RESEARCH REPORT

DEBT, HIPC AND THE MDGs – CAN ZAMBIA SCALE THE HEIGHT?

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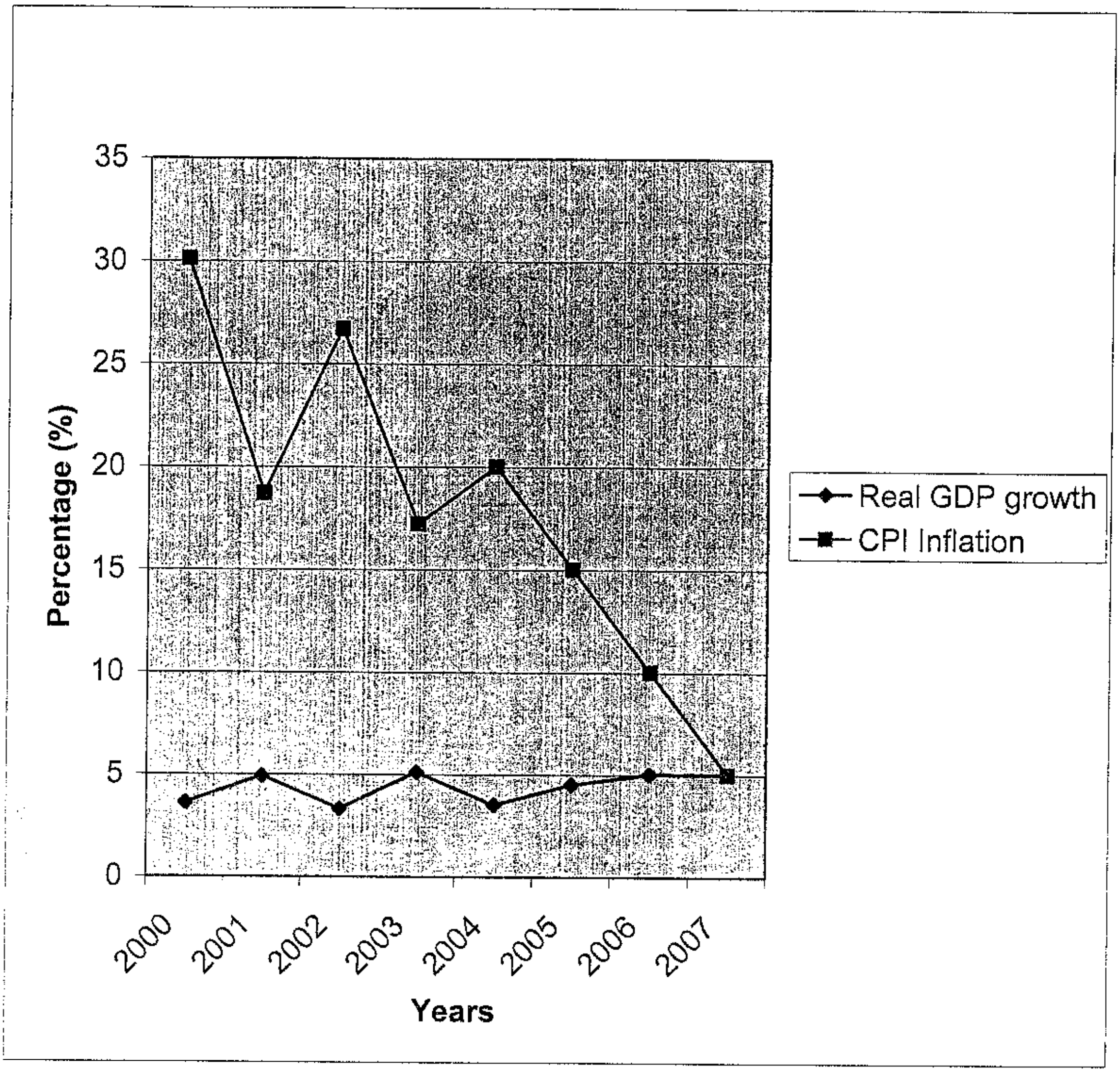
List of Acronyms

AFRODAD	African Forum and Network on Debt and Development
AIDS	Acquired Immune Deficiency Syndrome
ASIP	Agricultural Sector Investment Programme
BNB	Basic Needs Basket
CAFOD	Catholic Agency for Overseas Development
CAS	Country Assistance Strategy
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
CSO	Central Statistical Office
DAC	Development Action Committee
ECOSOC	Economic and Social Council
EFA	Education For All
EFA-FTI	Education for All Fast Track Initiative
EFZ	Evangelical Fellowship of Zambia
FfD	Financing for Development
FTI	Fast Track Initiative
FFTUZ	Federation of Free Trade Unions of Zambia
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Country
HIV	Human Immuno-Deficiency Virus
IFIs	International Financial Institutions
IMF	International Monetary Fund
JCTR	Jesuit Centre for Theological Reflection
KCM	Konkola Copper Mines
LaRRI	Labour Resource and Research Institute
LICs	Low Income Countries
LME	London Metal Exchange
MDGs	Millennium Development Goals
MFNP	Ministry of Finance and National Planning
MMD	Movement for Multiparty Democracy
NAMBOARD	National Agricultural and Marketing Board
NEPAD	New Partnership for African Development
NPV	Net Present Value
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation on Development
PRGF	Poverty Reduction and Growth Facility
PRPs	Poverty Reduction Programmes
PRSC	Poverty Reduction and Support Credit
PRSP	Poverty Reduction Strategy Paper
PRSs	Poverty Reduction Strategies
RAMCOZ	Roan Antelope Mining Corporation of Zambia
SADC	Southern African Development Community
SAPs	Structural Adjustment Programmes
SOE	State Owned Enterprise
TB	Tuberculosis
TNDP	Transitional National Development Plan
UN	United Nations
UNDP	United Nations Development Programme
UNIP	United National Independence Party
WDI	World Development Indicators
WTO	World Trade Organisation
ZNCB	Zambia National Commercial Bank
ZCCM	Zambia Consolidated Copper Mines
ZESCO	Zambia Electricity Supply Corporation
ZHDR	Zambia Human Development Report
ZPA	Zambia Privatisation Agency
ZPTF	Zambia Privatisation Trust Fund
ZRP	Zambia Republican Party

Figure 1: Key Macroeconomic Targets: 2000-2007



Source: Ministry of Finance and National Planning
* Please note that figures from 2004 to 2007 are based on Ministry of Finance projections

force. The grave impact of HIV/AIDS on Zambia is well captured in the PRSP as reflected in the passage below:

Since the advent of the HIV/AIDS epidemic, the TB case rate increased nearly five-fold to over 500 per 100,000 population in 1996. There are now in excess of 40,000 new tuberculosis cases reported every year. This figure is expected to rise by 10 percent annually in the next few years. The HIV pandemic has left an estimated 600,000 orphans (2000), projected to reach 974,000 in 2014,most of whom will have no hope of obtaining formal education. This, in turn, will affect the quality of the labour force. Of these orphans, 6 percent become street children, with less than 1 percent living in orphanages (Zambian PRSP Page 111).

The impact of HIV/AIDS on the health care system has also been profound. It is projected that AIDS patients will utilise 45 percent of all hospital beds by 2014, crowding out other patients. It is estimated that about US$200 per AIDS patient per day is needed for hospitalisation (Zambian PRSP, Page 111). This is against the current per capita expenditure on health by government of approximately US$3 per year. With AIDS expenditures rising, HIV/AIDS will inexorably consume more resources at the expense of other diseases. The effects of HIV, compared with other epidemics, are especially pronounced because it disproportionately affects adult wage earners. The impact of HIV is particularly strong on poor households both in the urban and rural settings. The immediate impact of HIV is that people who cannot afford nutritious food, clean water and sanitation, healthcare, antiretroviral therapy and support, get sick more quickly and die earlier while the long-term impact is that children drop out of school, either because the fall in income means that the family can no longer meet the costs, or because the children need to work or care for sick parents or siblings (Thomas, 2004).

One way of effectively analysing poverty in Zambia is to take a hard look at the Jesuit Centre for Theological Reflection (JCTR) basic needs basket. The JCTR through its monthly Basic Needs Basket (BNB) report (a measure of the cost of living for a family of six in Lusaka and other selected rural and urban centres), has over the years shown heightened hardships particularly among the poor and vulnerable groups occasioned by price increases in food and essential non-food items necessary for decent human survival.

For instance, a review of the Basic Needs Basket for the year 2003 shows that the cost of food alone averaged K401,050 (US$80.5) in January and K401,800 (US$80.7) in December. These were the highest costs in food alone recorded in 2003. These costs must be contrasted with average salary earnings for many civil servants of K750, 000 (about US$150). This means that food alone absorbs nearly 53 percent of budget items before housing; health, education and transport needs are met. There is thus a new and common phenomenon emerging in Zambia: the working poor who are constantly failing to meet the basic needs of their families. The immediate outcome of this situation is that more and more children are needlessly being pushed on the streets to fend for themselves.

3 Zambia's Debt Overhang

3.1 External Debt and its Structure

Zambia is among the most heavily indebted countries in Africa. The decline in copper prices and the increase in oil prices in the early 1970s led to a considerable deterioration in Zambia's terms of trade. The authorities believed that the worsening economy was a temporary phenomenon and would reverse, and therefore undertook heavy borrowings to avoid having to restructure the economy (CAS, 2004). Other heavy borrowings were made to support the political liberation struggles in Southern Africa. At US$6.5 billion in 2003 and over US$7 billion in 2004, Zambia has one of the highest per capita debts and is one of the most highly indebted countries in the world. Zambia's debt stock increased rapidly during the 1980s, rising from US$3.3 billion in 1980 to US$6.9 billion in 1990. However, the external debt stock in 2002 had reduced to US$6.5 billion mainly due to debt relief and debt repayments. The current high debt levels can be attributed, among other things, to new and increased government borrowings.

Table 1: Estimated debt interest repayment on concessional and non-concessional borrowing (US$ Millions)

	2005	2010	2015	Average 2001-2009	Average 2010-2019
Malawi	5.6	15.1	34	7	30
Mozambique	8	36.5	N/A	14.3	59.5
Tanzania	15.5	64.2	N/A	24.6	132.4
Uganda	14	37	77	17	83
Zambia	25	93	74	45.4	84.6

Source: World Bank and IMF Decision Point and/or Completion Point Documents

Table 1 highlights in a comparative manner the heavy burden that some African countries will continue to bear through high interest repayments on debts falling due in the next few years.

Table 2: External Debt Stock 2000-June 2003 (US$ Millions)

	2000	**2001**	**2002**	**June 2003**
Bilateral	**2,438.5**	**3,091.8**	**2,614.8**	**2,013.5**
Of which:				
Paris Club/1	22,638.5	2,713.9	2,343.1	1,728.2
Non Paris Club/2	459.3	377.9	271.7	285.3
Multilateral	**3,404.3**	**3,346.1**	**3,854.9**	**4,106.8**
Of which:				
ADB/ADF	328.4	318.7	296	4,016.8
World Bank	1,788.7	1,837.1	2,491	2,527.5
IMF/3	1,128.5	992.0	965.9	1065.1
Other Multilateral	158.7	198.3	102	96
Private	**410.3**	**832.3**	**670.4**	**832.3**
Total debt stock	**6,453.1**	**7,270.2**	**7,140.1**	**6,862.6**

Source: MFNP

From Table 2 above and the corresponding Figure 3 below, it is crystal clear that a significant portion of Zambia's external debt is owed to the multilateral creditors such as the IMF and the World Bank.

In Zambia, like many other poor African countries, debt is socially and morally uncollectable and hence should be written off. Moral and economic imperatives on the part of creditors, given that their economic policies in 1980s and 1990s played a significant role in the escalation of external debt of poor countries, require that this debt be cancelled altogether while taking measures to help Zambia and other poor countries to avoid imprudent and unsustainable borrowing in the future (ZHDR, 2003).

External debt is a problem for obvious social and economic reasons. It siphons out, through annual debt service payments, meagre resources from needy areas such as education, health, agriculture and rural infrastructure development to the already wealthy creditors of the North. Debt makes the cost of business transactions very high as the government resorts to high levels of corporate taxes to raise revenue for debt service obligations. As economic sense dictates, the tax incidence does not rest with the business entities but is passed on to the ultimate consumers who in most cases tend to be the poor and vulnerable people.

Zambia was expected to reach the HIPC Completion Point in December 2003. It was then expected to receive debt relief amounting to US$3.8 billion in nominal terms or US$2.5 billion in Net Present Value (NPV) terms over a period of 20 years starting in 2001. However, due to slippages in fiscal policy in 2003 and the resultant failure to reach the new Poverty Reduction and Growth Facility (PRGF) programme with the IMF, the attainment of the HIPC Completion Point has been delayed and is now expected in early 2005, other things being equal. One point must be appreciated here that the IMF and the World Bank are considered as "preferred creditors" over other lenders. As one World Bank official observed, "If you default or falter on the IMF and the World Bank programmes, you are in trouble,"[2]. The case of Zambia's suspension by the IMF from the PRGF in 2003 due to budgetary slippages demonstrates this.

Given Zambia's high debt burden and its negative impact on the economy, the country is in dire need of debt relief and urgently so. However, the country has had to put up with stringent creditor conditionality as a precondition for the much-needed debt relief. Some of the conditionalities have invariably received sharp criticism from a wide spectrum of the Zambian people. "We have always stated that while there may be some initiatives introduced masked with pledges of debt relief, this so-called relief does not go far enough to address the debt stock. We have further stated that Zambia's debt and the associated annual debt service payments are unsustainable and the only real answer to this is a total debt cancellation"[3].

3.1.2 Debt and Creditor Conditionality: The Case of Privatisation in Zambia

Privatisation in Zambia is a hot and problematic issue given the bitter experience the country has had with it in the past 14 years. More and more companies have closed down with tens of thousands of retrenched workers thrown on the streets thus exacerbating the poverty levels in the country. In Zambia, the privatisation programme resulted in the direct loss of 61,000 jobs (LaRRI, 2002). Privatisation has also resulted in a change of employment conditions. Permanent, quality jobs in the formal sector were replaced by contract work and casual jobs without job security and benefits. Overall, Zambia's privatisation programme has failed to achieve its stated objectives of generating income for the state, safeguarding jobs and improving efficiency.

Mr. Ben Y. Mwila, President of the opposition party, the Zambia Republican Party (ZRP), laments that Zambia's privatisation programme has been a disaster because of the manner it was carried out. He says that the programme should have been implemented in phases but it was done carelessly. Mr Mwila has since advised government not to privatise the remaining parastatals in the interest of development in the country. "Even in developed countries there are certain institutions that belong to

The issuance of bidding documents for the sale of a majority (controlling) interest for both institutions has been identified as a condition for reaching the floating completion point.

According to Dr. Joseph Kakoza, IMF Resident Representative, "giving government a fixed time frame to conclude the sale of the state-owned commercial bank would weaken the state's bargaining position". However, Dr. Kakoza justified the sale stating that Zambians should realise that the bank was better off privatised. "The key advantage is that you will get better management for the bank". Dr Kakoza allayed fears of rural branches being closed off after the sale and assured that the agreement was that whoever acquires the majority stake, would maintain the rural networks for a minimum period for two years[10].

Even though Dr. Kakoza says that privatisation of the ZNCB should not be tied to a fixed time frame, however what needs to be realised is that the HIPC Initiative was officially supposed to come to a close at end-December 2004. After some protracted discussions within the Bank and the Fund, it has been suggested that the HIPC Initiative should be extended under the *Sunset Clause* for two more years until 2006. Given this new reality, it is clear that Zambia has very little time at its disposal and hence may be forced to rush with the privatisation of the ZNCB, as the sale of the bank is part of the structural conditionality tied to the HIPC framework. Mr. David Andrews, the visiting IMF's African Department Chief stated, "the floating HIPC completion point was for as long as the privatisation process of the ZNCB was going to hang in balance"[11]. He further noted that the institution was badly handled through government borrowing and that the bank had come to a point of virtual standstill with non-performing loans. In his view, "the ZNCB was almost falling apart".

But Mr. Andrews' views are contrary to latest results from the ZNCB that disclosed that as at August 31, 2004, the ZNCB had recorded a profit of K14.3 billion (US$3.2 million). These latest results indicate an improvement over the K9.5 billion (US$2.1 million) unaudited profit posted in 2003[12]. Civil society in general and indeed many others are not against privatisation per se, but find the reasons advanced by the IMF for ZNCB's sale are neither clear nor convincing.

It is clear that the Zambian Government is at a crossroads. The Government is expected to privatise the remaining public utilities in the financial, energy and telecommunication sectors. Adherence to the IFIs' conditionality is likely to lead to industrial unrest through protests and work stoppages. On the other hand, abrogating the IFIs' conditionality will definitely result in the country missing the HIPC Completion Point and ultimately lead to increased debt servicing levels in subsequent years.

The IFIs have argued that a large share of the ZNCB loan portfolio was non-performing and hence proving to be a huge cost and unnecessary liability to the taxpayers. This cost, according to the IMF needs to be removed[13]. In line with that the Zambia Privatisation Agency (ZPA) proceeded with the introduction of a Strategic Equity Partner in ZNCB as directed by Government, by inviting prospective investors to bid for the 49 percent of the Government shareholding in the bank with management rights. Tender closed on 16th May 2003 and two bids were received. Parallel negotiations with the two bidders are underway. Government will retain the remaining 25 percent shares and 25.8 percent will be held in trust with the Zambia Privatisation Trust Fund (ZPTF), while the existing minority shareholders with 0.2 percent shares will continue[14].

A lot of concerns and fears have been raised by ordinary Zambians regarding the privatisation of the ZNCB especially the imminent job losses that are likely to ensue as the practice and trend have been with many companies that have been privatised in the past.

The Government, just like the IMF, tried to allay the fears and concerns of those that are opposed to the sale of ZNCB. For example, the Government has stated that the sale of 49 percent shares to a strategic partner will be on the basis that all existing branches in the rural areas would be retained.

According to the MDG debt sustainability analysis, Zambia appears to have a sustainable debt level. But this is likely to be because the harsh effects of the HIV/AIDS pandemic have not been fully integrated into the analysis (Jubilee Research Foundation: Profile: Zambia, Updated December 2003)[16]. If it is accepted that debt sustainability is not an end in itself but the means to achieve poverty reduction and growth objectives, then it is clear that growth and poverty reduction objectives must form an indispensable part of debt sustainability analyses (Northover, 2003). Northover further argues that the fiscal dimension and the financing of the MDGs need to occupy the central ground in the determination of thresholds of debt sustainability.

One of the major inherent weaknesses of the HIPC Initiative is its strong insistence to get countries to be debt sustainable but without analysing their capacity to meet their basic human development needs. Put differently, it is possible to be debt sustainable without necessarily achieving sustainable human development. Thus the emphasis of any meaningful policy intervention from creditors in Zambia should be human development as opposed to mere debt sustainability.

The HIV/AIDS pandemic is also likely to sharply reduce future economic growth as it continues to decimate the productive sector of the labour force. The cost of providing HIV/AIDS prevention and treatment programmes as more and more people test positive will also act as a substantial drain on the government budget. In other words, HIV/AIDS treatment though extremely necessary in order to prolong life to the infected, will begin to divert budgetary resources from the productive sectors (e.g., agriculture and mining) that generate economic growth to provision of life saving-drugs whose cost at international markets is still very high. It is a question of a trade-off. Does Zambia generate growth now by shifting resources away from provision of life-saving drugs to the productive sectors? Or should Zambia provide drugs now in the hope of generating growth after people have regained their health? This is indeed a difficult question and this study will not attempt to answer it.

It is within this context that anti-debt campaigners such as Jubilee-Zambia and a host of others around the world have been calling upon the bilateral and multilateral creditors to grant unconditional total debt cancellation in order to give a 'new lease of life' to the beleaguered poor economies of the world. The creditors have been quick to rebuff such demands as being unrealistic as there is simply no money to fund such an exercise. They have also argued that unilateral debt cancellation will lead to a moral hazard problem where poor nations will engage in reckless borrowing under the belief that such debts will be cancelled time and time again by the supposedly benevolent creditors.

But such arguments miss the point by presupposing that there are no policy reforms taking place in all debtor countries relating to the loan contraction processes. Jubilee-Zambia in 2004 submitted proposals to the constitutional review process in the country strongly recommending amendments to the Loans and Guarantees Act (CAP 366 of the Laws of Zambia). The idea is to ensure that all external loans before they are approved and contracted must pass through Parliament for scrutiny in order to do away with bad borrowing at country level. Further proposals and recommendations were made in the form of calling for the strengthening of the Auditor General's office to act as an effective watchdog on all public finances including external loans.

Despite numerous research works (see CAFOD et al. 2002) showing how debt cancellation works effectively as a pre-condition for increased poverty reduction spending in Africa, the creditors still argue that substantial debt cancellation will result in irresponsible new borrowing and reckless spending in poor countries. But this is why Jubilee-Zambia and many other civil groups in the region have been calling upon their governments to employ prudent debt management procedures and monitoring systems. The new measures within the context of loan contraction and management should render themselves open to parliamentary scrutiny in order to enhance accountability and broader stakeholder participation.

operated. Today most economic and trade policies are emphasising the belief in the trickle-down effects. But is this possible in a society characterised by weak government structures and inequitable distributional mechanisms? Thus, Zambia needs to devise policies that can enhance equitable distribution of national resources so as to uphold the social and economic human rights.

4 Zambia and the MDGs

With current high unsustainable debt levels coupled with declining donor inflows in many poor countries such as Zambia, it is now no secret that most MDG goals are simply not achievable both at global and national levels.

Zambia acceded to the Millennium Development Goals (MDGs) in the hope that it could, with the support of the international community, significantly reduce poverty in a more coordinated and coherent manner. The MDGs were endorsed by the United Nations (UN), world leaders, the World Bank, regional development banks and the International Monetary Fund (IMF) at the Millennium Summit in New York in 2000. The world leaders from 189 countries, moved by the high economic and social problems prevalent in most poor countries around the world, decided to set for themselves the minimum standards for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women by 2015. The MDG targets provide a useful political and social tool that allows citizens to hold their governments and creditors accountable for the design and impact of development projects and programmes, as well as their financing (AFRODAD, 2004).

The implementation of the Poverty Reduction Strategy Paper (PRSP) in Zambia is one of the strategies for achieving the MDGs. But this hinges on the thrust and performance of the national budget to deliberately target the pro-poor programmes. Predictable and more effective aid flows are critical to reaching the MDGs by 2015. While domestic savings, government revenues and foreign direct investment together constitute the primary means for financing development, reaching the MDGs will require a significant scaling up of the provision of publicly financed goods and services. Most developing countries cannot mobilise financing for the scaling up of expenditures required and thus official development assistance is needed[17]. Efficient and effective domestic mobilisation of resources is key here. However, the *2003 MDG Progress Report* on Zambia clearly shows that the country is off track on many of the targets due to insufficient funds for implementation coupled with weak institutional structures. In Zambia, women and children bear the heaviest burden of the under-financing of development programmes, particularly where this impacts on public service provision.

The execution of the budget in 2002 and 2003 faced a lot of difficulties mainly due to extra budgetary pressures and the withholding of support from donors. In 2002 the Government had to import food so as to mitigate the effects of the drought. Additional pressures arose from purchase of agricultural inputs for the 2002/2003 agricultural season, which were needed to ensure food security. Consequently the Government recorded a deficit of K674.3 billion representing a 4.2 percent of GDP compared to a target of 3 percent of GDP. In 2003, the budgetary situation worsened and compounded by the decision in April to award wage and salary increments and housing allowances to civil servants, which were far in excess of budget allocations. In addition, the Government in September 2003 started paying out retrenchment cost to miners at Roan Antelope Mining Corporation of Zambia (RAMCOZ). This was done in an effort to facilitate the privatisation of the Luanshya Mine.

These budget overruns were largely financed through domestic borrowing, which by October 2003 had reached 4.6 percent of GDP compared to 2.1 percent in 2002. The consequence of extra budget expenditures in both 2002 and 2003 meant that poverty reduction programmes and capital projects were suppressed. In 2002, the allocation for Poverty Reduction Programme (PRPs) was K450 billion, out of which K240 billion was to be disbursed from the domestic budget and K210 billion from donors. Out of the K240 billion that was supposed to be domestically financed, a total of K110.2 billion was released representing 45.9 percent of the total budgeted amount. In 2003, allocations for PRP expenditures amounted to K420.7 billion out of which K240.8 billion was to be financed by Government and K179.9 billion by donors. By November 2003, the Government had disbursed K212 billion representing 89 percent of the government PRP allocation. Most of these resources were disbursed in the second half of the year.

Two points emerge from the passage. First, the amounts released by government to reflect its commitment to the fight against poverty fall below the budgeted targets. Second, information on the donor releases was not captured in the passage and this creates an information vacuum in terms of trying to gauge their commitment to the fight against poverty in Zambia. Another worrying trend is the actual PRP composition out of the total budget. For instance, in 2004, the Budget had allocated K521.7 billion to the PRPs out of a total budget of over K8 trillion. This figure roughly translates into about 6 percent of the total budgetary allocation. The problem of meagre allocations to the PRPs is further compounded by low and poor execution rates of the budget. With these kinds of trends, can one with a clear conscience say that the battle against poverty will be won in Zambia? Are these paltry allocations to the poverty reduction programmes reflecting serious political commitment towards achieving the PRSP goals and later on the MDGs? According to Dr. Fred Mutesa, "this tells us that Government is yet to align its spending with its profession of commitment to achieving the Millennium Development Goals. As long as allocations to poverty eradication remain low and their disbursement erratic, it will be difficult to achieve the set targets" (Mutesa, 2004).

We cannot deny the important role that donors play in Zambia's development programmes. However, their role must be seen in the current aid policy context where donors seem to enjoy unlimited policy leverage on the recipient country. Dr. Mutesa argues that external financial support has been erratic, unpredictable and disbursed with conditions that are sometimes too difficult to observe. He goes on to note that when the Government of Zambia fails on some of the benchmarks agreed upon with the development partners, resulting in the withholding of external assistance, it is the ordinary people whose suffering is prolonged and sometimes worsened. Dr. Mutesa in his article asks some very hard and pertinent questions. For instance, "Is it not possible to arrive at some kind of agreement that would guarantee that the poor do not get punished for the misdeeds of their government? Or that programmes that are performing well do not suffer lack of aid just because Government has slipped on some of its commitments?" (Mutesa, 2004).

4.2 Current Local Policy Environment Versus the MDGs

There is need to carry out a thorough analysis of the policy context under which Zambia and other poor countries are trying to achieve the MDGs. Most heavily indebted and poor countries are under the tutelage of the IMF and the World Bank. These countries have been forced to embrace neoliberal policies under the belief that they will be able to register sufficient economic growth rates that can be used as a springboard for reducing the endemic poverty levels among their people.

Table 5: Major Policy Reforms and External Events From 1989 to 2002 in Zambia

Year	Stabilisation Policy and Key Event	Agricultural Price and Marketing Reforms	Trade Reforms	Parastatal Reform
1989	Decontrol of all consumer prices (except maize)	Abolition of NAMBOARD		
1990	Policy Framework Paper agreed with IMF	De-monopolisation of agricultural marketing Maize meal subsidy withdrawn and restored after food riots		
1991	Normal relations resumed with the IMF Rights Accumulation Programme started IMF suspends disbursements in June, inflation soars		Removal of most export controls Removal of the ban on maize exports	
1992	Introduction of Treasury Bills financing Decontrol of borrowing and lending rates Introduction of 'Bureau de change' for exchange rate determination	Severe drought Removal of maize subsidy Removal of fertiliser subsidy	Simplification and compression of tariff rates Increase in tariff preference for goods from COMESA	
1993	Introduction of Cash Budgeting	Failed attempt to reform agricultural marketing		Privatisation Act passed, Zambia Privatisation Agency born
1994	Liberalisation of capital account	GRZ fails to pay cash for maize. Issues promissory notes Launch of the Agricultural Credit Management Program		Dissolution of ZIMCO

4.3 Addressing Poverty Through Neo-Liberal Policies

But as Terry McKinley, UNDP Advisor on Macroeconomics and Poverty, rightly argues, "compared to the postcolonial policymaking in developing countries, roughly from 1950s through the mid 1970s, neoliberal conditionality-based policies have performed poorly, in terms of (1) slowing economic growth, (2) greater economic instability, (3) rising inequality, (4) widening underemployment and (5) persistently pervasive poverty" (McKinley, 2003).

McKinley's observations aptly describe Zambia today where there is:

Lack of Home-grown and designed policies: Most of these policy recommendations are externally driven and directly tied to debt relief, e.g., economic and trade liberalisation. Even if local policymakers disagree with some of the IMF and World Bank recommendations, they are bound to implement them if they wish their country to receive debt relief or continue to receive concessional lending, or even grant-based technical assistance. In 2003 Zambia did make a weak attempt to resist privatisation of some of its public entities but this culminated into threats from creditors that the country risked losing a colossal sum of US$1billion in debt relief[18]. Thus the country had no choice but to go ahead with the privatisation programme even if it was not in the best interest of the nation.

Macroeconomic issues dominating social issues: Zambia, using the neoliberal policy framework since 1992, has relatively managed to stabilise the macroeconomic environment but failed to reduce the endemic poverty levels. In recent years, the country has been experiencing "economic growth without development" or jobless growth. After more than two decades of economic decline and inflation averaging over 50 percent, growth has averaged about 4 percent per annum since 2000, and inflation has been sharply reduced (IMFa, 2004).

A Strong Emphasis on Growth: Current economic planning by development agencies is strongly premised on economic growth as a vehicle for reducing the high poverty levels. However, a critical point to note concerning growth is not only the quantum of growth, but also more importantly the type of growth. It is possible to achieve high levels of growth but without reducing poverty. For instance, in Botswana average growth has been over 10 percent for over two decades while at the same time poverty levels are over 50 percent in the population (AFRODAD, 2004). It is also largely unclear how forces can be mobilised for pro-poor growth in developing and transition countries and how their economies might be better shielded against persistent external shocks and instability. What is needed is well targeted and positive developmental impacts of growth, clear distributional effects, employment growth with decent jobs, all prerequisites for achieving significant reductions in poverty, and for attaining the other MDG goals (NGO Statement at the ECOSOC Meeting, 2004).

The UNDP has identified the following types of growth that undermine the objective of poverty reduction and its eradication:

- Jobless growth—growth that does not expand job opportunities
- Ruthless growth—growth associated with increasing inequality and poverty
- Voiceless growth—growth in the absence of democracy or empowerment
- Rootless growth—growth that withers cultural identity and;
- Futureless growth—growth that squanders resources needed by future generations

Simply put, the benefits of the so-called economic growth through the trickle-down effects have not reached the poor. In McKinley's words "pro-poor growth is an unlikely outcome unless economic policies and the PRSPs are mutually consistent and this consistency is unlikely, in turn, as long as neoliberal dominates economic policymaking".

donors' GNI, which fell from 0.34 percent in the early 1990s to 0.22 percent in 2001, rose to 0.23 percent in 2002. (IMFb, 2004). The same report goes on to note that while these aid figures are encouraging, the indicated increase is well short of what is needed.

Moreover, a much higher proportion of aid will need to be provided in form of cash, in flexible ways, and at predictable levels, so that it can be deployed in accordance with country priorities to finance the costs of meeting the MDGs. The Global Monitoring Report of 2004 notes that the proportion of aid provided in cash and with flexibility has fallen steadily from 60 percent in the early 1980s to less than 30 percent currently. This trend needs to be reversed. This study strongly asserts that there can be no serious effort to realise the MDGs as long as financial assistance in form of full debt cancellation is not granted to poor countries and resources freed to finance the PRSP and indeed the MDGs. This then raises fundamental questions as to how committed the donors/creditors are to realising the MDGs within the global partnership arrangement.

4.7 Concrete Steps to Make MDGs Realisable

4.7.1 Donors

The leaders of developed countries need to fulfil their financial pledges and commitments made in Monterrey. Aid is immensely important for development and meeting the MDGs. The wealthy countries need to work with developing countries to create an environment in which rapid, sustainable development is possible. The global partnership for development calls for an open, rule-based trading and financial system, more generous aid to countries committed to poverty reduction, and relief for debt problems of developing countries. The Monterrey Consensus calls for developing countries to improve their policies and governance aimed at increasing economic growth and reducing poverty and for developed countries to increase their support, especially by providing more and better aid and greater access to their markets (World Bank WDI, 2004). "While other forms of finance for investment in development may often be larger—flows from exports, remittances, domestic savings, inward investment—aid plays a unique and catalytic role, supporting social investments that otherwise would be difficult to finance, and supporting the policies and institutions important for growth and for attracting other financial flows"[20].

This study wishes to reaffirm the clarion call of the UNDP Country Representative, Mr. Aeneas Chuma, to the donor community to be serious in implementing the "MDG global partnership for development goal number 8" by cancelling poor countries' debts, increasing grant aid, harmonising aid practices and giving poor countries fair access to their markets and their technologies. Mr Chuma further noted that the MDGs provide useful benchmarks for assessing progress towards human development. As in his words, "... there has been a major effort by all the arms of the entire UN System in Zambia to provide concrete and coordinated country assistance clearly aligned behind the Millennium Development Goals"[21].

Greater access to markets in rich countries for the exports of developing country goods and services could generate substantial gains in real incomes and reduce the number of people living in poverty in 2015 by 140 million more than in current projections (World Bank WDI Report, 2004). But progress on trade issues has slowed since the Doha trade meetings in 2001, and the subsequent WTO meetings in Cancun in 2004 failed to reach agreement on outstanding issues, particularly the agricultural policies of high-income economies. It has been stated that subsidies to agriculture by the Organisation for Economic Cooperation and Development (OECD) members were greater than US$300 billion in 2002 (World Bank WDI, 2004). By distorting world prices and restricting access to markets, subsidies hurt growth in the agricultural sector, where many of the poorest people work.

Unless the country can 'fix' the leaking tap in form of addressing the weak loan contraction and debt management procedures, it will be very difficult to avoid another debt trap in future.

Zambia can also not move forward with development if financial leakages in form of corruption (thefts), misapplication of public resources, and institutional failures are not addressed. Appropriately designed policy and institutional reforms are central to poverty reduction because they bring about faster and more equitable growth, reduce the economy's vulnerability to external shocks, help integrate disadvantaged regions or groups, and promote the development of effective anti-corruption programmes, adequate systems of social protection, and financial and other mechanisms for managing social risk[24].

The dilemma faced by many developing countries is that they suffer not only from a high degree of market failure but are also confronted with weak and inefficient state structures, or "government failure". An inefficient and/or corrupt public sector with a low level of accountability is not only a major obstacle to investment but largely deprives the poor in particular of any opportunity to be part of the development process[25]. It is therefore vital for Government to reduce the incentives and opportunities for corruption and to improve the efficiency of government action.

[1] Post Newspaper under the story, "Africa's huge external debt might fail NEPAD", September 14,2004
[2] See article by Gillian Baker entitled "Completion Point, Triggers and New Beginnings…Zambia wades through complexities of the HIPC Initiative (Development Zambia Magazine, March Issue 2004)
[3] The Post Editorial Comment under 'Levy's call is justified", September 9,2004
[4] Post Newspaper in the article "Politicians have lost Vision", September 11,2004
[5] Post Newspaper in the article "Archbishop Spaita cautions government on privatisation", September 16,2004
[6] Post Newspaper in the article "Government has taken away sense of patriotism", says Nonde, September 22, 2004
[7] Post Newspaper in the article "World Bank has failed to stimulate development in Zambia"—Mutati, September 22, 2004
[8] Post Newspaper in an article, "Labour disputes will continue under IMF, World Bank Programmes-Ng'uni, September 25,2004
[9] Post Newspaper in the article "Privatisation has contributed to Zambia's poor economic performance", says Chuma
[10] Post Newspaper in the article "IMF explains its position on ZNCB's sale", September 19,2004
[11] Post Newspaper in the article "Zambia will only reach HIPC after ZNCB sale"- IMF, October 20,2004
[12] Post Newspaper in the article "Zambia will only reach HIPC after ZNCB sale"-IMF, October, 20,2004
[13] Http//wwww.brettonwoodsproject.org/a3208zambia article "Life Under the IMF's Magnifying Glass", and Comment By: An Anonymous civil servant chafes at the collar
[14] Http//www.zpa.org.zm/current.htm
[15] Times of Zambia in an article, "HIPC has problems", says Mwanawasa, September 23,2004
[16] Http//www.jubileeresearch.org/databank/profiles/zambia.htm
[17] Joint Statement of the Ministerial Committee of the Bank and the Fund, 2004
[18] IMF Resident Representative in Zambia, Mark J. Ellyne, December 2002 in the Post Newspaper
[19] Post Newspaper Editorial Comment under the Heading " Let's Fight IMF's Neo-colonialism", September 20,2004
[20] Development Committee (Joint Ministerial Committee of the Board of Governors of the Bank and the Fund On the Transfer of Real Resources to Developing Countries), Note From the President of the World Bank, September 28, 2004
[21] Speech By Mr. Aeanes Chuma, UNDP Country Representative, during the UNDP/GRZ Draft Presentation of Zambia's MDG Progress Report at the stakeholders' workshop, Lusaka, Zambia
[22] Development Committee (Joint Ministerial Committee of the Board of Governors of the Bank and the Fund On the Transfer of Real Resources to Developing Countries), Aid Effectiveness and Financing Modalities, September 28,2004
[23] Speech By Hon. Ng'andu Magande during the UNDP/GRZ Draft Presentation of Zambia's MDG Progress Report at the stakeholders' workshop, Lusaka, Zambia
[24] From Adjustment Lending To Development Policy Lending: Update Of World Bank Policy, Operations Policy and Country Services, March 15, 2004
[25] German Federal Ministry for Economic Co-operation and Development, Post Washington Consensus, A Few Thoughts, Berlin, April 2004

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