



# **ZAMBIA:**

## **A Fragile State Analysis With Policy Options**



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# POLICY OPTIONS AND RECOMMENDATION:

## ○ Policy Option #1: Mining Sector Reform

- Enhance relationship with Auditor General and mining industry to improve production reporting by mining companies and minimize lost revenues
- End the current legal and financial friction by consolidating agreeable contracts to signal political will and foster a stable economic environment to attract FDI (China, Switzerland, Canada)

## ○ Policy Option #2: *Establish an Independent Oversight and Accountability Office.*

- In conjunction with International Organisation of Supreme Audit Institutions (INTOSAI) perform a financial and performance audit of the Zambian Civil Service to improve efficiency and effectiveness in policy formulation and implementation

## ○ Policy Option #3 and Recommendation: *Agricultural Infrastructure*

- Expand relationship with International Fund for Agricultural Development (IFAD) to improve irrigation and include drought resistant plants to diversify the agricultural economy



# END USER

- **The Government of Zambia:**
  - Ministry of Finance – Felix Mutati
  - Ministry of Agriculture – Dora Siliya
  - Ministry of Mines and Mineral Development – Christopher Yaluma
  - The Office of the Auditor General - Edward Ouko



# KEY STAKEHOLDERS:

- **China** – main investor, copper importer, major source of loans (debt) and infrastructure projects
- **United States** – largest aid donor, \$300M per year
- **IMF** – involved in possible debt relief
- **Aid Community** - UK et al have frozen aid pending corruption investigation
- **Regional Partners** – source of trade, border security and sea access
- **Mining Companies** – operate Zambia's economic backbone
- **The Government/Ministry**
- **The People** – most impacted by Zambia's elements of fragility
- **The Opposition** – conduit for popular unrest, Pres. Lungu has attempted to stifle their voice
- **Tribal Chiefs** – source of local power and land distribution
- **CSOs** – engaged in fragility issues at micro-level
- **UN NGOs** – engaged in fragility issues at the macro-level



# ALC ANALYSIS

- Authority (**High**)
  - Executive has few checks and balances so is capable of pushing and enacting binding legislation
  - Military - well resourced, respected, capable
  - Police - under-resourced, openly challenged, distrusted
  - Provision of Goods and services weak
- Legitimacy (**Moderate**)
  - Generally, democratic processes are followed; protests are common at elections
  - Incumbent has circumvented legislative and legal authority
- Capacity (**Weak**)
  - ~70% of population lives in poverty
  - **Do not** have the resources or infrastructure to provide public services



# METHODOLOGY:

## ➤ Data Collection:

- Carleton University Country for Foreign Policy Indicators (CIFP); **75 Indicators** (Governance, Economics, Security and Crime, Human Development, Demography, Environment)
- **Tracking - 2000-2018**

## ➤ Analysis:

- Trends Analysis (with weight on events and time from 2013-2018)
- Evaluation:
  - Intensity: High, Medium, Low
  - Trend: Deteriorating, Stable, Improving (Volatile)
  - Trend : Increasing, Stable, Decreasing (Volatile)

## ➤ Framework:

- Authority, Legitimacy, Capacity (ALC) –CIFP

## ➤ Assessment:

- Scenarios
- Policy Options and Recommendations



# INDICATORS AND TIMEFRAME:

Indicator Name	Indicator Description	Indicator Source	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	EVALUATION	SCALE
<b>Economic</b>																							
Economic Growth - Percentage of GDP	GDP Growth %	World Development Indicators	3.897323	5.31687	4.50601	6.94497	7.0324	7.2356	7.90369	8.35244	7.7739	9.22035	10.2982	5.56462	7.59762	5.05938	4.695826	2.919881	3.757178	4.076715		Volatile	1-100%
Economic Size - Relative - GDP pc	GDP per capita (constant 2005 US \$)	World Development Indicators	938.3512	961.4999	978.0534	1018.362	1061.198	1107.728	1163.303	1226.541	1285.865	1365.402	1463.214	1499.728	1565.9	1595.915	1620.823	1618.458	1629.59	1646.144		Volatile	\$
Economic Size - Total - GDP	GDP (constant 2005 US \$)	World Development Indicators	9.88E+09	1.04E+10	1.09E+10	1.16E+10	1.24E+10	1.34E+10	1.44E+10	1.56E+10	1.68E+10	1.84E+10	2.03E+10	2.14E+10	2.3E+10	2.42E+10	2.53E+10	2.61E+10	2.7E+10	2.81E+10		Steadily Increasing	\$
External Debt - Percentage of GNI	Present value of debt (% of GNI)	World Development Indicators																	38.74781		Volatile - High	1-100%	
FDI - Percentage of GDP	Foreign direct investment, net inflows (% of GDP)	World Development Indicators	3.379914	3.541352	7.11495	7.07897	5.85172	4.284032	4.827129	9.418112	5.240508	4.53278	8.5332	4.72504	6.78933	7.48719	5.95346	7.4815	3.163072	3.355087		Constant (little investment; need to improve)	1-100%
Foreign Aid - Percentage of Central Government	Net ODA received (% of central government)	World Development Indicators		98.84966	136.482	99.8334	103.974	71.0187	80.9624	39.06053	37.10458	56.67871	33.09891		22.99327	23.05362	18.28097	16.30288	20.60343			Stable	1-100%
Foreign Aid - Total per capita	Net ODA received per capita (current US \$)	World Development Indicators	75.45659	52.73775	72.90469	67.45326	96.18773	86.99924	118.7397	90.3467	85.37612	94.4397	66.37674	72.44919	65.1184	75.57805	63.87118	49.51	58.01684			Stable, Aid makes up quite a large proportion pc	\$
Inflation	Inflation, consumer prices (annual %)	World Development Indicators	26.03041	21.99378	22.23334	21.40158	17.96779	18.32444	9.019572	10.65735	12.44558	13.39525	8.501761	6.429397	6.5759	6.977676	7.806876	10.11059	17.86996			Volatile: High	1-100%
Informal Economy - Black Market	Index of Economic Freedom	Heritage Foundation	62.8	59.5	59.6	55.3	54.8	55	56.8	56.2	56.2	56.6	58	59.7	58.3	58.7	60.4	58.7	58.8	55.8	54.3	Steady	1-100%
Informal Economy - Ratio of PPP to GDP	PPP (current international \$) GDP (current US \$)	Calculated by CHLP	3.1108	3.6109	4.3996	4.7333	4.7789	4.4635	3.6031	4.0025	3.7457	5.0461	4.7971	4.8607	5.1473	5.3959	6.1528	8.6687	10.3126	9.5195		Deteriorating; getting poorer relative to	PPP/GDP
Infrastructure - Reliability of Electricity Supply	Electric power transmission and distribution losses (% of output)	World Development Indicators	3.180303	3.474758	3.777751	4.055843	4.266573	5.37531	6.16738	12.4195	22.30963	18.2149	17.6876	23.74326	7.640686	8.56391	14.95987					High Losses; eg. rolling black outs v	1-100%
Infrastructure - Telephone Mainlines	Telephone mainlines (per 100 people)	World Development Indicators	79%	79%	79%	77%	78%	79%	75%	72%	69%	67%	85%	60%	56%	76%	73%	72%	61%	59%		Stable	%
Internet Usage per capita	Internet users (% of population)	World Development Indicators	0.191072	0.23313	0.477751	0.980483	2.01355	2.851752	4.159913	4.87	5.55	6.31	10	11.5	13.4682	15.4	19	21	25.50658			Increasing but low	
Paying Taxes	Paying taxes rank	World Bank: Ease of Doing Business Indicators																			85	Stable	1 (MOST FRIENDLY) - 100 (LEAST STRONG)
Regulatory Quality	Regulatory quality, point estimate	World Governance Indicators	-0.26		-0.5	-0.54	-0.73	-0.62	-0.49	-0.46	-0.53	-0.5	-0.44	-0.43	-0.47	-0.5	-0.44	-0.48	-0.47			Weak; Stable	-2.5 (WEAK) - 2.5 (STRONG)
Remittances Received - percentage of GDP	Personal remittances, received (% of GDP)	World Development Indicators, Calculated by CIFF				0.740538	0.778	0.634551	0.452149	0.421855	0.38075	0.269201	0.215426	0.197257	0.285703	0.192474	0.214729	0.222396	0.183559	0.36284		Stable	1-100%
Reserve Holdings - Total	Total reserves (includes gold, current US \$)	World Development Indicators	2.45E+08	1.83E+08	5.35E+08	2.48E+08	3.37E+08	5.6E+08	7.2E+08	1.09E+09	1.1E+09	1.89E+09	2.09E+09	2.32E+09	3E+09	2.7E+09	3.1E+09	3E+09	2.35E+09	2.08E+09		Stable	
Trade Balance - Percentage of GDP	Current Account Balance (% of GDP)	World Development Indicators	-18.3978	-18.00061	-15.81423	-13.53005	-7.148826	-2.784984	4.644745	-1.23802	-3.330579	5.953428	7.525493	4.658121	5.378919	-0.575767	-1.426589	-3.628805	-4.552483	-3.89934		Improving slightly	1-100%
Trade Openness - Percentage of GDP	Trade (% of GDP)	World Development Indicators	60.38747	64.66828	64.9165	62.31284	70.81307	62.20028	57.85682	65.77146	59.45489	56.12138	67.90093	76.21283	79.09974	84.59729	80.06356	79.86516	73.95857	71.63057		Volatile	1-100%
Unemployment - Total	Unemployment, total (% of total labour force)	World Development Indicators	12.93				15.9			7.93		13.19		7.85						7.5		Volatile	1-100%
Women in the Labour Force	Labour force, female (% of total labour force)	World Development Indicators	47.54165	47.49063	47.44399	47.41322	47.38805	47.37102	47.38048	47.39194	47.40081	47.42634	47.44858	47.47035	47.49741	47.55961	47.63014	47.70148	47.77764	47.80405		Stable	1-100%

Key:

Intensity	Trend			
High	↓	Deteriorating	↓	Decreasing
Medium	↑	Improving	↑	Increasing
Low	→	Stable	→	Stable
	Volatile		V	



# PRIMARY DRIVERS:

## ○ Governance

- Disproportionate and growing executive authority
- Weak rule of law, political rights and civil liberties
- Acute political polarization
- Corruption
- Unsustainable borrowing

Freedom of the Press	Gov. Effect.	Level of Corrupt.	Level of Dem.	Level of Partic. in IPOs	% of Fem. Parl.
↓	→	→	→	→	↗
Perm. of Reg.Type	Refugees Hosted	Restrict. Civ. Lib.	Restrict. Pol. Rights	Rule of Law	Voice/ Account. in Dec-Making
7	→	→	→	→	→

## ○ Economics

- Undiversified; reliance on copper exports, maize production, and foreign aid
- Highly vulnerable to exogenous shocks
- Risk of debt distress

Eco. Growth % of GDP	Eco. Size Rel. GDP pc	Eco. Size Total GDP	Ext. Debt % of GNI	FDI % of GDP
∨	∨	∨	∨	→
Foreign Aid % of Cen. Gov. Exp.	Foreign Aid Total pc	Inflation	Inf. Eco. Black Mark.	Wom. in the Lab. Force
∨	∨	∨	→	→
Infrastruc. Reliab. of Elec.	Infrastruc. Tel. Main. pc	Internet Usage pc	Paying Taxes	Reg. Quality
→	∨	→	→	→
Remit. Rec. GDPpc	Res. Hold. Total	Trade Bal. % of GDP	Trade Open. % GDP	Unemploy. Total
→	→	→	∨	∨





# SECONDARY DRIVERS

## ○ Environment

- High susceptibility to disasters: Drought and Flood
- Drought has especially damaging consequences for the economy and human development
- Climate change patterns poised to exacerbate environmental triggers

## ○ Demography and Human Development

- Fast growing population, youth bulge
- Extreme tribal and linguistic diversity
- High rates of HIV infection and risk to water-borne diseases
- High poverty, child poverty and extreme food security issues

Arable/Fert. Land Avail.	Consump. Commer. Energy pc	Consump. Energy Use pc	Energ. Intens.	Consump. Use of Solid Fuels
→	→	→	→	→
Disaster Risk	Env. Perform.	Forest Ann. % Change Area	Pol. CO2 Emis. Per capita	Pol. CO2 Emis. \$ PPP
→	→	→	→	→

Life Expec. Fem.	Life Expec. Total	Mig. Est. Net	Pop. Den.	Pop. Grow.
→	→	→	→	→
Slum Pop. Pro. of Pop.	Urban Growth Rate	Youth Bulge	Pop. Div. Ethn.	Pop. Div. Relig.
→	→	→	→	→

Access to Water	Access to Sanit.	Educ. Pri. Comp. Fem.	Educ. Pri. Comp. Tot.	Educ. Pri. Enrol. Tot.
→	→	→	→	→
Educ. Pri. Enrol. Ratio	Food Sec.	Gender Ineq.	Health Infrastruc.	HIV/AIDS % of Adult Fem.
→	→	→	→	→
HIV/AIDS Prop. Adult	Hum. Dev. Index	Infant Mort.	Lit. Tot.	Lit. Fem.
→	→	→	→	→



# STABILIZING DRIVER:

## ○ Security and Crime:

- Limited history of violence
- Security situation appears very stable
- Zambia has a large, capable and well-funded army
- Protests and rioting is sporadic and mostly around elections

Conflict intensity	Dep. on Ext. Mil. Supp.	Hum. Rights Emp.	Hum. Rights Phys. Int.	Mil. Exp. % GDP
➡	➡	➡	➡	➡
Pol. Stab.	Refs. Prod.	Risk of Eth. Rebel.	Terror. # of Fatal	Terror. # Incid.
➡	➡	➡	➡	➡



# FUTURE SCENARIOS ANALYSIS:

## **Most Likely**

- Low rainfall, low yield harvests, less food security
- Government's corruption and authoritarian streak continue amid ballooning debt, lack of responsiveness to shocks and weakened public perception.

## **Best**

- Increased economic output and growth
- Government effectively addresses capacity shortcomings and improves legitimacy

## **Worst**

- Drought, less food security, a power crisis and economic decline
- Poor government performance, corruption, increased borrowing and weakened capacity

## **Wildcard**

- Hidden debt discovered, financial crisis, austerity, weakened capacity, legitimacy



# FORECAST:

- 6 months:
  - Business as Usual
  
- 5 Years:
  - Fragility will continue to increase; should a humanitarian or environmental crisis occur Zambia will not have the capacity to cope triggering an external economic or developmental intervention



# POLICY RECOMMENDATION:

- **RECOMMENDATION:**

*Agricultural Infrastructure and Crop diversification*

