



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/ZAM/4
13 February 1987

ORIGINAL: ENGLISH

Thirty-fifth session
26 May-19 June 1987, New York
Item 5 (b) of the provisional agenda

PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR ZAMBIA*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
January 1987-December 1991	IPF for 1987-1991	17 329 000
	Balance from third cycle	692 000
	Other resources programmed	-
	Total	18 021 000

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES		
A. Current economic trends	1 - 8	2
B. National development strategies	9 - 15	3
C. Technical co-operation needs and priorities	16 - 22	5
D. Aid co-ordination arrangements	23 - 27	6
II. THE COUNTRY PROGRAMME		
A. Assessment of current country programme	28 - 33	7
B. New programme proposal	34 - 88	8
C. Unprogrammed reserve	89	19
<u>Annex.</u> Financial summary		21

* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) planned activities of operational funds and programmed under the authority of the Administrator; (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. For a decade Zambia has been facing acute economic and financial problems resulting mainly from the economy's heavy reliance on copper for its export earnings and its industry's heavy dependence on imported inputs, severe drought over three consecutive years, weaknesses in economic management and political unrest in neighbouring countries.
2. The fall in copper prices (by 57 per cent in real terms between 1970 and 1985), coupled with a steady worsening of Zambian terms of trade (which, in 1984, were 70 per cent below the average for the early 1970s and world-wide inflation which drove up import prices, led to a sharp deterioration in the country's external financial situation which had profound effects on the domestic economy.
3. Current account deficits in the balance of payments increased from an average of 12 per cent of gross domestic product (GDP) in 1975-1979 to an average of 21 per cent in 1980-1984. To finance this deficit, the Government resorted to heavy external borrowing and drawings from foreign exchange reserves. This resulted in increased external indebtedness (\$5.3 billion at the end of 1984) and debt-servicing payments (amounting to \$436 million after rescheduling in December 1985) and a reduction in the amount of foreign exchange available to finance imports.
4. Foreign exchange constraints, together with the rising real prices of oil imports and the rationing of access to foreign exchange by the Government, caused a drastic fall in imports. This has resulted in a decline in gross investment throughout the economy, severe underutilization of capacity and a large backlog of maintenance and rehabilitation expenditure that has contributed to a decrease in copper and industrial output and exports. GDP in real terms stagnated at an annual growth rate of 0.6 per cent, whilst real domestic income fell by 30 per cent between 1974 and 1984. Because of a population growth rate of 3.3 per cent per annum, real per capita income dropped dramatically - by 50 per cent between 1970 and 1984.
5. The fall in copper prices and profits in the mines and industries has also severely affected the country's fiscal position, leading to budget deficits which averaged 18 per cent of GDP in the first half of the 1980s. Deficit financing absorbed a large share of domestic credit and, together with debt repayment, left little for investment in the agricultural sector, paying counterpart funds for externally-funded projects and providing social services. As a consequence, the budgetary allocations to the education and health sectors and the quality of the services they provided have deteriorated during the last decade and have adversely affected human resource development.
6. The low performance of the economy has reduced employment, which dropped by about 1 per cent per annum from 1976 to 1984. Job prospects for school-leavers have deteriorated and unemployment in the urban centres has steadily increased. Moreover, inflation caused in part by the recent devaluation of the kwacha has sharply lowered the real incomes of the workers in the formal sector. At the same

time consumer prices have sharply increased, averaging rises at 20 per cent in 1983 and 1984. The declining wages of these workers and the increase in consumer prices are expected to lead to a reduction in the demand for the goods and services of the informal sector, thus creating a further deterioration of employment prospects.

7. Faced with these problems, the Government, with the assistance of the World Bank and the International Monetary Fund (IMF), has formulated and, since 1983/84, embarked upon the implementation of an economic adjustment and restructuring programme which includes policy measures aiming at financial stability, increasing the efficiency of resource use and addressing constraints in specific sectors or activities. Stand-by arrangements were agreed upon with the IMF in 1983 and 1984 under which the kwacha was linked to a basket of currencies; it depreciated gradually by more than 60 per cent through October 1985, when a foreign exchange auctioning system was introduced. Auctioning brought the exchange rate of the kwacha down from 2.2 in October 1985 to 12.30 per US dollar in November 1986 and the rate has been fluctuating since then. A rescheduling of debt was agreed under the auspices of the Paris Club in 1983, 1984 and 1986 for reducing the backlog of commercial payments. A total of \$380 million of debt-service payments was rescheduled, bringing such charges to \$436 million in December 1985.

8. The Consultative Group meeting in December 1985 recognized that substantial progress has been made in implementing the economic recovery programme. Prompt response in terms of financial commitment from the donor community is essential in order that the country continue to implement its recovery programme successfully.

B. National development strategies

9. Since Zambia attained its independence in 1964, it has conducted its development efforts largely on the basis of a series of five-year development plans, the last one being the Third National Development Plan covering the years 1979-1983. Although preparations are still under way for the Fourth National Development Plan, the current Government development priorities have been clearly presented to the Consultative Group Meetings in 1984 and 1985 and in the Annual Plans and Budgets for 1985 and 1986.

10. The Government's strategy for economic reforms and revival is basically four-pronged: (a) to restore financial stability; (b) to rehabilitate the mining industry, which is still the major and most dependable source of the foreign exchange earnings necessary to support the economy during the transition period; (c) to diversify the economy along lines of comparative advantage, particularly in agriculture and industry, to provide an alternative basis for growth in the economy; (d) to improve the operational efficiency of both private and public enterprises in Zambia, as well as the Government's capacity for policy analysis and decision-making through regulatory and administrative reforms. UNDP assistance is confined to the two latter strategies.

11. The Government has developed a wide-ranging package of economic restructuring policies that may be summarized as follows: providing a system of incentives to producers and exporters of agricultural and industrial products in which production

is responsive to market forces; ensuring the competitiveness of exports through an active exchange rate policy; using tariffs and interest rate policies to reverse past trends of import dependence and capital intensity; liberalizing administrative restrictions on foreign trade and licensing of production, in order to improve the allocation of resources and to encourage investment in productive activities; reducing the Government deficit and its recourse to domestic bank borrowing by reducing its expenditure on personnel costs, subsidies and other non-development-related activities; improving planning and budgetary procedures to shift resources to productive uses and economic investments; allowing greater competition in the procurement and selling of food crops; strengthening the technical and managerial capacity of Zambia Industrial and Mining Corporation (ZIMCO), the holding company of most State-controlled enterprises; and restructuring the energy sector to bring about less dependence on imported oil.

12. Assuming the successful implementation of these economic policies, careful financial management and adequate external assistance, Zambia could achieve a reasonable measure of export growth and diversification in 10 to 12 years and reduce its overall debt-service ratio to 30 per cent of exports. The ratio is now estimated at 46 per cent because of medium- to long-term debt.

13. The priority sectors in the Government restructuring efforts are agriculture and industry based on locally produced raw materials. The greatest potential lies in the agricultural sector, where only 16 per cent of arable land is currently cropped annually. Agriculture is the only sector that can provide employment for a large number of people in the short term and also partially absorb the population increases projected for the next 15 years.

14. The industrial sector is relatively large in Zambia. The share of manufacturing in GDP (18 per cent) is second only to Zimbabwe in sub-Saharan Africa. Although production is concentrated mainly on consumer goods, great potential lies in agro-based industries utilizing locally-produced raw materials. The small-scale industrial sector is particularly suited to local resource-based industrial development and is another employment source in the short term.

15. Implementation of the recovery programme depends on receiving assistance of approximately \$500 million a year. This external financing is expected to account for approximately half of the country's external capital requirements. Zambia will also require slightly over \$800 million per annum in the years 1987-1988 for debt servicing. As indicated earlier, Zambia has successfully managed to reschedule much of her debts in 1984 and 1986. Obviously the country's most critical assistance need is capital for balance-of-payments support. However, the role of technical co-operation cannot be underestimated, especially in Zambia's economic diversification efforts (agricultural and industrial development) and her attempts to improve efficiency of private and public enterprise, along with the Government planning and management machinery.

C. Technical co-operation needs and priorities

16. Recognizing that for the past few years Zambia has been receiving technical assistance of approximately \$100 million annually, UNDP organized a National Technical Co-operation Assessment and Programme (NaTCAP) mission to Zambia in the first half of 1986, at the request of the Government. Its purpose was to review the current technical co-operation offered to Zambia, assess its shortcomings and achievements and, in the light of the economic restructuring programme implementation requirements, define further needs for technical co-operation in the short, medium and long term. The NaTCAP exercise and its results have provided both the Government and the donor community with the most comprehensive framework ever developed within which to identify and formulate technical co-operation programmes and projects.

17. Arguing that aid always entails a cost to the recipient country, the NaTCAP report provides several recommendations for making technical co-operation more effective. The first and most important task is to plan and co-ordinate aid appropriately by strengthening the internal planning and budgeting systems in order to arrive at clear and coherent priorities. Second, technical co-operation must function within a basic policy framework, that of human resource development. The short-term use of technical co-operation to ameliorate deficiencies must not detract from taking long-term steps to eradicate them with the ultimate goal of achieving self-reliance.

18. The NaTCAP outlines the long-term, medium-term and short-term roles for technical co-operation and it is essentially the long and medium-term roles that UNDP and the Government have emphasized in conceptualizing the present country programme.

19. In the short-run, the NaTCAP recommends that technical co-operation should fill the gaps in occupations and sectors severely damaged by recent departures of expatriates after the sharp depreciation of the kwacha; provide support for topping-up costs of selected local contract personnel; increase recurrent cost support to technical co-operation programmes already under way and, most pressing of all, balance-of-payment support to weather the immediate crises.

20. In the medium term, technical co-operation is seen as crucial in assisting the economic restructuring process through the following roles: support to policy analysis; strengthening of the data base required for planning and monitoring the impact of restructuring; and reorientation of Government services (especially in the health and primary education sectors and also in the public service) for greater responsiveness to the needs of the economy.

21. The NaTCAP states that the long-term role of technical co-operation is sometimes not fully appreciated by both Zambia and its aid partners. Within the basic framework of human resource development, the use of technical co-operation to fill gaps in the skill structure must be balanced by concomitant long-term training measures. In other words, technical co-operation is more likely to be effective if it is based on a broad, long-term perspective than on a series of ad hoc specific measures aimed at replacing individual expatriates. The long-term goal of capacity or institutional building or strengthening must never be forgotten.

22. Consequently, technical co-operation from UNDP has been conceived in the light of the necessity to strengthen the Government policy analysis capacity through human resource development in the form of expert advisory services in technical areas, as well as in organization and management and, concomitantly, training (on-the-job and in-service, as well as formal overseas training). The target organizations are those Government departments and policy-making institutions involved in functions central to the restructuring process, such as development planning and economic management (including the management of aid); agricultural planning and research on food crops; integration of women in food security and reduction of food wastage programmes; investment promotion; industrial planning and management; small-scale industry promotion; transport planning; export promotion; manpower development planning; and employment promotion.

D. Aid co-ordination arrangements

23. The Government has recently taken major steps to strengthen aid co-ordination, thus reducing the potential for fragmentation and duplication of efforts among the many bilateral and multilateral public and private organizations providing technical and capital assistance. External aid management and aid co-ordination is now centralized within the Investments and Loans Department of the Ministry of Finance, which the Government intends to strengthen further as a matter of urgency. The Ministry of Finance and the National Commission for Development Planning (NCDP) have also been brought under one Minister.

24. The Government has adopted Consultative Group as its principal platform for mobilizing increased levels of external assistance and co-ordinating it for more effective use. The Group met in 1984 and in June and December 1985. The Government has provided several contingency planning arrangements and ad hoc task forces to look into emergency needs such as drought crisis and red locust control.

25. The Government structural adjustment programmes have been endorsed by donors at the Consultative Group. While some donors indicated uncertainty or reservations about the programme at the June 1985 meeting because, at that time, critical and difficult actions remained to be undertaken, the donors at the December 1985 meeting were impressed by what the Government had done over the relatively short time. The Group met again in December 1986 to reassess the implementation of the structural programme and the external financing requirements and reaffirmed its support for the Government strategy.

26. To maintain liaison between the Government and its aid partners in the intervals between Consultative Group meetings, a Joint Monitoring Committee has been set up. UNDP support to the Committee and its secretariat should enhance national capacity to mobilize and utilize resources effectively. The Resident Representative's Annual Development Co-operation Report, the only integrated analysis of capital commodity and technical assistance, will continue to provide an important data base to guide co-ordination of donor programmes. The results of the NaTCAP exercises should lead to further aid co-ordination.

27. A strong spirit of donor co-operation is already emerging from these initiatives. UNDP has considerably strengthened its dialogue with other aid organizations and jointly designed projects are either under way or planned, as indicated in the section on linkages below.

II. THE COUNTRY PROGRAMME

A. Assessment of current country programme

28. The UNDP assessment of the third country programme for Zambia (1982-86) was carried out in November 1985 and provided a number of findings and recommendations for the preparation of the fourth country programme. The third country programme aimed at promoting self-reliance and economic development by assisting the Government in attaining the major objectives of economic diversification, regional development and Zambianization along the lines of the Third National Development Plan. For this purpose, it was agreed that UNDP concentrate its assistance on the three major sectors of development planning, agriculture and industry. Accordingly, 88.7 per cent of the IPF was allocated, as of May 1986, to projects in these three sectors. Agriculture received the largest share, 54.4 per cent, and industry 22.5 per cent. A total of 53 projects (43 in the three major sectors) have been wholly or partially funded by IPF resources.

29. The third country programme had some serious deficiencies. Eighty per cent of the resources were allocated to ongoing projects, leaving little flexibility to cater to new needs and priorities. The downward revision of IPF in the period 1982-1983 worsened the situation. The programme comprised scattered projects and lacked concentration or programme approach.

30. The implementation of the programme also revealed that projects were often inadequately designed and did not take into consideration local constraints, such as the counterpart staff situation and the Government's capability to continue activities after the withdrawal of UNDP assistance. Satisfactory institutional or organizational development could not take place. Local capacity to continue activities was not built up because of (a) lack of suitable counterparts; (b) lack of clear objectives in on-the-job training, coupled with the inability of experts to train; (c) insufficient funding for training (less than 4 per cent of the IPF); and (d) lack of understanding of the UNDP concept of technical co-operation. UNDP should have monitored and evaluated projects more rigorously so as to recognize these problems and rectify them as they arose.

31. The Government has taken several important steps to remedy the shortcomings of the third country programme. Only a few ongoing projects, particularly those developed recently to meet new socio-economic circumstances will continue into the new cycle. In addition, a higher proportion of IPF resources has been allocated to training; experts will be selected more rigorously with a view to demonstrated training capability; and counterparts will be identified much earlier in the programme cycle to permit them to develop a fruitful relationship with the experts. Implementation of the projects will be monitored through the Joint Monitoring Committee as well.

32. Given the experience of the third country programme, the Government will also execute a few projects, as appropriate. In addition to traditional execution modalities, others such as the use of United Nations Volunteers (UNV), associate experts, national and locally-based experts and consultants, technical co-operation among developing countries (TCDC) and short-term advisory services will also be considered for particular projects. Executing agencies will be encouraged to provide baseline data on sectors and subsectors to improve evaluations.

33. In retrospect, given the constraints, the third country programme was not wholly unsuccessful. The programme has contributed to promoting the diversification of rural activities and increasing food supply through such projects as animal disease control, oil seeds development, coffee production, fish culture and village workshops. The programme also played a catalytic role in attracting bilateral and other multilateral funding in livestock, aquaculture, vegetable oil, coffee production. It laid the bases for improved support to industrial activities and the small-scale industrialization through its assistance to the country's Small Industry Development Organization, the Development Bank of Zambia, the National Commission for Development Planning in introducing of COMFAR, a computer programme for project preparation, the Village Industry Service and the establishment of the Mwinilunga Cannery for the production of canned pineapple fruit and juice. The programme has also contributed to development of plan and policy formulation capacity in regional development and integrated rural development projects at the provincial level.

B. New programme proposal

34. The fourth country programme streamlined into three sectoral areas of concentration: agricultural development; economic planning and management; and manpower development and employment promotion. Whereas the programming process of the third cycle began with sectoral missions led by executing agencies of the United Nations system, the development of the fourth country programme opened with a joint Government-UNDP determination of the sectoral areas of concentration. The NaTCAP exercise was used as a major programming instrument, along with the Government policy thrusts outlined in section 1B. In other words, the fourth country programme is based on a comprehensive rather than incremental approach, which, in turn, derives from a framework for technical co-operation within the economic reform programme of the Government.

35. Other factors that shaped the fourth country programme were lessons learned from the implementation of the third, the activities of other donors and the comparative advantages of United Nations system technical co-operation in certain fields. In addition, the Government central co-ordinating authority and UNDP have held close consultations between the sectoral ministries and the United Nations system agencies involved. Agency missions will prepare the projects identified in detail.

36. The aim underlying the development of the three sectors selected is the development of human resources for the attainment of self-reliance. In other words, the human resource development aspect of each and every project is viewed as

tantamount to achieving self-reliance, the very purpose of technical co-operation itself. Human resource development cannot be achieved by training programmes and fellowships alone; the expert-counterpart relationship for the transfer of skills and know-how primarily through on-the-job training, the organizational development of the recipient institutions are other important facets of human resource development. Consequently, at least 10 to 15 per cent of the budget will be allocated to training in each project.

First objective: Agricultural development

37. The development of agriculture is the highest priority sector in the restructuring policy of Zambia. The ultimate aim is to promote agriculture as the major source of economic growth and employment generation, provide local raw materials for industries, expand the export base of the country and raise the income of the rural population.

38. The major Government objectives for the agricultural sector in the next decade are: (a) to achieve a satisfactory degree of self-sufficiency in the production of major staple foodstuffs, particularly maize, cassava and sorghum; (b) to expand production of export commodities in order to increase the sector's contribution to the country's foreign exchange earnings; and (c) to increase the production of import-substitution commodities with proven comparative advantage. UNDP assistance is requested largely for achieving the objective of food self-sufficiency.

New projects

Maize Research Co-ordination and Development of Extension Services

39. Maize is the major staple foodcrop of Zambia. Since the beginning of the 1980s, the Government has been receiving external assistance in maize production technology, the improvement of cultivars and the training of extension workers. However, this assistance has been provided in a diffuse way, as the Government had not yet made available a coherent policy framework into which it could be integrated. If this assistance has enhanced the capacity of the recipient research services on foodcrops, it has not yet had a major impact on the development of maize production because the results have not been widely extended to small-holder farmers. Extension services lack the capacity to convey messages to these farmers and face acute logistical difficulties which reduces their staff mobility. The Government requests UNDP help to solve these problems by assisting in better co-ordination and further development of maize research activities, the strengthening of extension services and reinforcement of the linkages between the two. In formulating policy, it should be noted that a large number of maize-producing small-holders are women. The estimated cost of this project is \$2.5 million.

Action Programme for the Reduction of Food Losses

40. In addition to raising the contribution of subsistence farmers to overall food production, attaining food self-sufficiency requires preserving the crops so that they can reach the consumer. Zambian farmers suffer significant losses at harvest

time largely because of improper collection techniques and the lack of all-weather storage facilities. Poor management of such facilities, as well as their paucity, also increases wastes and marketing costs, leading to high consumer prices and low producer revenues. A 1984 government study estimated that the availability of all-weather storage facilities could lower maize losses from 5-10 per cent to 1-3 per cent and the costs of marketing agencies by 50 per cent. The Government has felt the need for a comprehensive policy in this field and therefore requests UNDP assistance in developing a programme for the prevention of post-production losses in food and seed grains through introducing and improving methods of handling and storage at all levels. The estimated cost is \$868,000.

Early Warning System and Census of Agriculture

41. Zambia's agricultural production and, in particular, its food grain production, has shown considerable fluctuations over the years, caused to a large extent by variable weather conditions during the growing season. The figures for the produce reaching the market fluctuate even more widely; over the last 15 years the intake by the official marketing agencies varied from 200,000 to 750,000 tons of maize. By contrast domestic demand is steadily rising.

42. The Early Warning and Crop Forecasting project assisted by the Food and Agriculture Organization of the United Nations (FAO) has provided a framework for strengthening institutional and human resource capacity for the planning and management of the domestic food supply. However, the implementation of this project revealed a number of problems, notably the inadequacy of the country's agricultural statistics.

43. UNDP assistance is requested to strengthen national capability for (a) an effective Early Warning and Crop Forecasting System on food supplies, and (b) conducting a nationwide Census on Agriculture. The costs of the project are estimated at \$1,700,000.

Linkages

44. UNDP's assistance to Zambia in attaining food self-sufficiency will be complemented by other donors. The World Bank, for example, will assist the Government in upgrading applied research on food crops and, to a lesser extent, in providing support to extension services. It will also make available resources for credit extension to small-holder farmers. The Economic Commission for Africa (ECA) will assist in setting up a subregional research centre on maize for eastern and southern African countries which will become the liaison point for the UNDP project. The Swedish and Danish Governments, the European Economic Community (EEC), the United States Agency for International Development (USAID), the United Kingdom and Canadian Governments are also assisting Zambia in agricultural development.

45. The Early Warning System and Agricultural Census are related to another FAO project, Strengthening Food Security through Assistance to the Marketing Unit, and also to the Netherlands project for Preparation of a Food Strategy and USAID support to the Central Statistical Office. The project will also serve as Zambia's

link to the co-operation sponsored by the Southern African Development Co-ordination Council (SADCC) in Regional Food Security.

Programmed reserve

46. A reserve of \$500,000 will be set aside to cover the costs of unexpected developments in the activities of the proposed projects and to fund support actions needed to consolidate the achievements of these projects.

Second objective: Support to economic planning and management

47. Since attaining independence, Zambia's approach to economic planning management has been based on a high level of State intervention and direct involvement in all aspects of an economy based largely on copper exports. However, the sharp and unforeseen decline of copper earnings, a succession of crises of external origin, the failure to achieve consistency between recurrent and capital expenditure plans, a shortage of skilled manpower and frequent institutional reorganization led the Government to reconsider its economic planning and management system and to introduce important changes in early 1984.

48. Zambia has been receiving external assistance ever since independence. With the country's declining economic performance and deteriorating balance of payments, external assistance has been growing both in size and complexity. For the last three years (1983-1985) some 68 bilateral, multilateral and non-governmental organizations (NGO) donors annually contributed an average of approximately \$580 million in financial, commodity and technical assistance. The traditional pattern of assistance with financing linked directly to investment or technical co-operation projects has been giving way to a number of programmes accompanied by "policy dialogue", "conditionality" and "structural adjustment". These changes have made the task of aid co-ordination and management by the Government an altogether more complex and sensitive one.

49. The Government has completed the first phase of an adjustment process designed to establish a policy environment conducive to economic growth and diversification. A crucial element for making the policy environment become productive is institutional relevance and capability and human resources availability and ability. However, institutional readjustment in the field of Government planning and management structure has revealed a number of organizational and human resource gaps and deficiencies. For example, only two sectoral ministries have operational planning units. Project identification, preparation, monitoring and evaluation capacity is generally weak, especially among parastatal organizations and companies. About 20 per cent of professional posts in the Ministry of Finance and the National Commission for Development Planning are vacant and a sizeable number of the remaining staff members lack the requisite qualifications or experience.

50. These considerations and others have led the Government and UNDP to agree on the following projects aimed at organizational and human resource development in specific areas of planning and management, bearing in mind assistance already contributed or planned by other donors:

Ongoing projects

Project Preparation, Appraisal and Evaluation

51. In 1982 UNDP supported a small-scale project through which the United Nations Industrial Development Organization (UNIDO) computerized model for Feasibility Analysis and Reporting (COMFAR) was installed at the Investment Policy Department of the National Commission for Development Planning. After two years of the project's operations, the World Bank took over COMFAR's development and application through its International Development Association Technical Assistance (IDA/TA) Programme I, which came to its end at the beginning of 1986. In the mean time, with the introduction of the Restructuring Programme and adjustment policies, the need for more rigorous project preparation, appraisal and monitoring increased. As a response to this need, UNDP has funded a new small-scale project, which started in May 1986 and will be operational until May 1988.

52. The main objective of the project is to continue strengthening the institutional and manpower capacities of the National Commission for Development Planning and its Investment Policy Department for project preparation, appraisal and monitoring. In addition, its computerized Project Monitoring Data Centre, which has been regularly updated, will be linked with the Loans and Investments Department of the Ministry of Finance in order to facilitate external aid co-ordination. Project costs will be \$235,220 (the total cost, including the 1986 budget, is \$310,820).

Economic Evaluation Capacity Within The Parastatal Sector

53. The Industrial Development Corporation (INDECO Limited) is a parastatal holding company of 37 subsidiaries in manufacturing. Some of these enterprises are joint ventures with foreign companies. The Government has decided to give more managerial and financial autonomy to the parastatal companies and to expose them to market forces together with the private sector.

54. The Industrial Development Corporation has already embarked on a programme of streamlining and improving management, introducing cost-reduction programmes, substituting locally produced raw materials for imported commodities, critically assessing the economic performance of some subsidiaries which have been operating with losses and carefully going into modernization, diversification and expansion. With the assistance of the World Bank, the Corporation has completely reorganized its Project Department into an Economic Evaluation Unit.

55. A recently approved UNDP-funded project which will run through the middle of 1988 will introduce COMFAR into the operations of the Economic Evaluation Unit, thus strengthening its project preparation and appraisal capabilities. The costs of the project will be \$265,350. (Including the 1986 budget, it will be \$347,300.)

Export Diversification and Promotion

56. Copper and some copper-related minerals constitute about 97 per cent of the country's total export earnings. In an effort to promote and support diversification and expansion of non-traditional exports, among many measures, an

Export Promotion Council is being established. It will be linked with the Ministry of Commerce and Industry on one hand and with a potential exporters' association on the other.

57. A two-year project, which began in the second half of 1986 is designed to assist the Ministry of Commerce and Industry and the new Export Promotion Council in the improvement of conditions for the development and promotion of exports and in product and market development. The costs of the project will be \$241,900. (Including the 1986 budget, it will be \$381,900.)

External Aid Management and Co-ordination

58. The project will assist the Loans and Investments Department of the Ministry of Finance in further development and organization of its aid co-ordination and monitoring function as the Government's focal point for external aid data collection, data processing and analyses, aid mobilization and negotiation, as well as for programme and project monitoring and support to the Joint Monitoring Committee. Preparatory assistance has already started. The costs of the project are estimated at \$1,500,000.

National Technical Co-operation Assessment and Programme (NaTCAP)

59. The NaTCAP report presented to the Government provides an overview of the economy, the labour market and the technical co-operation programme and process as a whole. It identifies appropriate roles for technical co-operation under prevailing circumstances and provides a wide range of detailed suggestions for the ways in which both the Government and the donor community can make technical co-operation more effective in those roles. The report also presents detailed analyses of selected sectors of the economy and provides specific recommendations for technical co-operation policy and programmes in each case. The sectors covered are agriculture, industry, parastatals, education and training and health. In addition, the report focuses on a selected number of key management institutions in the public service and examines planning and aid management practices and the reforms needed.

60. The Government has welcomed the report as an indispensable tool for its future programming and management of technical co-operation and intends to submit the report to the Cabinet for enacting guidelines and policies for future assistance programmes. However, the Government considers this report only an important beginning to the NaTCAP process. There are a number of areas, such as modalities, sectoral concentration, recurrent costs and integrated human resource development, which would need further and more detailed review. The Government therefore wishes to continue the NaTCAP exercise for selected areas and sectors. The costs of this project are estimated at \$300,000.

New projects

Industrial Planning and Management

61. The manufacturing sector in Zambia, which employs 11 per cent of all wage earners, has been heavily dependent on imported raw materials as well as semi-manufactured inputs. Economic difficulties and the scarcity of foreign exchange forced many import-dependent industrial enterprises to close or decrease production substantially. Economic restructuring requires new industrial policies, many of which have already been introduced by the Government. These include reorientation to the extended utilization of local raw materials, more autonomy for parastatal companies and encouragement of both domestic and foreign private investments. Further restructuring and adjustment efforts in the industrial sector call for the development of an institutional mechanism within the Ministry of Commerce and Industry for industrial planning and policy formulation.

62. An Industrial Planning Unit in the Industry Department of the Ministry of Commerce and Industry has been established. The Government requests UNDP to assist the Ministry in institutionalizing industrial planning and policy formulation through the Industrial Planning Unit and in developing and upgrading the skills of the Unit staff. Estimated costs of this project are \$780,000.

Transport planning and management

63. Zambia is a land-locked country. Massive funds have been channelled into the transport sector over the last two decades and major infrastructural developments such as Tanzania-Zambia Railway to the port of Dar-es-Salaam, the Great North Road to Dar-es-Salaam and the Great East Road to the Malawi border were undertaken. Other routes were also developed or upgraded. However, a sizeable portion of the country's exports and imports is still transported through South Africa. Because Zambia is a relatively large country, the internal transport network is vital, particularly for agricultural development. With the restructuring of the economy, the problems of the transport infrastructure have taken on new importance; the need for integrated transport planning and management, including programme and project preparation and monitoring, have become acute.

64. UNDP's assistance is therefore requested to assist the Ministry of Power, Transport and Communications to institutionalize its transport planning and management capacity through the establishment of the Transport Planning Unit and through the training of its officials. Costs of the project are estimated at \$400,000.

Linkages

65. All projects in this category are aimed at supporting institutional and human resource development to strengthen the Government planning and management capacities for "restructuring in the midst of the crisis". Since a number of other donors are involved in this field, care has been taken to ensure that UNDP-funded projects are linked with them and will contribute to coherent overall planning and management.

66. In the National Commission for Development Planning, the UNDP-assisted project supports micro-planning, while the World Bank and the Swedish International Development Agency (SIDA) provide macro-economic planners. EEC, the Netherlands, the Norwegian Agency for International Development (NORAD), the United Nations Fund for Population Activities (UNFPA), and USAID are the other donors assisting the Commission. Sectoral planning is supported by SIDA, USAID, the German Democratic Republic and Poland. The UNDP-assisted project will fill the gap in industrial and transport planning, while for other sectoral ministries, the NaTCAP report recommends technical co-operation with bilateral or other multilateral sources. Strengthening the Transport Planning Unit is a pre-condition for the World Bank's large investment loan.

67. UNDP support to the Industrial Development Corporation complements a large-scale World Bank project assisting the establishment of the Economic Evaluation Unit. The Export Promotion project is very closely associated with Irish support to the establishment of the Export Council and will provide a link between the activities of the Council and planning and policy measures of the Ministry of Commerce and Industry.

68. The aid co-ordination project will be linked with the National Commission for Development Planning project and, as its work progresses, with planning units at sectoral ministries. The World Bank will also receive complementary inputs from support to development of a comprehensive Financial Management System. Moreover, the World Bank is already providing assistance in debt management and budgeting, while EEC is furnishing expertise in monitoring bilateral investment and technical co-operation projects. The United Kingdom Overseas Development Administration (UKODA) is financing several operational assistance (OPAS) experts working in various departments of the Ministry of Finance.

69. The NaTCAP process, by its very nature, is an all-embracing exercise linked to the totality of technical co-operation. Therefore it will probably be the most important input into external aid management and co-ordination. Support from other donors will be sought. NORAD has already expressed its interest in joining at an opportune time.

Programmed reserve

70. An amount of \$500,000 is being reserved for the planning and management sector activities. The reserve may be used for additional support to the planned projects when they are fully developed. The Government may decide to extend the current small-scale project in developing national accounts capacities at the Central Statistical Office. In addition, the Government may submit a proposal for a pilot project on Industrial Participatory Democracy for UNDP funding; preparatory activities for this project have already been undertaken. It will assess the prospects of developing industrial participatory democracy further in the light of the present economic situation in the country.

Third objective: Manpower development and employment promotion

71. Restructuring the economy requires improving the efficiency of existing activities in productive sectors other than mining and services and the development

of new growth-generating activities in these sectors in order to increase their share in GDP. This calls for the development of appropriate skills to meet new labour requirements in these sectors. A prerequisite for the development of these skills is an improved Government capacity to assess the types of activities that can be created, to forecast corresponding labour requirements and to provide the training needed. The Government has reviewed the areas with potential for development and has decided to focus on training in technical and scientific fields to meet the anticipated growth in demand.

72. In addition to changing the requirements of the labour market, the restructuring programme has negative effects on employment in the short term. Parastatals and the public service have started and will continue to reduce their staffs and the private sector, because of its limited size, increasing production costs and need for greater efficiency, will be unable to absorb this labour. This situation will also seriously affect young people, particularly school-leavers, who will find their prospects for employment in the formal sector narrowed further - a serious concern, since the age group between 12 and 24 years accounts for 34 per cent of the labour force and represents 74 per cent of the unemployed. The situation will be exacerbated further by the rapid growth of the labour force by 3 per cent per annum.

73. The Government intends to solve this growing problem by promoting self-employment of young people, as well as those declared redundant in the public sectors, in agriculture, small-scale industry and in the informal sector. Therefore UNDP assistance is proposed for the following areas: (a) strengthening of Manpower Planning and Research Department at NCDP; (b) upgrading science teaching; (c) local production of science teaching materials; (d) employment promotion for school-leavers; and (e) assistance in small-scale industrial development.

Ongoing projects

74. Assistance to the Small Industry Development Organization in appraising projects will continue until December 1987. The cost of the project will be \$126,500 (the total, including previous assistance, is \$US 448,200). Further assistance in this area is described under Promotion of Small Scale Industrialization.

New projects

Strengthening of the Manpower Planning and Research Department at the National Commission for Development Planning

75. Improved manpower planning is a pre-condition for meeting the new labour demands that the launching of new activities will generate. Manpower planning is the responsibility of the Manpower Planning and Research Department of the Commission. The department is very weak. The Government therefore requests UNDP to provide technical assistance to this department to develop its policy advisory capacity in the fields of employment and wages and salaries and to improve the co-ordination of its activities with those of the departments involved in

post-secondary education and public service planning. The project will also aim at developing the department's capacity for monitoring changes in the labour market. The estimated cost of this assistance is \$400,000.

Upgrading of Science Teaching

76. Mathematics and science education in Zambia is caught in a vicious circle of deteriorating standards. The preponderance of poorly qualified teachers in the two fields at the senior secondary level is leading to rapidly falling standards in mathematics and science among the "O" level students. This situation exacerbates the weakness of mathematics and science education at the senior secondary level further, for fewer candidates are available to follow the Bachelor of Science Education degree programme at the University of Zambia.

77. As a result, mathematics and science teachers with two-year teachers' college diplomas who are qualified to teach only junior secondary school have moved up to fill the gap. These unqualified teachers are forced to cope with the syllabus as best they can. One positive factor, however, is that, unlike the university graduates, these diploma teachers have been well retrained by the system. Therefore the key to arresting the deterioration of mathematics and science standards in the short run is an emergency in-service programme to upgrade the teaching skills of the non-graduate instructors in these two subjects. The estimated cost of such a project, using a maximum of local inputs for a five-year period is \$800,000.

Local production of science teaching materials

78. It has been found that, in addition to the fact that science and mathematics are not well taught and are considered difficult by students, the lack of equipment and materials has contributed equally to the deterioration of education in these subjects. Funds are not available for either the purchase of new equipment or the repair of that which exists.

79. Consequently, a project for local production of science teaching material is proposed to complement the project in upgrading of science teaching. The objectives would be to set up and maintain mobile workshops for the repair and maintenance of science equipment; to train technicians who will handle the mobile workshop vehicles; to establish the needs of mathematics and science education and identify those requirements with the potential for production using locally available raw materials. The estimated cost of this project is \$1,700,000.

Employment promotion and opportunities for school-leavers

80. As a means of generating self-employment, the Government intends to develop a system of informing youth on employment trends and opportunities. It also hopes to provide school-leavers with better preparation for employment through practically-oriented complementary occupational training and through facilitating their access to credit. UNDP assistance is requested for assessing the dimensions of the youth unemployment problem, the existing possibilities for creating new jobs and the establishment of a structure within the relevant department in the Ministry

of Labour and Social Services which will guide and counsel young graduates in their search for employment. In addition it will also assist the relevant Government services to formulate and implement practical complementary occupational training programmes for the target population. In view of the rising rate of female unemployment in the informal sector, the development of programmes for employment promotion will include a strong component for the participation of women and girls. The estimated cost of the project is \$1,000,000.

Promotion of small-scale industrialization

81. The Government has decided to pay special attention to small-scale industries in order to promote further the use of local raw materials for industrial processing of essential goods, develop linkages between agriculture and industry and contribute to alleviating the employment problem by developing labour-intensive industrial activities and local entrepreneurship. However, in their present state, the two structures set up for small-scale village-based industries promotion - the Village Industry Services and the Small Industry Development Organization - are weak managerially, technically and financially and are unable to provide effective extension services to small-scale entrepreneurs. The Government has recently defined a framework for small-scale industry development and is creating a Policy Dialogue Committee for advice in this field.

82. Since 1980, UNDP has been assisting Zambia in a strengthening both the Small Industry Development Organization and the Village Industry Services. The Government wishes to receive additional UNDP assistance to support the secretariat of the Policy Dialogue Committee, to strengthen the functional organization of the two official bodies involved in small-scale industrialization and their extension services, to train and counsel their units in management, to develop small industrial estates and establish an ancillary industries promotion scheme and to develop a credit scheme for small-scale industries. The estimated cost of this project is \$800,000 which will be met from IPF resources and possibly a further contribution by NORAD.

Linkages

83. UNDP technical co-operation in the field of manpower planning and employment promotion will complement that offered by other donors. The International Labour Organisation (ILO) is currently assisting and will continue to assist Zambia in obtaining base-line data on the characteristics of the labour market and information on fields presenting potentials for employment creation. Similarly, the UNFPA project in Population and Development, which aims to integrate information on population factors into manpower and development planning, will link closely with the one funded by UNDP in the same field; the programming of both projects was undertaken in close consultation between the two organizations. USAID and UKODA are the other donors in manpower planning.

84. In education, the World Bank will launch a new phase of its Education Project in 1989. Finland, EEC, SIDA, and the Canadian International Development Agency (CIDA) are other donors in this field.

85. The employment promotion project will co-operate with the Small Industry Development Organization and the Village Industry Services in defining ways to facilitate credit access for those young people who succeed in producing bankable projects. In the field of employment, SIDA and the Danish International Development Agency (DANIDA) will continue to assist Zambia in the field of vocational training.

86. In the area of small-scale industries development, NORAD will continue to provide credit resources for small-scale entrepreneurs and extend the technical assistance it is currently providing to the Development Bank of Zambia. It is also planning to provide, through UNDP, technical support to the secretariat of the Policy Advice Committee. USAID and India are the other donors assisting in small-scale industries development.

Programmed reserve

87. A reserve of \$200,000 will be set aside to cover the costs of unexpected but essential activities in connection with the proposed projects. In addition, UNDP and the Government may decide to extend the project for assistance to the Zambia Air Services Training Institute, as it is becoming evident that EEC wishes to cost-share the project with UNDP.

Linkage with regional programme

88. The programme's activities will be linked with those of the regional programme in the fields of food, security, transport, export and investment promotion. In particular, the "Action Programme for the Reduction of Food Losses" will extend the activities of the project Food Security for SADCC Countries (RAF-84-009) further and increase its benefits to Zambia. The project Export Diversification and Promotion will co-ordinate its activities closely with those of the project Promotion of Intra-Regional Trade among Preferential Trade Area Member Countries (RAF-87-025) and the Strengthening of Small and Medium Scale Export Enterprises and Manpower Development for Export Promotion. The project Assistance to the Transport Planning Unit will make use of inputs and studies provided by the projects Transit Transport for the Landlocked Countries of Southern Africa (RAF-77-017) and the ECA/UNDP/World Bank African Transport Study. The "Project Preparation, Appraisal and Evaluation Unit at NCDP" will monitor the follow-up activities to the regional project Investment Promotion Meeting for SADCC Countries (RAF-86-001).

C. Unprogrammed reserve

89. Of the programme resources projected for the fourth cycle, 14.5 per cent are to be held as an unprogrammed reserve (\$2,604,153) for the purpose of continuous programming. The reason for keeping this reserve higher than the recommended 10 per cent is basically two-fold: first, the country is currently undergoing a major transition period and second, it is subject to political and economic destabilization by external forces in the subregion. As a result, technical co-operation requirements may change or new requirements may emerge. As it is expected that economic sanctions against South Africa will affect the

transportation, trade and employment sectors most directly in Zambia, UNDP may be requested to provide assistance in these areas. Furthermore, the NatCAP project is expected to assess technical co-operation requirements of the country continuously. In addition, a list of pipeline projects, pertinent to the three major sectoral themes of the fourth country programme, will be developed further during the fourth cycle and could very possibly be approved and funded from the unprogrammed reserve. Finally, the unprogrammed reserve is also expected to cover the costs of a project currently under study on the promotion of women's involvement in water and sanitation activities.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	692 000	
Fourth cycle IPF	17 320 000	
Subtotal IPF		18 021 000
Special Measures Fund for Least Developed Countries	0	
Special programme resources	0	
Government cost-sharing	0	
Third-party cost-sharing*	0	
Operational funds under the authority of the Administrator (specify)	0	
UNDP special trust funds (specify)	0	
Subtotal, UNDP non-IPF funds	<u>0</u>	0
 <u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise		
Parallel financing from non-United Nations sources		
Subtotal, other sources		<u>0</u>
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>18 021 000</u></u>

II. USE OF RESOURCES

Ongoing projects	3 268 847	
New project proposals	10 948 000	
Programmed reserve	1 200 000	
Subtotal, programmed resources		15 416 847
Unprogrammed reserve		<u>2 604 153</u>
 TOTAL USE OF RESOURCES		<u><u>18 021 000</u></u>

* Third-party cost-sharing is still being negotiated for three projects: Assistance to ZASTI ZAM/78/001, Experiments in Industrial Participatory Democracy ZAM/86/002 and Assistance to Small-Scale Industrialization ZAM/86/010. If successfully negotiated, then the small UNDP share of the first two of these projects will be funded from the Unprogrammed Reserve and Programme Reserve (for the Manpower Planning/Employment Promotion sector) respectively. The UNDP contribution to the third project is presented in paragraph 82 of the country programme document.

