poverty Action in collaboration with the Ministry of General Education (MoGE) and the Ministry of Health, a majority of Zambians earned less pay after the government introduced COVID-19 protection measures (e.g., closing schools) than they did before and a majority of Zambians stated that they had to draw on their savings in order to pay for necessities (e.g., food and health care) since February 2020. In over a third of cases, individuals also reported that they have had to reduce meal portion sizes or reduce the number of meals they have, leading to growing hunger and malnutrition.

There are various cash transfer programs that are designed to help with this, but the coverage is low. Government efforts to increase expenditure on some essential public services have yet to overturn a history of income inequality and gender inequality. This is evidenced by Zambia's very high score on the Gini index: 57.1. Zambia had begun to make marginal gains in the Human Development Index, from 0.583 in 2015 to 0.588 in 2017, but has since fallen back to 0.584 in 2020. Gender inequality, as measured by the Gender Inequality Index, is actually rising, having increased from 0.517 in 2017 to 0.539 in 2020.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	25873.6	26311.6	23308.7	19320.1
GDP growth	%	3.5	4.0	1.4	-3.0
Inflation (CPI)	%	6.6	7.5	9.2	15.7
Unemployment	%	11.6	12.0	11.9	12.2

Question
Score

Socioeconomic
barriers

2

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Economic indicators		2017	2018	2019	2020
Foreign direct investment	% of GDP	4.3	1.6	2.4	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-435.0	-342.4	140.7	2038.9
Public debt	% of GDP	66.3	80.4	97.4	128.7
External debt	\$ M	22954.3	23526.3	27726.3	30045.9
Total debt service	\$ M	839.2	1282.9	2604.7	4059.8
Net lending/borrowing	% of GDP	-5.3	-8.8	-7.9	-
Tax revenue	% of GDP	15.2	16.6	16.7	-
Government consumption	% of GDP	13.7	12.7	17.7	-
Public education spending	% of GDP	3.7	4.7	4.5	-
Public health spending	% of GDP	1.8	1.9	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.3	1.4	1.2	1.2

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Zambia features freedom of pricing, currency convertibility, freedom of trade and free use of profits. However, market competition operates under a weak institutional framework in which corruption and red tape play a major role. The government has also at times intervened in the economy – as noted elsewhere in this report – in ways that infringe on strict market competition. Zambia ranked 85th in the World Bank’s 2020 Ease of Doing Business Report, a small improvement from its ranking of 87th in 2019. Establishing a business is relatively burdensome: it involves seven procedures, takes 8.5 days and costs 34% of GNI per capita – a figure which has increased in recent years, although it remains below average for sub-Saharan Africa on this measure. According to the Heritage Foundation, economic freedom

Market organization

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markedly declined over the past few years, from 88 in their 2015 Index of Economic Freedom to 138 in 2019 and now sits at 147. In particular, the foundation reports declining judicial effectiveness, government integrity and business freedom. The informal sector is large. According to the Ministry of Labor and Social Security's 2017 Q3 Labor Force Survey, the formally employed population accounted for just 23.6% of the total employed population. Although this figure has yet to be updated, it is likely to have fallen further as a result of the loss of employment and revenue during the COVID-19 pandemic.

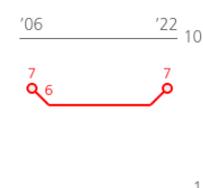
Zambia has a comprehensive competition law in the form of the Competition and Consumer Protection Act 2010. A regulatory body, the Zambia Competition Commission (ZCC), exists to enforce the law. Under this sits the Competition and Consumer Protection Commission (CCPC), with the powers to review monopolies and mergers. According to Freedom House, the Zambian competition authority is one of the most active in Africa. In 2018, it opened investigations into a large number of cases, including the dramatic increase in chlorine prices after the outbreak of cholera or with regard to increases in the price of bottled water. It issued guidelines on the abuse of dominance for public comment and issued a warning on single school uniform suppliers. Moreover, the CCPC has recently moved to punish companies that have been seen to have acted against the consumer interest. Most notably, in November 2018, it issued a ZMW 76,728,650 (\$6.4 million) fine to Zambia Sugar for abusing its market dominance. In 2020, the CCPC followed this up by announcing that it was investigating dramatic increases in prices for COVID-19 related products, such as masks, gloves and hand sanitizers, which constituted excessive pricing and thus contravened Zambian legislation. According to the CCPC, in 2020, it resolved 2,520 cases, up from 2,470 in 2019, and recovered ZMW 4,650,923 in "the value of goods that would have been lost by consumers." The scale of the authority's activities, however, remains modest. According to official figures, in 2020, the CCPC oversaw 93 mergers worth just \$80 million.

Some state-owned enterprises enjoy an effective monopoly, such as the Zambia Electricity Supply Company (ZESCO). ZESCO has not been fully privatized, but rather commercialized, meaning that it was put under private sector management while the state maintains a majority ownership share.

One barrier to increased competition is a widespread public suspicion of privatization, which is commonly seen as an opportunity for corruption with few benefits for consumers. As a result, some monopolies still exist and are likely to continue in the future. Another barrier is the practice of concluding high-value procurement deals without a tender process, although criticism of this practice is growing.

Competition policy

7



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In principle, foreign trade is liberalized. However, the Heritage Foundation finds that in reality “Relatively high tariffs and non-tariff barriers to trade have held back integration into the global marketplace and reduce the profitability of investment.” The simple average of the most favored nation (MFN) applied tariff was 13.4% in 2018, while Zambia’s average applied tariff rate was 6.2%. Overall trade freedom is considered to have fallen in recent years, from a high of 84.6 in 2014 to 72.6 in 2020. Non-tariff barriers include inefficiency at border crossings, and confusion over which tariffs apply and when, given that Zambia is a member of two regional economic organizations, the Southern African Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA).

In July 2018, the Zambian government rejected pressure from the SADC to lift restrictions on the import of wheat, saying it was not in the interests of the Zambian economy to do so. In late 2020, however, concerns over the availability of wheat led the government to begin discussing plans to allow 100,000 metric tons of wheat to be imported from South Africa.

Despite Zambia’s membership in both the COMESA and SADC, exports to the region have not significantly increased in recent years because of high production and transportation costs. External efforts to improve the trading environment have had little impact. In late 2018, the European Union announced plans to provide €800,000 of support to trade-related interventions in the gold mining and agricultural sectors via the SADC trade related facility project. This followed a €420,000 grant to fund interventions in the areas of sanitary and phytosanitary standards, technical barriers to trade, and trade facilitation and promotion. However, these initiatives have yet to make a significant impact on cross-border trade.

The banking system and capital markets are differentiated, and oriented, in principle, to international standards. Zambia has some of the most liberal banking regulations in southern Africa, and banks function efficiently. There is functional banking supervision and minimum capital requirements. It is estimated that about 48% of adult Zambians have access to an account with a formal banking institution. Capital markets are open to domestic and foreign capital, and the stock exchange has listed 24 companies since 2016. However, the Lusaka Securities Exchange registered a drop in share prices from 5,764.02 in January 2019 to 3,983.90 in February 2021 and turnover is low.

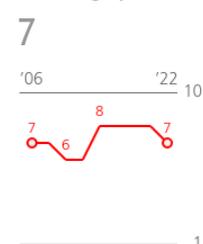
The central bank has remained fairly activist, and the benchmark interest rate has fluctuated considerably dropping from 15.5% in 2016 to 9.75% at the end of 2018, then rising to 11.5% in November 2019, before dropping back down to 9.25% in May 2020 and 8% in August, before increasing slightly to 8.5% in early 2021.

High levels of government borrowing have typically crowded-out other domestic borrowers, which remains a barrier to entrepreneurship. The ratio of non-performing loans increased from 7.3% in 2013 to 12% in 2017 but fell back to 8.9% in 2019. Bank capital to assets ratios have remained fairly consistent at around 11%.

Liberalization of foreign trade



Banking system



Shortly after it was elected in 2012, the PF government raised the minimum capital requirement for local banks to ZMW 104 billion from ZMW 12 billion, while international banks are now required to demonstrate ZMW 520 billion worth of holdings, which has strengthened their position in this regard.

8 | Monetary and fiscal stability

The government has had some success with bringing inflation under control. Zambia experienced double-digit inflation between 2007 and 2009, and again between 2015 and 2016, but this fell to 6.6% in 2017, before rising to 7.6% in 2018. The real effective exchange rate fell from 89.1 to 78.7 between 2018 and 2019. The central bank has set an inflation target of 6–8% until 2021 but is finding it increasingly hard to meet this goal. In 2019, inflation rose to 9.15% and is estimated to have hit 14.45% in 2020, in part due to rising food prices. The central bank is unlikely to be able to significantly reduce this level of inflation as the country heads toward general elections in 2021.

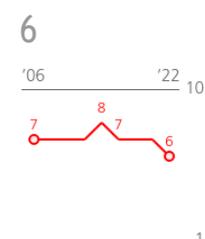
The value of the kwacha against the U.S. dollar was fairly consistent until 2018, but this has since depreciated from ZMW 9.56 to the U.S. dollar in April 2018 to ZMW 21.16 in December 2020, with significant increases in 2020 that appear likely to continue into 2021. Monetary and macroeconomic stability was further thrown into question in August 2020 when the central bank governor, Denny Kalyalya, was controversially sacked in what was widely seen to have been a political decision, which prompted the IMF to take the unusual step of issuing a statement in support of central bank independence.

In the 2010s, Zambia experienced steady but unspectacular GDP growth. However, the growth rate has fallen considerably in recent years, with a disappointing return of 4.1% in 2017, which was followed by a slight fall to 4.0% in 2018 and a large fall to 1.4% in 2019. According to the World Bank, the impact of COVID-19 and uncertainty around the likelihood of a sovereign debt default led to a contraction of around 4.5% in 2020. This represents a major challenge to the government as it means that there are insufficient jobs to accommodate the number of people entering the job market every year.

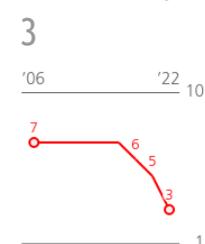
Zambia benefited from the COVID-19 funds made available through the World Bank's COVID-19 Fast Track Facility, and the Debt Service Suspension Initiative of the World Bank and the International Monetary Fund, in addition to EUR 20 million from the German government. However, the DSSI is estimated to have only enabled Zambia to suspend debt service payments worth \$139.2 million – the equivalent of just 1.2% of its total debt stock.

Following repeated warnings in recent years, Zambia defaulted on a \$42.5 million eurobond repayment in November 2020. This had seemed increasingly likely in

Monetary stability



Fiscal stability



recent years, with external debt increasing to around \$11 billion in 2021, up from \$8.74 billion at the end of 2017. By the time of the default, it was estimated that total national debt was almost 120% of GDP. Zambia missed a second \$56.1 million eurobond coupon payment in January 2021 and days later applied for loan restructuring under a G20 debt suspension initiative.

Pending an agreement with the IMF, it appears unlikely that the country will develop a more sustainable debt profile independently. Following a consistent increase since 2015, the current account balance was -\$0.2 billion in 2020. It is likely to increase further as the country enters an election year. Zambia now desperately requires an agreement with the IMF, following the repeated failure of the two sides to agree to terms on a proposed \$1.2 billion bailout package in recent years.

In line with these trends and falling economic growth, government consumption as a percentage of GDP increased from 12.79% in 2018 to 17.68% in 2019 and is expected to have risen further in 2020.

9 | Private Property

Property rights are governed by the Land Act of 1995, which recognizes two types of land tenure: leasehold and customary. Legally, all land ultimately belongs to the state.

Property rights are well defined in urban areas. However, property rights in rural areas are often poorly defined. According to the Heritage Foundation, “Property rights and the sanctity of contracts are well defined in principle but weakly enforced in practice.” The foundation rates Zambia’s property rights regime (on a scale of 0–100 in which high scores reflect better performance) as having regressed from a score of 49.6 in 2017 to 45.2 in 2020.

Meanwhile, the property rights of women are often not respected, most notably in relation to the inheritance of land. For example, a large proportion of agricultural land in Barotseland remains under the control of traditional leaders. In turn, control of land by traditional leaders increases the difficulty of defining and enforcing private property rights.

Zambia underwent a prolonged and painful process of privatization following the end of the one-party state and the election of the Movement for Multiparty Democracy (MMD). This process was partly reversed following the election of the statist and economically populist PF in 2011, which renationalized some companies, including the telecommunications company, Zamtel; the rail company, Railway System of Zambia; the oil company, Indeni Petroleum Company; and the coal mining company, Maamba Collieries.

Property rights



Private enterprise



It was expected that this trend would be reversed with the sale of the energy utility company ZESCO, but – despite strong rumors from 2016 onwards – the company remains in state hands. More recently, Energy Minister Mathew Nkhuwa has gone on record to pledge that the government has no plans to sell ZESCO to a Chinese firm, but this has done little to halt the rumors.

A legal framework for the protection of private enterprises exists. Zambia is also a member country of the World Bank’s Multilateral Investment Guarantee Agency (MIGA), which guarantees foreign investment protection in cases of war, strife, disasters and other disturbances or in cases of expropriation. However, the Heritage Foundation finds that the “regulatory environment does not promote entrepreneurial activity,” and following small improvements in business freedom between 2016 and 2018 recorded a decline in 2020.

There are occasional demands from figures such as Lubinda Haabazoka, the president of the Economics Association of Zambia, for the government to renationalize the mining industry, but this appears to be beyond the state’s capacity. In December 2020, Lungu argued that the Zambian government must take up majority stakes in selected mines in order to achieve economic recovery.

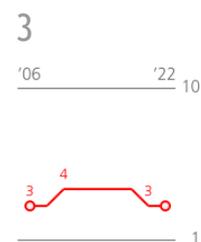
10 | Welfare Regime

Despite the country’s economic difficulties, Zambia recorded a small increase in life expectancy at birth, from 60.8 in 2014 to 63.51 in 2018. This reflects the greater expenditure on health seen under the Patriotic Front government, which has increased from 2.1% of GDP in 2011 to 4.9% in 2020. This has helped drive a slow but consistent improvement in the country’s Human Development Index score from 0.425 in 2000 to 0.584 in 2019.

These changes reflect a broader commitment by the PF to investing in public services. According to UNICEF, between 2017 and 2018, the share of the budget devoted to the social sector increased from ZMW 20.9 billion to ZMW 22.8 billion, although as a proportion of the overall budget this remained static at 32% due to increased expenditure elsewhere. With a substantial increase in debt-related interest repayments, currently at nearly 39% of the 2021 budget, which has increased by 32% since 2020, the shares of some of the large spending functions (e.g., general public services, economic affairs, education and health care) are projected to have only marginally increased in 2021. Defense, and public order and safety have been allocated 7.3% of the budget (up from 6.2% in 2020), compared to 8% of the budget being spent on health care, 0.8% on environmental protection, 1.9% on housing, water and sanitation (down from 3.3% in 2020), 4% on social protection, and 11.5% on education.

The government introduced the Minimum Wages and Conditions of Employment Act in 2012. Partly as a result, the proportion of employed people who are “poor” has fallen from 75.6% in 2010 to 64% in 2019.

Social safety nets



In 2019, the total sum invested in social protection was just 2.5% of the budget – 1% of GDP. The government has been working with the International Labour Organization to expand pension coverage to those working in the informal economy.

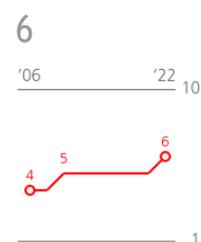
While there is no real debate on social protection in the country, the government runs an inefficient national social welfare scheme known as the Public Welfare Assistance Scheme (PWAS). PWAS only covers a limited number of beneficiaries and benefits are inadequate.

Zambia has achieved parity between males and females when it comes to primary school enrollment, but this masks the fact that girls are more likely to drop out before completing their education. As a result, men enjoy more schooling than women – on average by 2.2 years. Tellingly, while the literacy rate is 91% for men, it is only 83% for women, although this figure has improved considerably over the last 10 years. Women represent less than half the labor force, although this is gradually improving from 47.7% when the PF came to power to 48.4% today and on current trends will reach parity in the next decade.

There is little official discrimination on the basis of race or religion. However, anti-homosexuality legislation is in place and Amnesty International records homosexuality as being illegal in Zambia. President Edgar Lungu has spoken out publicly against gay rights, and in 2018, the police used its cybercrime unit to try and identify gay individuals “outed” in pictures on social media. For the first time in years, in November 2019, the Lusaka High Court sentenced a gay couple to 15 years imprisonment with hard labor for “unnatural acts” – prompting a strong statement from the U.S. ambassador, which developed into a public spat between the embassy and Zambian government and resulted in the withdrawal of the U.S. ambassador at the request of the Zambian government. Diplomatic pressure resulted in the couple quietly being granted amnesty in May 2020.

Despite Zambia’s ethnic diversity, the country has largely managed to balance the interests of its various groups. However, each president appears to give preference in appointments and contracts to people from his home area. This has led to some dissatisfaction in Western, North-Western and Southern provinces, as no president has ever come from these areas and they feel – to differing degrees – as though they have been excluded from national development.

Equal opportunity



11 | Economic Performance

In the last two years, Zambia’s economic growth has gone from fragile to poor. Having achieved slow but steady economic growth in 2017 and 2018, growth fell to 1.4% in 2019. According to the World Bank, the impact of COVID-19 and uncertainty around the country’s debt position led to a contraction of around 4.5% in 2020. The figures look considerably worse if one takes population growth into account by considering GDP per capita. From a high of 7.13% in 2010, GDP per capita growth was either zero or negligible between 2015 and 2019, falling to -1.45% in 2019. The proportion of unemployed workers in the labor force is growing and is estimated by the World Bank to have been increased from 7.9% to 12.2% between 2012 and 2020.

Despite recent improvements in the performance of the Zambia Revenue Authority (ZRA), the tax take fell from 17% of GDP in 2014 to 14.9% in 2016 but has since rebounded to 16.5% in 2019. The government managed to hold inflation (CPI) to single figures for many years, but it rose to 9.15% in 2019 – outside of the government’s target range – and again to 14.45% in 2020.

Partly as a result of fears of economic instability, and partly due to the political controversy and concerns over a potential debt default, as documented elsewhere in this report, foreign direct investment fell from 7.5% of GDP in 2015 to 2.6% in 2019 and is expected to have fallen further in 2020 as a result of the COVID-19 pandemic.

According to the IMF, the current account as a share of GDP is approximately 1% in 2020, a decline from 0.6% in the previous year. The combination of a growing debt burden and the government’s refusal to do anything to reduce government spending resulted in a debt default on a \$42.5 million eurobond repayment in November 2020 and a second missed coupon payment in January 2021.

12 | Sustainability

The Patriotic Front government has consistently stressed the importance of environmental stability and made this a manifesto commitment. However, limited progress has been made toward any of these goals. Previously, environmental issues causes were the responsibility of the Environmental Council of Zambia (ECZ).

However, the ECZ was recently restructured into the Zambia Environmental and Management Agency (ZEMA), which is responsible for conducting environmental risk assessments for new projects. ZEMA appears to carry more authority than the ECZ. In October 2020, for example, ZEMA halted operations at the copper-processing plant operated by Rongxin Investments Ltd after a waste dam burst, flooding a store and doing considerable damage to both crops and fish.

Output strength



Environmental policy



However, the implementation of policies on environmental protection and sustainability has been undermined by a lack of political will and corruption. In the 2021 budget, just 0.8% of the budget was allocated to environmental protection. President Lungu asked the Ministry of Lands, Environment and Natural Resources to provide greater oversight of the timber business to prevent the depletion of forests, which he said had been losing around 270,000 hectares every year. But a report published by the Center for International Forestry Research (CIFOR) on the production and trade of mukula (rosewood) timber in June 2018 revealed that an estimated \$1.7 million worth of bribes were paid to government officials who are linked to the president and his family to facilitate the export of mukula logs. It estimated that the total lost amounted to 100,000 cubic meters per year, equivalent to revenue of \$3.2 million.

Contemporary and reliable figures for literacy and educational achievements are difficult to source. However, the U.N. Education Index suggests that provision is stagnating, with Zambia hovering around 0.557 on a scale of zero to one in 2019.

A small improvement recorded in the index from 2014 to 2018 may reflect higher educational expenditure during the early years of the PF government, which increased from around 2% of GDP to 4.7% in 2018. However, expenditure on education as a proportion of the overall budget has fallen in recent years, in part due to growing tensions between the government, and university students and lecturers who are frustrated by low salaries and the underfunding of their institutions. This continued when students at the University of Zambia (UNZA) were reported to have rioted in March 2020 because lecturers were not teaching.

For its part, the reputation of the Ministry of Education has been undermined by the arrest of a number of individuals suspected of being involved in a ZMW 3 million money-laundering scam that involved raising checks under false names and laundering the proceeds through the purchase of properties and vehicles. At the same time, the presence of poor-quality teachers, some of whom cannot read and write, remain a serious challenge. In 2017, over 500 teachers were found with fake qualifications, and the teaching service commission found that problem had still not been eradicated in 2018.

The country requires considerable further investment to strengthen the educational system. In 2020, the pupil to teacher ratio in primary schools was 42 and the literacy rate was 86.7% – though it is important to note that the 86.7% literacy rate represents a small improvement over the 83% recorded in 2010. No reliable figures for research and development are available beyond 2008, when it equated to 0.3% of GDP.

Education policy /
R&D

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Governance

I. Level of Difficulty

The government faces considerable structural constraints, underpinned by a limited revenue base and exacerbated by the debt crisis, which led to a default in November 2020. The main challenges facing Zambia include the landlocked nature of the country, which increases the cost of imports and exports, and limited infrastructure. Meanwhile, the economy's historic dependency on copper mining has made it difficult to diversify into other industries, while rendering Zambia extremely vulnerable to fluctuations in the value of copper on world markets.

Despite low copper prices, successive governments have struggled to reorient the economy toward either manufacturing or agricultural growth. In 2018, poor rains led to a contraction in agricultural output by 35%. In 2019, agricultural exports represented just 1.3% of GDP.

Weak physical infrastructure has been a major historic limitation on economic growth, though the PF government's ambitious program of road building has provided new connections to a number of parts of the country.

Furthermore, the limited quality of education remains a serious concern. Poor educational standards mean that much of the adult workforce is low skilled, with the recent expansion of primary education yet to alter this situation. Malaria is also a major problem and accounts for 8,000 deaths a year, with 50% under five years old.

All of these challenges have been exacerbated by the COVID-19 pandemic and the country's unsustainable debt burden. COVID-19 has cut off key lines of revenue from tourism and has placed the health sector under considerable strain.

Civil society groups in Zambia, such as trade unions and churches, have a long and proud tradition of checking authoritarian rule but are now significantly weakened.

The privatization of the mining sector and the informalization of the labor force (i.e., the increasing proportion of the labor force that work in the informal economy) have weakened the trade unions.

A number of civil society groups have played an inconsistent role due to their partisan affiliations. For example, some of the major human rights and democracy groups supported the PF in opposition and were then co-opted by the PF when it was elected to government.

Structural constraints

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Civil society traditions

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More recently, the government of Edgar Lungu has become increasingly hostile toward the media. Although Diggers and The Mast newspaper has taken on the critical mantle from the now defunct Post newspaper, the paper's circulation is limited. Human rights groups and media organizations have suggested that the move was in part motivated by the fact that Prime TV was an independent station not firmly under President Lungu's control.

The government also disrupted anti-corruption protests planned for the outskirts of Lusaka in June 2020 by deploying security forces in a heavy-handed response, highlighting the limits on freedom of expression under the current Patriotic Front government.

The position of religious organizations has also become increasingly difficult. For example, in October 2018, a meeting of clergymen in Ndola to discuss the proposed budget for 2019 was disrupted by the police, who detained some of the organizers. However, it is also significant that, when secret talks between Lungu and opposition leader Hakainde Hichilema were held toward the end of 2018, the meeting was convened by the Catholic Church.

Zambia has never suffered a civil war or a prolonged period of ethnic conflict. It has also, thus far, proved immune to the rise of religious extremism. Overall, the use and spread of politically motivated violence is limited. However, there are a number of concerning trends.

One is that the 2016 general election witnessed greater political violence than in the past, causing considerable consternation among Zambian commentators. Although this was generally localized and did not result in political instability, it represents a worrying increase in the use of violence as a political strategy.

The aggressive stances adopted by President Lungu and the response of the opposition to continued democratic backsliding have exacerbated these fears. By taking a hardline stance against protests, and arresting Hichilema on trumped up charges of treason in April 2017 – he was only released in August after negotiations brokered by the Commonwealth – Lungu enraged opposition supporters and generated concerns that his government will become more repressive as it loses popularity, with further political clashes likely as we head toward the next general elections scheduled for August 2021.

If this comes to pass, existing fault lines are likely to be exacerbated, including demands for greater autonomy in Western Province/Barotseland and long-standing partisan rivalries.

Conflict intensity
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II. Governance Performance

14 | Steering Capability

Prioritization has historically been a challenge for Zambian governments, which have struggled to decide between implementing the reforms needed to reduce dependence on copper and using the proceeds of copper to improve public services.

When President Lungu succeeded Sata, this pattern largely continued. Most notably, successive ministers of finance have stated that coming to an agreement with the IMF over an economic rescue package is one of the government's top priorities, but this has yet to be achieved. A major barrier is the failure of the government to focus on long term political and economic stability rather than short term political expediency and personal gain.

The weak political position of President Lungu is one of the most significant contemporary drivers of weak prioritization. Because a deal with the IMF – and running the economy in a way that would make it possible to pay back its debt – would require spending cuts, Lungu knows that it would further undermine his popularity, which he can ill afford given that 2021 is an election year. As a result, rational policy priorities are sacrificed in order to avoid losing political support – as the sacking of the central bank governor in August 2020 demonstrates – which in turn has eroded the economic credibility of the government at home and abroad.

The COVID-19 pandemic appears to have not had a profound impact on prioritization. In the 2021 budget, the government actually decreased the proportion of expenditure targeted at the health sector, suggesting that the coronavirus crisis did not divert government attention from other spending concerns. Instead, the main challenge facing the government remains debt payments – though it is worth noting that by contributing to the country's balance of payment and debt problems, COVID-19 could be seen to be an indirect contributor to the government's inability to effectively prioritize.

The PF government has performed better when implementing policy goals such as the introduction of a minimum wage, and a road building project, but has largely failed to implement plans to reduce government spending, access financial assistance from the IMF, or reduce the country's reliance on copper exports. There is a lack of clarity and implementation when it comes to government policy regarding the mining sector.

While the economic and logistical challenges represented by the COVID-19 pandemic have disrupted government plans, a more significant factor has been the

Question
Score

Prioritization

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Implementation

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mismanagement of the economy and the debt default in November 2020. Most notably, Zambia's economic growth rate was already falling prior to the onset of the coronavirus pandemic.

The problematic impact of the gap between government statements and implementation is best demonstrated by the mining sector. PF leaders have frequently talked about changing the mining tax system and taking a tougher line on measuring how much copper is exported. However, these statements have often been quickly contradicted by other leaders or have not been followed by the introduction of the stated changes. This is well illustrated by President Lungu's statement in December 2020 that the Zambian government should take up majority stakes in selected mines, which generated considerable uncertainty in the sector at a challenging economic time.

This is also likely to apply to some of the other economic goals that the president has recently set out, such as buying gold direct from miners to boost foreign reserves and reducing the fiscal deficit to 9% of GDP in 2021.

In the past, there has been considerable learning from international experience. Most notably, the PF introduced a minimum wage and issued two eurobonds to fund investment projects. It has also, at times, increased investment in areas such as health care, with positive effects.

However, there has been a lack of willingness to learn key lessons when it comes to the risk of impending debt distress, and the need to moderate government spending. This has meant a repetition of many of the mistakes made during the one-party state era and also during the presidency of Frederick Chiluba. Despite clear evidence that the debt burden was rising to an unsustainable level, President Edgar Lungu refused to either reduce expenditure or come to an agreement with the IMF. As a result, Zambia defaulted on one of the eurobond payments in November 2020 and on another in January 2021, sparking a fresh political crisis.

There are also worrying signs that the lessons that President Edgar Lungu is learning from abroad are anti-democratic. Most obviously, he recently followed a precedent set by presidents in countries such as Burundi and Rwanda of pushing for a third term and has aligned himself with authoritarian neighbors such as Zimbabwe.

Perhaps most worrying of all, there is evidence that the debt default has not led to a significant change of policy or greater economic focus. Instead, the government willingly took on a further \$1.5 billion of debt in order to take a majority share in Glencore copper mine at the end of 2020/start of 2021, in a move that was broadly seen as expedient ahead of the 2021 elections.

Policy learning

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15 | Resource Efficiency

Evaluating exactly how efficiently Zambia’s natural resources are used is complicated by the lack of transparency in the sector. In 2020, copper represent 73% of all exports – the next most valuable exports were salt, sulfur, earths, stone and plastering materials at 3.22%. Tobacco exports represented 1.49%.

The government has also alternated its position on key issues such as whether or not to increase mining taxes. The Zambia Revenue Authority (ZRA) has at times been directed to pursue mining companies for the alleged underpayment of taxes, but mining companies are said to have hit back, threatening to pull out of the country if a greater tax burden made the sector unprofitable. The inconsistency in government policy has generated considerable uncertainty, especially as it seems likely that the government will seek to generate greater revenue from the mining sector as its debt burden rises.

This pattern continued in 2020. First, President Lungu announced that the government planned to take a majority stake in a few selected mines. This was followed by the government taking on \$1.5 billion in debt in return for a 73% stake in the Mopani Copper Mines, previously operated by Glencore. Then, in early 2021, the government stated that it did not actually intend to take over any further mines.

The civil service has recovered from the rapid changes in personnel that accompanied the PF’s 2011 election victory. However, a pattern of “retirements in the national interest” has continued to 2021, which has targeted senior civil servants who are perceived to be sympathetic to the opposition, come from opposition-supporting regions or who are critical of the government’s policies. The Zambia Revenue Authority (ZRA) has made significant improvements over the last decade. Tax revenue from income, profits and capital gains increased from ZMW 9.454 billion in 2013 to ZMW 20.206 billion in 2018, although tax revenue as a proportion of GDP only increased by 2% over the same period.

Zambia scores poorly when it comes to budget planning. In 2019, the Open Budget Survey scored the country 30 out of 100 for transparency, 46 out of 100 for oversight and just 20 out of 100 for public participation. The country’s score for 2020 has not yet been published, but it is likely to have fallen further due to the challenges of maintaining public participation and media coverage during the COVID-19 pandemic.

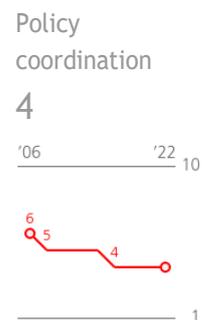
Efficient use of assets

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Policy coordination has been a consistent challenge for the Patriotic Front government. Things did not improve when Sata was replaced by Edgar Lungu for two reasons. First, Sata’s death and the succession battle that it generated created a major rift within the PF that led to considerable instability in the government and the cabinet. Second, Lungu immediately faced major political challenges facing a presidential by-election in 2015 and then a general election in 2016 – that has distracted him from focusing on economic issues.

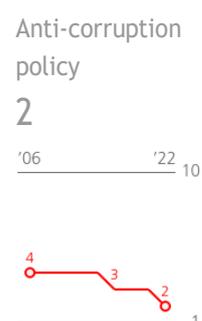


These problems have been exacerbated by instability in the position of minister of finance and the governor of the central bank, as President Lungu has searched for individuals that will comply with his political requirements. Most notably, Zambia has had three finance ministers in as many years. This has undermined coordination both between different ministries, and between the Zambian government and key international players such as the International Monetary Fund.

In October 2018, the then finance minister, Mwanakatwe, announced that she would reconstitute the tax policy review committee in order to scrutinize tax implementation matters, particularly tax issues involving the mining industry. However, this initiative appears to have faded after she was removed. Instead, in August 2020, Secretary to the Treasury Fredson Yamba announced a new interministerial Tax Policy Review Committee (TPRC) would be constituted ahead of the 2021 budget.

Opposition parties and some business leaders have also accused the government of manipulating the economy for political ends. Toward the end of 2018 and early 2019, the government stated that it was worried that civil servants were collecting paychecks without actually attending work or delivering services.

Corruption has long been a challenge in Zambia and anti-corruption programs have often been used to attack political opponents, leading to accusations of witch hunts and generating public skepticism. Most notably, the former president, Rupiah Banda, escaped prosecution for the abuses committed during his time in office, and later formed an alliance with President Edgar Lungu.



President Lungu promised to end graft but has made limited progress in this direction. It was reported by the Environment Investigation Agency in late 2019 that the president, several members of his cabinet, as well as his daughter were all implicated in the illegal trafficking of Mukula wood. However, the politicization of key positions that are nominally independent (e.g., the position of central bank governor) has undermined the government’s claims to be willing to allow meritocracy to replace patronage politics.

There is an Anti-Corruption Commission, although it usually targets junior and mid-level officials and is consistently criticized by opposition parties for politicizing its investigations in favor of the ruling party.

One of the main areas of concern is public procurement. Amidst widespread rumors that COVID-19 funds were being misappropriated by political leaders, with contracts given to individuals with close relationships to senior figures at inflated prices, Transparency International noted that “gaps existing in the Ministry of Health’s handling of the COVID-19 donations were a potential conduit for corruption.” At the same time, a scandal broke in June 2020 concerning irregularities in the procurement of health kits worth around \$17 million the year before.

The Financial Intelligence Center (FIC) has had a strained relationship with the Lungu administration for the last two years. In 2019 the FIC released the 2018 “Trends Report” which found that Zambia had lost approximately ZMW 6.1 billion through various illicit financial flows. After the release of the FIC’s money-laundering “Trends Report” in June 2019, the director and the center were attacked by Ministry of Information Permanent Secretary Chanda Kasolo. The latest FIC report has been watered down compared to previous ones, according to Global Integrity (2020). The number of cases investigated has also dropped, allegedly because of sporadic funding from government.

Constitution Bill 10 would have further weakened the FIC and the Drug Enforcement Commission (DEC). The DEC recently came under fire from the administration after summoning a close associate of the president – Valden Findlay – for questioning on drug-trafficking allegations, after he was implicated by Vijaygiri Vicky Goswami, whom the U.S. government extradited from Kenya and turned into a state witness in the ongoing U.S. trial of a drug-trafficking syndicate in Africa.

16 | Consensus-Building

Zambia is known for achieving a higher degree of consensus – in terms of public policy, support for democracy and avoiding the use of political violence – than many other African states. However, this has always been marked by considerable disagreement over how to engage with foreign investors, how best to reduce the country’s reliance on copper exports, and the appropriate degree of decentralization. Over the past few years, these tensions have been exacerbated by growing disagreement over government economic policy. This tends to focus on three areas. First, although all main political actors remain rhetorically committed to democracy, opposition parties have questioned President Lungu’s eligibility to stand for the presidency in the 2021 general elections on the basis that it would represent an unconstitutional third term in office. Although the Constitutional Court has deemed Lungu eligible to run, this issue remains controversial – not least because the court is seen to be politically bias – and so is likely to be an issue during the next election campaign, which will make the polls more divisive.

Consensus on goals

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Concerns surrounding the freeness and fairness of the upcoming 2021 elections will further exacerbate tensions between the ruling and opposition parties, and might lead to protests and low-grade post-election violence.

Second, while both main parties pay lip service to the need to balance the books and reduce the country's debt burden, the government's refusal to conclude a deal with the IMF has increasingly frustrated opposition leaders such as Hakainde Hichilema, who depicts himself as a more business-friendly candidate. This tendency was further exacerbated in 2020 when Zambia defaulted on a eurobond payment and once again failed to adopt more sustainable economic policies. Third, the significant amount of money owed to Chinese lenders – which comprises the majority of external debt – has led to growing criticism of China's role in the country. Most notably, rumors that Zambia had already fallen behind on debt repayments and was consequently poised to sell off key assets to China led to rumors that the state-owned timber company Zambia Forestry and Forest Industries Corporation (Zaffico) was to be sold to China. This is believed to have been the main trigger for a riot in Kitwe in November 2019. The PF government therefore finds itself in the difficult position of having to defend and protect China and its interests in Zambia – which the government has become more reliant on as a result of the deteriorating relationship with western donors – and reconciling this with its campaign against foreign investors when in opposition. Thus, while all parties would publicly identify reducing debt, increasing jobs and deepening democracy to be key goals, in reality there is growing disagreement on how this should be achieved, and increasing evidence that the government lacks a genuine commitment to all of these goals.

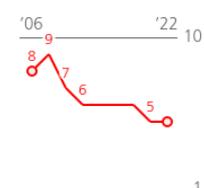
There are no avowedly anti-democratic actors in Zambia. However, democracy remains fragile and recent elections appear not to have been free and fair. This was particularly the case in 2016, when the opposition claimed to have been engineered out of the presidential election, following a heated campaign and narrow victory for President Edgar Lungu. Although international observers found no obvious evidence of fraud, the decision to effectively throw out an opposition electoral petition on a technicality, having previously indicated it would be heard, undermined the credibility of the process.

At present, the country is experiencing a period of democratic backsliding as President Lungu seeks to ensure that he will win the 2021 general elections against a backdrop of economic decline and growing frustration with his rule. Already, organizations and individuals who speak out publicly against the president risk intimidation and arrest – and the Public Order Act is being used to repress rights to freedom of expression, association and assembly. There are also major concerns about the voter registration process conducted in 2020, which effectively increased the number of voters in areas that tend to support the president and decreased the number of voters in areas that tend to support the opposition.

The loudest advocacy for democratic reform comes from opposition parties and civil society groups, despite the pressure they face from the government. In this

Anti-democratic actors

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context, the most significant actor is probably the Catholic church, following the weakening of the trade unions and the intimidation of other civil society bodies. Although civil society groups have not been able to protect Zambian democracy, they did succeed in effectively mobilizing support against the 2019 constitutional amendment (Bill 10), which was widely seen as being intended to weaken democratic checks and balances, and so entrench President Lungu's grip on power.

There are a number of significant social cleavages in Zambia. The first is ethnolinguistic. In the past, Bemba speaking Zambians have overwhelmingly supported the PF, while the Tonga people in Southern Province have largely supported the UPND. However, successive governments have failed to retain the Bemba vote while in power, which has often precipitated the victory of opposition parties in the following elections.

A number of factors have historically worked to prevent ethnic tensions from spilling over. First, under the one-party state, former President Kenneth Kaunda favored a policy of ethnic inclusion, rejecting the winner-takes-all strategy adopted in Kenya. Partly as a result, Zambia has never experienced significant ethnic violence and relations between the different ethnic groups have generally been good. Second, several political leaders, such as former president Michael Sata, have won electoral support across ethnic groups in urban areas. This cross-ethnic appeal undermined ethnic voting patterns. Third, no cabinet under the multiparty system has been ethnically exclusive. Although each cabinet is weighted in favor of the president's ethnicity, or regional base, there is typically an attempt to achieve ethnic diversity. Finally, political elites have tended not to use violence to secure political power.

The major source of concern since the 2016 election campaign has been the fact that exceptionally close elections have increased the political temperature at the same time as government and opposition leaders have been more willing to play a dangerous game of political brinkmanship. In addition, recent cabinets and appointments of permanent secretaries have been more ethnically exclusionary – with no appointments at all from the opposition-supporting Southern Province – and are weighted heavily in favor of regions that support the ruling party to the exclusion of those that do not. Combined with the ruling party's increasing reliance on ethnic appeals ahead of the 2021 polls, this has increased tensions.

Together with continued sensitivities around the status of Barotseland, a region of Western Zambia that has seen an increase in secessionist sentiment in recent years, there is a genuine prospect that the increasingly hostile and careless strategies being invoked by political leaders will exacerbate ethnoregional tensions. In early 2020, for example, The Barotseland Post argued that President Lungu was deliberately plotting to use the Litunga, the king of Barotseland, to undermine the arguments of UPND members of parliament that opposed government efforts to change the constitution by having the Litunga demand that they show loyalty to the king rather than their party leader.

Cleavage /
conflict
management

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Zambian civil society is known for being one of the more effective associational spaces in sub-Saharan Africa.

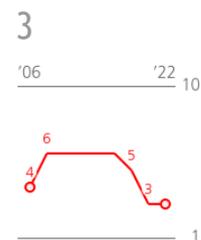
Recently, the relationship between NGOs and the PF has become increasingly adversarial. Civil society organizations (CSOs) involved in the governance space – rather than in service delivery – are subject to increasing government pressure. Reduced donor funding has also reduced CSO efficacy and independence from government. The government has consistently clamped down on critical media organizations since 2015 and has been quick to rebuke civil society bodies that take a critical line.

In addition to calling into question the existence of the Law Association of Zambia, the government has sought to use the Public Order Act to prevent opposition rallies and some civil society meetings on the grounds of public safety. In 2020, a heavy-handed response from the security forces prevented anti-corruption protests from taking place in Lusaka, forcing activists to hold “secret” protests in “the bush” in order to evade arrest. In March 2020, for example, two activists – Laura Miti and Bornwell Mwewa – who had traveled to Livingstone to support Pilato – a prominent Zambian hip-hop artist who had been harassed and arrested by the police – appeared in court charged with “assault on a police officer” and “disorderly conduct.” According to Amnesty International, these charges were politically motivated and “fit into a much wider pattern of suppression of peaceful dissent that we have seen in Zambia in recent years.”

Civil society participation in the budget process has been one casualty of this increasingly confrontational approach. Over the last three years, a number of individuals were arrested for attempting to hold public meetings on a range of issues, including environmental pollution and the government budget.

There was almost no involvement from civil society in the drafting of Constitution Bill 10 (2019), which has been roundly condemned by most non-partisan civil society actors. Various civil society actors are open to co-optation – either through the dispersal of government resources or through job offers. This is partly a result of the limited opportunities available in the private sector; a position in government still represents one of the most reliable routes to prosperity and prestige. Many civil society groups have been co-opted over the last 12 months through the election of leaders who are sympathetic to government.

Civil society participation



The government of Zambia has not committed any major human rights violations that necessitate a national program of reconciliation. However, there were clearly errors made during the 2016 election that caused considerable frustration to opposition leaders and supporters, most notably the long delay in the declaration of the official results and the failure of the Constitutional Court to hear an opposition election petition regarding the results.

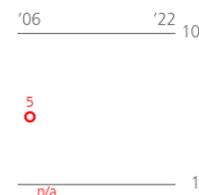
There has been no serious investigation of the alleged torture that Hichilema and others suffered during their arrest and detention. At the same time, the heavy-handed response to popular protests – and the refusal to allow anti-corruption protests to take place on the outskirts of Lusaka – has exacerbated political tensions.

The status of the western region of Barotseland is also yet to be settled. Former president Michael Sata played on demands for greater autonomy to mobilize support in the region during his successful election campaign in 2011, but the PF subsequently refused to make any significant concessions. In November 2018, the Zambian media reported that the Litunga, king of Barotseland, “feels that the Zambian government is undermining his authority over his kingdom and that he is now threatening to support separatists in their push for Barotseland independence from the unitary state of Zambia.”

Since then, relations appear to have improved following plans to create a Barotse Dialogue Council (BDC) by the Government of the Republic of Zambia (GRZ) and the Barotse Royal Establishment (BRE). However, some critics allege that this process has been designed by President Lungu simply to try and gain support in the region for his efforts to weaken democratic institutions, and that he will ultimately do little to respond to the long-standing complaints of Barotseland. If this comes to pass, recent events are likely to further entrench the region’s sense of its political marginalization.

Reconciliation

n/a



17 | International Cooperation

Zambia has historically made good use of international support. Under President Mwanawasa, Zambia developed a reputation for effectively managing its international relations. However, this has changed under President Lungu, with the government failing to broker a bailout package with the International Monetary Fund that is necessary to revive the economy.

In 2018, the United Kingdom joined Sweden and Ireland in halting aid programs following evidence of fraudulent activity in relation to \$4.7 million of donor funds. In turn, this has forced the government to become more independent of international aid, although it continues to engage productively with some international organizations and development agencies. Partly as a result, international aid as a proportion of central government expense has declined from around 136% in 2002

Effective use of support

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to 19% today. In line with this, international aid per capita fell from \$101.3 in 2006 to \$54.66 in 2019.

A common area of agreement between the PF government and international donors has been the issue of poverty alleviation, and to a lesser extent infrastructural development. Relations with the IMF hit a recent low after the government demanded the removal of the IMF's resident representative to Zambia, Alfredo Baldini. While the government argued that Baldini should be removed after overstepping his authority, the IMF believes that the real motivation was that the government had no real commitment to resolving the financial crisis. Partly as a result, IMF officials have refused to sanction the release of a \$1.3 billion rescue package. The IMF's interpretation was largely borne out when Zambia defaulted on a eurobond payment in 2020.

Corruption has also impacted Zambia's relationship with donors. In September 2018, the UK government suspended aid entirely over fears that it was being misused. Having scored 38 and ranked 85 out of 175 countries on the Corruption Perception Index in 2014, Zambia fell to a score of 33 and a ranking of 117 in 2020.

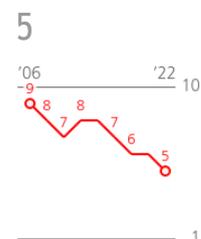
However, Zambia has had some successes. It has made good use of the African Development Bank, which provided \$500,000 at the end of 2018 to fund the procurement of chemicals to protect crops. In late 2020, a climate resilience project supported by the African Development Bank and Climate Investment Funds (CIF) won the Water ChangeMaker People's Choice Award-Africa.

During COVID-19, the government benefited from the Debt Service Suspension Initiative (DSSI), but this only represented a small proportion of the country's debt burden and so did not prevent the default. The government was initially also able to agree a debt relief program from the Chinese government on official DSSI terms, but ultimately struggled to persuade other Chinese creditors to participate in the process because it refused to pay the \$200 million in arrears they demanded to agree on a deal.

The government's credibility on macroeconomic issues is extremely low following the controversial sacking of the central bank governor and its default on a eurobond payment in 2020. Economic growth has fallen considerably and was negative in per capita terms in 2019 and 2020. Inflation has risen above the target band identified by the government. In addition, the current account deficit increased in 2020 and is likely to rise further in 2021, as President Lungu seeks to secure re-election in what is likely to be a hotly contested election.

Zambia is a member of the International Criminal Court but has expressed criticism of the court alongside many other African countries. President Lungu announced in 2017 that Zambia would undertake consultation on whether the country should withdraw from the court. The public consultations revealed overwhelming support

Credibility



for remaining a member of the International Criminal Court (ICC) and so plans to withdraw have been shelved.

The government is broadly seen to have done a reasonable job concerning COVID-19 and so this has not negatively impacted its international credibility. The number of deaths was initially very low, but during the cold season doubled from just 12 cases a day on June 24 to 197 cases a day by July 21. However, the rate of new infections fell from early August onward and by the end of the year the country was registering less than 100 cases a day – though it is important to note that this is shaped by a number of factors including the extent of the testing regime.

However, this has been overshadowed by the country’s economic challenges, and growing international concern about human rights abuses and the potential rigging of the 2021 general elections.

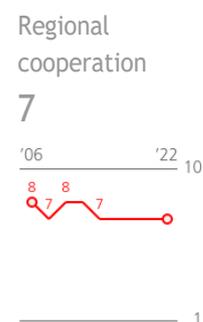
Zambia enjoys good relations with its neighbors, and successive Zambian leaders have maintained their commitment to several regional bodies. Relations with Zimbabwe have been particularly warm since the Patriotic Front government came to power, due to the close relationship between Robert Mugabe and Michael Sata.

The death of Sata in late 2014 and the fall of Mugabe in 2017 complicated matters, but the relationship remains healthy. Most notably, following the 2018 election controversy in Zimbabwe, Zambia refused to accept the asylum application of opposition leader Tendai Biti, who claimed that he was at risk of arrest and torture. This move led to considerable international criticism, but endeared President Lungu to the new Zimbabwean administration under President Mnangagwa.

Zambia is a member of the South African Development Community (SADC), the African Union, and is the host country of the Common Market for Eastern and Southern Africa (COMESA). This dual membership can create tensions. Although these regional bodies have overlapping memberships, their rules are not completely aligned. This inconsistency can act as a barrier to regional economic integration.

Zambia enjoys political benefits from being a member of the SADC and African Union. Most notably, in 2018, President Lungu supported muted regional responses to compelling evidence of democratic backsliding and electoral manipulation in Zimbabwe and the Democratic Republic of Congo (DRC), respectively, and the favor was repaid when these bodies failed to speak out against his jailing of opposition leaders and intimidation of civil society.

Zambia also supported the creation of the African Continental Free Trade Area (AfCFTA). The government moved to ratify the agreement and confirm the start of trading under the agreement on January 1, 2021. In early 2021, the government submitted its instruments of ratification to the African Union Commission. However, as in other AU member states, this raised questions about exactly how AfCFTA would work, and which products would and would not be included – a



fact emphasized when President Lungu argued that AfCFTA would present both opportunities and challenges when it came to its full implementation.

One localized effort to promote cross-border trade and strengthen regional integration is the plan to build the Kazungula Bridge between Botswana and Zambia. At the end of 2018, it was estimated that the bridge would open in the next 24 months. In October 2020, the Ministry of Transport and Communications confirmed that the construction was complete and that the construction of a one-stop border post would be completed before the end of the year.

Strategic Outlook

The priority for domestic political leaders and international donors should be to pressure President Lungu to ensure that recent gains are not rolled back, enshrine a new bill of rights and enact further progressive constitutional changes, reverse recent democratic backsliding and end the repression of civil society groups. For international donors, this will involve linking the provision of international aid to constitutional and institutional reform efforts. Equally, the current pressure and intimidation exerted by the executive on the judiciary, media, the political opposition and civil society must be discouraged by local and international partners. The use of defamation legislation to curb online criticism of the president should be strongly condemned, along with the censorship of independent media.

With an election on the horizon in August 2021, there are worrying signs that the absence of a level playing field, the double standards on the enforcement of the Public Order Act and COVID-19 restrictions and the uneven voter registration exercise over which the Electoral Commission is presiding will benefit the ruling party. International donors should push the Electoral Commission to be more consultative, to allow an independent audit of the voters' roll and to enforce regulations even-handedly. If this election process is seen to be illegitimate, this could have long-term consequences for social cohesion and may result in low-grade electoral violence, as in the aftermath of the 2016 polls.

The PF's first priority should be to provide stable and consistent leadership and policy predictability. President Lungu has the opportunity to develop a more considered style of government, with a more coherent and better communicated policy agenda. This will involve maintaining a settled and competent cabinet. Reversing the recent trend of awarding large procurement deals in uncompetitive tenders to politically aligned firms is also essential. If President Lungu can achieve these objectives, then he will be in a position to tackle the high level of corruption in Zambia. Widespread financial mismanagement and corruption remain substantial obstacles to economic growth – as does the currently decentralized mode of debt accumulation – and in a fiscally constrained environment, the government will need to ensure that increasingly scarce funds are not diverted away from social welfare. International donors should continue to use public pressure to ensure that those found liable for the diversion of public funds are held accountable, as with the 2018 aid freeze.

The government has previously demonstrated a genuine commitment to expanding physical infrastructure. These efforts must be strengthened, but contracts must be transparent and contractors held accountable. Before this can be done, however, the government will need to resolve the current debt crisis. Major creditors have already said that agreeing to any plan to restructure Zambia's debt or offer debt relief will be conditional on the country reaching an agreement with the International Monetary Fund on an economic rescue package. The great danger for the country is, therefore, that President Lungu refuses to agree to a deal in order to maintain high government spending heading into the 2021 elections, leaving the country with an even greater debt burden and sustained uncertainty.

The IMF agreement is particularly important given that the impact of COVID-19 on the Zambian economy is likely to continue for some time to come with lower than usual revenue from the tourism sector. It will also be viewed by many as a barometer on the economic credibility of the Zambian government, and hence is likely to shape the behavior of foreign lenders and investors. Establishing better relations with international financial institutions and demonstrating a commitment to depoliticize key positions, such as the central bank governor, will therefore be key to any economic recovery.

This process is likely to require cuts to some aspects of government expenditure, which should be made in unproductive areas that have little impact on the living standards of citizens, such as defense and security. Important social welfare programs, such as the Farmer Input Subsidy Program (FISP), and cash transfer schemes should be ring-fenced in order to maintain the gains achieved with regard to poverty reduction and sustainable livelihoods. Diversification remains the economy's most serious challenge and the government needs to encourage the development of export agriculture, in particular, to drive diversification.

If the current trend toward ethnoregional and partisan favoritism in contracts and appointments continues, the government may find itself facing increased restlessness in opposition-supporting regions and a resurgence of activism around the secession of Barotseland. In order to maintain positive relationships with donors and prevent increased political and regional polarization, the ruling party should return to a more democratic and consultative governance approach, engaging with civil society rather than attacking it, and avoid persecuting opposition politicians and critical media outlets.