THE DEVELOPMENTAL STATE IN ZAMBIA FALL 2020 / NO.18

INSTITUTE FOR AFRICAN DEVELOPMENT

THE DEVELOPMENTAL STATE IN ZAMBIA: PLAUSIBILITY, CHALLENGES, AND LESSONS FROM SOUTH KOREA

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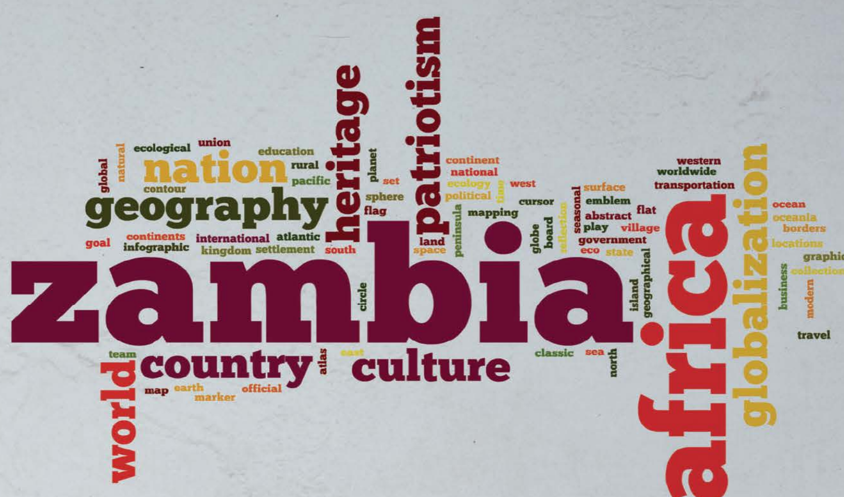

SOUTHERN AFRICAN INSTITUTE for POLICY AND RESEARCH

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THE DEVELOPMENTAL STATE IN ZAMBIA

Plausibility, Challenges, and Lessons from South Korea

Edited by

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Occasional Paper Series

of the

Institute for African Development

Cornell University

2020

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ISBN: 978-1-7344934-1-2

TO THE MEMORY

OF

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(1947 – 2019)

PREFACE

The elusive quest for a prosperous economy and society has preoccupied Zambian politicians and policymakers since independence in 1964. The post-independence leaders have tried various ways, actions, strategies and practices to bring about sustainable growth but so far to little avail. This is in stark contrast with the experiences of East Asian countries, which were at the same level of development or poorer in the 1960s. One certainty is that achieving a prosperous, sustainable society needs timely, policy-relevant and evidence-based analysis about the past, the present circumstances, and future plans and aspirations.

It is in this respect that the Southern African Institute for Policy and Research (SAIPAR), with the support and funding from the African Development Bank (AfDB), assembled a team of sixteen researchers, scholars and academics to analyse the causes of Zambia's relatively slow pace of development and reflect on the lessons that can be garnered on the process of development from the experience of South Korea and its neighbours in East Asia. The research is a comparative study of the development experience of Zambia and South Korea. It worked across three conceptually distinct but correlated areas of development literature, namely: the political economy of development and the development of the state, the role and interplay of institutions in development, and the transference of development experiences across countries. In this case, we will examine lessons to be drawn for Zambia from the development experience of South Korea.

In the study, the role of the state in "nudging" and fostering transformative development has persisted through the past and prevailing political economy. The different degrees of state effectiveness within and across different domains of development are discussed. These include economic growth, employment, poverty, equity and service delivery, and structural transformation. The system of governance, institutions, mechanisms and practices are analysed against the development experience of South Korea.

The major focus of the book, therefore, is on lessons drawn from a comparative analysis with the South Korean experience as a developmental state. This offers important insights to policy making in addressing issues of development and structural transformation. How does a successful developmental state use capable institutions to steer and govern transformation and sustainable, inclusive development?

We would like to acknowledge the support of the AfDB in funding and peer reviewing the study. In particular, we are grateful to Celestin Monga (Vice President and Chief Economist at the AfDB) and Abebe Shimeles and John Anyanwu, also at the AfDB, for their invaluable guidance, comments and insights. We thank the research team at SAIPAR, who put a great deal of effort into the project. We also wish to express our gratitude to the Developmental State project team of the African Development Bank for the great effort in editing and harmonizing the study. We would like to thank Josephine Chanda, Mwendalubi Makondo, Justine Sichone and Limbikani Mwale for research assistance. We want to express gratitude to Hillary Waters for the editorial work in the face of her heavy research commitments.

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This study is the outcome of the collaborative efforts of a team of researchers at SAIPAR assembled to study the development processes in Zambia and South Korea over the past fifty years. This book is based on a report entitled "The African Economy: Development Policy in Practice," submitted to the African Development Bank. The report contains the original chapters by the researchers listed below in alphabetical order.

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[1] While the Report of this study to AfDB had clearly indicated the authors of each chapter, a considerable amount of material was added, switched around, or deleted during the editing and harmonization of the studies from the developmental state project of the African Development Bank. The resulting chapter format is in some ways quite different from the Report outlay. However, the authorship belongs to the sixteen-member SAIPAR team that contributed to the study.

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ACRONYMS

AAC	Anglo American Corporation
ACC	Anti-Corruption Commission
ACRC	Anti-Corruption and Civil Rights Commission (South Korea)
AfDB	African Development Bank
ANC	African National Congress
BOZ	Bank of Zambia
CBoH	Central Board of Health
CBO	Community-Based Organization
CHAZ	Churches Health Association of Zambia
CIPEC	Intergovernmental Council of Copper Exporting Countries
CSO	Civil Society Organization
DBZ	Development Bank of Zambia
ECA	Economic Commission for Africa
ECE	Early Childhood Education
EIA	Environmental Impact Assessment
FAO	Food and Agricultural Organization
FBOs	Faith-Based Organizations
FDI	Foreign Direct Investment
FISP	Farm Input Support Programme
FODEP	Foundation for Democratic Process
FRA	Food Reserve Agency
FSP	Food Security Pack
GDP	Gross Domestic Product
GRZ	Government of the Republic of Zambia
HIPC	Highly Indebted Poor Country

HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HRC	Human Rights Commission
ICMM	International Council on Mining and Metals
ILO	International Labour Organization
IMF	International Monetary Fund
INDECO	Industrial Development Corporation of Zambia
ISI	Import-Substituting Industrialization
KFEM	Korea Foundation for Environmental Movement
KIEP	Korea Institute for International Economic Policy
KIPA	Korea Institute of Public Administration
LAZ	Law Association of Zambia
LCMS	Living Conditions Measurement Survey
OECD	Organization for Economic Cooperation and Development
MCTI	Ministry of Commerce Trade and Industry
MDGs	Millennium Development Goals
MEMACO	Metal Marketing Corporation of Zambia
MEST	Ministry of Education, Science and Technology
MFEZ	Multi-Facility Economic Zone
MITI	Ministry of International Trade and Industry
MOE	Ministry of Education
MSD	Mines Safety Department
MSMEs	Micro, Small and Medium Enterprises
MTEF	Medium-term Expenditure Framework
MUZ	Mining Union of Zambia
NCDP	National Commission for Development Planning
NGO	Non-Governmental Organization
NGOCC	Non-Governmental Organizations Coordinating Council
NVM	New Village Movement
PF	Patriotic Front Party

RST	Rhodesia Selection Trust
PWAS	Public Welfare Assistance Scheme
R&D	Research and Development
SACMEQ	Southern African Consortium for the Measurement of Educational Quality
SAPs	Structural Adjustment Programs
SCTS	Social Cash Transfer Scheme
SDGs	Sustainable Development Goals
SFR	Strengthen Food Reserve
SITET	Special Investigations Team on Trade and the Economy
7NDP	Seventh National Development Plan
UDI	Unilateral Declaration of Independence (Southern Rhodesia)
VPC	Village Productivity Committee
UN	United Nations
UNCTAD	United Nations Centre for Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIP	United Independence Party of Zambia
UPND	United Progressive Party
WDC	Ward Development Committee
WDI	World Development Indicators (World Bank)
WHO	World Health Organization
NHRC	National Human Rights Commission (South Korea)
ZCCM	Zambia Consolidated Copper Mines
ZCCM-IH	Zambia Consolidated Copper Mines - Investment Holdings
ZCTU	Zambian Conference of Trade Unions
ZDA	Zambia Development Agency
ZEITI	Zambia Extractive Industries Transparency Initiative
ZEMA	Zambia Environmental Management Agency
ZESCO	Zambia Electricity Supply Corporation

ZIMCO	Zambia Industrial and Mining Corporation
ZMLCI	Zambia Mining Local Content Initiative
ZNAN	National AIDS Network of Zambia
ZRA	Zambia Revue Authority

CHAPTER I: INTRODUCTION

1.1 Introduction

This study discusses the plausibility of the developmental state in Zambia, including its implications for economic policies, the quality of growth, and the institutional and bureaucratic culture required for success. Using historical, political economy, and comparative analyses, the study discusses Zambia's policy and strategy options in its quest to boost domestic institutional capacities and put the economy on the path to structural transformation and inclusive, sustainable development.

The Zambian economy has seen considerable variation in fortunes since independence in 1964. It was listed among Africa's few middle–income countries in the 1960s, thanks to its rich copper endowment. Per capita growth during the first three years of independence averaged close to 5% per annum. However, Zambia soon lost its middle-income classification in the face of economic collapse in the 1970s, occasioned by a sharp decline in copper prices, the structural and policy issues it unleashed, the rise in oil prices, and an increasingly adverse security environment caused by regional struggles against minority rule in Southern Africa. In 2010, Zambia regained its middle-income status, again thanks to better copper sector performance and a decade of credible reforms that re-invigorated growth.

Following independence in 1964, Zambia's political leadership sought to pursue a left-leaning economic policy, where the state controlled the commanding heights of the economy. Although the country was one of the most prosperous in Sub-Saharan Africa in terms of capital thanks to a rich and well-developed copper industry and favourable market conditions (UNCTAD, 2006: 3), the society was poor and poverty was widespread (UN/ECA/FAO, 1964). The framework for the country's development policy post-independence had already been outlined by the United Independence Party of Zambia in 1963, in its election manifesto entitled: "When UNIP Becomes Government." The manifesto underlined that the main goal was to eliminate ignorance, poverty and disease by utilizing the resources that nature had bestowed on the country. The emphasis on egalitarian development would be crystallized in the philosophy of humanism, for which President Kaunda and Zambia were known in the 1960s and 1970s, but which ultimately bore little fruit as a framework for rapid growth and structural transformation. It would take decades of reform and macroeconomic adjustment to return the economy, in per capita terms, to roughly where it was in the late 1960s and early 1970s.

1.2 Developmental State and the Plausibility Question

The main argument of this study is that the developmental state as a model of development in Zambia is plausible. However, it will require that the state and the population go beyond mere aspiration and strive to emulate the institutional discipline, attention to detail, good governance and planning of the East Asian countries, and South Korea in particular. In barely fifty years, South Korea transformed itself from an underdeveloped country, with a lower per capita income than Zambia in the 1960s, to a wealthy economy and member of the OECD in 1996. How was this possible?

During the 1960s, the general assessment of South Korea was that it was a "hopeless case" (Adelman, 2007). There was a high incidence of poverty and over 60% of the population lived below the absolute poverty level. In 1962, per capita income was some US$105, compared to US$236 for Zambia in 1964. The infant mortality rate was 90 deaths per 1,000 live births and life expectancy at birth was a mere 57 years. Like many African countries, South Korea was faced with both internal socio-economic shocks as well as external political and economic threats—not least given its geopolitically sensitive location. In 2009, South Korea's average income was about US$27,000 per capita, its infant mortality rate was 4 per 1,000 live births and life expectancy was 81 years. Crucially, only 16% of South Koreans lived below the poverty line.

But even more drastic have been the changes in the structure of the South Korean economy over the past decades. Once dominated by agriculture and dependent on bilateral and international aid, the country is today a bastion of high technology innovation. It has built a robust education system to meet the needs of the private sector, while at the same time striving after economic equality, and social and spatial inclusion. The South Korean experience shows that the creation of a dynamic comparative advantage is the essence of development policy—i.e. the development process must be dynamic and change must be transformational, being coordinated in all aspects of the economy and society. The state has a central role to play in the promotion of inclusive growth and development. A sound economy requires a dispensation that is devoid of corruption and rent-seeking behaviour.

1.3 Beyond Aspiration: Zambia's Variable Path to Development

In contrast, Zambia's per capita GDP was only US$1,700 in 2014 (50 years after independence) which is only about 6 % of that of South Korea. Zambia's other social indicators have not changed much since the 1960s. Poverty is still widespread with 61% of the population living below the poverty line in 2010. Life expectancy has increased to only 58 years. Infant mortality was about 67 per 1,000 live births in 2014.

Zambia has had only two significant growth episodes in the past six decades: one in the 1960s and the other in the 2000s. Between 1964 and 1970, real GDP grew by 11% per annum (GRZ, 1972: 3). However, the period of expansive growth was all too brief and there was little real transformation. The institutional capacities for the implementation of the National Development Plans have been inadequate. The reform measures taken by the government in response to changing external factors tended to delay or even worsen the resolution of the crisis. For instance, executive powers became increasingly concentrated at the central level, especially the presidency; the parastatal sector became dominant in running economic affairs; and local communities lost their governance powers.

In between the high-growth episodes, growth in Zambia was weak and often negative. Average GDP growth was 1.5% in the 1970s, 1.4% in the 1980s and 0.3% in the 1990s (UNCTAD, 2006: 3), which implies that GDP per capita was negative for three decades. Moreover, during the two growth periods, the country failed to use the resources generated to fundamentally transform or restructure the economy and society.

The post-1999 period marked the second period of high growth, with average per capita GDP of some 3%. However, as in the post-independence era, growth was driven by copper prices, and there was limited inclusion and hence questions over sustainability. However, the lack of progress has also been blamed on institutional incoherence and poor governance. Power over the running of the economy has been overly dominated by the office of the president, while rent-seeking and corruption have weakened the bureaucracy. All of this has led to the undermining and even collapse of Zambia's governance institutions. The developmental state model requires a radically different approach to succeed.

1.4 Korea's Developmental State Experience: Lessons for Zambia from South Korea

The following paragraphs summarise the key lessons that Zambia can draw from South Korea's development experience as laid out in the chapters ahead:

1. *In South Korea, and despite political differences among regimes, the political leadership viewed economic development as a national imperative.* It persuaded people that a strong modern society was a public good that would benefit everyone in the country. This made

it possible for all administrations to follow the development plans and pursue growth. On the contrary, politics in Zambia have been very divisive, with successive regimes seeking to define a completely new development agenda. A lesson to learn from South Korea is that competent teams that are insulated from politics are key for the formulation and implementation of a development strategy that commands the confidence of the public. Experience suggests that strong technocratic teams that are focused on the longer term safeguard institutional memory and promote policy continuity, which is particularly valuable during political upheavals.

2. *Although many developing countries are attracted to the developmental state model because it promotes state involvement in the economy, the role of the state in the South Korean economy was strategic, nuanced and flexible.* The South Korean state intervened to support domestic industry but did not take its eyes off the importance of competition for overall economic efficiency. The key vehicle for intervention was the civil service, which was kept autonomous and professional. In Zambia, the state focused on strengthening its power of control, but lacked a credible tool to project it, as the civil service is weak, poorly paid, and unmotivated. With a porous civil service, the process of state intervention in Zambia was and still is managed by politicians from the party that happens to be in power.

3. *Consistency in policy formulation and implementation and good institutional coordination were key ingredients of South Korea's development success.* Although, like elsewhere, successive South Korean regimes had their own political agendas and economic priorities, and despite military coups and other political upheavals, no government deviated from the overarching push for rapid growth. The policy consistency was guaranteed by an autonomous professional civil service and broad agreement by the different leaders over the growth imperative. The responsibility for coordination, follow-up and monitoring was vested in the Economic Planning Board (EPB), a super-ministry created in 1961, which was headed by a deputy Prime Minister and was given enough power and prestige to act with credibility in implementing the five-year national development plans. The head of the EPB reported directly to the President. Although Zambia had established its National Planning Commission already in the 1960s, it never received the attention or prestige of its South Korean counterpart. Zambia's voluminous national development plans had little traction and rarely met targets. They were abandoned for some years during the era of structural adjustment—replaced by poverty reduction strategy papers (PRSPs).

4. *In South Korea's approach, there was a constant focus on technology development and industrial upgrading, fully involving the private sector.* While many developing countries took a half-hearted approach to boosting the technical capacities of their country, blaming the slow

speed on lack of resources, the South Korean leadership did everything in its power to help the private sector acquire technologies that would boost productivity, while helping them upgrade to higher technological niches, relevant for the country's export-led industrialization. The government helped improve technological capacities in the country as a whole through the provision of publicly funded R&D and analyses from public institutions and other tertiary institutions. The State handed out subsidies (or other benefits) to firms they wanted to become internationally competitive. In exchange, the selected firms had to meet certain performance targets. In Zambia, there was no real strategy for technology acquisition and development, nor for industrial upgrading. There was also very little R&D among domestic firms or within public institutions—although there was much more in the copper sector than elsewhere in the economy. Subsidies to the parastatals were seen as entitlements, not matched by performance.

5. *South Korea's industrialization strategy and the push for technology enhancement were closely aligned with the country's education and research and development policies.* South Korean leaders emphasized education, seeing the overall improvement of the people's capabilities as a key driver of development. Already in the 1960s, primary education became free and mandatory. In education, the country is currently rated as one of the top performing in the OECD. The government set up technical colleges and institutions for science and technology training and provided R&D and elite education for the best minds in the country. Up to today, the country still sends students to Europe and the United States. The education sector in Zambia is poorly aligned to the overall development strategy, notably industrialization. The sector has failed to maintain standards or improve the quality of technical education. The bias towards the liberal arts has continued.

6. *The civil service in South Korea was a crucial tool for promoting and managing economic transformation.* While South Korea and Zambia inherited professional civil service structures at independence (in the late 1940s and early 1960s, respectively), with entrance- and grade-level examinations, differences in approach soon emerged. South Korea was able to build on this structure and continually reformed the civil service, making it autonomous and professional, with recruitment based on merit. Moreover, there was continuous IT-based training at all grade levels, aimed at increasing the knowledge and skills of the bureaucracy. To date, South Korea has the most advanced e-government service structure and the highest level of e-participation in the world. Zambia's civil service became increasingly politicised, especially at senior levels. Civil service grade-level examinations were abandoned, and there is today very little continuous civil service training. The civil service in Zambia is not an effective instrument for the implementation of routine government programmes, let alone strategic visions of the country. It has in some respects become the problem rather than the solution.

7. *Zambia and South Korea were faced with the same levels of poverty and income inequality in the early 1960s, but there has been a wide divergence of policy approaches and outcomes since then.* In Zambia, poverty eradication and social equality have been emphasized by all its national development plans, beginning in the 1960s. However, progress has been slow and reversible, partly owing to dependence on copper production, with price fluctuations impacting the economy negatively, and eroding safety nets, and partly owing to weak governance and policy incoherence. Zambia's spatial inequalities have persisted, with the "line of rail" provinces richer than remoter parts of the country. South Korea's successful growth was in large measure due to its ability to address poverty and social and spatial inequality. It has since managed to reduce inequality while at the same time raising per capita incomes and the quality of life of the population. It has done this through harnessing real growth dividends and diligently pursuing social welfare programmes to transform society, including in the rural areas.

8. *Zambia could well benefit from studying South Korea's experience with decentralisation and the devolution of power and their impact on development.* South Korea has a fully devolved system of government with elected heads of authorities at the local and regional levels. This has accelerated the spread of regional development and fostered the balanced development of the rural and urban areas. For its part, Zambia has pursued "decentralization in centralism," which means that the centre has retained control over the local government's decision-making machinery, with consequences for regional and local development, democracy, and ultimately the country's development.

1.5 Outline of the Rest of the Study

The rest of the study proceeds as follows:

Chapter Two sets the conceptual framework of the study. It highlights the role of the state in economic and structural transformation with the goal of bringing about a sustainable and inclusive development of the country. It considers key experiences of South Korea and other developmental states that Zambia could emulate as it plots its future development strategy.

Chapter Three looks at the nature and evolution of Zambia's institutions during a period of extreme political and economic stress, and the implications of poor governance for achieving the country's development goals—i.e. the extent to which policy coherence was maintained. The chapter also looks at the role played by the various agencies of restraint created in the past decade and that of civil society. For contrast, it provides examples of how South Korea has evolved.

Chapter Four looks at how the Zambian authorities have responded to external shocks, notably those emanating from adverse copper prices and changes in domestic politics. It looks at the politics of policymaking, including approaches to industrialization, external shocks, economic and institutional reforms, and how the policies pursued have impacted economic structures and growth.

Chapter Five examines the role of state bureaucracies in social service provision in Zambia, with a focus on education and health. It examines the extent to which the authorities have aligned the goals of industrialization and economic diversification with those of boosting human and technological capacities. It also looks at how South Korea was able to align its human development strategy with its industrialization ambition.

Chapter Six discusses the provision of infrastructure services in both urban and rural parts of Zambia and relates it to economic and spatial inclusion and poverty reduction.

Chapter Seven looks at the copper legacy in Zambia, and the extent to which it has affected economic diversification as well as the development of the private sector. Moreover, it discusses how the "curse of plenty" has played out in Zambia and goes into details regarding the policies that have been adopted in the last five years with respect to resource extraction. It then looks at lessons that can be garnered from the experience of South Korea, not a resource-rich country, with regard to natural resource husbandry.

Chapter Eight concludes the study with a discussion of the lessons that Zambia can draw from the South Korean experience. It identifies a set of options and ideas that Zambia could pursue in its development efforts, with the goal of achieving structural transformation and inclusive development.

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CHAPTER II: THE DEVELOPMENTAL STATE: FROM ASPIRATION TO IMPLEMENTATION

2.1 Introduction

The developmental state model is closely linked to broader ideas of contemporary significance such as the human development concept popularized by the UNDP but based on the work of the late Pakistani economist Mahbub-ul-Haq and that of Amartya Sen in 1990, which in turn can be traced to ancient scriptures (Seshamani, 2014). Although ideas about the developmental state have been evolving over the past three decades, writers have shown that traces of the concept can be found in the works of Paul Rosenstein-Rodan, Arthur Lewis, Tibor Scitovsky, Paul Baran and others in the 1940s and 50s (Bagchi, 2000; Chang, 2002; Dixit, 2002; Edge, 1998). In fact, the Economic Commission for Africa's Report of 2011 even states that, "over the ages, developmental states have evolved, and they characterized the growth of the Netherlands in the 16th century, England in the 16th to 19th century, and Germany in the mid-19th to early 20th century" (ECA, 2011: 96). The concept, however, came to contemporary significance through the work of Chalmers Johnson (1982) wherein he tried to explain the miraculous recovery of the Japanese economy after its destruction in the Second World War.

2.2 The "Developmental State" Concept

Johnson (1982) described the developmental state, or "plan-rational state," as an interventionist state that, through a planned process, established clear economic and social objectives and influenced the direction and pace of economic development in the country (ECA, 2011; Kasahara, 2013). This type of intervention was not market substituting but rather it was market conforming. The differentiating feature of the developmental state is that direct intervention by the state, and not market forces on their own, determines the allocation of productive resources in the economy. However, there is little direct ownership of industry by the government in the developmental state, instead the public bureaucracy regulates the activities of the private sector to ensure that they conform with the national development plan. Essentially, a developmental state economy follows a particular type of capitalist model often described as "state development capitalism."

As Meyns and Musamba (2010) explain succinctly, Johnson's developmental state, as seen in the Japanese case, is characterized by three distinctive institutional features. One, it has a small and inexpensive professional and efficient state bureaucracy (for example, the Ministry of International Trade and Industry, MITI, in Japan). Two, the bureaucracy directing economic development is protected from undue political pressure so that it can set and achieve long-range industrial priorities. Three, the state must guarantee that policy tools give bureaucrats additional authority to craft interventions in the economy without undermining market principles.

In a sense, the developmental state is more of a prime instrument than an end in itself. According to Johnson, any country that wants to match the economic achievements of Japan "must first of all become a developmental state and only thereafter a regulatory state, a welfare state, an equality state or whatever kind of functional state a society may wish to adopt" (Johnston, 1982: 306).

Johnson's clear-cut delineation of the concept of the developmental state notwithstanding, there have subsequently been contributions by a plethora of other writers on what they think constitutes the essence of a developmental state. Consequently, as the ECA (2011) report states, developmental states have differed in their evolution, context, trajectory, and manifestations. The ECA report amplifies this statement as follows:

> *There are therefore cultural and conjunctural peculiarities in the emergence and nature of developmental states around the world, and so "one size fits all" cannot apply to the engineering and modelling of developmental states in Africa, as elsewhere in the world. Developmental states have emerged largely through trial and error and learning by doing, which have no formally designed templates that aspiring countries can copy. However, while contexts may differ, the concept of the developmental state is a useful analytical tool in explaining the nature and character of states and the propensity for good economic performance by countries, deployed across time and space. It lends itself to a degree of comparative analysis because developmental states have discernible, common attributes that can be investigated across countries and over time, even against variations in context* (ECA, 2011: 97).

The last part of the above quote alludes to the possibility of comparative analysis across spatial-temporal regions and contexts. This can be done by looking at some of the fundamental characteristics a state must exhibit before it can be deemed developmental. This provides justification for this study to make meaningful comparisons between South Korea and Zambia. Sixty years ago, both South Korea and Zambia were at similar and unenviable states of underdevelopment. Many development analysts at that time saw a positive future for African countries, such as Zambia, while dismissing the East Asian countries, such as South Korea, as a lost cause. History has proven their prognosis to be completely wrong. South Korea is today a developed country that has even become an aid giver while Zambia, still poverty ridden, is currently in the throes of yet another economic crisis and is not in a position to refuse any external assistance it can get from 'good Samaritan' donor countries. What accounts for this difference? One important distinction between the two countries that could account for the differences in their respective growth and development trajectories is that South Korea evolved into an indisputably developmental state, while Zambia has remained a potential developmental state. Let us look at some important theoretical issues relating to the developmental state and other definitions.

2.3 Theoretical Issues and the Definition of the Developmental State

If a developmental state is one in which there is state intervention with the intention to produce development outcomes, then two questions need to be answered: First, what are the issues relating to such state intervention? Second, what constitutes development outcomes? (Mah, 2011; Hailu, 2014).

Regarding the first question, the nature of the intervention is more relevant than the quantity of intervention. The concept of the developmental state stresses the primacy of politics. The nature of state intervention is closely correlated to the way in which the state's bureaucrats and technocrats function. If these bureaucrats wield political power wisely, they can contribute to accelerating growth and human well-being.

Robert Wade (2003) envisaged a developmental state as one characterized by "governed markets," one in which there will be a "synergetic connection between a public system and a mostly market system, the outputs of one becoming inputs for the other." He underscored the idea that the rule-making power of the bureaucrats can serve to enhance economic growth *only if* bureaucrats construct economic rules that advance the long-term capital and technological character of the nation as a whole, rather than simply enhancing the power of government agencies or lining the pockets of predatory rulers.

In more contemporary jargon, what is being stressed is the importance of "good governance" by the state. Unlike the Washington Consensus, which is based on neoclassical thinking that argues for minimizing the role of the state, the goal here is to enhance the role of the state by addressing problems that may affect the quality of its intervention (Maphunye, 2009; Marwala, 2006).

While economic growth remains an important outcome of a developmental state, the developmental state must also produce other desired outcomes. According to Leftwich (1995), there has to be legitimacy attached to the economic growth. This can happen only when there are significant increases in the standard of living for a large number of the population. Evans (2010), following Sen's capability approach, argues that a developmental state is one that focuses on the development of individual capabilities rather than merely economic gains.

Yet others such as Doner and Slater (2005) have defined developmental states as those that possess the ability to upgrade from lower value to higher value economic activities. This was a key element in South Korea, Singapore and Taiwan. But as Routley (2012; 2014) points out, if such a definition is used, a country like Botswana—acknowledged to be a model of developmental state in Africa—cannot be deemed a developmental state, due to its struggle to diversify, let alone upgrade, the economy. Botswana set about gradually building state capacity, creating a competent and effective public service which, in turn, attracted foreign aid and private investment and facilitated the rapid growth of the economy. Its leaders established a bureaucracy based on merit and endowed it with the autonomy it needed to pursue the country's development objectives. Botswana has low levels of corruption, scoring 6.3 on the 2014 Corruption Perception Index compiled by Transparency International (0 indicates highly corrupt and 10 indicates not corrupt) with a rank of 31 out of the 175 countries surveyed that year.

An area of consensus from recent studies is that to be a developmental state requires two things *in combination:* developmental structures and how the structures are used to perform development roles. It is possible that a state could have both the development structures and the development vision, but existing separately. So, in combination is the key word—calling for coordination and joint action, which have been challenges in many developing countries.

Using the above features, Routley (2012) provides her working definition of a developmental state as follows:

> *A developmental state has sufficient state capacity to be effective in its targeted areas and has a developmental vision such that it chooses to use this capacity to work towards economic development–in other words, [a developmental state] has developmental structures and performs developmental roles* (Routley, 2012: 8).

Her above definition is in line with the earlier definition from Chang (2002). Change defines the developmental state as one that pursues policies focused on coordinating investment plans, has a national development vision, engages in institutional building to promote growth and development, and plays a critical role in resolving the conflicts that arise out of reactions and counteractions to the development trajectory between winners and losers (cited in Meyns and Musamba, 2010).

Based on a survey of the main literature, Routley (2012: 8) brings out the following fundamental features of a developmental state:

i. A capable, autonomous (but embedded) bureaucracy (Evans, 1995);
ii. A political leadership oriented towards development (Meyns and Musamba, 2010; Fritz and Menocal, 2007);
iii. A close, often mutually beneficial symbiotic relationship between some state agencies (often discussed as pilot agencies) and key industrial capitalists (Johnson, 1982, 1987);
iv. Successful policy interventions which promote growth (Wade, 1990; Beeson, 2004; Routley, 2012: 8; Onis, 1999).

2.4 Further Reflections on the Developmental State Concept in an African Context

Although developmental states are found in all parts of the world, they are nevertheless unevenly spread across the globe. Given that a large majority of countries even today fall in the category of developing countries, one would have expected a much larger prevalence of developmental states.

Dixit (2006) cites Rotberg (2004), who provided a taxonomy of state failure, labelling successively worse cases as *weak, failing, failed* and *collapsed* states. At the time his paper was written, Rotberg counted thirty weak states, seven failing states, two failed states and three collapsed states—unpleasant statistics indeed!

A major reason that is cited for the prevalence of such states is that the portrayal of benevolent governments that seek to promote social welfare is an ideal that is difficult to meet for many countries. Governments in many developing countries turn out to be typically predatory, extracting enormous rents the citizenry. A “grabbing” rather than “helping” hand in fact characterizes the state in many countries.

Fritz and Menocal (2006) argue that political economy factors and their social underpinnings lie at the heart of why some states are developmental while many others are not. In their words:

> *The dynamics engendered by the interaction of certain social and political structures in many developing settings are not propitious to development. Such structures—clientelism, patronage and populism, as well as 'neopatrimonialism' and state capture—are not immutable, but they can be deeply entrenched. The challenge for the international community is to determine how it can best support reform efforts that engage both directly and indirectly with such structures towards the goal of creating more modern states* (Fritz and Menocal, 2006).

In the above quote, Fritz and Menocal captured the scenario found in many African states. And today there is a vociferous advocacy for the developmental state in Africa. It is recognized as being central to the process of accelerated economic growth and social transformation of any country.

The ECA (2011) identifies the five following requirements for the construction of developmental states in Africa:

i. Capable and farsighted democratic leadership;
ii. The creation of effective development coalitions;
iii. The building of transformative institutions, and primarily a competent and professional bureaucracy;
iv. A focused industrial policy with a phasing-out process to protect local industries, which is necessary for their growth and consolidation;
v. Heavy investments in skills, education, healthcare and infrastructure (including economic infrastructure) for expanding human capabilities.

The above requirements are not beyond Africa's reach. Given strong political will and vision, in combination with human capabilities to articulate and implement the vision, a developmental state is achievable in any African country. That some African countries have been "developmental" during certain periods of time, especially in the incipient years after independence, is proof enough of the possibility of resuscitating the developmental state in this continent (Mkandawire, 2001, 2010; Mbabazi and Taylor, 2005; Taylor, 2003).

This discussion will not be complete without a mention of the passionate prescription of the developmental state for Africa by the late Prime Minister of Ethiopia Meles Zenawi. He agreed that most African states were predatory states but argued the solution did not lie in transforming them to purely market-driven states. He viewed the South Korean and Taiwanese models as among the best illustrations of the developmental state.

After the passing of Meles Zenawi, the mantle of passionate advocacy of the democratic developmental state has been taken up by President Paul Kagame of Rwanda. Speaking at a symposium on the developmental state organized by the Meles Zenawi Foundation on August 21, 2015 in Kigali, Kagame reiterated Zenawi's views, which reject the false choice between the state and the market. Every developed economy, without exception, is the fruit of a free market and a strong developmental state working in tandem (Kagame, 2015). Kagame further stressed that democracy and development are inseparable, and that there was no trade-off or choice between them. There may be some examples of non-democratic developmental states, but they should not be the example for Africa.

Box 2.1: Toward a Developmental State in Zambia?

Zambia's post-independence history shows a development trajectory that has been characterized by either "too much state intervention and too little market" or conversely by "too much market with too little state intervention." Up until 1990, the country was managed by a central authority that spread its tentacles like an octopus over the entire economy, providing answers to all the basic economic questions—what to produce, how much to produce, and how to produce. With the market and the private sector having little scope to participate in the economy, resources were inefficiently allocated, even as the external environment worsened.

The political leadership of Zambia was not entirely devoid of a vision, and Kaunda's philosophy of humanism, which emphasized that man indeed was the centre of all activity, had some adherents. The government set up the National Commission for Development Planning and invested its resources in social and physical infrastructure, including the establishment of the University of Zambia.

This was possible because at independence in 1964 Zambia was a fairly prosperous country with a good stock of foreign reserves on hand. It was spent liberally on food subsidies and provided its civil servants with a good remuneration package, with senior officers having access to housing and cars. But when the reserves were depleted, the country faced a massive external shock from which it was not able to recover completely, as it was propounded by subsequent shocks.

The Third Republic, which came to power in 1990, hastily sought support from the IMF and the World Bank, and implemented policies based on the Washington Consensus—i.e. liberalizing the economy, allowing markets to operate unhindered, and reducing the role of the state in the economy. While this change managed to stimulate growth by getting some of the prices right, the structural reforms had less impact on poverty, inequality and economic diversification, with the country's dependence on copper undiminished.

Successive governments brought in their own ideas regarding how the economy should be run. Over the five decades since independence, the Zambian economy was driven first by intensive planning, then by no plans, then by some plan substitutes (the poverty reduction strategy papers), and then back to planning again. In spite of the variation in approaches, the outcome has been the same for much of the period—excepting the two periods discussed in chapter one—that is, dismal.

Over time, Zambia's institutional capacity has been weakened by corruption and overt political patronage. Both have impeded the development of a meritocratic bureaucracy that was so essential in the founding years of the developmental state in South Korea. Zambia's score on the Corruption Perception Index for 2014 was 3.8, ranking it at 85 out of 175 countries. On the basis of the above, Zambia needs to do much more toward getting its institutions, policies, and economy in order before it is in a position to embark wholeheartedly on the path to becoming a developmental state. As Hydén (1983) observed some thirty-five years ago in a book on managing African development, there are "no shortcuts to progress."

Source: Compiled by the Authors

2.5 Developmental State Pathway

While a country like Zambia can aspire to become a developmental state, getting there will require much more effort than is assumed by policymakers and analysts.

First, and foremost, the leadership must recognize the importance of garnering a long-term vision for the country's development that is based on a broad domestic consensus. While political regimes come and go, the nation's development strategy must be retained as guide to successive regimes over the long term. The arrival of a new regime should not torpedo the existing projects and programmes, if they are macro-fiscally sound.

Second, the building of state capacity, notably professionalising the civil service, must be given high priority. An efficient civil service is crucial for policy and programme implementation and for monitoring, evaluation and follow up. There is thus need for increased investment in education, including in technical areas, to reach critical mass in human capital development in Zambia. The country can take a cue from Botswana, which has spent some 20% of its annual budget on education in recent decades.

Third, a bureaucracy that is not meritocratic and efficient will ultimately fail the country. Public positions should not be treated as sinecures for rewarding political supporters. While there is temptation to do the opposite, some countries have built nations on the basis of cronyism. To safeguard its performance, the bureaucracy must have a significant amount of autonomy, and must be freed from routine political interference.

Fourth, it is important to devolve power to local and regional governments as a means of reaching out to as many people as possible in the country and ensuring that they have a stake in their own governance and development. Governments that are unable to put in place viable institutions for the provision of social services, notably in the rural areas and including the provision of security and social safety nets, will not be able to establish a developmental state. Experience has shown that the latter cannot thrive in an environment of social exclusion and high levels of poverty and inequality.

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CHAPTER III: INSTITUTIONS, GOVERNANCE AND POLICY COHERENCE

3.1 Introduction

The success of the developmental states of East Asia, notably South Korea, rested primarily on the effectiveness of state institutions in designing and implementing socio-economic policies that generated rapid growth within a relatively short period (Evans, 1995). Equally important was their provision of a framework within which the state exercised its authority (Lee, 2016: 86; North, 1990). The bureaucrats were sufficiently embedded in society to help the state reach a social bargain for the country's development with the private sector and other stakeholders, without, for that matter, losing their neutrality. Good governance must thus be a key feature of the institutional framework—it is only when all stakeholders are assured that the state bureaucracies are working for the common good of the country and not for their own individual interests that policy coherence can be assured.

However, there is often a tendency for the analysis to focus on formal institutions at the centre, while local institutions and their bureaucracies also have important roles to play. Given that the bulk of the population in Zambia, and other African countries, is based in rural areas, the effectiveness of rural institutions in supporting the development process is a key determinant of success. Further, non-state institutions, and civil society more broadly, are often keen contributors to the debate and important agencies of restraint with respect to corruption and other aspects of poor governance.

The rest of the chapter proceeds as follows: section 3.2 looks at the friction between the government's wish to devolve power to the lower levels of government as a means of enhancing democracy on the one hand, and the fear of losing control over policies and finances on the other. Section 3.3 extends the discussion to the related issue of fiscal federalism, while sections 3.4 and 3.5 look at state bureaucracies and agencies of constraint or watchdog institutions, established by the government in recent decades and often under pressure from donors. Section 3.6 looks at the role of civil society in governance, a fairly recent phenomenon in Zambia. In all sections, comparisons are made with South Korean experience where relevant.

3.2 Devolution and the Centre's Urge to Retain Power and Influence

The structure of the government has an important bearing on the nature and quality of service delivery and the implementation of the development agenda. At the same time, it constrains the exercise of power. This has been the experience of Zambia with respect to devolution and decentralization efforts. While decentralization denotes the delegation of power and responsibility from "upper to lower levels of administration as well as from the capital to local centres of government administration," devolution means "a constitutional or legal rearrangement within a state [that is] aimed at or results in political and administrative autonomy" (Beyani, 1984: 9). Most governments find little difficulty with the concept of decentralization, as it mainly allows for the shifting of the workload from the central government to officers located outside the capital without affecting the centre's exercise of power—as it continues to hold the purse. On the other hand, devolution gives the decentralized entities legally defined degrees of autonomy from the central government and power to draw their mandate directly from the local community and be accountable to it. This allows the lower tiers of government to "exist as separate levels over which central authorities exercise little or no direct control" (Mukwena, 2014: 26).

When well structured, both decentralization and devolution have potential benefits, including increased access to service delivery. Devolution has the additional implication of enhancing popular participation in governance and development, and the possibility of holding local bureaucracies accountable (Ndulo, 2006: 81). Devolved systems of governance and decentralized service delivery offer greater opportunities for the promotion of equity, effectiveness of services, and local transparency and innovation (Ghumanand Sing, 2013: 9–12).

Both Zambia and South Korea inherited a system of centralized governance. The structure of government in Zambia is organized at three levels: the centre, provincial, and district and local levels. Still, power is centralized, with all decision-making concentrated at the centre. But as early as 1968, a government committee had recommended the devolution of power to the province, district and local levels in the late 1960s to enhance service delivery. This was rejected by the government, which opted for what it termed "decentraliz[ing] in centralism" (Kaunda, 1968: 19), which essentially meant that no real power would be ceded to the lower levels. The need for devolution has continued to be discussed, but without conceptual clarity.

The reform of local government has been the state's main channel for delegating greater responsibilities to local authorities. The evolution of the devolution/decentralization agenda in Zambia can be related around four episodes.

In the first episode, the government passed the Local Government Act of 1965 (which remained in force until 1980) to reform the colonial local government system that it had inherited. It provided for four categories of local councils: city, municipal, district, and rural, respectively.

Each council had democratically elected councillors (UN-Habitat 2013: 5). In 1968 the local government system structured reform through "decentralization in centralism," which increased the ruling party's influence over the councils. A District Governor (DG) was appointed the political and administrative head of the district (Chikulo, 2009: 99). At the centre, the State created the Ministry of Local Government, headed by a cabinet minister to oversee policy, and a permanent secretary responsible for the administration (GRZ, 2002: 1).

In the second episode, the country abandoned multiparty democracy and in 1973 declared UNIP as the only party in Zambia. This necessitated reforms at the local government level to reflect the new relations between the government and ruling party. In 1979, the Village Registration and Development Act was passed to enhance governance at the sub-district level. It was based on a hierarchy of institutions: the Act established village productivity committees (VPCs) under the leadership of village heads, which served as the administrative entity and took care of development needs of the village (Chikulo, 2009: 100). Similarly, for each ward, ward councils and ward development committees (WDCs) were created. Proposals from the ward level were passed on to the local councils. One major consequence of these reforms was the politicization of local governance and the increased influence of central government at the local level.

The state then promulgated the Local Government Act of 1980, which integrated the ruling party's structures into those of the government. This had two immediate consequences: first, the local government system now performed both party and government functions, and second, local government elections were replaced by party elections (Chikulo, 2009: 101). Hence, participation in local elections was limited to party cadres and functionaries.

The politicization of local governance by the centre led to considerable lethargy at the local level. Local administration became bloated when party and government functions were merged at the local level. The merger of party, central, and local government functions at the district council level resulted in bloated administrative structures. Key positions were occupied by party loyalists. Moreover, members of parliament automatically became members of the local councils. The overall result was inept service delivery, as accountability dissipated, and corruption and waste of public resources increased (GRZ, 2002: 4).

The third episode marked the reintroduction of multiparty democracy in 1990 and the passing of the Local Government Act of 1991. It effectively detached local governments from the ruling party and reintroduced democratic elections at the local level. However, the local councils did not become autonomous entities. The Act gave the Minister of Local Government the power to intervene in the operations of local government, which included suspending democratically elected councillors or even the entire council if he deemed it necessary, appointing a caretaker officer to run its affairs.

In the fourth episode, the government adopted an entirely new decentralization policy in 2002 (GRZ 2002: 18). This proposed the creation of four levels of government: national, provincial, district, and sub-district. The district level was to become the fulcrum of decentralization, to which several government functions would be devolved.[1] The mayor and council chairperson would be democratically elected and would exercise executive functions, making them accountable to their constituencies. The 2002 policy was revised in 2013, introducing a special equalization fund; a comprehensive list of functions assigned to national, provisional and district government; and integrating traditional leaders into the local government system through the creation of district and provincial chiefs' councils. However, the role that chiefs' councils would play was not clear.

Box 3.1: Aspects of Local Government Reform in South Korea

In South Korea, the 1949 Local Government Act (the Local Autonomy Law) was the first attempt at devolution, although implementation was delayed by a decade owing to the Korean war and the fractious politics that followed. The responsibilities of local authorities included managing public hospitals, garbage collection, local roads, elementary and junior high schools, libraries and museums, stadiums, water supply and sewerage systems and civil defence. In 1961, General Park's regime suspended the Law in a bid to secure centralized control over the economy. However, the rapid development in some regions during the 1970s and 1980s and the rise of the democratic movement in the 1980s increased the demand for democracy and local autonomy.

The 1949 Act was revised, and the first local elections were held in 1991. Although the heads of local governments were still appointed by the central government, the revised Act laid the groundwork for full-fledged autonomy in 1995, with the heads of local governments democratically elected. Devolution is now broadly seen as a key means for accelerating regional development and for closing the rural-urban gaps. It has also served the political objective of promoting local, and hence national, democracy, helping do undo decades of military suppression (Hyungpyo Moon, 2003).

By 2000, there were three levels of government in South Korea: Central-, Middle- (comprising Provinces and Metropolitan Cities) and Lower-Level Government (comprising Cities, Counties and

[1] The functions government proposes to assign to local authorities at the district level include the following: disaster management; community development; primary healthcare; primary and basic education; water and sanitation; rehabilitation, maintenance and construction of feeder roads; mobilization of local resources; management, conservation of natural and wildlife resources; provision and maintenance of public amenities; land allocation and utilization; trade and business licensing; by-laws; community police service; community prisons service; and youths and juvenile delinquency.

Districts). Each level has executive and legislative bodies of its own. The heads of local government and councillors are elected through direct elections, and save for civil servants, the central government makes no other appointments.

As pointed out earlier, one key element of devolution essential for service delivery is fiscal devolution. In this case, South Korea's autonomous regions are able to collect certain types of taxes and fees and make spending decisions in accordance with their need (Kim and Kim, 2003). While the major sources of revenue for the central government included income tax, value-added tax and corporate taxes, middle-level governments were assigned taxes on acquisitions, registration and regional development. Lower-level governments were assigned property taxes, land taxes, and commercial business taxes.

However, the central government had the highest yielding and rapidly expanding tax sources while those for the local level were less buoyant. There was a fiscal imbalance between central and local governments to the extent that more than 50% of the local governments could not pay the salaries of their employees from their own resources. As of 2000 the average proportion of own revenue from local taxes excluding carry-overs from previous years was around 40.7% (Kim & Kim, 2003). Local governments depended on grants-in-aid from the central government to close the gap, although by 2013 the share of central government subsidies to local authorities had declined to 21.8%. The South Korean government has a Local Finance Equalization Scheme under which the central government transfers financial resources to local governments with a weak revenue base. It was established, among other things, to address the externalities among regions, and to redress disparities in fiscal strength among local governments (Ministry of Strategy and Finance, South Korea, 2014: 7).

The above demonstrates that the centre's desire for political control over the provinces and the districts is not restricted to Zambia and was common in South Korea before democracy was cemented. However, although Zambia has enjoyed economic stability as well as democracy in recent decades, the state has been reluctant to let go of its power over local administrations. The various initiatives laid out over the years to reform local government were wont to preserve the centre's influence. The state has chosen to preserve the concept of "decentralization in centralism" first introduced by Kaunda's UNIP in the 1970s.

3.3 Challenges of Fiscal Federalism

Zambia's pursuit of "decentralization in centralism" is closely related to the challenge of fiscal federalism—i.e. whether local-level authorities would have a free hand in designing their income and spending programmes according to the needs of their constituencies and whether the centre would make adequate provision to close the funding gaps.

Typically, the Ministry of Finance releases funds to the line ministries, which in turn make them available to the local authorities. However, the process is slow, with budgets releases happening in a number of cases in the last quarter of the budget year—putting local capacities under immense pressure to meet their service delivery commitments. The provision of health at the local level is constrained both by the inadequate funding from the centre and the inability to set priorities at the local level, in light of limited resources. Instead, the local authorities tend to spend a little bit on everything and hence achieve little impact. In education, centrally driven agendas, such as universal education, have not been matched by increased flows of resources to the local levels; although there has been some improvement in recent years, financial flows are erratic and unpredictable. In the roads sector, rural roads have not been prioritized by central government, and hence remain in poor condition.

A serious challenge to fiscal federalism in Zambia is the lack of local sources of revenue—making dependence on grants and other support from the centre acute. Moreover, the government has sometimes withdrawn grants to local governments without adequate consultation on alternatives—forcing councils to slash expenditures. Some of the central government's actions have been in response to parallel macroeconomic reforms—including, for example, the withdrawal of long-term funding to local entities, the transfer of the provision of water and sanitation services to commercial units (reporting to the centre), and the abrupt abolition of crop levies which had constituted more than 50% of some local authority revenues.

In many councils, the 1996 state instruction to sell all rented council properties to sitting tenants led to serious loss of revenue, without compensation from the centre. As houses were sold at discounted rates, the councils will take a long time to recover from the loss of assets and revenue. With the establishment of the Road Transport and Safety Agency at national level, the collection of all motor vehicle licences fees was centralized and deprived local authorities of revenue.

Other impediments to the local economy include the difficulty of borrowing for long-term projects without a guarantee from the central government (the government stopped giving guarantees to local authorities for bank borrowing), and the tardiness of the central government to pay what it owes to local government agencies, ranging from handling maize for the food reserve, to payment for services rendered to government institutions (Momba, 2002). Moreover, such measures as the scrapping of the local sales tax and the 1992 order to local councils to reduce the number of their workers through early retirement were very disruptive. The latter severely depleted local council resources, making it very difficult to improve service delivery (Lolojih, 2008).

3.4 State Bureaucracies

In Zambia, the civil service is managed by the Public Service Management Division in the Office of the President, although appointments, promotions and retirements are done by the Civil Service Commission. The civil service is recognized as a key institution in Zambia and there have been many efforts in the past to reform it. Among the most prominent was the Public Service Reform programme launched in 1993 as part of the structural adjustment reforms supported by the IMF, the World Bank and other international agencies.

There was a rapid expansion of the civil service after independence in 1964, with the Staff Training College becoming the National Institute of Public Administration (NIPA). Its mandate was to train civil servants for the new government. However, in the late 1960s, they instituted a deliberate policy to politicize senior appointments in the civil service. This was cemented during the Second Republic (1973–1991) under the auspices of the one-party state, with civil servants expected to be loyal to the ruling party, UNIP. Subsequently, the system for the appointment, promotion and dismissal of civil servants became opaque, while cronyism and patronage emerged.

A comparison of the evolution of the civil services of Zambia and South Korea is illustrative:

- Both evolved from colonial governments but the post-colonial approach varied substantially. The South Korean civil service drew on the experiences of the Japanese colonial administration and those of the United States military administration post-WWII. This did not happen in Zambia. There, the new government replaced the British colonial officials as quickly as possible with Zambians.

- Advancement in the South Korean civil service was based on the principle of individual work history and meritocracy, and the concept of a “life time job” was promoted (KIPA, 2016: 168). In South Korea, new recruits came in through an open and competitive exam. In Zambia, the system came under political pressure from the outset, but even more during the era of the one-party state. Politics, not meritocracy, became the basis for advancement in the Zambian civil service. There were no entry exams as such.

- Training and knowledge accumulation are endemic to the South Korean civil service, consistent with the emphasis on meritocracy. All civil servants are encouraged to undertake specialized training in their fields of specialty (Lee, 2016: 131). Lower grade officers have to take 100 hours or more of training annually (Kim, 2016: 131). Training is a prerequisite for promotion. While there is considerable training in the Zambian civil service, as in other African countries, it is haphazard and not well tailored to the needs of the individuals or the service. The training schemes are designed by lending agencies and have little traction ex post.

- Although the intensive use of information technology is a defining characteristic of the South Korean civil service today, information technology has been a key component of the country's administrative strategy since the 1960s. In 2014, South Korea was ranked at the top of the e-government readiness index (Centre for Public Input, 2016). Zambia has introduced information technology across many functions of government, but from a low base. The resources required for a full-fledged effort are not yet there.

- A major difference between the two civil services is that South Korea's has been protected from overt political interference, while that of Zambia has experienced various forms of interference since independence. In South Korea, civil servants cannot be dismissed without being first subjected to formal disciplinary action. Moreover, they are restricted from soliciting on behalf of political parties and cannot engage in other political activity, including standing for public office. In Zambia, similar stipulations are in place but have been harder to reinforce.

Box 3.2: Comparative Overview of State Structures: Zambia and South Korea

A. Legislature

The legislature in Zambia consists of the President and members of the National Assembly. The National Assembly consists of 150 members elected from constituencies and eight members nominated by the President. The latter is a relic from the past. The tenure of office for members of the national assembly is five years. On the other hand, the South Korean national assembly is a hybrid of members elected directly and members selected by proportional representation. There are 300 members: 246 are elected directly and the rest by political parties for the purpose of proportional representation. The tenure of office for members of the national assembly is four years. There are no nominated members in the South Korean National Assembly. In both countries, a key parliamentary duty is the provision of approval of the budget, followed by oversight and scrutiny.

However, in Zambia there are provisions that allow the President and the Minister of Finance to authorize expenditure without seeking approval from the legislature. Ideally, the Presidential warrant should cover expenditures authorized by the national assembly through the Appropriation Act. However, the President is allowed to issue a warrant and spend money outside the Appropriation Act, thereby negating the oversight role of the legislature. Furthermore, the Public Finance Act establishes a contingency fund where the legislature is excluded from providing oversight. The Minister of Finance is allowed to use resources from the contingency fund for any new service not budgeted for in a ministry and on any service in excess of its original estimate (GRZ, 2004).

In this situation, an irresponsible government can spend public resources recklessly without the approval of the legislature. This is compounded by the fact that the national assembly neither participates nor is consulted in the contraction of public debt. An example from May 2015 included a loan worth US$192 million for the purchase of security equipment, the urgency and utility of which were questionable (Chirwa-Ngoma, 2015).

In both Zambia and South Korea, parliamentary work is done through committees, the most prominent being the public accounts committee. However, while South Korea promotes autonomy and checks and balances, as enshrined in the 1987 constitution (Savanda et al, 1990: 202), the Zambian approach is often politicized, and it is difficult to reach consensus. This is partly because, like in the US, members of parliament in South Korea cannot be simultaneously members of government, which is the case in Zambia. Furthermore, the practice of "floor-crossing," as MPs switch sides mid-session, has weakened the role of parliament as the ultimate organ for the expression of popular will. For example, during the 2011 general elections, the ruling PF only got 60 out of 150 parliamentary seats.[2] However, through floor crossing and by-elections, the PF members of parliament increased to more than 80 members, hence forming a majority without recourse to a general election.

B. The Executive

Zambia has a presidential system with the president elected for a term of five years and able serve for a total of two terms (compared to only one term of five for South Korea). The president wields enormous powers—ranging from appointing and relieving judges, gazetting and de-gazetting chiefs, determining or shifting district and provincial boundaries, and appointing senior civil servants and heads of quasi-state institutions. There are few or no effective controls over the president's exercise of executive power. A president not predisposed to good governance can effectively govern as a despot under the Zambian system. One can make unreasonable decisions with little consequence while in office. A case in point, President Michael Sata, upon assuming office in 2011, dismissed all senior civil servants, top military officials, and police leaders. By the authors' count, he made in excess of 240 changes to his government during his short tenure.

[2] http://www.elections.org.zm

The president appoints his cabinet ministers from the members of the national assembly. These usually number more than thirty. South Korea has a presidential system with a limited number of ministries. In South Korea the role of the prime minister is similar to that of the Vice President in Zambia. However, the prime minister in South Korea has substantial responsibilities compared to the Zambian counterpart. The prime minister is like a principal executive assistant to the president. He assists the president by supervising ministries. He recommends the appointment of ministers. He heads the state council. The prime minister is more often a technocrat than a politician (Savanda et al., 1990: 2009).

C. The Judiciary

The judicial system in Zambia is structured along similar lines as that of South Korea. It consists of the Constitutional Court, the Supreme Court, the Court of Appeal, the High Court, the Commercial Court, the Industrial Relations Court, Subordinate (Magistrates') Courts, and Local Courts (GRZ, 1996). The President appoints the Chief Justice and Deputy Chief Justice, subject to ratification by the National Assembly. This is a lifetime appointment until one reaches the retirement age of 65 years. The appointments are not competitive and depend solely on the president's choice. Their dismissal is only possible through a tribunal appointed by the president. The President also appoints the members of the Constitutional Court. This is subject to ratification by the National Assembly. This is also a lifetime appointment and can be removed only through a tribunal constituted by the President. It has been argued that there is no clear separation between the judiciary and the executive in Zambia, and the courts are plagued by political interference (Ndulo, 2017: 18). Appointments and promotions are based on political patronage rather than merit.

In South Korea, in contrast, most appointments to constitutional offices are fixed-term and non-renewable. For example, the Chief Justice has a one-term limit of six years and an age limit of 70 years. Supreme Court judges are appointed by the president on the recommendation of the Chief Justice. They serve a six-year renewable term but retire at 65 years. The lower court judges serve a term of ten years. In Zambia, all judicial officials have lifetime appointments. On the other hand, the judiciary in South Korea is professional and mostly independent of the Executive. Courts are well staffed and judges undergo judicial training before taking up their appointments.

D. Conclusion

A careful system of checks and balances maintains the stability of the three branches of government in South Korea. For example, the executive and the legislature have a say in the appointment of judges of the Constitutional Court. Likewise, when the legislature passes a resolution of impeachment, the judiciary makes the final decision. Furthermore, the president lacks the power to dissolve the national assembly, while it has the power to impeach members of the executive.

Source: Compiled by the Authors

3.5 Agencies of Restraint

In the past decades, a number of watchdog institutions have emerged at the local and international levels to deal with the challenges of governance in rapidly changing economic and political environments. While the international community has played a keen role in their establishment and often funding at the local level, there are instances, such as in South Africa, where they have emerged from the country's own wish for improved governance, seeing the latter as a public good with surrogate properties for socio-economic development. Good governance implies the rule of law and intolerance of corruption, and insists on accountability by leaders to the people (Levy, 2006: 126; UNESCAP, 2015; Stromseth et al., 2006: 69). Without good governance and the rule of law, the voice of the people does not matter, human rights are trampled upon, and national resources only benefit those who are politically connected.

This section discusses briefly the function of six institutions that serve the purpose of ensuring that public resources and public office serve the public interest in Zambia. They include: the Office of the Auditor General (OAG), the Financial Intelligence Centre (FIC), the Human Rights Commission (HRC), the Ombudsman, the Extractive Industries Transparency Initiative (EITI), and the Anti-Corruption Commission (ACC). The section ends with a look at the role of civil society.

The Office of the Auditor General is a constitutional office headed by the Auditor General (AG), who is appointed by the President, subject to ratification by the national assembly. However, there are no professional or moral standards attached to the position. It was perhaps due to this anomaly that the country once had an agricultural economist for AG (Chanda, 2003: 23). The office is independent, and the occupant can only be removed through a tribunal set up by the national assembly.

In spite of tardiness, the Office of the Auditor General has helped expose thefts, misapplications and abuse of public resources. The Office has no prosecutorial nor enforcement powers. It can only make recommendations to the appropriate authorities. However, the executive routinely ignores the AG's audit reports (Chanda, 2003: 23).

In South Korea, the Board of Audit and Inspection (BAI) is the equivalent of the Office of the AG in Zambia. The BAI is under the office of the president but operates independently. While the functions of the two bodies are similar, there are some subtle differences. In South Korea, the BAI also audits the armed forces, which is not the case in Zambia and other African countries. Crucially, the BAI was established with direct citizen engagement in mind. This is done through 1) civil petitions and complaints reception centres, 2) fraud hot lines, 3) an open audit system and 4) business complaint reception centres. Under the stipulations of the Citizen Audit Requests of 1999 and the Anti-Corruption Act of 2002, a group of citizens can request for an audit and a report to be produced within a specific time frame (Kim, 2015). In Zambia, the audit power is concentrated in one person, the AG, and there is very little citizen participation.

The Financial Intelligence Centre (FIC) was established in 2013 and is the "sole designated agency responsible for the receipt, requesting, analysing and dissemination of the disclosure of suspicious transaction reports." (GRZ, 2010). While the act governing the operations of the FIC give it autonomy, the same act proffers discretionary powers to the Minister of Finance to intervene in the public interest (which is not defined) in the work of the FIC, where needed.

In 2014, the FIC received and processed 487 suspicious transaction reports (FIC, 2014: 5). 94% of these reports were from the banking sector, with large and unusual cash deposits (54%) constituting the largest share of suspicious financial cases. However, as in the case of the Auditor General, FIC has no law enforcement powers and its success will depend on how well its work dovetails with that of other law enforcement agencies.

The Human Rights Commission (HRC) deals with violations of human rights, and the framework is similar in Zambia and South Korea, with the difference that its creation in Zambia followed pressure from the donor community, and was hence viewed with suspicion (Human Rights Watch, 2001). All the commissioners of the HRC are appointed by the president and subject to ratification by the National Assembly. The functions of the HRC include investigating human rights violations and maladministration of justice, proposing measures to prevent abuse of human rights, visitations to prisons and other places of detention, research, education and information sharing, and rehabilitation of victims of human rights violations (GRZ, 1996).

HRC has, over the years, become lukewarm and conformist, issuing routine reports on prison visits, and avoiding politically sensitive areas. An example of this approach is the 2012 submission of the HRC to the Technical Committee drafting the Zambian Constitution. The

Committee vehemently opposed inclusion of a provision protecting the rights of minorities on the pretext that sexual minorities may avail themselves of its protection. The HRC justified its position on the assertion that while human rights were universal, their enjoyment was subject, inter alia, to domestic culture and religion (Human Rights Commission, 2012).

It was not until 2001 that South Korea established its National Human Rights Commission (NHRC), which is independent from the legislature, executive and judiciary. Its aim is to raise transparency and reliability of human rights and corruption issues. The NHRC is run by a board of commissioners selected proportionately by the National Assembly, Chief Justice and the President. The term of office for the chairperson is three years, renewable once. At least four of the commissioners must be women.

The Office of the Ombudsman receives and investigates complaints of maladministration within the government—they include abuse of public office, wrong use of discretion, misapplication of rules and procedures, unnecessary delays, and actions or omissions actuated by malice or ill motives. In Zambia the role of the Ombudsman is performed by the Commission for Investigations, chaired by the Investigator General (IG). The IG is appointed by the president in consultation with the Judicial Service Commission. The IG can be removed from office on the recommendation of a judicial tribunal and a resolution from the national assembly (GRZ, 1996). The work of the Commission has had a weak enforcement mechanism. It is required to submit a report to the president for each investigation with recommendations of follow-up actions. It is up to the president to take any recommendation from the report. The Commission is also required to submit an annual report to the national assembly.

South Korea has an ombudsman mandated to redress or resolve complaints and grievances of the people caused by illegal or unfair administrative measures. However, it does not seem to have an importance equal to that of other constitutional offices in South Korea. The office operates as an independent committee under the office of the prime minister. The ombudsman is appointed by the president.

Zambia Extractive Industries Transparency Initiative (ZEITI) is the local branch of the international organization (EITI), which is headquartered in Oslo, Norway. The goals of the Initiative seem very relevant for Zambia, a country with vast mineral resources—in 2011, Zambia was the sixth largest copper producer in the world. Mining has been the economic and social backbone of the country since major mining of copper and cobalt started in the 1930s. Zambia became a candidate country of the EITI in 2009 and was declared a fully compliant member in 2012 (ZEITI, 2014). Currently all companies with an exploration license in oil or gas or with a mining license and that make payments to the revenue authority in excess of K1million (which in mid-2018 was only worth US$100.00), including government agencies that receive mining revenues, are part of the process. Annual reports ensuing from this process indicate that there are only minor differences between the figures declared by the mining companies and those recorded by government agencies. The EITI has provided a tool that could enable stakeholders to trace the flow of resources through the mining chain. However, on the issues of production volumes and taxation, the EITI process has been criticized for being too trusting of the figures from the mining sector, in the absence of independent monitoring. There are also concerns that the companies in the mining sector have adopted "transfer mispricing" to avoid tax liabilities (Das and Rose, 2014: 13). Clearly, much more needs to be done before stakeholders are convinced that the EITI process is adding value in an environment characterized by poor governance.

The Anti-Corruption Commission (ACC) was established by the Corrupt Practices Act of 1980. It made corruption in the public and private sectors in Zambia a criminal offence. A decade earlier, in 1971, the government had established the Special Investigations Team on Economy and Trade (SITET), which investigated cases of money laundering, smuggling, commodity hoarding, and illegal foreign currency dealings (Taylor, 2010). In 1973, the government introduced a Leadership Code, which applied to all persons within the government and the ruling UNIP party, i.e. party leaders and councillors, civil servants, state-owned companies and institutions of higher learning. It became illegal, for example, for leaders at a certain level of the hierarchy to own businesses or derive additional incomes on top of the public sector or party job (Ndulo, 2014: 11). The SITET was abolished in 1992. The Corrupt Practices Act of 1980 was repealed and replaced in 1996 with the Anti-Corruption Commission Act—which, inter alia, turned the ACC into an autonomous institution—while the Leadership Code, which was disliked by government officials across the board, was abolished in 2002.

The sensitivity related to fighting corruption in Zambia was demonstrated by the repeal in 2010 of the Anti-Corruption Act of 1996 (GRZ, 1996b) and its replacement by the Anti-Corruption Act No. 38 of 2010, which had section 37 of the 1996 Act rescinded. Section 37 had allowed the Commission to investigate public officials on the basis of a reasonable assumption that they were guilty of corruption. The government argued that section 37 was unconstitutional as it "violated the presumption of innocence, relaxed the normal burden on the prosecution to establish a case beyond reasonable doubt and violated the right of an accused person to remain silent" (Anti-Corruption Commission Act, 1996: Section 37). However, civil society organizations, the opposing political parties, churches, and many other groups opposed the repeal, seeing it as an attempt by public officials to avoid prosecution. The provision was reinstated by a new administration in 2012.

In terms of effectiveness, ACC has suffered from lack of funding, which could reflect the more serious challenge of political interference. Presidential opposition to ongoing investigations has promptly brought them to a halt. Thus, although new governments in the multiparty era have been elected to office partly on the basis of their strong anti-corruption agenda, their enthusiasm for combating it tends to wane markedly when power is achieved. Indeed, expressions of anti-corruption among NGOs and other stakeholders are seen mainly as anti-regime sentiments.

South Korea has similar institutions as Zambia to fight corruption. Before the 1990s, the government's efforts to fight corruption were mainly symbolic and limited in nature (Tamyalew, 2015). However, it has become more focused in recent decades and has strong political support. The Anti-Corruption and Civil Rights Commission (ACRC) was established in 2002, with the objective of eliminating corruption in the public service and society as a whole. To maintain the autonomy and independence of the ACRC, the members of the commission are proportionately appointed by the president, the national assembly and the Chief Justice.

South Korea has been relatively successful in the fight against corruption. However, South Korea is also an example of the difficulty of fighting corruption within entrenched corporate and political circles. It has been easier to prosecute lower- and middle-level officials than ranking and better-connected individuals in government and business (Tamyalew, 2015).

3.6 The Role of Civil Society in Governance

A formalized institutional framework referred to as civil society is a relatively new concept in Zambia and other African countries. With the opening up of political space and the emergence of dissenting voices in the country, the role of civil society in governance has increased markedly in recent decades. However, because civil society includes a disparate range of groups—academic associations, non-governmental organizations (NGOs), trade unions, women's organizations, and cultural organizations—it is often criticized for lack of focus and organizational coherence. Still, a number of NGOs have undertaken advocacy work in the promotion of human rights, exposing corruption, and promoting good governance and the rule of law. Many have championed constitutional reform and democracy, while others have focused on empowering rural populations.

On the whole, advocacy NGOs have made a difference in how local groups perceive corruption and what could be done about it by the government. They are, for instance, credited with blocking President Chiluba's wish to amend the Constitution of Zambia to remove term limits. However, not all NGOs are credible. Some NGOs are merely special-purpose vehicles for politicians and the ruling party, while many others, also known as "brief case" NGOs, are in it for the money (Haapanen and Waller, 2007: 9). An acute constraint for all NGOs is financing. Few have regular sources of funding, while many are sustained by donor support, making it easy for their opponents to brand them as fronts for "foreigners." Stiff competition for donor funding has prevented even the most effective NGOs from constructing viable national networks (Haapanen and Waller, 2007: 9). The inadequacy of funding made it difficult for local NGOs to develop and implement long-term strategies, including for research, dissemination and outreach. Paucity of regular dialogue with the authorities made NGOs' interactions with the government on the key issues of the day both confrontational and inconclusive.

In 2009 the government passed the NGO Act to provide a framework for the registration and coordination of NGOs. The Act established the NGO Board, the functions of which include considering and approving applications for the registration of NGOs. The Act gives enormous power to the government over the NGOs, including their registration, de-registration and approval of their areas of work (GRZ, 2009c). The Act criminalizes unregistered NGOs. However, some NGOs brought a case to the High Court challenging the constitutionality of the provisions of the statute.[3] Before the case was decided, the parties agreed to an out-of-court solution to the NGOs' concerns.

Nevertheless relations between the government and NGOs have not improved. A considerable amount of political pressure is exerted on their leaders, including cases of co-option of critical voices into central government, hence silencing them. But harsher measures have been used against NGO critiques. For example, following his criticism of the government in 2013 over the alleged secret recruitment of police officers in Zambia, the executive director of the Foundation for Democratic Process (FODEP) was arrested.[4]

In terms of fighting for their rights and for democratic space, civil society organizations in South Korea have had surprisingly similar experiences to those in Zambia, although in the former the impact on politics has been profound. Civil society organizations have substantially changed the political landscape of South Korea in the last two decades. Some of the largest

[3]Cause No. 2014/HP/0931
[4]See the case of MacDonald Chipenzi and others v The People

NGOs have built up considerable expertise in specialized fields such as environmental policies, electoral reform and human rights. For example, the umbrella organization Korea Federation for Environmental Movement (KFEM), supported by a large group of academics and professionals, provides well-argued and researched policy proposals to the government. In spite of breakthroughs, the work of civil society has political overtones in South Korea, and a number of NGOs supporting various political factions imply that confrontations are inevitable.

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CHAPTER IV: ECONOMIC SHOCKS, POLICY RESPONSES AND OUTCOMES

4.1 Introduction

This chapter discusses how the authorities in Zambia have responded to macroeconomic challenges, partly emanating from dependence on the copper sector, and what the outcomes of policy responses of the authorities have been. The chapter makes frequent reference to South Korea's experience, notably from the formative 1960s.

Zambia and South Korea, as indicated above, shared a number of structural, geopolitical and socio-economic similarities in the 1960s, although following the great economic surge by the latter in the 1970s and onwards, few of them remain today. It is in some respects a disenchanting narrative of Zambia's great aspiration for rapid development, which seemed feasible at the time, but which was not realized, and South Korea's much more disciplined pathway to development success and affluence. While looking at several decades of Zambia's performance, a key question worth asking is whether the country could have achieved better results under different structural and policy scenarios: what could it have done differently? We use a range of stylized facts and political economy analyses to draw comparisons and lessons of experience.

The chapter proceeds as follows: Sections 4.2 and 4.3 look at some of the structural and political economy constraints that confronted Zambia at independence in 1964 and in the hectic decades that followed, where the impacts of domestic policies and politics were amplified by those of external shocks—notably via the copper mines. A number of parallels are drawn with South Korea. Section 4.4 looks at the range of reforms undertaken in the past 50 years in response to external shocks in Zambia, and why results often fell short of expectations. Sections 4.5 and 4.6 look at the most recent period and inquire whether there is evidence of policy alignment to support structural transformation.

4.2 Initial Conditions and Political Economy

On the basis of available resources, Zambia's post-independence prospects were very encouraging. The extensive copper sector was generating enough revenue and exports to cater for the needs of the government and those of the relatively small population of 3.4 million. Zambia's per capita income of US$243 per person in 1964 put it in the middle-income category as noted earlier (compared to US$120 per person in South Korea and US$151 per person in sub-Saharan Africa)[5]. But in the 1970s onwards the country lost its middle-income status as growth stagnated due to adverse external shocks and infeasible development strategies based on controls and interventions, especially the setting of food prices. Growth was not regained until the 2000s, following the reforms of the 1990s, and the return of good copper prices. Eventually, at the turn of the twenty-first century, Zambia returned to robust growth and regained its middle-income status after undergoing much-needed but painful reforms in the 1990s.

Although South Korea faced severe hardship after WWII and the Korean war of the early 1950s, it emerged as an ambitious and nationalistic country, with a population that sought rapid development. In the South Korea of the 1950s, the economy was predominantly agriculture-based, with most of the important industries, including power generation and mining, situated in the North. It was a situation similar to that of Zambia, which depended on Southern Rhodesia for manufactured products and power generation. A difference was that Northern Rhodesia (Zambia) had the strategic copper sector, which was the regional cash cow.

South Korea's financial sector was very weak post WWII, following the departure of the Japanese who previously controlled it. The economy was on the brink of total collapse. It was saved by the intervention of the US, which injected funds into the economy at the turn of the decade (1949), but without defraying the inflationary spiral (Alacevich et al, 2009: 258). The primary accomplishment of US intervention was the creation of the Bank of Korea. Subsequently, it combined the market liberalism of the US with the "developmental state paradigm" of its former coloniser Japan (Kim, 2011: 18). Furthermore, South Korea showed pragmatism in the design and implementation of policies. This stance saw policies derived from the actual conditions and not ideology (KIPA, 2016: 373).

4.3 Commonalities and Differences Between Zambia and South Korea

We have suggested above that South Korea and Zambia shared some commonalities, although the divergence between the two countries expanded with every passing decade (Box 2.1). In the 1960s, South Korea's state capacity was much higher than that of Zambia, both in terms of the presence of an educated and entrepreneurial class, and a legacy of robust institutions inherited from Japan. While Zambia was going through the initial stages of nation building, based on the encashment of rents from the copper sector, and with limited human resources,

[5]The relatively smooth transition from colonial rule to self-rule ensured that much of the gains made in the colonial era were consolidated and passed on to the new nation.

South Korea was forging ahead with the creation of a developmental state, based on an increasingly diversified economy. South Korea's political leadership viewed economic development as a national imperative and persuaded society that a strong modern economy was a public good that would benefit every member of society (Lee, 2016: 4).

Since 1964, Zambia has had a total of six administrations. The longest was the UNIP administration, which ruled the country for over twenty-seven years. During this period, the country was initially governed under a competitive, dominant, multi-party system. This was later transformed into an authoritarian one-party state (Box 2.1). There were no military coups, nor was there any major political upheaval. Zambia has enjoyed smooth transfers of power in contrast with other African countries. However, Zambia's relative political stability has not proven a good basis for a major economic transformation.

On the other hand, South Korea has had more than ten different administrations in the last 70 years, interspersed by major political upheavals, coups and popular demonstrations (KIPA, 2015: 428). All this did not prevent the emergence of a steady democratic transition, which has withstood the occasional backlash. The steadily expanding economy and growing affluence of the population has been a useful buffer to social disequilibrium and revolution.

Box 4.1: South Korea and Zambia: Commonalities Before the Great Divergence

Although South Korea and Zambia have outwardly very little that binds them today, they had surprisingly similar starting conditions in the 1960s and similar political developments since (Table 3.1), which are summarized in the paragraphs below.

Poor but Hopeful in the 1960s. In the sixties Zambia and South Korea were poor. South Korea had emerged from civil war a decade previously, while Zambia, which outwardly was slightly richer, was heavily dependent on copper and peasant farming. On the other hand, apart from the sea, South Korea had few natural resource endowments, and agriculture was a key source of livelihood for the population. Both countries looked to the future with hope and confidence.

Former Colonies/Aid Dependent. Zambia and South Korea were colonies of the UK and Japan, respectively. While the British left Zambia in relatively orderly fashion after independence, the Japanese settlers left after WWII, but then US and Japanese military officers stayed on to administer the country. There was subsequently a massive inflow of American aid to South Korea for humanitarian and geopolitical reasons. Aid to Zambia was limited, partly because of British indifference, but also because it looked outwardly like a rich country.

Authoritarian rule. Both South Korea and Zambia have experienced authoritarian rule in the last fifty years, although that of the latter was milder by comparison. Zambia started off at independence with a democratic state order. This was dismantled between 1972 and 1990 under the one-party state, with restrictions on the flow of ideas and debate. South Korea experienced authoritarian rule during the military regime of Park Chung Hee, which nevertheless is credited for fostering a "developmental dictatorship," the forerunner of the dynamic economy of today (KIPA, 2016: 6). Zambia's authoritarianism was in that regard unproductive.

Table 4.1: Types of Political Regimes in Zambia and South Korea

Panel A: Zambia: 1964–2017

Period	*Name of Ruling Coalition*	*Type of Political Regime*
1964–1972	UNIP/Kaunda	Dominant
1972–1990	UNIP/Kaunda	Vulnerable Authoritarian
1991–2001	MMD/Chiluba	Dominant
2001–2011	MMD/Mwanawasa and MMD/Banda	Competitive
2011–2017	PF/ Sata and PF/Lungu	Competitive/Vulnerable Authoritarian

Panel B: South Korea: 1961-2017

Period	*Name of Ruling Coalition*	*Type of Political Regime*
1961–	Park Chung Hee	Authoritarian (dictatorial)
1979–2008	Various leaders	Democratization
2008–2017	Park Geun-hye	Neo-authoritarian (competitive)
2017	Moon Jae-in	Democratic

Source: Compiled by authors

Democratic transitions and backlashes. Zambia and South Korea experienced parallel democratic transitions and backlashes over the past fifty years. Zambia moved from a one-party system to democracy in 1990 and today there are numerous political parties, but with two dominant ones: the Patriotic Front (PF) and the United Party for National Development (UPND). South Korea returned to full democracy in 2017. Politics is very competitive there too, with three dominant political parties: the Democratic Party, Liberal Korea Party and People's Party.

Regional insecurity and internal political tensions, including military coups. Zambia and South Korea were destined to find themselves in geopolitically sensitive parts of the world. At independence, Zambia was faced with a major regional crisis with the Unilateral Declaration of Independence in Southern Rhodesia, with which it had enjoyed a federation in the colonial period. To contain the situation, Zambia declared a state of emergency, which, given the escalating security situation in much of Southern Africa, and the government's own insecurities, lasted for over thirty years. Most importantly, the insecurity created by the liberation wars and the state of emergency had a lasting impact on governance and the political environment. South Korea has also known insecurity, not least from the Korean war, and the ever-present threats from North Korea. It has been argued that these existential threats could have contributed to the country's sense of purpose, and not taking things for granted.

Pre-existing state formation. It can be argued that the nature of the institutional structure that existed before independence determined to some extent the progress achieved thereafter. The Japanese institutions and insistence of a meritocratic bureaucracy could well have contributed to creating the favourable start conditions for a developmental state in South Korea (Vu, 2007: 28). Moreover, with the departure of Japanese landowners, there was no strong opposition to land reform—which helped to empower peasants and to raise the sense of belonging. The military administration of the US, although transitional, also left behind a command ethos, which augured well for the complex operations that South Korea embarked on. The British legacy in Zambia was considered to be laid back, and the country had few trained individuals or viable institutions on the eve of independence.

Pre-existing national identity. The South Korean society exhibits high levels of national identity, based on common ancestry, religion, and a nationalist ethos—including pride in the "economic miracle" and joint antipathy to Japan's revisionist history (Rozman, 2010: 68). Most important to the political development of the country is the influence of Confucianism—with emphasis on strong states, family cohesion and mobility, and appreciation of learning. Zambia, and other African countries, are at a disadvantage in this regard, given their multicultural and multilingual polities. Still, Zambia and Tanzania showed, during the wars of liberation in Southern Africa, that the population is willing to coalesce around issues of national importance and that a common purpose could be forged on national security, education, and health, etc.

Indigenous entrepreneurship. Industrialization in South Korea was based on the activities of the *chaebols* (large family-owned business conglomerates). Their economic development was therefore largely autonomous of foreign investment by multinationals. The *chaebols* received massive state support and did not have to depend on commercial bank loans (Kim, 2011: 13). Zambia, by contrast, has very few indigenous entrepreneurs, and even then, only a handful are in manufacturing. Out of the fifty leading companies in Zambia, a high proportion are of foreign origin (Sutton et al, 2013: 4). The copper industry, accounting for 75% of Zambia's exports, is almost totally foreign-owned, following the privatization exercises of the past decades. There is therefore an inevitable leakage of resources abroad.

Quality of the civil service. Zambia and South Korea had a professional civil service during the colonial era. Things changed drastically after independence in Zambia, with most British officers leaving the service, replaced by Zambians. The civil servants were expected to be loyal to the ruling party, UNIP (Republic of Zambia, 1968). In contrast, the South Korean civil service evinced a high degree of continuity, retaining officials from the Japanese civil service and the United States military. The South Korean government did not seek to make the civil service one of the arms of the ruling party. This made it possible for the civil service to become an autonomous tool for the creation of a developmental state.

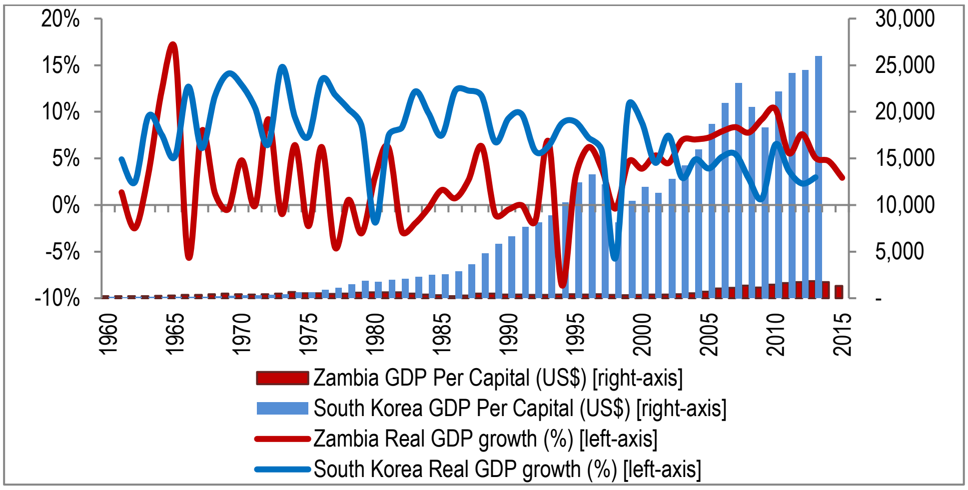
Control over social forces, especially labour. South Korea managed to restrict trade union activities until the 1980s, while the situation improved tremendously after it joined the OECD in 1996 with a commitment to reform the country's labour laws. In effect, OECD membership became an agent of restraint. But history shows that the state relied on authoritarian rule to suppress trade union activity. Indeed, some authors wonder where the developmental state is basically undemocratic (Mkandawire, 2001). Especially during the periods of authoritarianism, South Korea was able to maintain control over social pressures, in the interest of fast-tracking the developmental state (Lee, 2016 :17).
Source: Compiled by the Authors

4.4 Half a Century of Economic Reform and Development

In Figure 4.1, we have plotted the performance of the Zambian and South Korean GDP and GDP per capita growth rates. Zambia's performance was very volatile in the first four decades of independence, but stabilized in the last decade and a half, particularly over the period from 1999 to 2014; in 2015 and to a lesser extent 2016, significant levels of macroeconomic instability and growth slowdown were witnessed in Zambia, the underlying cause being the performance of the copper sector. On the other hand, the record of sustained robust growth during 1999–2014 is a reflection of the policies over that decade and a half in particular.

In contrast, South Korea's GDP growth record was impressive throughout the period from 1960 to 2015, recording positive rates consistently with the exception of the year 1980 (when the oil shock, balance of payments challenges, and lower investment lowered exports and growth) and the period of the Asian financial crisis. Growth was -2% in 1980 and -6% in 1998.

Figure 4.1: Real GDP growth and GDP per capita, Zambia and S. Korea, 1960–2015



Source: Constructed from World Bank, World Development Indicators (WDI)

A. Era of Optimism (1964–1974)

The first decade of independence was economically buoyant and politically stable, although regional political developments were of great concern. Northern Rhodesia was never designated as a settler colony, which meant that compared to Southern Rhodesia, little investment flowed there in terms of physical and social infrastructure. Education and health services were mainly provided by missionaries as part of their work of evangelization. This made limited inroads. At independence Zambia had famously only 100 university graduates and around 1,200 with secondary school certificates (Alexander 1997: 2). As the dominant copper industry was heavily depend on migrant labour, the development of an independent African entrepreneurial class was actively discouraged during the colonial era. At independence, only 5% of business people were identified as African. Mkandawire places Zambia in the historical category of a 'labour reserve' economy that "historically had a strong civil society spearheaded by a strong trade union movement with which the nationalist movement forged a 'social pact' around ending racism, improving citizen's wellbeing, providing decent jobs and indigenising jobs in the mines" (Mkandawire 2017: 22).

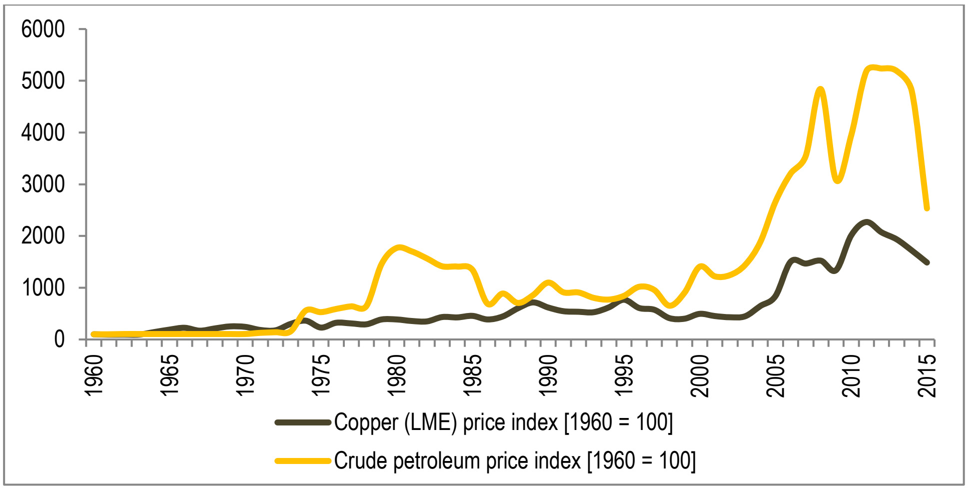
With the Unilateral Declaration of Independence from the British by Ian Smith's Rhodesian Front in Rhodesia in 1965, Zambia became the frontline state for the liberation wars in Southern Africa, hosting exiled leaders and freedom fighters from the region. Riding on the nationalization trend in the rest of Africa, and also as a way of addressing the acute economic challenges at home, the UNIP administration introduced the Mulungushi and Matero reforms in 1968 and 1969, respectively. The measures introduced government majority shareholding in the major foreign-owned businesses and culminated in the privation of the copper mines, owned by Anglo-Americans. In addition to the economic measures, the UNIP administration introduced the one-party state that helped entrench UNIP's and President Kaunda's hold on power. This period was characterized by high copper prices on the international market and correspondingly high domestic copper production in Zambia. However, partly owing to the nationalization of the mines, foreign direct investment (FDI) into the country was meagre. Between 1970 and 1974, net inflows of FDI as a percentage of GDP averaged only 1% per annum (World Bank, various years).

In South Korea, real GDP growth rate per annum averaged 10.1% between 1964 and 1974, providing some flavour of what was in store in the decades ahead. The higher growth was fostered by industrial upgrading—from light manufacturing, such as textiles, to consumer electronics, semi-conductors and telecommunications. With ready exports markets around the world, the country soon generated a trade surplus of some magnitude. The state's subsidy and reward system for ambitious firms led to further growth expansion (Lee, 2016: 38).

B. Economic Turbulence Ends in Political Reform (1975–1998)

The almost quarter century of economic strife and political grandstanding brought little development in Zambia, although South Korea's performance was exceptional for the most part. The global economic environment changed drastically in the 1970s, with nascent signs that Zambia's growth process was beginning to halt. This was exacerbated by the oil price shocks of the 1970s, which saw crude petroleum prices rise sharply, for instance, by 22% in 1971, 258% in 1974 and 126% in 1979 (Figure 4.2).

Figure 4.2: Commodity price indexes, 1960–2015



Source: UNCTAD (various issues)

During the 1970s, balance of payments deficits and foreign exchange crises became recurring problems brought about by macroeconomic mismanagement and external shocks. The shortage of revenues and foreign exchange disrupted production, especially in the manufacturing and mining sectors, since these sectors were heavily dependent on imported inputs (Nash, 1997; Bigsten and Kayizzi-Mugerwa, 2000). However, blaming the setbacks squarely on poor copper prices, the government eschewed reforms. Instead, it resorted to borrowing externally and negotiating several agreements with the IMF to bridge what it viewed as temporary balance of payment shortfalls. But its relations with the IMF and other donors were disrupted when the government introduced a battery of economic measures, including subsidies, additional price control measures, and a tariff structure to support its industrialization and infant industry protection efforts (Nash, 1997; Andersson and Kayizzi-Mugerwa, 1993; Aron and Elbadawi, 1992).

However, Zambia's Second Republic (1973–1990) brought many policy changes that constrained the economy and democratic space. The one-party state system of government was reinforced while state participation and nationalization of industry was reconfirmed as the country's development strategy. Mkandawire (2017: 25) has argued that:

> *It is reasonable to imagine that had Zambia a strong indigenous capitalist class at independence in or in the situation where favourable balance of payments position were accompanied by significant foreign investment, the assertiveness of the state would have been confined to joint ventures and partnership with foreign capital and nurturing of nationalist capital class through "indigenisation" whereby the state provides special support to indigenous capital and even reserves certain sectors of the economy to its nationals. The nationalist programme would have been basically liberal-capitalist…*

Despite a dramatic fall in copper prices, the government maintained a high level of support for the copper industry, now in its ownership, and its workers. Regulatory policies, producer subsidies and fixed consumer prices were introduced to protect the urban consumer (Dorosh et al., 2009). These policies produced little growth (World Bank, 2003).

Between 1980 and 1985, real GDP growth declined to an average of 0.95%. Sensing the urgent need to arrest what was showing signs of becoming a permanent situation, the government initiated structural reforms. The first major "post-shock" attempt at reform began in 1985. The country embarked on this reform in order to access financial resources from the World Bank under a World Bank-supported Economic Recovery Programme. Zambia was forced to adopt an auction system for foreign exchange and complementary macroeconomic measures. This reform process ended in 1987, when the adjustment costs became unbearable for Zambians. There were protests and social unrest. Between 1987 and 1989, the government tried to institute its own "home-grown" reforms government under a policy known as "growth from our own resources." However, given severe resource constraints, the government's own attempts at reform failed, and it returned to the IMF and World Bank-supported programmes (Ndulo and Mudenda, 2004; Aron and Elbadawi, 1992).

In the late 1980s, a coalition of groups that included trade unions, students, academics, the business community, and parliamentary backbenchers, came together under the banner of the Movement for Multiparty Democracy (MMD) and agitated for the dissolution of the one-party state and the introduction of multiparty politics in Zambia. Under pressure from bilateral and multilateral donors and the growing MMD-led opposition, UNIP acceded to these demands and multiparty politics were reintroduced in November 1990. Frederick Chiluba, the former Secretary General of the Zambia Congress of Trade Unions (ZCTU), won the elections of 1991 under the MMD umbrella and was installed as the President of the Republic.

Under the MMD, economic support was sought from the IMF and World Bank, and the government embarked on unprecedented economic reforms, including the end to price controls and consumer subsidies. The state embarked on a large-scale privatization programme of the copper mines and other state-owned businesses in the manufacturing and services. These reforms fundamentally reconfigured the Zambian state and economy. Aid poured in and the budget became more than 40% donor dependent. The economic and political liberalisation also saw a rapid expansion of civil society, which became increasingly influential in the 1990s. Most prominent among them were the Law Association of Zambia (LAZ), the Non-Governmental Organizations Coordinating Council (NGOCC) and bodies representing mainstream churches. A strong civil society demonstrated its influence by successfully resisting Frederick Chiluba's attempt to change the constitution and go for a third term of office in 2001.

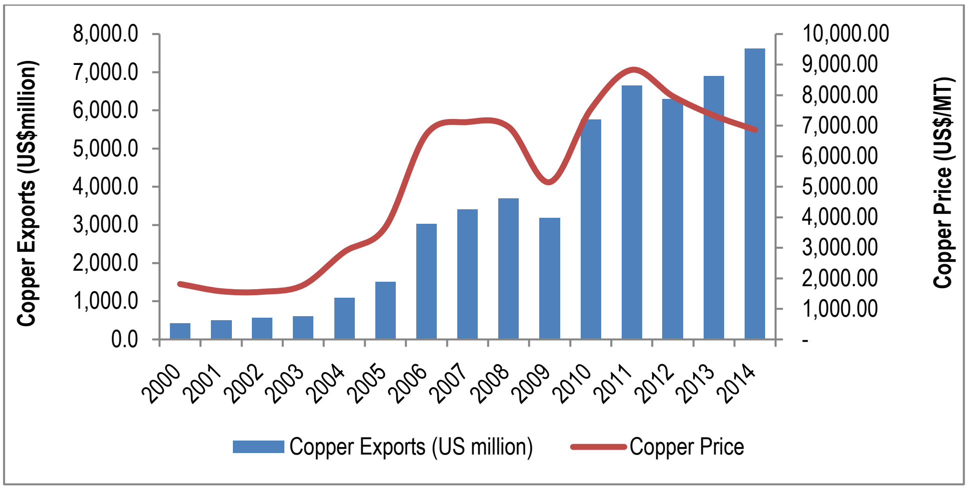
Overall, real GDP growth during the period from 1975 to 1998 was dismal, averaging 0.8%, i.e. a negative GDP per capita growth (compared to 8.1% for South Korea during the same period). Per capita income declined from US$526 in 1975 to US$353 in 1998. In South Korea, nominal per capita GDP rose from US$646 in 1975 to US$8,133 in 1998 (World Bank, various issues).
Korea lay the basis for its transition from a middle- to high-income economy by building up its technological capabilities. Its ratio of research and development (R&D) to GDP surpassed 1%, while that of private R&D was heading in the same direction. Notably, and as part of the industrialization strategy, tertiary-level enrolment jumped from around 10% of the age cohort in 1980 to over 30% in 1985 (and would eventually rise to 70% in 2000) (Lee, 2016).

C. The Return of Growth, But Also of Economic Anxiety (1999 to date)

Following Chiluba's exit, the MMD retained power by a margin of just 2% in 2001, but managed to scrape through two subsequent elections in 2006 and 2008, the latter following the death of the incumbent, Levy Mwanawasa, who was remembered for his economic and governance reforms (Cheeseman et al, 2009). He was replaced by Rupiah Banda, who led a fractious regime until the new elections in 2011, which removed the MMD from power. The general elections ushered in the Patriotic Front's leader, Michael Sata, as president. His win was thanks to a large and disenfranchised urban population, although the poorer regions of the country also showed much enthusiasm for his pro-poor agenda. He promised to squeeze the mining companies by raising mining royalties and to raise the wages of the workers both in the public and private sectors. However, he died in office and was replaced by PF candidate Edgar Lungu in the 2015 election.

Despite the shifts in political leadership, Zambia experienced what can be called a positive reversal of economic fortune between 1999 and 2014. Annual GDP growth increased from 4.7% in 1999 to 10.3% in 2010 (an unprecedented level) before sliding back to half of that in 2014 (World Bank, various years). The growth rate was reduced further to 2.9% in 2015, due to a combination of external shocks and domestic policy weaknesses. However, the growth projection for 2017 was 4%, rising to 5% in 2018 (World Bank, various years). Thus between 1999 and 2017, growth averaged 6.5% per year, hence a per capita growth of over 3%. The mining sector benefitted significantly from a boom in global copper prices, starting in 2004/2005 on the back of strong demand from Asia, particularly China. As Figure 3.3 indicates, copper exports increased from US$425 million in 2000 to US$7,618 million in 2014. In addition, copper prices rose from US$1,813 per metric tonnes in 2000 to US$6,863 per metric tonnes in 2014. Copper production was boosted by the opening of new mines such as Lumwana and Luanshya-Muliashi. The sustained robust growth led the World Bank to reclassify Zambia as a lower middle-income country in 2011. However, the momentum that would drive the country to self-sustaining industrialization was not there.

Figure 4.3: Copper Exports and Copper Prices, 2000–2014



Source: Constructed from World Bank WDI

In spite of the better performance overall, there was little evidence that manufacturing was taking off. While it had contributed some 30% to the average growth of 2.8% (i.e. 0.9%) during the post-independence period, its average contribution from 1995 to 2013 was 12% (i.e. 0.5% versus 6.1% for the whole economy) (Table 4.2). The share of manufacturing in GDP rose between 1971 and 1993, thanks to import-substitution and targeted support measures, from 11.2% to 21.6%, but had fallen back to 9% during the period from 1995 to 2013 (Table 4.3). Ironically, services, notably banking and finance, have been steadier contributors to the economy, while agriculture and mining and quarrying have done less well. Indeed, the share of mining and quarrying in the Zambian GDP is below 10% compared to a third in the heyday of the copper sector in the late 1960s and early 1970s. Figures for 2016 and 2017 (World Bank, various issues) indicate that services continue to dominate the economy, with manufacturing's shares unchanged at about 9%.

Table 4.2: Sectoral Contribution to Real GDP Growth, 1966–2013

Sector	1966-1970	1971-1976	1978-1993	1995-2013
Agriculture, Forestry, Fishing	0.3	0.2	0.4	0.3
Mining and Quarrying	-1.9	0.5	-0.2	0.6
Manufacturing	0.9	0.3	0.7	0.5
Electricity, Gas and Water	0.3	0.5	0.0	0.0
Construction	0.0	0.2	-0.2	0.8
Services	3.4	1.0	1.4	3.7
TOTAL GROSS DOMESTIC PRODUCT	**2.8**	**1.6**	**0.9**	**6.1**

Source: Central Statistics Office

Table 4.3: Share of GDP by Main Sectors, 1965–2013

Sector	1965-1970	1971-1976	1977-1993	1994-2013
Agriculture, Forestry, Fishing	13.7	10.5	16.3	17.8
Mining and Quarrying	33.3	32.1	8.9	7.8
Manufacturing	9.0	11.2	21.6	9.2
Electricity, Gas and Water	1.4	2.7	3.0	2.7
Construction	5.4	7.4	3.7	9.9
Services	36.9	36.2	44.9	46.3
Total Gross Domestic Product	**100**	**100**	**100**	**100**

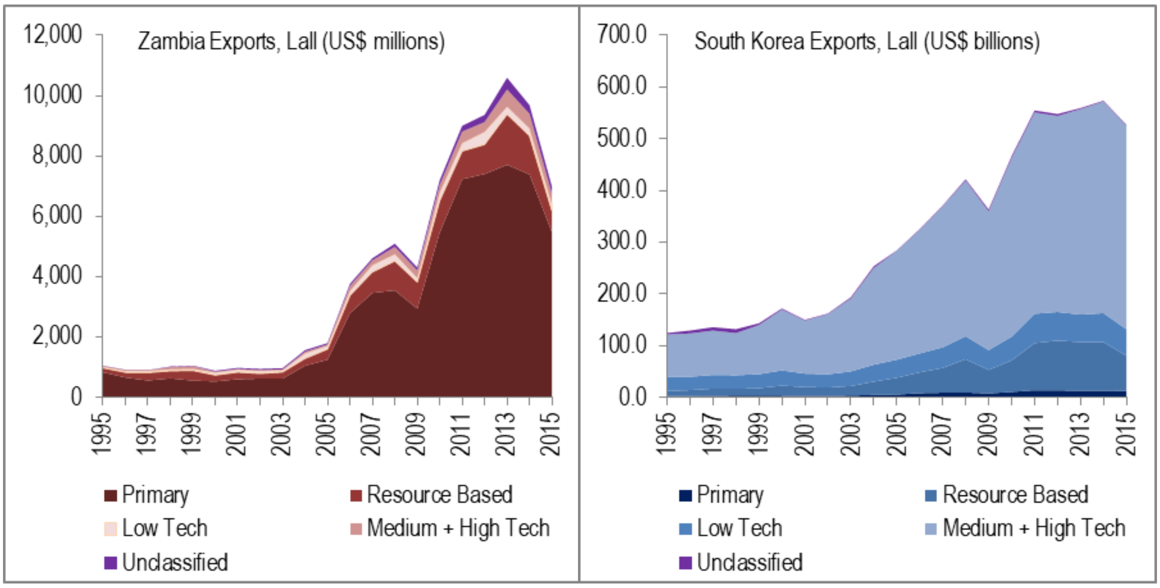
Source: Central Statistics Office

3.5 The Question of Structural Transformation

In a study of the plausibility of the developmental state in Zambia, it is illustrative to look at the extent to which Zambia is undergoing structural transformation, especially with respect to the export of manufacturing. We do this using the Lall classification of exports and imports into primary commodities, basic resource-based items with minute technological content in production, and items with varying degrees (low, medium and high) of technological content and product sophistication. The Lall classification of Zambian and South Korean exports is presented in Figure 4. 4 and Table 4.4.

It shows that Zambia has continued to export primary and resource-based commodities. Exports of commodities even with the lowest technology content were insignificant. This contrasts with South Korea, where the bulk of exports belongs to the medium to high technology content level.

Figure 4.4: Lall Classification of Zambian and South Korean Exports



Source: Constructed from UNCTAD

Table 3.3 indicates that over a period of twenty years (1995–2015) Zambia's exports remained largely primary and resource-based, with only a small increase in exports belonging to the medium- and high-tech category. South Korea has lowered its low-tech exports in favour of medium and high tech. It is noteworthy that it preserves a 15% share of exports in primary and resource-based categories combined, including fish exports and related.

Table 4.4: Start-and-end-point distribution of export trade, using the Lall classification

South Korea	*1995 exports (US$ billions)*	*%*	*2015 exports (US$ billions)*	*%*
Primary	3.2	3%	12.7	2%
Resource Based	9.5	8%	68.2	13%
Low Tech	27.4	22%	51.3	10%

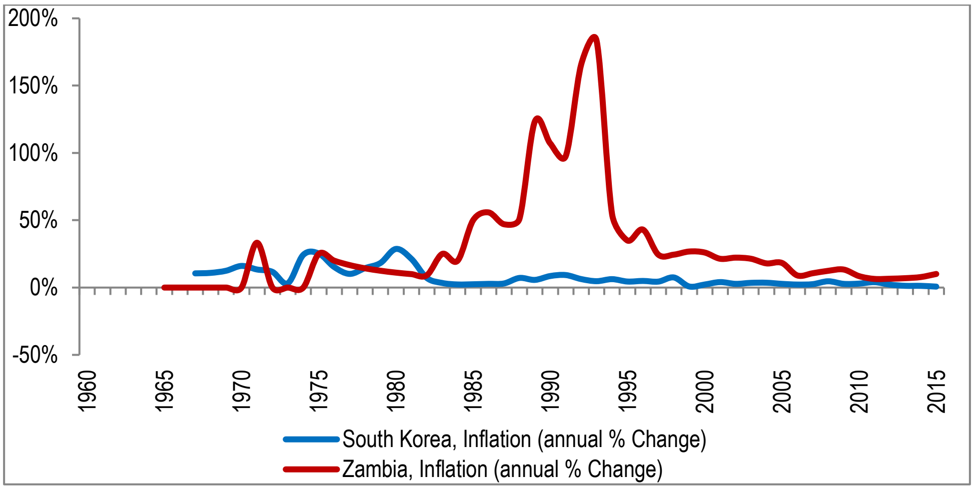
Medium + High Tech	82.3	66%	392.9	75%
Unclassified	2.7	2%	1.7	0%
Total	125.1	100%	526.8	100%
Zambia	*1995 exports (US$ billions)*	*%*	*2015 exports (US$ billions)*	*%*
Primary	841	80%	5,482	79%
Resource Based	147	14%	710	10%
Low Tech	34	3%	204	3%
Medium + High Tech	20	2%	351	5%
Unclassified	13	1%	236	3%
Total	1,055	100%	6,983	100%

Source: World Economic Forum (2016), Global Competitiveness Report

4.6 The Macroeconomics of Transition

Although bordering on hyperinflation during the period from 1985 to 1995, Zambia's inflation had declined to around 20% per annum from 1995 to 2010 (Figure 4.5). It fell, on average, into single digits between 2012 and 2015, before increasing to 18% in 2016 (and coming down again to single digits in 2017). But of the recent swings have been weather related, but managing an open economy has its challenges. With few controls on the economy, the role of the Bank of Zambia (BOZ) in maintaining macroeconomic stability has become prominent in recent years. In 2012, it introduced a policy lending rate to guide the money markets, part of a strategy to create a more flexible monetary policy framework and start the process of migrating from monetary aggregates targeting to inflation targeting.

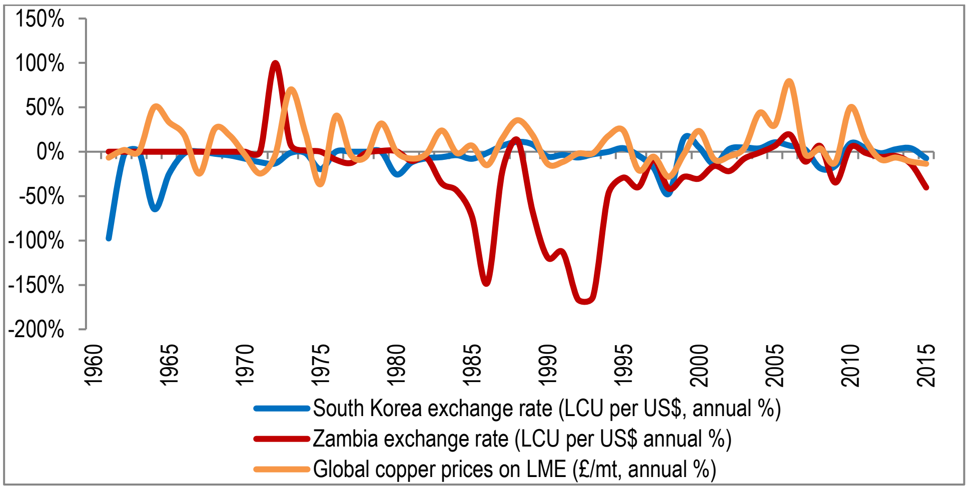
Figure 4.5: Inflation in Zambia and South Korea, 1960–2015



Source: Constructed from Central Statistics Office and World Bank WDI

Exchange rate flexibility was a major goal of Zambia's structural reforms (Aron and Elbadawi, 1992). Exchange rate volatility was significant during the late 1980s and early 1990s, and then again in more recent years, including during the financial crisis of 2008, but short-term interventions by the Bank of Zambia and the government, and better copper receipts helped to stabilize it (Figure 4.6). We have inserted the exchange rate for South Korea for contrast. It shows that the rate was fairly stable, save for a few intermittent episodes of instability in the early- to mid-1960s and around the time of the Asian financial crisis (1997).

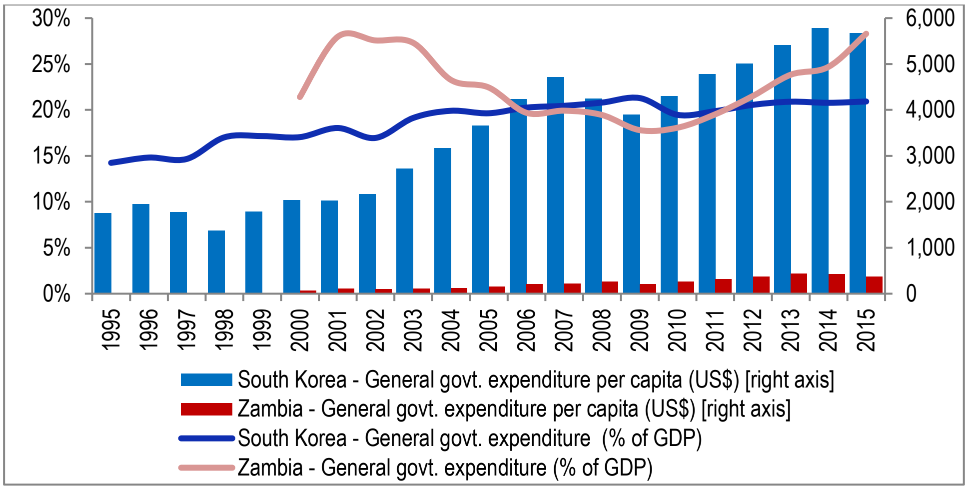
Figure 4.6: Zambia's Exchange Rate and Global Copper Prices, 1964–2013



Source: Constructed from World Bank WDI and UNCTAD Statistics

The government's spending pressures and how they were managed reflected importantly on the rest of the economy. As a percentage of GDP, government spending in Zambia was about 25% for much of the last fifteen years (2000–2017). This contrasts with an average of less than 20% for South Korea during the same period (Figure 4.7). In absolute terms, however, South Korea spent a much larger amount than Zambia. The latter's per capita government spending was US$371 in 2015, up from US$73 in 2000, while South Korea's per capita expenditure rose from US$2,036 in 2000 to US$5,671 in 2015 (i.e. South Korea spent over fifteen times per person than Zambia did).

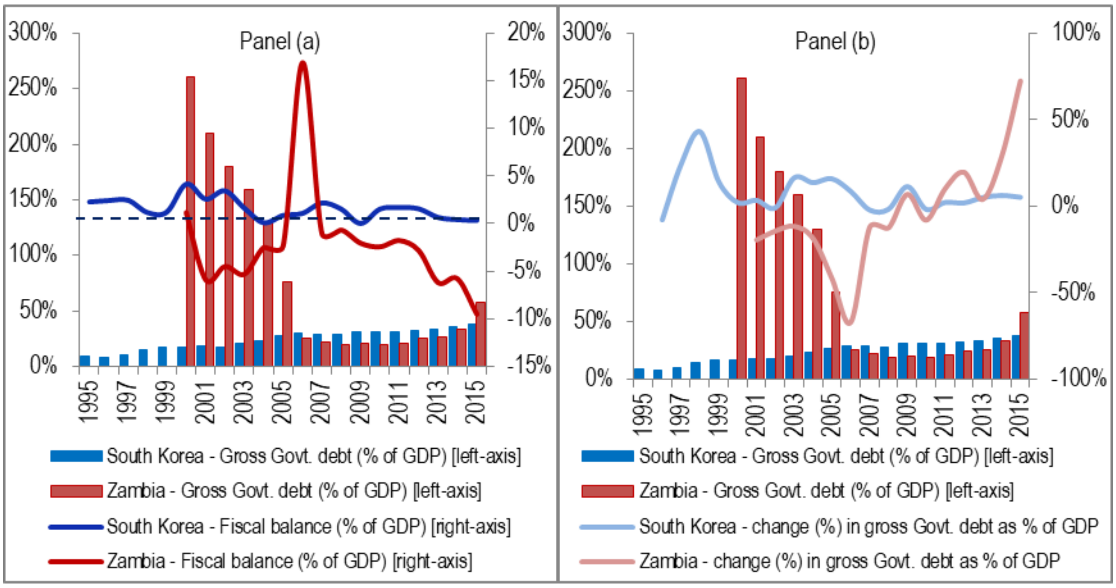
Figure 4.7: Total Government Spending/Spending Per Capita



Source: IMF (2017)

Zambia's fiscal position is highly dependent on borrowing. There has been a rising trend in fiscal deficits in the recent past, from a surplus of 1.2% of GDP in 2000 to a deficit of 2.4% of GDP in 2005 (Figure 4.8, panel (a)). The deficit rose to 9.5% of GDP in 2015. The dramatic fiscal surplus of 17% of GDP in 2006 was due to HIPC and MDRI debt forgiveness. However, fiscal pressure increased rapidly thereafter, with the increase in total government debt amounting to 57% of GDP in 2015—this triggered concerns that the country might return to unsustainable debt (Figure 4.8, panel (b)).

Figure 4.8: Fiscal Balance and Public Debt



Source: Constructed from IMF (various years), World Economic Outlook

Zambia's fiscal pressures were principally caused by unbudgeted expenditures on fuel and electricity subsidies, overruns in public support to the maize sub-sector (due to expansion of the Farmer Input Support Programme (FISP) and the Strategic Food Reserves (SFR) under the Food Reserve Agency (FRA)), infrastructure projects, increases in public sector wages, and elections-related expenses. This loose fiscal stance was threatening macroeconomic stability, as the inflationary outcome for 2016 indicated (IMF, 2015; 2017). On the other hand, South Korea's fiscal balances were very stable over the period (1995–2015), averaging a surplus of 1.6% of GDP per annum, and the public debt was kept at an average of 23.9% of GDP per year, well below the debt-sustainability threshold.

In the first decades of independence, Zambian leaders did not put much effort in attracting foreign direct investment. In any case, following the nationalizations of the late 1960s and early 1970s, especially the copper mines, foreign investors were unsure whether the country was committed to private sector development. It was only with the dissolution of the one-party state system at the start of the 1990s and the introduction of economic reforms, including current account liberalization, that the country began to receive major inward foreign investment. However, in the formative years, South Korea studiously avoided attracting unrestricted FDI flows. It at first encouraged foreign investment only in areas where domestic firms lacked expertise and competitive advantage, or in areas that the government deemed to be strategic for its industrialization push. It was only much latter that outright ownership of domestic firms by foreigners was permitted. There is no evidence that a similarly protective approach with respect to FDI has been embraced by Zambia and other African countries.

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CHAPTER V: SERVICE DELIVERY: THE CASE OF EDUCATION, HEALTH, AND INFRASTRUCTURE

5.1 Introduction

This chapter discusses the challenges of social service delivery in Zambia, focusing on education, health, and infrastructure services. South Korea's experience suggests that the provision of public services must conform with the need for rapid development through industrialization (Vu, 2007: 28). Hence health and education services should be targeted at boosting human capital, while infrastructure services should principally be aimed at reducing the cost of doing business and boosting private sector competitiveness and expansion.

However, in Zambia and many other developing countries, the urban bias in the provision of social services and infrastructure is perceptible. Furthermore, given the winner-takes-all politics exercised in African countries, central governments are wary of providing adequate social services to opposition strongholds. They also resist devolving power to those areas, including financial resources, lest they be used in some way against the centre.[6] In Zambia, this has meant that local leaders have received much less autonomy under "devolution" than the process usually implies, and have continued to be beholden to the central government. It has made it difficult to be innovative and exercise autonomy in local spending.

The rest of the chapter proceeds as follows: Section 5.2 discusses factors affecting public service delivery in Zambia, including the nature of the state and local bureaucracies.

5.2 Perspectives on Public Service Delivery in Zambia

Public service delivery in Zambia has posed operational as well as political problems for the government. The operational problems derive from the multi-faceted nature of public service delivery, ranging from water and sanitation services in the urban areas to the construction of rural roads and maize depots in the countryside. The competing social service needs, combined with paucity of resources and the government's long list of unmet promises, pose serious challenges for the government and the country in a number of respects.

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[6] This was the case with the Lusaka City Council, which was dominated by the Patriotic Front Councillors when the MMD government was in power. The Council was hindered in its efforts to improve sanitation, water delivery and proper housing by the central government withholding funds (Resnick, 2010).

First, corruption within the public service is threatening to engulf all sectors of the economy (Momba, 2005). The Auditor General's annual reports indicate that graft has become a serious and widespread problem. In the education sector, several thousand textbooks were purchased by the government in 2003 but were ultimately unaccounted for, while the 2007 audit for the sector indicated that only 31% of the total education grant allocation to provinces, districts, and other beneficiary institutions was disbursed. The balance was spent at the ministry for a range of activities and programmes not budgeted for. In health, on the other hand, the 2006 audit revealed that 30% of the funds to healthcare institutions for drugs and recruitment was switched to other expenditure categories at the centre (headquarters), including fuel allowances, air fares, staff recruitment benefits, stationery, training workshops and seminars, payment of salaries, and housing allowances, etc. Similar misallocations were recorded with respect to funds to NGOs supporting street children.

Second, the bureaucratic excuses for putting breaks on the process of devolution in Zambia are that the provinces and districts lack the capacity for management and project execution, and that a fully devolved system of governance would be costly. However, the relative failure of devolution in the country can be blamed on the intransigence of key interest groups, who would stand to lose both power and financial resources if the process was brought to a swift conclusion (Szeftel, 1982). Since independence, the urban elite has benefitted from the urban-focused development policies of the government.

Third, the long period of authoritarian rule in Zambia and the socially disruptive economic reforms since then have discouraged the evolution of radical social movements in society. For example, the once-powerful labour unions on the Copperbelt and public sector, epitomized by the Mining Union of Zambia (MUZ), have been weakened greatly in recent decades. There is today a preponderance of neo-patrimonial systems in the country, and a cynicism regarding the efficacy and even desirability of public action.

Fourth, political pluralism has become the politics of self-gratification in Zambia. The country's presidential and parliamentary elections have been won on promises of better service provision and "development" for areas voting for the "right" party. The implication being that public services are political goods extended to supporters of the government or denied to its opponents. In Zambia's opposition strongholds, there have been incidences of sporadic social service, while in those with pro-ruling party MPs, access to services is much better.

Fifth, weak oversight institutions at the centre and local levels in Zambia make the choice between centralized and decentralized approaches to service delivery difficult to pursue with any degree of coherence (Besley et al., 2007: 135). While a decentralized system is assumed to tailor policies and programmes for service delivery much more effectively given proximity to consumers, while also improving accountability, the system could fail to realize economies of scale. Local governments are also likely to be at the mercy of local bureaucracies and power elites.

Ultimately, political systems determine the policies for the allocation of resources between competing interests and are responsible for ensuring that growth is inclusive. However, on their own, development plans and political statements are not enough. To get results, politicians' feet need to be held to the fire, as it were. There is an assumption that the strength and ambition of policies would help push the government's agenda—and the issues of budgeting, implementation and follow-up often receive secondary consideration. Diakonia (2013: 42) has observed the following in a study of the Zambian experience:

> *Political elites do not feel that the provision of (all) services is crucial for retaining power. The political elites are competing in Cabinet for other purposes and on a different basis. An extreme representation of the lack of formal accountability and responsiveness has been a lack of budgetary discipline (because it indicates that there is no Cabinet view on the best use of the Government's resources as a whole.*

Much of the literature on the developmental state assumes bureaucrats to be agents of change who strive to be facilitative and catalytic in transforming their societies. However, Zambian bureaucrats do not fall in this category. Over the years, there has developed a personal gratification system that has come to dominate the public service. Public servants strongly lobby for jobs in the civil service, which, once in hand, are used to pursue own interests (Halwindi, 2013). Indeed, the Auditor General has listed many cases demonstrating indiscriminate use of public resources, lack of accountability, and abuse of office.[7]

In summary, Zambia's public service delivery seems to be confronted with two interrelated challenges. The first is that the bureaucracies at the central and local levels of administration in Zambia are not the neutral agents for development and transformation as depicted in the developmental state model nor the model of South Korea, but rather are generally focused on self-gratification. Secondly, there is a general lack of capacity across the civil service, which is

[7] The Auditor General's Reports have persistently reported on all sorts of public expenditure abuses by different arms of government at all levels. It seems as if abuse of public resources has been institutionalized, as very few officials are ever held to account for their deeds.

more acute at the lower levels of the administration. The capacity and resource gaps have been filled by non-governmental organizations of various types.

The provision of public services by NGOs increased significantly from the 1980s, when the government's capacity to provide social services weakened following a succession of external shocks. In the 1990s, when many public services were financed through donors, NGOs expanded their activities, often hiring civil servants (on secondment) to do their technical work and thereby eroding civil service capacities and competencies. Ultimately NGOs cannot fill the gap left by an inefficient public service. The expansion of NGO activities and their dependence on donors has caused serious issues of mandate execution and of how to fit their activities in the broader development plans at the centre and the local levels.

5.3 Provision of Education Services

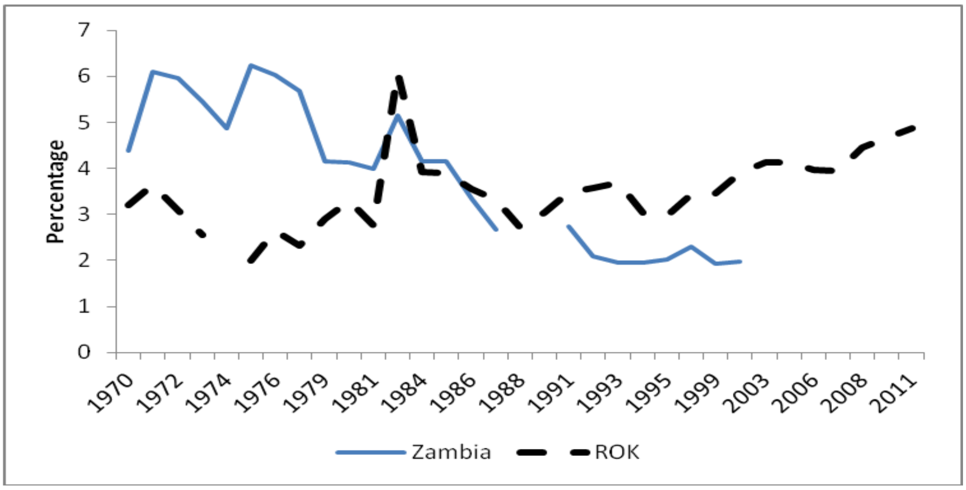
At independence in 1964, Zambia only had "100 university graduates, a bare 1,500 Zambians with secondary school certificates and only 6,000 with junior secondary education" (Mwanakatwe, 1974). The new government was determined to reverse this, and during the first six years of independence, it embarked on the expansion of educational facilities at all levels of the educational hierarchy (primary education aimed at universal coverage, secondary schools, colleges and a university) and increased the size of personnel by several times (Achola, 1990). The structure of education was changed to seven years of primary education (four years of lower and three years of upper primary); five years of secondary (two years of junior and three years of senior secondary); and four years of university education.

As shown in Box 5.1, the government allocated a high amount of resources to education, in the post-independence decade. Thereafter, the sector went into crisis. The government was no longer able to train enough teachers, and the secondary schools were only able to absorb a fraction of the primary school graduates. In 1977, reforms under the title "Basic Education for All" were introduced. The goal was, as in the case of South Korea, to focus on education, which had the potential to lead to productive work. It sought to provide students with some technical competencies in a skill or group of skills. This would allow them to fend for themselves if unable to proceed in school. The education structure was changed to a basic education of nine years, secondary education of three years and four years for college or university.

Box 5.1: Overview of Education Sector in South Korea

At independence in 1945, South Korea was faced with high levels of illiteracy and an elitist colonial education system which had not accommodated the needs of the South Koreans. In 1949, the government introduced a law that made primary education compulsory for all while introducing six years of primary education, three years of middle education, three years of high school education and four years of college education. The Education Tax Act of 1958 was enacted to raise funds to defray the costs of primary education enrolment. Government expenditure on education tripled between 1954 and 1959, reaching about 15% of the total budget. Figure 5.1 shows South Korea was able to sustain its education outlays for a period of over thirty years (between 1970 and 2008), while comparable spending for Zambia was in sharp decline after the 1980s.

Figure 5.1: Zambia and South Korea: Education Expenditure as % of GDP



Source: Constructed by authors using data from www.globalstat.eu

The primary goal of education in South Korea was to provide educated manpower for the country's expanding industries (Yoon, 2014). In 1961, a law was passed which enabled the establishment of at least one college for technical education in each province. The National Charter of Education, which followed in 1968, led to the establishment of more technical and correspondence colleges, with the curriculum aligned to industrial trends. With the switch to higher niches of technology in the electronics industry, for example, new changes were made to the school curriculum to cater for the new industrial needs. The government of South Korea has recognized the importance of highly qualified teachers for good education outcomes. Unlike in many other countries, developed and developing, teaching is one of the most prestigious and high-paying professions in South Korea. The Ministry of Education is directly responsible for hiring teachers, in order to maintain high standards. The teacher attrition rate is only at 1% per year.

In the 1990s, as the economy became more diversified, the emphasis shifted to building a knowledge economy through the private sector. State responsibility was limited to monitoring quality, relevance and excellence of the education system. The previous emphasis on industrialization was no longer relevant in the era of information technology and globalization. South Korea needed to develop manpower with high levels of creativity and to boost its competitive edge in the new IT-based era. In responding to the needs of the new technological era, the private sector was allowed to lead the education process (The Observatory, 2013). This led to the growth in private-sector education provision. By the end of the 1990s, the private sector accounted for 20% of middle schools, 55% of high schools, and 75% of four-year colleges and universities (Gwang-Jo Kim, 2003). The country has been keen to attract teachers from other countries for its universities and colleges. In 2011, South Korea had about 5,000 foreign academics with PhD degrees employed in the higher education sector. The country has sent and continues to send South Korean scholars abroad to obtain foreign qualifications (The Observatory, 2013).

For Zambia, the first major policy issue at independence was to remove inequality and increase access to education. Consequently, school segregation was abolished. Furthermore, user fees in education were abolished in 1965 and universal primary education was introduced in 1966 (GRZ, 1966). This was accompanied by the construction of more primary, secondary, and technical schools, as well as a national university between 1964 and 1975. To further increase access to education, selection examinations at grade four were abolished in 1966, and double sessions in primary schools were introduced. Additionally, a one-year teacher training programme was introduced to increase the number of teachers available to sustain the universal primary education policy.

However, the drive for universal primary education soon led to a higher demand for secondary education than there were available places. This was a dilemma that South Korea also experienced. However, while South Korea resolved the issue by collaborating with the private sector in the provision of more educational establishments (for example, it is estimated that 42% of South Korean middle school students attended private schools in 1965 (Lee, 2014)), the government in Zambia introduced double shifts in secondary schools while the infrastructure was expanded. However, the planned infrastructure development was slow and could not cope with the rapid growth in secondary school enrolment. The decline in government revenue, owing to the sharp copper price reduction in the late 1970s, reduced its room for manoeuvre.

The problem of overcrowding overlay that of the falling quality of education. The school curriculum in Zambia focused more on certification than on skills enhancement. Besides, it tends to prepare students for unavailable white-collar employment as opposed to those requiring manual and/or technical skills. South Korea had dealt with this problem in the 1950s by establishing a dual education system which offered people two options in high school education: to attend an academic general high school or a vocational high school. Entrance to the former was fiercely competitive because every parent wanted to have their children enter these elite schools.

In the case of South Korea, the government reacted to the problem of stiff competition for entry into elite high schools by introducing a High School Equalization Policy in 1974. This policy was meant to make all high schools the same in term of students' academic background, educational conditions, teaching staff and financing. In addition, high school entrance examinations were abolished to create more opportunities for people to enter high school. These policies were quite successful in enhancing access to high school education, but then raised the competition for college entrance (Yoon, 2014).

In Zambia, the government found it extremely hard to finance social sectors adequately. It is estimated that between 1974 and 1985, capital expenditure in education fell by 81% (World Bank, 1990). In 1984, education subsidies were abolished in Zambia and user fees were reintroduced across the education system, a reversal of the 1965 policy abolishing user fees. Cost sharing in education continued until 1996 when a new education policy abolished tuition fees in primary schools altogether. South Korea has maintained free education at the primary level since soon after independence in 1945, although cost sharing has been practiced for other levels of education.

The education budget for South Korea increased from 14.3% in 1964 to 20.4% in 2000 (Kim, 2002). In the case of Zambia, the education budget has fluctuated over the years, falling from an average of 15% in the late 1970s to a low of 9% in the late 1980s (Kalinda et al, 1992). There was, however, an upward trend starting in the late 1990s—it oscillated between 18% and 20% from 2011 to 2015 before falling to 17% in 2016 (UNICEF, 2017).

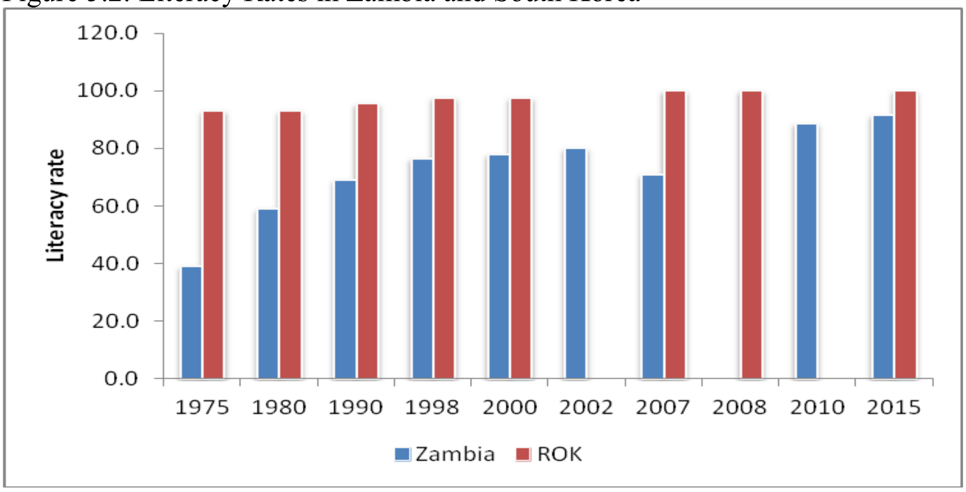
While Early Childhood Care and Education (ECCE) services started off as purely privately funded services in South Korea, they are now provided free of charge for children who meet the criteria. As of 1996, all private middle schools (lower secondary schools) and over 95% of private high schools receive government subsidies, including support for staff salaries. At the tertiary level, where 80% of the universities and colleges are privately owned, most of the financing is private. However, the government provides bursaries to support students that meet the criteria.

The financing of education in Zambia takes a slightly different form. To begin with, unlike in South Korea, almost all ECCE services are paid for by households themselves, except for those in rural areas. Free education is provided for only the first seven years of basic education (which goes up to nine years). All secondary school students pay fees, although the government provides subsidies directly to schools, both public and private (non-profit), in the form of salaries for teachers and other staff accompanied by a small direct grant. Students at the tertiary level are charged fees, although the government provides bursaries for a few "poor" students.

The hazardous expansion of tertiary education in Zambia has lowered quality, while distorting the system as a whole. The many private colleges and universities established in recent years are poorly regulated, and often not at all. In 2011, a national qualifications authority was set up to provide quality assurance in the sector. It classifies and accredits institutions, and publishes results related to its assessment of any tertiary institution. In 2013, the Higher Education Authority was also set up to, inter alia, provide advisory services to the Minister of Higher Education, formulate policies, regulate and coordinate the sector, and provide quality assurance.

In terms of broader outcomes, literacy levels in Zambia have not risen as rapidly as expected. At independence in 1964, literacy levels in Zambia were very low; only about 25% of African males and 7% of African females over the age of 16 years were literate (UN/ECA/FAO, 1964: 91). By the 1990s, the average literacy level in the country had increased to 65% among the adult population 15 years and older—73% for males and 57.4% for females. However, there was downward fluctuation in the mid-2000s. Figure 5.2 indicates a decline in literacy from 80% in 2002 to 71% in 2007. South Korea had already reduced the problem of illiteracy significantly by the early 1960s. Figure 5.2 shows that the country has managed to sustain a literacy level of around 100% in the past decade.

Figure 5.2: Literacy Rates in Zambia and South Korea



Source: World Bank, Development Report, various years

School enrolment rates for Zambia and South Korea, though tending to converge in recent years at the primary level, thanks to universal education policies pursued in both countries at that level, there have been stark differences at the secondary level (Table 5.1). Enrolment rates for males and females at secondary level in Zambia are still wide apart, while those for South Korea converged decades ago. The “education fever” that pervades South Korea has played a critical role in the expansion of school enrolment at all levels of the education system (Lee, 2006, and Sorensen, 1994).

However, the overall situation for women in Zambia at the tertiary level is much better, with statistics showing that in 2014 and 2015, female students accounted for 42% of all students in public universities, while accounting for 57% of all students in public colleges of education.

Table 5.1: Zambia and South Korea: Selected Figures for Gross School Enrolment Rates (%)*

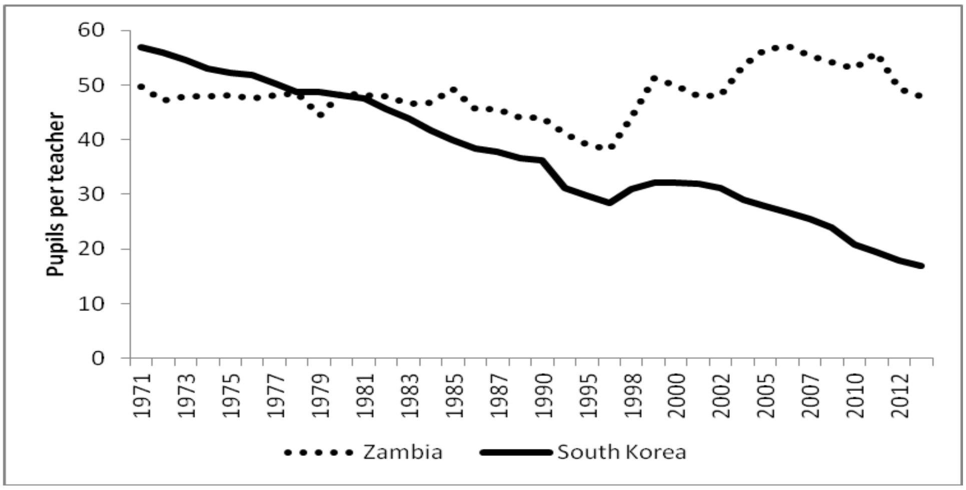
	Secondary school		*Primary school*	
Year	*South Korea*	*Zambia*	*South Korea*	*Zambia*
1971	39.7	13.7	105.7	91.5
1975	54.4	15.1	104.1	93.3
1980	76.9	16.3	105.2	92.4
1985	90.6	18.4	101.8	101.1
1990	92.6	21.0	106.0	n/a
1994	99.0	20.5	104.7	91.5
2005	97.5	19.7**	101.6	117.3
2010	97.1	33.4**	103.2	111.4
2011	96.7	28.8**	103.8	113.0

Notes:
n/a refers to not available.
** Gross Enrolment rates apply to Grades 10-12 because over the period, Zambia pursued a two-tier education system with Grades 1-9 as basic education and Grades 10-12 as secondary or high school.

Source: www.globalstat.euand MESVTEE (2012)

There have been some challenges in the delivery of education in both Zambia and South Korea, and how they were resolved is instructive. In the early 1970s, the teacher-to-pupil ratio in South Korea was around 1:60, compared to about 1:50 in Zambia (Figure 5.3). Zambia stagnated at that level for close to two decades, as infrastructure challenges persisted, while South Korea witnessed a sharp decline past the early 1980s, reaching 1:17 in 2013. This was thanks to the training of new teachers, more structures, and also crucially declining fertility. Zambia’s ratio is still above 1:40.

Figure 5.3: Zambia and South Korea: Changes in the Teacher/Pupil Ratio



Source: www.indexmundi

In the past decade, the teacher-to-pupil ratio in Zambian secondary schools was about 1:50 in lower junior secondary school and 1:22 in high school. It is anticipated that this problem will persist, owing to resource constraints.

Another quality-related aspect worth looking at is the capability of students from the two countries. As we noted above, the “rapid expansion” of primary, secondary, and tertiary education has cost Zambia quite a bit in terms of the quality of education outcomes. Educational quality has declined severely at all levels. The Southern African Consortium for the Measurement of Educational Quality (SACMEQ) study from 1995, designed to measure reading ability, showed that only 25.8% of grade six pupils reached a minimum mastery level. The 2000 SACMEQ tests for reading and mathematics put Zambia among the lowest of the fourteen participating countries (UNESCO, 2010). The situation is quite different for South Korea. Academic performance is excellent, and South Korean students were ranked second globally in reading, third in mathematics, and fourth in science (UNESCO 2009). What is instructive is that the points of departure in the early 1960s were too different.

In terms of university education, Zambia started off without a university and depended on other countries in the region to train its people. As noted earlier, the country had only 110 university graduates (105 males and 5 females) at independence (GRZ, 1965, Wolhuter 2014). However, the University of Zambia was up and running by 1966, and two other universities, Copperbelt University and Mulungushi University, were created decades later. However, attempts to create technical institutions of higher learning have not taken off. Enrolment at public universities reached 40,000 in 2015.

On the other hand, many private universities have been established since the 1990s. In 2016, the newly established Higher Education Authority had fifty-five private universities registered in its books. However, most of the new institutions are small and underfunded. They tend to offer courses in the humanities and eschew the more demanding laboratory-based science subjects or those in technology and engineering. They might not be the basis on which a quality education for the country's economic transformation will be constructed.

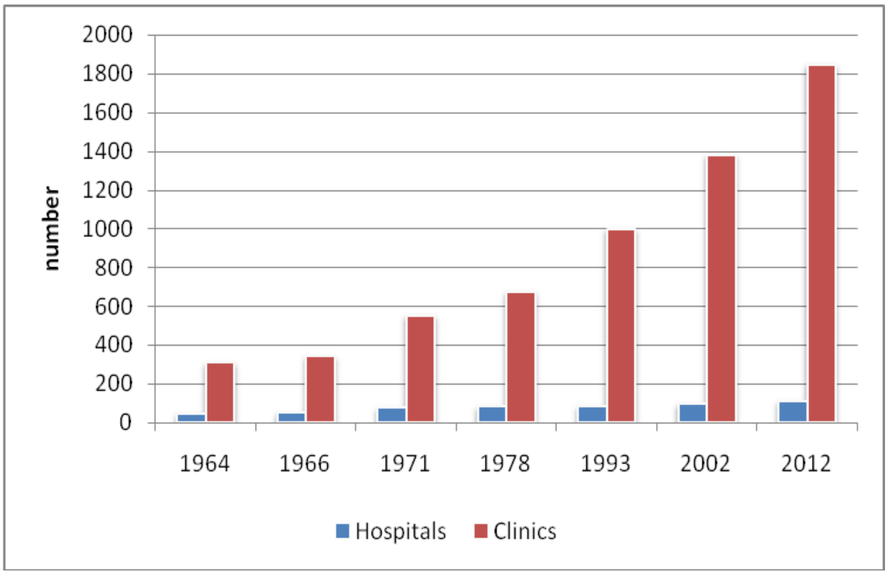
The development of tertiary education in South Korea has had a different trajectory. South Korea had a university in place as far back as the 1920s. The country had 290 tertiary institutions comprising of colleges and universities in 1990, and 419 in 2004. Recent statistics indicate that more than 80% of tertiary education institutions are privately owned, and women are well represented in most courses.

5.4 The Health Sector in Zambia

At independence, the health sector in Zambia was underdeveloped and the population was "unhealthy" (UN/ECA/FAO, 1964: 7). Diseases of poverty, such malnutrition and tuberculosis, were widespread among both children and the adult population (UN/ECA/FAO, 1964: 121). The health facilities were concentrated in the urban areas, with only a handful in the rural areas near mission stations. Villages were often 100 miles away from the nearest health centre. The major task in 1964 was therefore to develop the health sector. The new government set out to create a health sector where "everyone has access to curative and preventive health services through a health centre, clinic or hospital within 15 kilometres of their homes" (GRZ, 1964).

First, the government desegregated the hospital system and introduced free medical services in 1965. A major constraint facing the health sector in the 1960s was the fact that the facilities were owned by institutions outside the formal government. The mines owned some health facilities, and the missions and government owned others. The government reorganized the health sector by bringing mining hospitals under supervision of the government and integrated the mission hospitals into the national health services system. The government also embarked on an ambitious human resource training programme in the sector to boost human resources and reduce the reliance on expatriate staff in the health sector. Expatriate staff held 41% of the 1,305 senior posts in the health sector in 1966. It was envisaged that with the opening of the University of Zambia and the medical school and several nursing training schools, local doctors and nurses would begin to come on stream. The number of medical doctors increased from 151 in 1964 to 1,150 in 2012. The number of nurses was estimated at about 24,000 in 2012. Figure 5.4 indicates that the number of healthcare institutions increased sharply, with the liberalization of the economy, although the bulk was clinics, with the number of hospitals remaining relatively small.

Figure 5.4: Zambia: Number of Health Facilities, 1964–2012

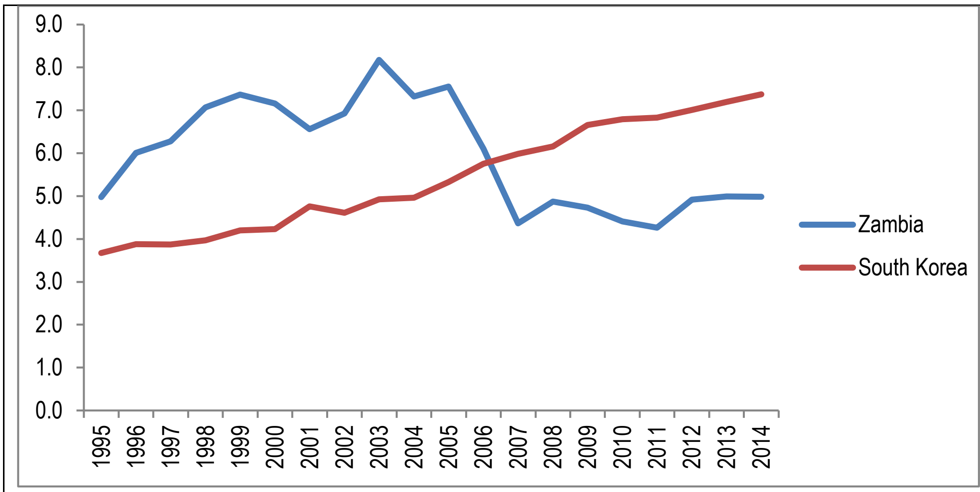


Source: GRZ (2013)

Box 5.2: Overview of the Health Sector of South Korea

The health status of the population and the provision of healthcare were similar in Zambia and South Korea some fifty years ago. Since the late 1980s, South Korea developed a modern healthcare system and achieved universal healthcare coverage by 1989. This was enabled by a steady increase of expenditure on health over a period of twenty years, an average of 5.4% of GDP, but more importantly by involving the private sector in healthcare provision and focusing on policy formulation, regulation and follow up. In 2000, approximately 90% of hospital beds were provided by the private sector. Thus, although Zambia spent a bigger share of its GDP on health (up to 8%) in the 1990s, a general lack of a well-streamed health-sector policy led to inadequate outcomes.

Figure 5.2: Government Expenditure on Health (% GDP)



Source: World Bank (various years)

South Korea inherited a weak and fragmented health system. However, in the early 1960s, the state implemented comprehensive healthcare reforms. The reforms resulted in improved health outcomes at lower levels of expenditure compared to most countries in the world. The country attained universal health coverage within less than thirty years of initiating policy reforms. Its health outcomes rank among the best in the world. In this section, we discuss the role of government, healthcare financing, health outcomes and organisation of healthcare providers in South Korea.

The health system in South Korea has evolved in line with its real economic growth that has occurred since the early 1960s. The state's market-oriented economic policies favoured private provision of healthcare over government involvement. Consequently, the state sought to minimise its involvement in healthcare delivery. It encouraged private sector provision of healthcare. In 1963, the state passed legislation permitting employers to offer voluntary health insurance to their employees (Kwon, S., 2007, Song, Y.J. 2009). However, as a voluntary coverage scheme, it achieved very limited resource mobilisation and lacked participation. Between 1969 and 1977, the state introduced further reforms. These included a voluntary health insurance society for both employers and individuals.

The state continued to make several changes to the health system. In 1977, a law instituting a compulsory National Health Insurance scheme was initiated. The scheme covered population groups that were easy to reach and enrol, such as employees of large corporations with more than 500 workers. This was later extended to firms employing at least 300 employees. The coverage was incrementally extended to other sectors. In 1988, the coverage was extended to the remaining smaller firms, the urban self-employed, and the rural population (Anderson, 1989, Goldsmith, 2012, Kwon S. 2008). Other population groups, such as the poor, the elderly and the disabled were covered by the state. This revolutionised the healthcare system. In doing this it split healthcare insurance coverage into two; insurance for employed and for those not employed. The country achieved universal healthcare coverage in 1989.

During this period, the insurance industry had many insurance societies and many private actors. This resulted in high administrative costs. These were all merged in one single player in 2000. The purpose of this move was to increase the efficiency of risk pooling and minimize administrative costs (Na S and Kwon 2015). The rapid expansion of the health insurance system in South Korea benefited from the favourable real economic growth. The reforms received support from employer groups such as the Korean Employers Federation, the Federation of Korean Industries and trade unions. These groups and institutions participated in the health policymaking process (Chun et al, 2009).

The Ministry of Health and Welfare was, throughout the reform process, empowered to supervise, regulate, plan, and provide the strategic direction, as well as to set the overall policy, of the health sector. It had limited direct participation in healthcare delivery. The Ministry's approach to health planning was generally based on the health needs of the population. This was aligned to changes in political ideologies. The state has been engaged in setting budgets, standardising fees, and providing administration costs. This was done in collaboration with providers and consumer representatives.

Today, the healthcare system in South Korea is predominantly financed by health insurance. The National Health Insurance Program has three sources of funding. First, contributions by the insured based on their income and contributions by employers for their employees. For residents in rural areas, the contributions are adjusted accordingly. Second, the government provides 14% of the total annual projected revenue of the National Health Insurance Program. Third, the third source of funding is a surcharge on tobacco, which provides 6% of the total annual projected revenue (Song 2009).

Although the state provided substantial financial support in the initial stages of the health sector reforms, its role in healthcare delivery is now limited to subsidising the healthcare needs of the poor. These account for 10% of the population. The management of the healthcare system, such as financing, healthcare infrastructure and healthcare provision, is coordinated by the private sector. The private sector owns over 90% of the healthcare facilities. The private sector comprises the traditional Korean Medicine and Western Medicine. The other 10% of the total healthcare facilities are directly managed by state agents. These are in the form of national hospitals, such as psychiatric hospitals and tuberculosis hospitals. In these cases, the private sector fails to meet healthcare needs. Local governments subsidised by the state also allocate budgets for the management of public health centres within their areas. The centres provide public health services such as immunisation, health education and health promotion.

Through a decentralised system, local governments also provide health services for the poor who are selected for the medical aid programme. This is based on criteria set by the central government, which provides funds for the programme in addition to the subsidies that local governments receive from the central government. In 2008, the state launched the long-term healthcare insurance scheme, which is partly managed by local governments (Chun et al, 2009). Further reforms in the health sector in South Korea are focused on addressing the causes of market failures and reducing the cost of healthcare.

The strong healthcare system that has been developed in South Korea, accompanied with good economic performance, has resulted in vast improvements in the health of the South Korean people. The basic indicators ranging from life expectancy to infant mortality rate are at the very top of global rankings. The causes of diseases have also shifted from that of low-income country conditions, such as respiratory diseases and pneumonia, to diseases typical of a developed country.

However, in the late 1970s and 1980s Zambia experienced a major recession that affected social spending, notably on the health sector. The government cut back on the construction of new health facilities, while older hospitals could not be maintained. There were serious shortages of medical supplies. The human resources situation in the health sector became acute as demoralized health workers left for "greener" countries or other sectors. The ultimate result was a deterioration of health indicators: the infant mortality rate rose, life expectancy declined, outbreaks of cholera became endemic as the percentage of people with access to safe water and sanitation declined, and immunization coverage declined. There was a rise in malnutrition. Furthermore, in the 1980s a new health challenge emerged in the form of HIV/AIDS. By the end of the 1980s, the health sector was moribund. Policymakers saw the need for reform. However, this reform did not take place until the mid-1990s when the country implemented the structural adjustment programme.

The new government in 1991 set out to revitalize the health sector through reform as a way of arresting the sector from further deterioration. The new reforms emphasized primary healthcare, efficiency and community participation in the financing of healthcare services. The administrative structures were reorganized through decentralization. The overall policy of the government was "to provide Zambians with equity of access to cost-effective, quality healthcare as close to the family as possible."

The reform process was guided by three principles: decentralization, financing, and budgetary reforms. There was differentiated decentralization of the responsibility for essential health services to the district, secondary, and tertiary hospital levels. In terms of financing reforms, funding was redirected from centrally managed projects towards the local levels of the community and districts, user fees were reintroduced to enhance the resource base, and basket funding was introduced to coordinate the funding activities of the external donors involved in the sector. The budgetary reforms entailed the delegation of planning authority to the district. The execution of the plans would be financed by allocations from the central authorities and locally generated resources like user fees. There was also a re-emphasis on primary healthcare. This was not a new policy. But it was argued that the implementation of the strategy since the

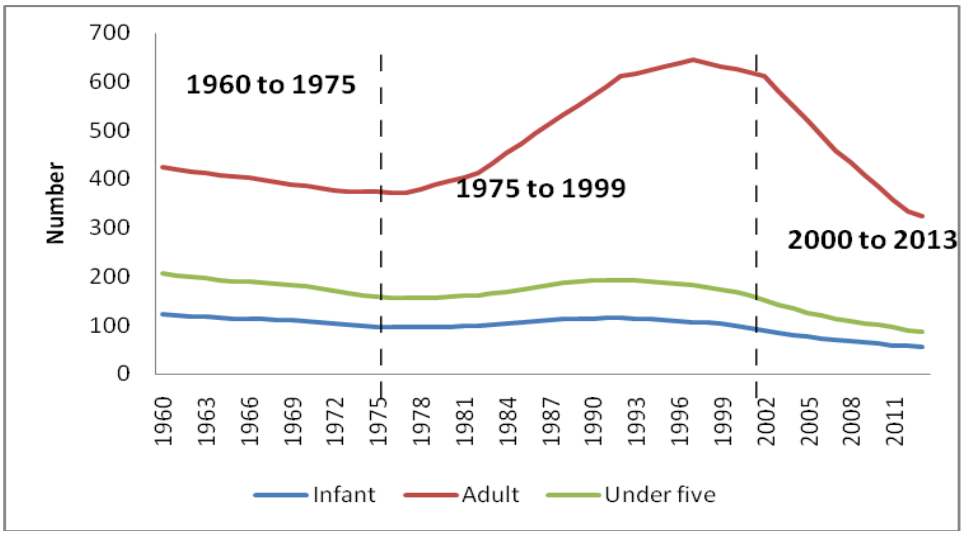
1980s had been haphazard, biased towards urban areas, and had little community participation (Ministry of Health, 1994).

These reforms were implemented in the 1990s and continued in the 2000s. However, some of the policies were reversed in the course of the decade. Thus in 2006, user fees in rural areas were abolished. This was done at the urging of the external donors, who pointed at the weak household finances in the countryside. They provided resources for drugs and other expenditures for rural health facilities to cushion the transition. Moreover, donor basket funding was modified and expanded to include secondary and tertiary hospitals. In 2006, the Central Board of Health (CBoH), a vehicle created in the 1990s for the coordination of policies in the health sector, including decentralizing health service delivery, was dissolved. In the end, CBoH had failed because it had incurred high operational costs, while tending to duplicate the duties of the Ministry of Health, which had caused resentment. Moreover, the decentralization effort was confined to health issues and not well linked to other agencies. In 2012, primary healthcare functions were moved from the Ministry of Health to the Ministry of Community Development, but the decision was reversed in 2015.

The policy reforms in the 1990s onwards benefitted the health sector in three important ways: first, they increased accountability, through better coordination of funding by the government and through basket funding to the health sector by the donor community. The fiscal decentralization shielded the districts from delays in the flow of funds from the centre and afforded them more freedom in the preparation of district budgets and in accounting for their expenditures. The policy reforms also enhanced community participation through the health centres and neighbourhood committees. However, some policy adjustments, such as the removal of user fees at rural health facilities, rationalized on basis of the high levels of poverty in rural areas, were too hasty and lacked analytical support. They negatively affected the financing of rural health facilities when the support from the donor community waned in subsequent years.

The expansion of healthcare provision in Zambia had notable impacts on social indicators in the country. The investments improved health infrastructure, increased the number of trained staff, and improved health indicators, notably mortality rates. Life expectancy has increased over time, despite a temporary collapse in the late 1980s and 1990s, mainly attributable to the prevalence of HIV/AIDS (Figure 5.3 and Figure 5.4). For example, the infant mortality rate decreased from 123 infant deaths per 1,000 live births in 1960 to 96 infant deaths per 1,000 live births in 2013. There was also a reduction in the adult mortality rate for males, from 424 to 371 adult male deaths per 100,000 between 1960 and 2013. A similar trend can be observed in the under-five mortality rate.

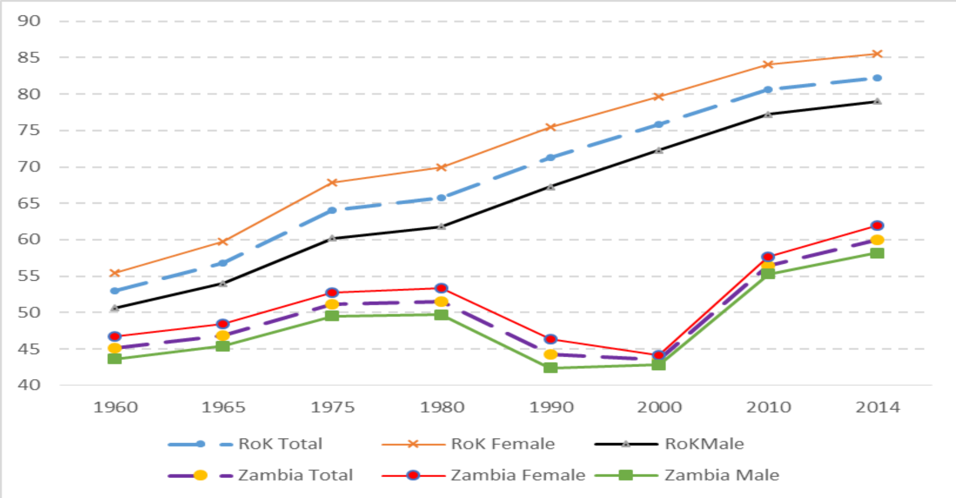
Figure 5.3: Trends in Mortality Rates (per 1,000 live births for children and 100,000 for adults) 1960 to 2011



Source: UN Inter-Agency Group for Child Mortality Estimation (2017)

However, the reduction in the mortality rates could not be sustained in the late 1970s onwards, partly as a result of increasing poverty and the decline in healthcare provision. It has been shown that the main causes of death in the country at that time were preventable diseases such as measles, pneumonia, diarrhoea, malaria, and malnutrition (Simson, 1985). Mortality rates peaked in 1996, and then declined. This could be attributed to the economic recovery of the late 1990s, which generated more government revenue and resources for the health sector. There has been continued reduction in mortality rates into the 2000s and improved life expectancy as growth has continued to be sustained (Figure 5.4). The focus on MDGs in the 2000s spade resources into the social sectors in Zambia. However, a comparison with South Korea (Figure 5.4) shows a wide gap in life expectancy and well-being for countries that once shared similar start conditions.

Figure 5.4: Life Expectancy (Years) for South Korea and Zambia (1960–2014)

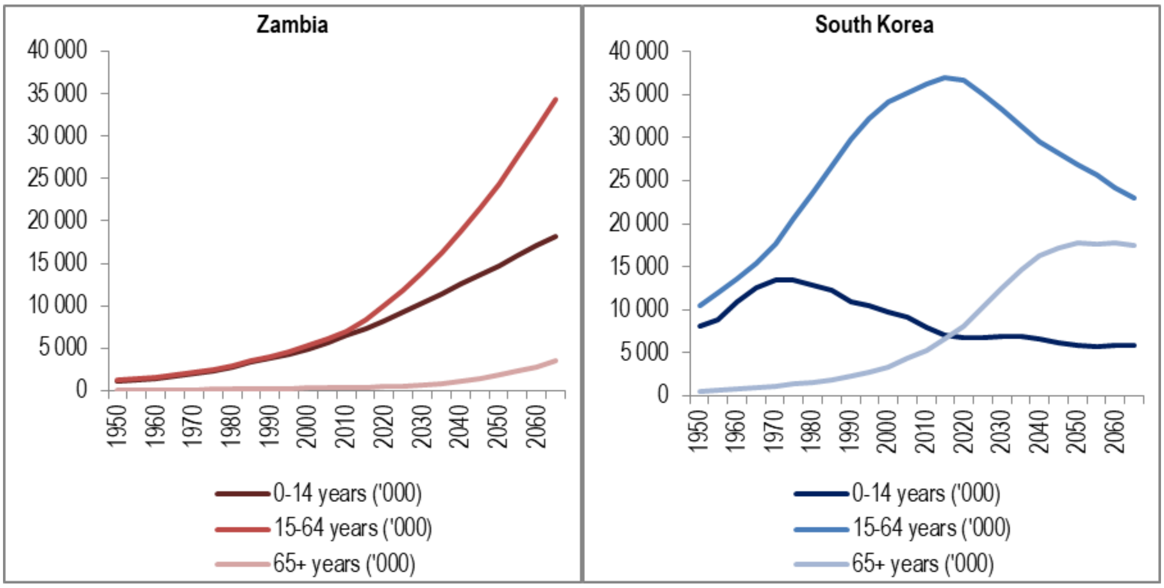


Source: World Bank (various years)

The overall quality of healthcare and thus the health status of the population in South Korea improved steadily from the early 1960s until 2014. The infant mortality rate, which is one of the most important indicators, declined from 80 deaths per 1,000 live births in 1960 to three deaths per 1,000 live births in 2014. Similarly, the under-five mortality rate dropped from 112.9 to 3.6 deaths per 1,000 live births.

On the contrary, despite recent efforts by the government, the quality of healthcare in Zambia remains generally poor. In 2014, the infant mortality rate was 45, while the under-five mortality rate stood at 66.7 per 1,000 live births. The total fertility rate sharply declined in South Korea from 5.4 in 1965 to 1.2 in 2014, compared to 7.3 in 1965 and 5.3 in 2014 in Zambia. While South Korea embarked on its demographic transition a while ago, such a transition has not yet begun in earnest in Zambia (Figure 5.5).

Figure 5.5: Demographic Transitions in Zambia and South Korea



Source: United National Statistical Division (2015)

South Korea, like many other East Asian economies, dealt with its demographic transition into an aging population by significantly upgrading its pool of human resources. It essentially transformed the declining workforce (aged 15 to 64 years) into a cadre of high-income earners who helped to offset the growing burden of aged dependency. The government deliberately focused on targeted healthcare as well as capacity building measures for older South Koreans to enhance their malleability on the labour market.

5.5 Social and Economic Infrastructure

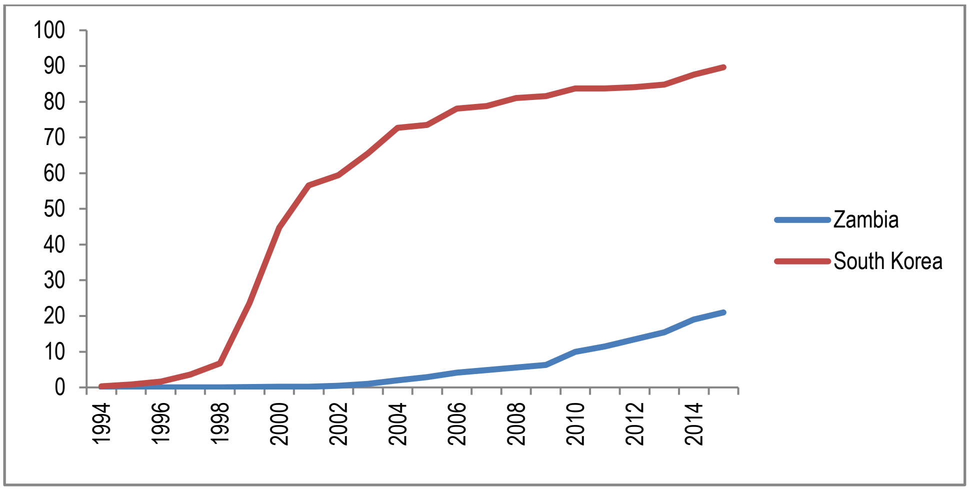
Social overhead capital, which is key to development, includes roads, airports, railways, and telecommunication and information technology. The developmental states of East Asia, notably South Korea, systematically pursued the expansion of social overhead capital, linking it to their ambition for rapid industrialization. This section looks at how Zambia fared in this regard, with frequent comparison to South Korea. Subsequently, an in-depth analysis of the water and sanitation sectors in Zambia and South Korea is undertaken.

A. Overview and Lessons

In Zambia, and as part of its transitional and first national development plans, the government embarked on an ambitious programme of infrastructure development after independence. It included roads, schools, hospitals, etc. A rail line was built to connect the country to ports in the East. In 2004, it was estimated that Zambia has 1,273 kilometres of rail network. However, most of the rail network is dilapidated and unusable.

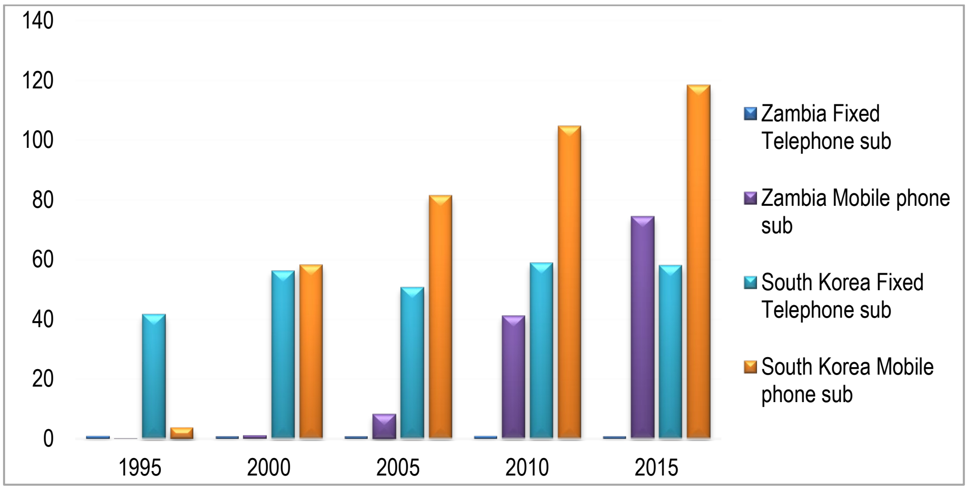
Information technology, notably access to the internet and the use of mobile phones (Figures 5.6, 5.7), has had substantial economic impact in Zambia, with ripple effects in finance, education and the public services, although it started from a low base. The figures also show that with resources and ambition, access and impact would have been greater, as in the case of South Korea.

Figure 5.6: Access to Internet (% of Population)



Source: World Bank (2016)

Figure 5.7: Subscriptions to Fixed Telephone and Mobile Phone Services



Source: World Bank (2016)

A key point of departure in discussing infrastructure development in South Korea is that the various segments, including roads, rails, ICT, etc., were undertaken according to the country's own priorities, as defined in its development plans, and not those of the donor community, or foreign investors (indeed FDI played a relatively limited role in the take-off phase of South

Korea's industrialization). During the first development plan (1962–1966), which had placed priority on the export drive of textiles and consumer goods, the state built industrial complexes (similar to the multi-facility zones in Zambia) and provided roads and railways to service them. By 1981, South Korea had built 3,121 kilometres of rail network. This has remained about the same over the years, but it has continuously been modernized. During the 1967–1971 Plan, which had put priority on development of heavy industry, the state electrified the Jungan, Youndong and Taebak railways in order to improve the transportation of raw materials and the final products.

The government created infrastructure to match a specific need. By 1995, South Korea had achieved universal access to electricity by its households, while Zambia's coverage was less than 30%. Zambia also lagged considerably behind in the extension of its road network. Donor financing was key to the extension of its infrastructure, but unlike South Korea, national development plans were not the blueprints, with priorities defined by financing opportunities.

There are six lessons to learn from South Korea's approach to infrastructure development:

First, infrastructure projects were based on a firm legislative basis. South Korea used a systematic administrative process (following the plans and responding to emerging needs) rather than politics as a basis for infrastructure investment decisions. This was important for tying in all participants and for firming up financial and human resource commitments. In 2000, a law was passed requiring all major infrastructural projects (costing more than US$50 million) to be evaluated within three years of completion. This forced project planners to be more careful at the initiation and implementation stages. Cost-benefit analysis was used before projects were embarked on, bringing about efficiencies in the implementation of infrastructural projects.

Second, coordination was crucial. South Korea used a strong planning agency (the Economic Planning Board) and performance monitoring by the President and Ministers. This forced the bureaucrats to commit to high performance levels and raised the management capacity for infrastructure projects.

Third, infrastructure development requires a steady source of financing. South Korea created a fuel tax that helped establish a stable fund for financing infrastructure projects. It made the process more predictable and less dependent on government budget allocations. The rapidly growing economy meant that the fund would expand rapidly and cater to a range of projects. The government encouraged private-public partnerships (PPPs), notably by providing guarantees for the funds borrowed by the private sector from abroad for infrastructure projects at home. Similar financing mechanisms have been attempted in Zambia in the past decade, although too few to enable a good assessment of their impact.

Fourth, given resource constraints, infrastructure projects require good sequencing. With its focus on industrialization, South Korea had neglected agricultural and rural infrastructure in the initial decades of the growth process. The situation changed in the early 1970s, however, as the low demand for goods and services in the rural parts of the country were slowing growth overall. Rural projects were seen as a form of rural stimulus.

Box 5.4: South Korea: The New Village Movement and Rural Infrastructure

South Korea's Third National Development Plan 1972–1976 focused on rural development. To expand rural infrastructure, the government took control of the New Village Movement (NVM) or the Saemaul movement, a civil society formation[8] and used it as the framework for transforming rural communities into modernized entities. NVM projects included village road expansion, construction of farm feeder roads, bridges, water reservoirs, irrigation channels, village halls, warehouses, housing improvements, village layout improvements, sewerage system construction, electricity installation and telephone lines. Reforestation was initiated at the central level and passed down the bureaucratic chain of command until it reached the villages. The government was involved in designing, planning and implementing these activities.

However, involvement in NVM activities required contributions from the villagers—which were compulsory. Villagers contributed cash, materials and labour to match the government's contribution. It is estimated that during the 1970s, the government contributed 37% to the costs of rural infrastructure while the villagers contributed the rest (Park, 2009: 126). Still, the NVM campaign resulted in widespread improvements in the quality of life in the rural areas. This was especially so with respect to access to public infrastructure. Although the NVM was conducted in an essentially Maoist fashion, in a capitalist country, a modest approach could be possible in the Zambian context where NGOs have played similar roles, though less successfully.

Fifth, South Korea used PPPs to expand infrastructure provision. It did this without unduly surrendering the country's right to determine its priorities.

Sixth, the funding of infrastructural projects through specific taxes such as the fuel tax can be effective in resolving financial constraints. This is likely to reduce pressure on the government.

[8] The Saemaul spirit promoted a combination of modern and traditional values, i.e. diligence accompanied by self-help and cooperation against indolence, dependency and factionalism. The leaders of the movement were given government benefits to ensure their alignment with the government's needs. So, what started as a social movement ultimately became a part of the government machinery.

B. The Case of Water and Sanitation in Zambia

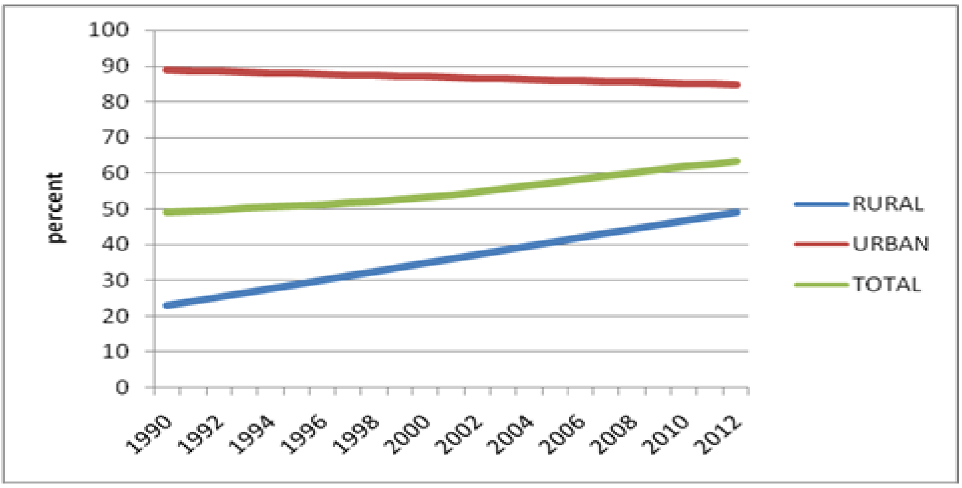
The population's access to water and sanitation are good proxy measures for the socio-economic inclusion of its economic policies, as well as the general welfare of the people. The two services are essential ingredients for ensuring good health and increased productivity. Healthier households are best placed to take advantage of the economic opportunities available. However, the supply of water and sanitation is often neglected. Today, a substantial percentage of the Zambian population has no access to clean drinking water. Households use rivers, streams and shallow wells as their sources of water.

Lack of proper sanitation is an even greater challenge. It was estimated in 2015 that a total of 6.7 million people, or 43% of the population, did not have access to proper sanitation services. For many households, in both rural and urban areas, open defecation is the only alternative. Some anecdotal commentators (e.g., Zambia Daily Mail, September 3, 2015: 5) have put the number resorting to that at 2.3 million. However, issues of access to water and sanitation (deemed economically irrelevant) do not feature prominently in public policy debates in Zambia, leading to low investment and serious underfunding, especially in the rural areas. For sectors that have such broad implications for household wellbeing, it is surprising that a substantial portion of the financing comes from the donor community. Consequently, a number of activities in the sector are funded by external donors. For instance, between 2007 and 2012, the government's portion of the total outlay for the local authorities' water, sanitation and hygiene (WASH) activites averaged only 2.9%. The rest came from donors (Zambia NGO Water, Sanitation and Hygiene Forum, 2012).

However, the government has embarked on policies to decentralize the provision of water and sanitation activities to local authorities and private firms. A regulatory authority was set up, and public funding to the sector was increased. Full cost recovery was introduced through user fees. These reforms brought about new institutional arrangements in the water and sanitation sector, and there has been some improvement over time in access to clean water and good sanitation (Figures 5.8 and 5.9).

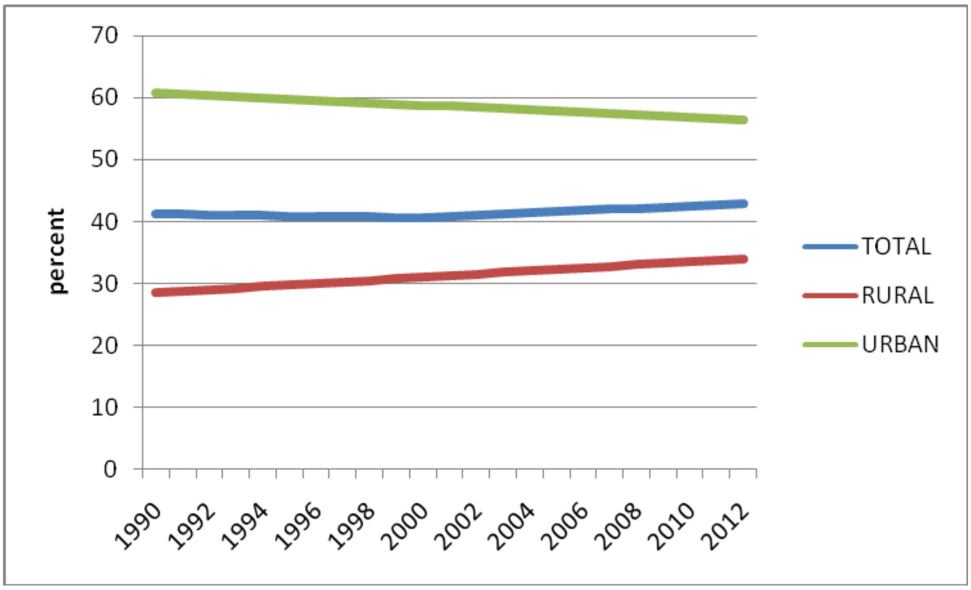
In 1974, 34.6% of the dwellings lacked access to clean water, while about 47.3% did not have a proper sewage disposal system (ILO, 1977: 148, 150). In 2013, the water situation had changed for urban dwellers, with some 85% having access compared to 90% a decade previously. The urban retrogression is also apparent in the urban sector's access to sanitation, which had declined from above 60% in 1990 to about 57% in 2013. For both sectors, the rural areas performed better, with households having access to water and sanitation rising, if only slightly.

Figure 5.8: Access to Improved Water Sources, 1990–2012



Source: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation

Figure 5.9: Sanitation Coverage, 1990–2012



Source: WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation

As in the case of health and education, South Korea has pursued a more consequent policy vis-à-vis the water and sanitation sectors. From the 1960s, water and sanitation were prioritised (Shim Y and H An, 2016). Policies in the sector were aligned with the goal of promoting economic growth and the government formulated targets that the sector had to meet. The responsible institutions were monitored rigorously and made accountable for the progress made. Unlike other sectors of the economy where the private sector took a leading role, the water sector in South Korea is still dominated by government agencies. The relative success of the sector is partly thanks to a streamlined legal and regulatory framework established already in the 1960s (including the River Law and the Water Cleansing Law; the Water Supply and Waterworks Install Law; and the Sewerage Law). These laws laid down specific functions and policies that were embedded in the Five-Year Development Plans (Ryu S, et al, 2016). The institutional arrangements were elaborate, assigning specific responsibilities to each institution which closely worked together. For example, the Ministry of Land Infrastructure and Transport developed and reviewed water resource plans while the Ministry of Environment constructed the public water and wastewater infrastructure.

In addition to enacting laws, the State set up an elaborate institutional arrangement at central and local levels to coordinate the development of the water sector. In particular, the Ministries of Land Infrastructure and Transport and the Ministry of Environment played complementary roles in the development of the water sector. These ministries with associated public enterprises developed and provided the requisite infrastructure that was critical for service delivery by local authorities. The local authorities developed water and sanitation plans that were consistent with the national development plans. Their infrastructure development was supplemented by the central government. The responsible ministries were accountable for the developments in the sector and implemented projects on the environmental management and prevention of pollution (Shim and An, 2016).

Successive governments built on these early achievements and maintained a whole-government approach and high-level responsibility for planning, implementation, monitoring and promotion to help overcome the great challenges posed by poverty, environmental degradation and public health. For example, during the 1980s, new water and sanitation programmes such as the Comprehensive Plan for Clean Water (1989) and the Comprehensive Plan for River Water Management (1998) were introduced to curb pollution and improve water quality. Although most water supply and sanitation work remain under the control of local authorities, a number of construction works have been transferred to the private sector to promote competitiveness and innovation since 1998. Government has also engaged the private sector in the build, operate and transfer arrangement.

The strong political will provided the push for financing large water and sanitation infrastructure development. Between 1960 and 1975 the government mobilised substantial assistance from its cooperating partners such as the United States of America, Japan and Germany to support the sector. In addition, the World Bank and the Asian Development Bank provided substantial resources to the water reticulation projects. The attraction of foreign firms in the construction of the key infrastructure resulted in the creation of a pool of skilled Koreans in the water sector. In subsequent years, the state took over the responsibility of financing the water sector. The key policy for the Water sector was the use of subsidies towards the development of the sector while balancing it with increases in user charges making the sector financially viable. In its pursuit of the financial and social objectives, the state deliberately balanced the need for quality water, affordability and the wider external benefits of good sanitation to society. Subsidies were used to maintain lower tariffs in areas with vulnerable people such as rural areas. Similar incentives were provided for wastewater management.

The Water and Sanitation Sector in South Korea has performed much better than the Zambian Sector. South Korea has made continuous efforts to expand its clean piped water supply from about 17% in 1961 to over 98%. This is almost attaining universal service coverage. The country has also made progress in wastewater and sewerage coverage. This has increased from almost 0% in 1961 to 92% in 2012. These are shown in Table 5.3.

Table 5.3: Household Water Supply and Sewerage Coverage in South Korea, 1961–2011.

Indicator	*1961*	*1980*	*2000*	*2011*
Household water supply coverage (%)	17	55	87.1	98.1
Household Sewerage coverage (%)	2	8.3	70.5	91.6

Source: Shim and An (2016)

These high levels of coverage were achieved by sustained public intervention in the water sector. The government engaged in a comprehensive programme that provided sustained long-term funding. There was a careful balancing between the effective targeting of public subsidies to leverage private funding with the goal of industrial development and domestic need. The focus on the sector had strong political support. Leaders took responsibility for delivering sustainable clean water. Sanitation was promoted as a part of the wider public health programme to eliminate water-borne diseases. Moreover, the expansion of the water sector was embraced by the state as a parasite eradication programme. Thus, the provision of sanitation infrastructure in low-income housing projects was prioritised and subsidised as an integral part of the disease-control programmes.

South Korea has achieved universal coverage in water and sanitation. This success in attaining universal service overage in water and sanitation reflects the fact that vision, strategy and leadership commitment and activism is more important than the initial level of national wealth. In 1960, when sanitation and water programmes were initiated, South Korea’s income per capita (US$155) was much lower than that of Zambia (US$227). In contrast with South Korea, over half the population of Zambia does not have access to improved sanitation, while more than a third of the population (over 5 million people) does not have access to improved water sources. We show this in Table 5.4.

Table 5.1: Sanitation and Water Improvements (% of population with access)

	South Korea		*Zambia*	
	Improved sanitation facilities	*Water Source*	*Improved sanitation facilities*	*Water Source*
1990	100	89.4	40.6	49.2
1995	100	90.6	40.5	51
2000	100	93.4	40.6	53
2010	100	97.6	42.8	61.4
2015	100	98	43.9	65.4

Source: Word Bank, World Development Indicators, various years

However, as result of the government's strong political commitment and publicly subsidised infrastructure, South Korea attained universal service coverage (100%) compared to Zambia's 41% in 2000. The lesson from the foregoing is that countries can attain universal or near universal access to safe water and sanitation if they engaged in meticulous organisation of the sector as an integral part of the overall development strategy.

5.6 The Role of Non-State Actors and Institutions in Service Delivery

The failure of the government to cope with the rising demand for social services across the whole country has led to the rise of non-state actors (NSAs) that include community-based organizations (CBOs), local and foreign NGOs, faith-based organizations (FBOs) and social movements. They seek to work with the government to reach common objectives in an increasing range of areas—education, health, and water and sanitation. However, the fact that these are areas where taxpayers expect full public-sector engagement, the proliferation of non-state actors there raises issues of legitimacy as well as consistency with the national development agenda.

In the education sector, one of the major providers of primary education is the community school system which is run by Catholic and Protestant churches. It originated in the early twentieth century. By 1926, some 1,925 schools had sprung up with a school population of 110, 368 pupils (UNICEF, 2012). These schools were, however, taken over by the government at independence. In 1991, the government opened up the provision of primary education to private individuals, communities, and other entities. This gave rise once again to private and community schools. Today, 26% of the primary school population attends community schools. The government provides teacher training, gives advice, and in some cases pays the wages of teachers. Additionally, pre-primary school education is provided wholly by the private sector. The government only provides training for the teachers.

There are a number of foreign NGOs such as the Dutch SNV that provide support to education in a limited number of provinces. Their work includes providing advisory services to district Education Boards and Provincial Education Management Committees. However, their impact at the national level is limited because they have a restricted coverage.

In the health sector, the two major players in service delivery are the Churches Health Association of Zambia (CHAZ) and Zambia National AIDS Network (ZNAN). These have attracted large amounts of donor funding, including from the Global Funds for HIV and AIDS. Besides being service providers in the health sector, they also provide funds to other CSOs. CHAZ was established in 1970 to represent faith-based organizations working in the health sector. In 2009, CHAZ had fifty-three clinics and health centres across the country. The organization is the dominant CSO actor in the health sector and participates in the decision making through the Sector Advisory Group.

ZNAN was established in 1994 with the primary objective of promoting collaboration among the non-state institutions involved in HIV prevention and care. Between 2003 and 2007, ZNAN handled nearly US$12 million for 160 NGOs and CBOs for sub-grants and programming. However, fraud and misappropriation allegations in 2011 threatened to send ZNAN into bankruptcy as support from the Global Fund was suspended.

Traditional health providers are an important group of non-state participants in the health sector. The use of herbal medicine is an effective first line of treatment for many disease in Zambia, including reducing Malaria fever. However, the state has not been keen in allocating resources into research of traditional medicine. This contrasts with the case of South Korea, which has invested a lot of resources into the formalization of traditional medicines in the delivery of health services.

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CHAPTER VI: POVERTY REDUCTION AND ECONOMIC INCLUSION

6.1 Introduction

For a large and sparsely populated country, with a sharp rural-urban differentiation, Zambia has had to address a range of challenges related to the spread of poverty and inadequate economic and spatial inclusion. For decades, development in Zambia was concentrated in the capital, Lusaka, and the Copperbelt (around the mining concessions which evolved into important towns and trading centres). Elsewhere in the country, development was confined along the route (line-of-rail) of the train that delivered supplies to the Copperbelt and extracted copper ore for export. Areas at a remove from the line-of-rail saw little economic activity, and their household incomes were among the lowest in the country. Poverty had a cascading effect on households in these rural parts of the country, with many male members migrating to the Copperbelt in the boom years in search of employment but leaving their home areas desolate and poorer.

This chapter also takes a brief look at Zambia's labour market and the role of non-state actors in creating opportunities for income generation for marginalized groups. In the discussion ahead, examples of the South Korean experience with poverty reduction and inclusion are interwoven with those of Zambia, with a focus on how the former eradicated impediments to economic transformation.

The rest of the chapter proceeds as follows: Section 6.2 looks at the extent of poverty and inequality in Zambia in a comparative perspective and how the government and others have responded. The discussion is extended in sections 6.3 and 6.4 with a look at the changes in the incidences of poverty and inequality. The chapter then looks at income generations and the labour market.

6.2 Addressing Poverty and Inequality

Although Zambia is designated a lower middle-income country today, it has grappled with chronic poverty and inequality since independence. As already narrated, the surplus from copper mining, generated over the decades, did not help to diversify the economy, nor to strengthen the social safety nets. In the recent past, the poverty situation has partially mirrored the general performance of the economy, with reduction in poverty during periods of high growth, although it has been harder to address the challenges of extreme poverty in the rural and urban areas, as well as the structural causes of high levels of inequality.

In spite of Zambia's intended aim of eliminating "poverty, ignorance and disease" at independence, government policies targeted at poverty reduction are a relatively recent phenomenon in Zambia. In the post-independence decades, policymakers believed that high levels of growth on their own would eventually eliminate poverty and hence focused on the provision of health and education services. Concerted poverty reduction strategies would not be embarked upon until the 1990s, when Zambia embarked on a structural adjustment programme supported by the IMF, the World Bank and other international and bilateral agencies. For a while, the country abandoned the traditional national development plans in favour of a poverty reduction strategy paper (PRSP), which laid out the country's development strategy, focusing on poverty reduction measures. Importantly, and in contrast to the national development plans, the PRSP was developed within a participatory framework, including elaborate consultations with a cross-section of stakeholders that included among others government officials, political parties, labour unions, women's groups, the youth, the private sector, and academics.

By bringing so many people around the table to reach consensus on the way forward, the PRSP process had the potential to improve policy coherence and hence to smoothen programme implementation, as it also included agreeing on a well-sequenced implementation process and follow up. In the event, the process was unduly steered by the financing processes in Washington and the donor capitals, and issues of policy ownership were soon raised by the government and other stakeholders.

In a bid to resume the reins of the country's destiny, the government introduced its Vision 2030 in 2006, which had the theme "A prosperous middle-income nation by 2030." It projected a future of social and economic justice in a country aspiring to a "common and shared destiny, united in diversity, equitably integrated and democratic in governance, promoting patriotism and ethnic integration." Vision 2030 contains elaborate sector visions on: (i) economic growth and wealth creation; with specific visions on land, tourism, manufacturing, mining, infrastructure, energy, science and technology, information communication technology and employment and labour; (ii) social investment and human development—education and skills development, health, and food and nutrition, housing and settlements, water and sanitation, social protection and arts and culture; and (iii) creating an enabling environment for sustainable social development—macro-economy, governance systems, foreign relations, information services, public safety, population, HIV/AIDS, gender, and environment and natural resources.

Zambia's National Vision 2030 highlights the importance of developing a conducive business environment[9] to ensure (i) affordable credit, (ii) development of capital markets, (iii) effective financial framework, (iv) improved performance of key government agencies, (v) improved regulation of mining, (vi) skills and technology innovation, and (vii) develop and maintain productive and social infrastructure and services such as roads.

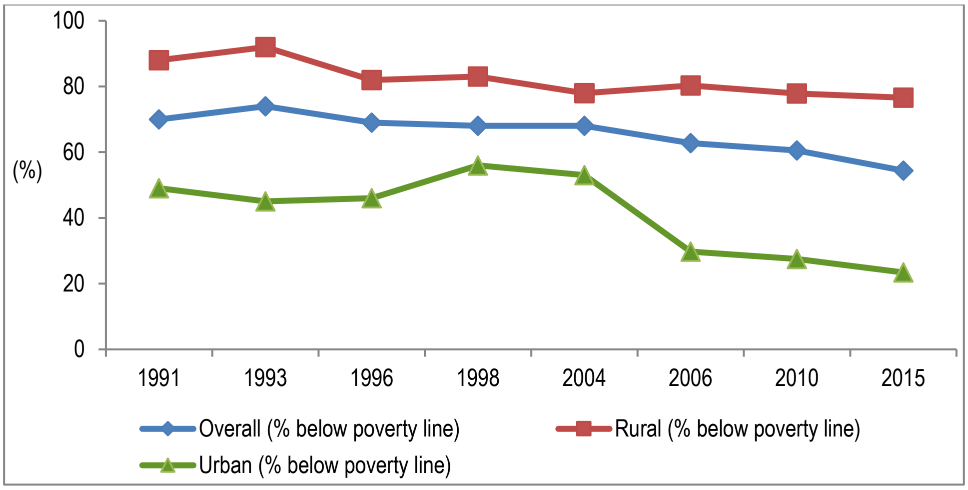
However, a major contribution of the PRSP process and the Vision statement was to highlight the importance of social protection as a component of its fight against poverty. The government came to the realization that poverty has to be addressed by targeted policies; it cannot disappear on its own (Ministry of Finance and National Planning, 2006). There are five major social protection programmes in the country: the Public Welfare Assistance Scheme (PWAS), the Social Cash Transfer Scheme (SCTS), the Food Security Pack (FSP), the School Feeding Programme, and the Urban Self–Help Programme. There are also smaller programmes run by NGOs and local communities, such as those for street children in urban areas and HIV/AIDS orphans in the countryside. While the efforts seem extensive and proactive, they are all invariably poorly funded.

6.3 Poverty Incidence

Poverty and inequality have been persistent challenges in Zambia (Figures 6.1 and 6.2). Overall poverty peaked in the early 1990s, with 74% of the population living below the poverty line in 1994. The poverty incidence started declining in the second half of the 1990s and has been on a downward trend ever since—as a result of better economic performance. However, the decline in poverty has been steeper in urban areas, where growth has a higher elasticity for poverty reduction. In 2015, rural poverty was at 77% while urban poverty had fallen to 23%. This disparity has been a permanent feature of poverty in Zambia since independence.

Figure 6.1: Zambia: Incidence of Poverty, 1991 to 2015

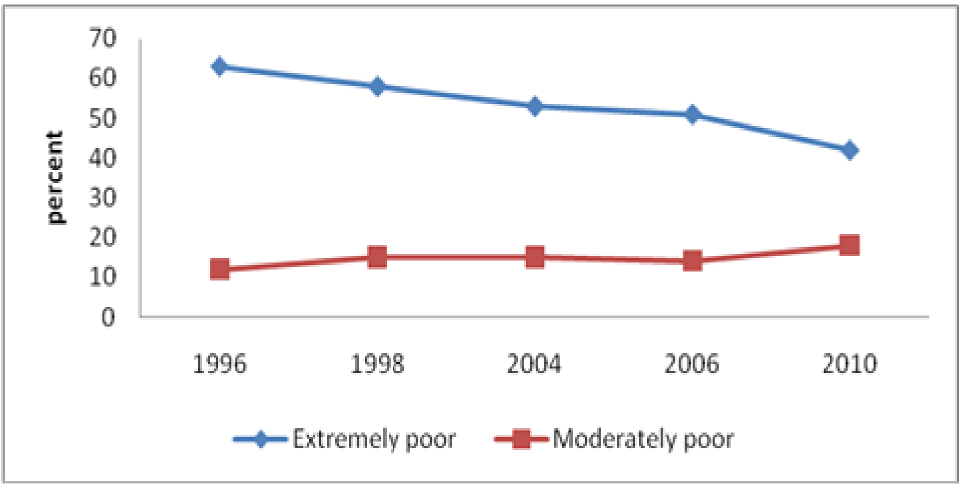
[9] See Kayizzi-Mugerwa (2012) for a study on Africa's vision statements and their implications.



Source: Central Statistical Office (various years)

The poverty situation can also be analysed in terms of severity and gender. Figure 6.2 shows that the incidence of extreme poverty has been much higher than that of moderate poverty, although the two have been moving in opposite directions in recent years. Extreme poverty declined from 63% in 1993 to 42% in 2010 while moderate poverty increased from 12% in 1993 to 18% in 2010.

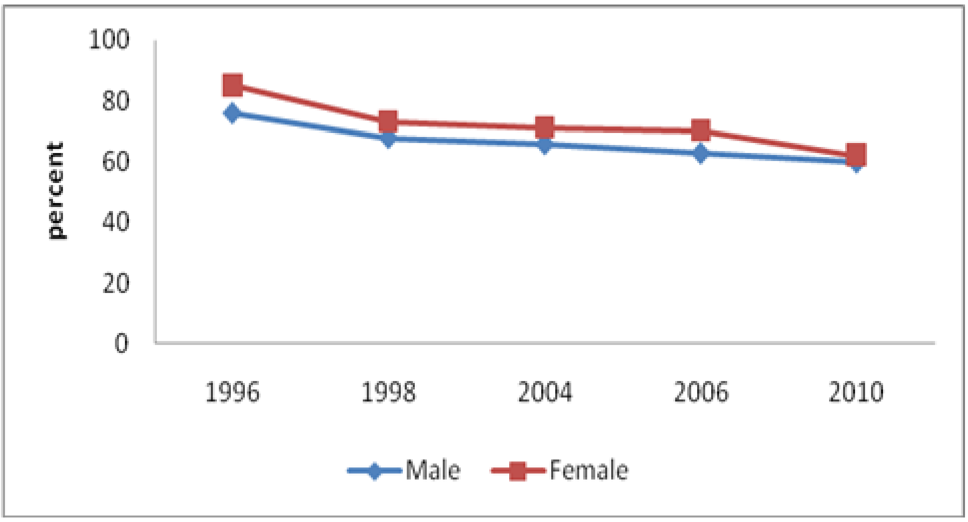
Figure 6.2: Zambia: Severity of Poverty, 1996 to 2010



Source: Central Statistical Office (various years)

Furthermore, Figure 6.3 shows that poverty has been higher among female- than male-headed households, although these have been converging in recent years. Three reasons can be cited for this: (1) women have lower levels of education than men and hence command lower earnings; (2) women have fewer formal employment opportunities owing to their household constraints, including childrearing; and (3) women have been more adversely affected by the HIV/AIDS pandemic than men, owing partly to gender-discriminating cultural norms (GRZ, 2002). The incidence was 76% for males and 86% for females in 1993. This reduced to 60% for males and 62% for females by 2010.

Figure 6.3: Incidence of Poverty in Male-/Female-Headed Households, 1996 to 2010



Source: Central Statistical Office (various issues).

6.4 Income Inequality

The Gini coefficient for Zambia in 2010 was estimated at 0.65. This is one of the highest inequality incidences in Africa and the world. However, this is not a new phenomenon and income distribution has been unequal in Zambia since independence. Table 6.1 shows the evolution of inequality since 1959. Inequality has been consistently high throughout the independence period, making a mockery of the egalitarian pronouncements of the government and the intelligentsia.

Table 6.1: Gini Coefficient - Inequality Index, 1959–2010

Year	*1959*	*1973*	*1991*	*1993*	*1996*	*1998*	*2004*	*2006*	*2010*	*2015*
Zambia*	0.48	0.57	0.68	0.66	0.61	0.66	0.66	0.60	0.65	0.69
South Korea**		0.40	0.35	0.33	0.33	0.37	0.32	0.32	0.32	n/a

Source: World Bank estimate, http://www.indexmundi.com/facts/zambia/gini-index

Studies show that income inequality in urban areas is higher than in rural areas. The Gini coefficient for inequality in urban areas increased from 0.466 in 2004 to 0.468 in 2006. Inequality in rural areas reduced from 0.457 in 2004 to 0.436 in 2006 (Kabaso, 2011). Further, inequality is higher but reducing among the more educated as opposed to the less educated, and among males more than females. There is therefore need for redistributive measures so that proceeds of a growing economy can be shared equitably among the various segments of people in the society.

Rising income inequality is often the cause of social and political unrest. This can damage future growth and can have an adverse effect on policy formation. South Korea managed to control inequality while at the same time increasing per capita incomes and the quality of life. This has been the opposite in Zambia with increasing inequality and low per capita income. However, Zambia and South Korea had the same levels of inequality in the 1960s. This is estimated at 0.48 for both countries in 1959. South Korea was able to reduce it significantly to about 0.32 in 2012, while inequality in Zambia increased to 0.69 in 2015. This is shown in Table 6.1. The state in South Korea promoted the concept of "productive welfare." This was a policy framework for efforts to improve people's welfare levels. This included: consolidation of diverse medical insurance schemes, expanded application of the national pension benefits to individual proprietors in urban areas, and the implementation of the National Basic Living Security Act (KIPA, 2016: 23).

6.5 The Labour Market

Despite the strong growth in the past decade, job creation has been intermittent. Many decades after independence, the largest employer in the country is still peasant agriculture, as manufacturing has not made a breakthrough as in South Korea. The process of industrialization in South Korea was the engine of the growth process; it created opportunities for new and well-paying jobs, which created a virtuous cycle of employment, income generation, and further employment.

The services sector in Zambia, which includes government and the financial sector, is the second largest employer. The lowest employment shares are in manufacturing and mining. The formal labour market constitutes a relatively small fraction of the total labour market—about 25% in the 1990s and 11% in 2008. However, as in most of its neighbours, the largest employer by far is the informal sector. It is estimated to account for 70-80% of total employment in the Zambian economy. Owing to the lack of manufacturing jobs, the economy has witnessed further informalization, and deskilling.

Inclusive growth policies suggest that labour market policies should boost job creation, especially in favour of marginalized groups in the economy—the poor, youth, women and rural populations. However, since the new thinking expects the bulk of the jobs to be created by the private sector, the latter needs to be encouraged in various ways to come on board. In South

Korea and other Asian economies, the governments reached a social pact for development, which ensured that the firms created employment, while the government provided incentives, without distorting competition.

However, although employment is a frequent subject of discussion within government and has been a subject of all the national development plans and the poverty reduction strategy papers, employment policies have not changed much over the years. This is mainly because manufacturing has not been revived—in fact, it has shrunk in recent decades. The alternative of making agriculture the engine of the economy, once seen as a viable strategy, failed to take off. It ended with the failure of the government's growth-from-our-own-resources strategy of the 1990s.

Labour policies in South Korea were successful because they focused on raising labour market flexibility. These policies aimed to create gainful employment, often in export industries. They gradually drained the informal sector of people by creating jobs for the educated and skilled workers, and overhauling labour institutions and regulations (Lee, 2016: 111). Also important, the government focused on skilling the labour force—as a public good for all industries—enabling many individuals to increase their possibility for employment.

The Ministry of Labour and Social Security regulates and monitors the labour market, while other stakeholders include the trade unions and the Zambia Federation of Employers. However, Zambia lacks a labour market information system to enable market participants make informed decisions. Moreover, the supervisory role of the Ministry of Labour and Social Security is constrained by limited budgets and staff. Both Zambia and South Korea have a tripartite arrangement for resolving labour and wage issues and regulations. In Zambia, it consists of the Federation of Employers, the government and the trade unions. In South Korea, the Korean Tripartite Commission consists of representatives of labour, management and government.

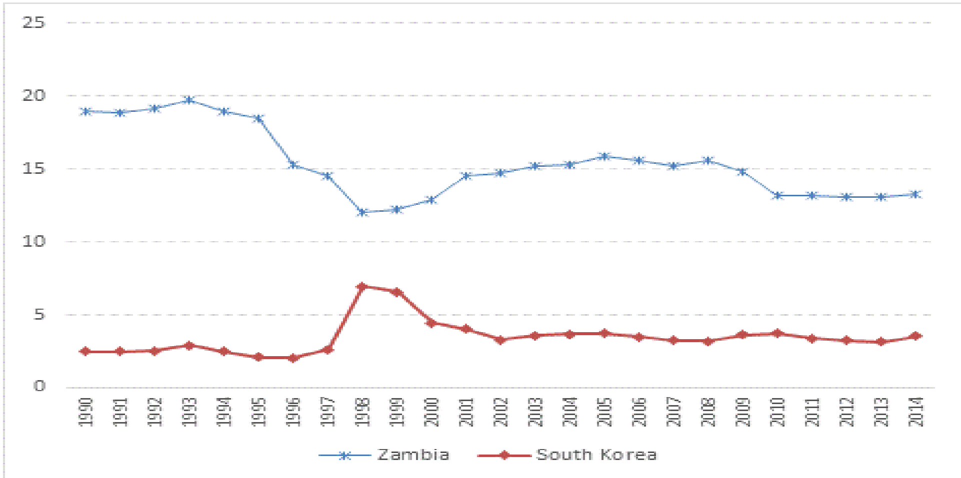
As already noted, formal sector employment in Zambia accounts for a small fraction of the labour force. Total employment in 1964 was 296,000 workers, increasing to 334,000 in 1995, and 955,000 workers in 2013. However, formal sector employment accounts for only about 10% of the total labour force. In 1965, formal sector employment as a percentage of the labour force was estimated at 25%, increasing to 75% by 1975. At the time, Zambia was quite affluent and the government was optimistic that the economy was about to take off.

However, this growth was not sustained. As people moved from rural areas into town in search of better employment, the available jobs were not sufficient. This created a situation where those who could not be absorbed into the formal sector ended up in the informal sector. The proportion of formal sector employment eventually decreased to 22% and 12.9% in 1980 and 1995 respectively (World Bank, 1986: 8). This scenario has pushed many workers into informal sector jobs. It is estimated that there were 854,000 workers in the informal sector in 2008. Of these, 357,000 were female and 497,000 were male (ILO, 2012).

Despite the significant growth of the economy over the years, a large part of Zambia's labour force is openly unemployed. Unemployment is a serious problem that prominently surfaced in the late 1960s. The employment problem in the country can be understood in four ways: low incomes from work, a fundamental cause of poverty and deprivation; unemployment and underutilization of labour; long working hours of rural women; and migration to rural areas.

As Figure 6.4 shows, the rate of unemployment stood at 13.3% in 2013 in Zambia compared to South Korea's 3.3%, representing a virtually full employment level. This is much higher than the rate of unemployment of 5.9% in 1969. Unemployment peaked in 1980 when it reached 27.4%. This has declined ever since, though it is still severe.

Figure 6.4: Trends in Total Unemployment Rate: Zambia and South Korea

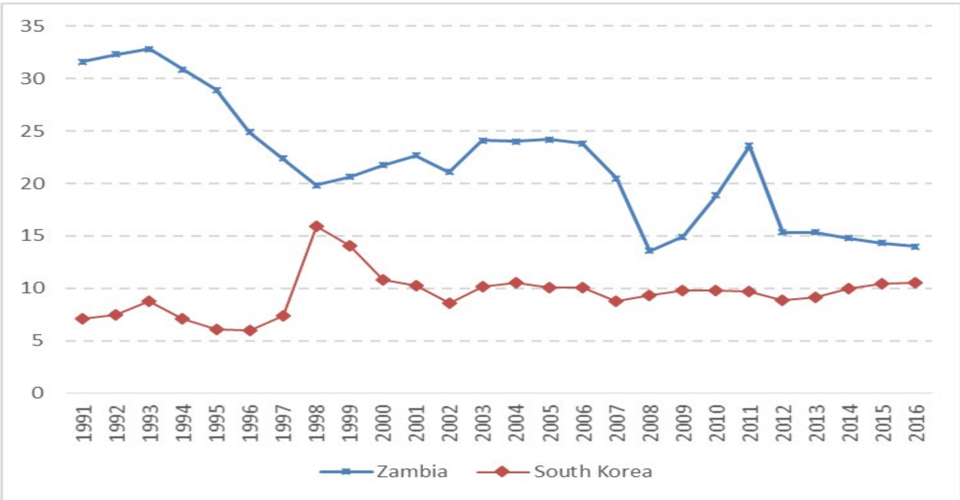


Source: World Bank (various)

Unemployment is highest among the youth. Figure 6.5 shows the trends in youth unemployment rate in Zambia and South Korea. The rate for Zambia is estimated at 14.6% in 2013, while that of South Korea increased from an average of 6% during the economic crisis of 1997 to an average of 10% after 1998. South Korea has maintained low unemployment levels bolstered by the high growth rates and economic performance. The female unemployment rate is much lower at 11.4% in 2013. However, the Zambian statistics disguise the high levels of underemployment, especially in low-quality jobs in the informal sector.

Unemployment in the rural areas is worse, yet the majority of the people live in the rural areas. Traditional agriculture has stagnated, and there are few income-generating opportunities. Over the years, the rural sector has been faced with inadequate investment allocations, low wages, low prices, indiscriminate and heavy subsidies, and weak institutional structures. This situation has adversely affected the ability to generate income-earning opportunities. This situation is true now and was as clear in the 1970s (ILO, 1977: 9). The major problem is that there have been no policies and programmes that have been developed and consistently pursued by government. Strategies and policies should be sustained over the long term for them to have an effect.

Figure 6.5: Trends in Youth Unemployment Rate: Zambia and South Korea



Source: World Bank (various years)

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CHAPTER VII: COPPER'S LEGACY, ECONOMIC DIVERSIFICATION AND PRIVATE SECTOR DEVELOPMENT

7.1 Introduction

Copper mining has interchangeably been both a blessing and curse for Zambia. The booming mining sector, during the first decade of independence, helped build the economy, modernize infrastructure and educational institutions, notably the University of Zambia, and raise welfare more generally. Indeed, as noted earlier, Zambia was considered a rich country in Africa, enjoying middle-income status. However, copper has also been an albatross around the neck of the young nation. Good copper prices and high government revenues boosted popular expectations for rapid development. The government subsidized both consumption and production, which encouraged expenditure and production profiles that were both import- and capital-intensive. Above all, little of the copper windfall was saved, so that when copper prices declined, the country essentially started from scratch. The economy had embarked on a path ridden with external shocks and debt, which would take decades to unwind.

However, although the mining sector was mostly seen as an enclave which had limited linkages with the rest of the economy, closer inspection shows that copper has had important political and socio-economic impacts. The Mining Union of Zambia (MUZ) was for a long time the main determinant of wage levels in the rest of the economy—indeed other trade unions would not reach closure until MUZ's wage negotiations were concluded. The mining sector trained a cadre of engineers and other technical staff that have been useful in other sectors of the economy. Zambia has more technically-oriented firms than many other African countries, thanks to the "demonstration effects" of the mines.

This chapter discusses Zambia's copper legacy, including the diversification debate and the role of the private sector, not least the impact of the privatization of the mines on the sector and the rest of the economy. We begin by putting the mining sector in the broader macroeconomic context—including the use of mining revenue. We then examine the management of natural resources in Zambia. Following this brief historical overview, the chapter analyses the national and sub-national institutions involved in regulating mineral extraction and the challenges they currently face. We will then proceed to examine the policies that have been adopted in the last five years concerning resource extraction and the possible lessons that can be gained from the experiences of the East Asian developmental state. Finally, we conclude with a set of recommendations to address the hurdles Zambia confronts in its efforts to harness its natural resources for inclusive economic growth and broad-based development.

7.2 Paradox of Plenty

The African continent holds large amounts of the world's mineral endowment, estimated to have 42% of bauxite, 38% of uranium, 42% of gold, 73% of platinum, and 88% of diamonds. The continent also has enormous reserves of non-ferrous metals such as chromite (44%), manganese (82%), vanadium (95%) and cobalt (55%) (Bush, 2008: 361). Yet despite this abundance of mineral resources, there is little evidence that these natural resources have translated into inclusive growth and broad-based empowerment of the population, especially in the regions where the minerals are extracted.

It has been suggested that mineral-rich African economies suffer from a "resource curse" or "paradox of plenty" (Auty, 1993; Ross, 1999; Sachs and Warner, 2001). It suggests that countries with abundant natural resources often have high levels of poverty and destitution and tend to have lower economic growth than countries without such resources. The World Bank (2003: 149) has indicated that between 1960 and 1990, developing countries with few natural resources grew two to three times faster than resource-abundant countries. These countries often have weak regulatory institutions, poor social cohesiveness, and are likely to be conflict-ridden. Yet, there has been continued debate on the extent and inevitability of the resource curse. In Sub-Saharan Africa, Botswana, a country with a rich diamond industry, has been able to keep the resource curse at bay, through the use of careful macroeconomic policies and the maintenance of a high level of accountability. In Latin America, Brazil and Bolivia have employed the proceeds of the natural resources, i.e. oil and natural gas, to alleviate poverty through a number of innovative programs, including the provision of cash packages to poor households. Therefore, an abundance of natural resources is not necessarily a curse.

Throughout the 1990s, and even at the turn of the twenty-first century, many academics and journalists considered Africa to be a "hopeless continent," immersed in "tragedy," confronting a seemingly insurmountable "crisis" (The Economist, 2000; Leys, 1994; Arrighi, 2002). However, with the onset of the ongoing mineral and energy commodities boom, the sub-continent's prognosis has gone from being "hopeless" to "hopeful." Over the past decade (post-2003), "Africa's economies are consistently growing faster than those of almost any other region of the world" (The Economist, 2011). Yet, as previously mentioned, this growth has not been inclusive, nor has it led to economic diversification. The inability of most African countries to benefit from their natural resources has driven many African governments to seek to exercise more control over foreign mining companies (The Economist, 2012). This resurgent resource nationalism comes at a time when neoliberal economic policies and "unfettered markets" have come into question following the global financial crisis of 2008–09. A prime example of the aforementioned trend is a recent report by the United Nations Economic Commission for Africa (UNECA), which calls for the establishment of developmental states in Africa to facilitate the subcontinent's economic transformation (UNECA Report, 2011).

Zambia offers an example of an economy dependent on resource extraction that has failed to benefit from the recent primary commodity price boom. This is despite the implementation of a series of taxation and regulatory reforms to ameliorate this predicament. Zambia is the second largest copper producer in Africa. As Figure 7.1 demonstrates, until Zambia's recent economic slowdown beginning in 2015, mineral extraction accounted for roughly 75% of Zambia's export earnings, 32% of government revenue, and 9% of its GDP. Zambian emeralds are estimated to account for approximately 20% of the world's emeralds. Zambia also possesses sizeable deposits of Cobalt, Nickel, Manganese, Zinc, Lead and Uranium. This chapter examines why the country has not benefitted sufficiently from these resources. To put it differently, why has the abundance of natural resources not translated into sustained economic growth and broad-based development?

Figure 7.1: Mining's Contribution to the Zambian Economy

	2012	*2013*	*2014*	*2015*
Economic Indicator	*(% of Extractive Industry contribution)*			
Exports	77	68	78	47
Government Revenue	33	30	32	18
Gross Domestic Product	11	9	6	10

Source: Zambia Extractive Industry Transparency Initiative Reports, 2012–2016

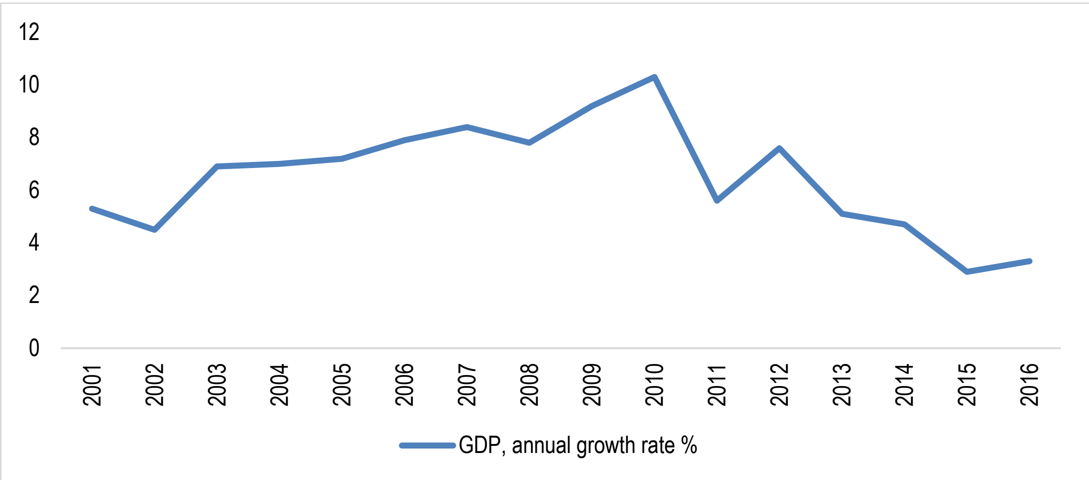
In retrospect, Zambia has largely failed to benefit from its mineral wealth due to the legacy of colonialism, the volatility of global copper prices, the negative effects of neoliberal structural adjustment, inappropriate policies, and weak regulatory institutions. Unlike Zambia, mining and quarrying activities are insignificant in South Korea's economy. According to the United States Geological Survey's 2013 Mineral Yearbook, mining and quarrying activities only made up 0.2% of South Korea's GDP for that year. Moreover, in terms of its percentage share of the value of mineral production, limestone accounted for 70.7% of the total (USGS 2013). Thus, it would not make much sense to compare the two countries' mining industries, since the nature and importance of mining and quarrying differ so greatly. Instead, a comparative analysis of the Zambian state's management of its mining industry, with South Korea's emblematic management of its manufacturing industry, will arguably demonstrate the importance of state cohesion, professionalism, inter-ministerial coordination, and disciplinary capabilities for forging a developmental state.

7.2 Macroeconomic Situation in Zambia

The Zambian economy has exhibited impressive and stable growth over the past decade or so. Investments in the mining sector have been the major driver of growth for the country. Moreover, other sectors like construction, transport, communication, and retail trade have also contributed to the country's economic growth. Figure 7.1 displays Zambia's GDP growth rate between 2001 and 2016. GDP growth per annum has increased on an average of 6.5%. However, over the last two years, low copper prices, alterations to the mineral taxation regime, and inadequate electricity provision have meant comparatively lower economic growth rates.

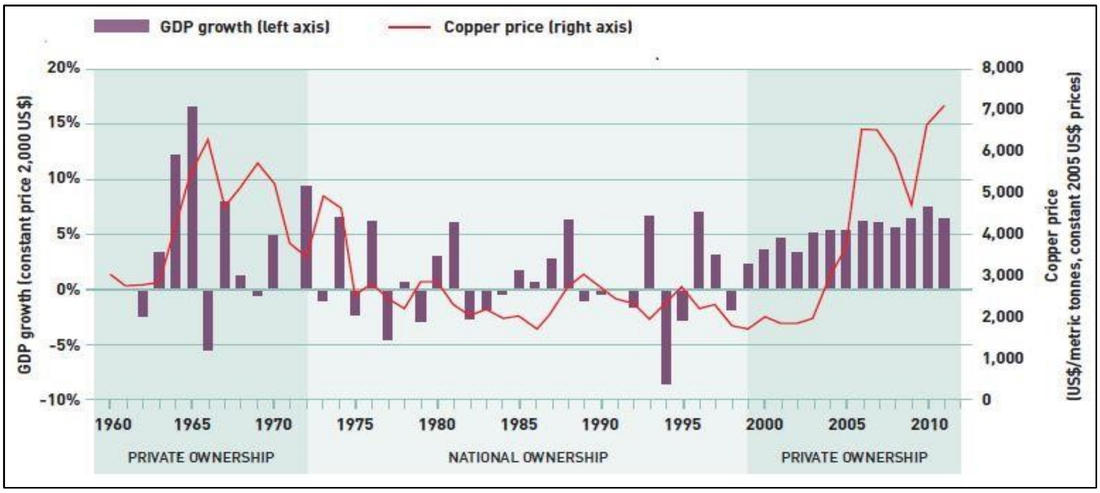
Figure 6.2 illustrates the trend in copper prices alongside GDP growth rates between 1960 and 2012 under private and state ownership of copper mines. GDP growth was highest in 1965 under private ownership of the copper mines.

Figure 7.1: Zambia's GDP Growth Rate



Source: World Bank's World Development Indicators

Figure 7.2: Copper Prices and GDP Per Capita Growth (1960–2012)

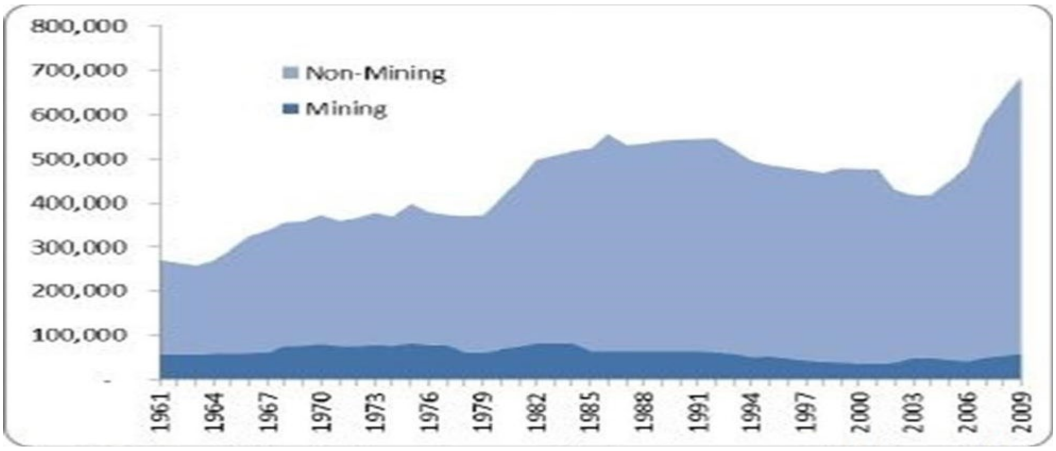


Source: ICMM 2014

On the other hand, real GDP growth was low during state ownership of mines. The country's over-dependency on copper mining makes it vulnerable to depressed commodity prices and market volatility at the London Metal Exchange. Figure 7.2 shows that copper prices have fluctuated widely over the study period. The lowest price of copper was recorded in 1986 under national ownership of the mines, at about US$2,000 per metric tonne. The privatization of the state-owned copper mines in the 1990s relieved the government from covering mammoth losses generated by the mining industry. Private ownership also greatly increased copper mining output. The highest price of copper was recorded in 2010 at about US$7,000 per metric tonne. This increased export revenues from copper mining. As a result, Zambia rebounded quickly from the impacts of the global financial crisis that began in 2008.

Yet despite Zambia's dependence on the extraction of copper, mining no longer provides much employment (Figure 7.3). Whereas 22% of the formal workforce was employed by the mines in 1964, by 2009 it had dropped to 9%, due in large part to the increasingly capital-intensive nature of modern mining (Manley, 2013). Moreover, mining only accounted for roughly 2% of Zambia's entire workforce in 2012 (ICMM, 2014).

Figure 6.3: Mining and Other Formal Employment 1960–2009

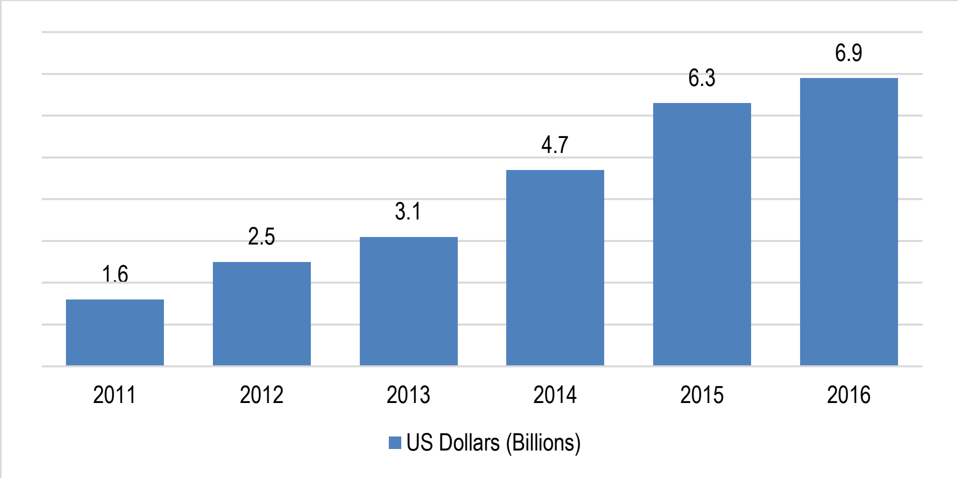


Note: Data for 2005 was missing and assumed to be an average of 2004 and 2006 levels.
Source: David Manley, a Guide to Mining Taxation in Zambia, ZIPAR 2013

Zambia has recently entered into the bond market to fund an expansive infrastructure programme. Zambia's entry onto the sovereign bond market was through the issuance of a ten-year US$750 million Eurobond at a coupon rate of 5.375% in 2012. The issuance of the sovereign bond was meant to finance several infrastructure projects in energy, transport, and the construction of schools and clinics. The Zambian government has issued two additional ten-year Eurobonds for US$1.0 billion in 2014 and US$1.25 billion in 2015, with coupon rates of 8.5% and 8.97% respectively (Nalishebo and Halwampa, 2015). As Figure 7.4 demonstrates, these issuances have increased Zambia's external debt stock significantly over the past six years, from US$1.6 billion in 2011 to US$6.9 billion in 2016.

A major issue that has arisen as result of this increased external debt stock is sustainability of the debt in terms of Zambia's ability to repay. It will be imperative for the Zambian government to put in place strategies to reduce the risk of default when the bonds reach maturity, such as establishing a sovereign wealth fund from copper taxation revenues or enhancing revenue collection from the mines and the informal sector. In a recent UNDP Discussion Paper entitled "Capturing Mineral Revenues in Zambia: Past Trends and Future Prospects," Simpasa et al. (2013) engage in a counterfactual analysis of potential revenues generated from the privatized mines. They maintain that between 1997 and 2012, the government had forgone revenue equal to 3.7% of the GDP per annum. They suggest that this revenue could have been employed to finance infrastructure development in lieu of approaching the Eurobond market.

Figure 7.4: Zambia's External Debt Stock, 2011–2016



Source: GRZ and IMF

Zambia's entry into the Eurobond market signals a return to indebtedness. During the HIPC debt-relief initiative in 2005–2006, Zambia's external debt decreased substantially. In 2005, Zambia reached the HIPC Completion Point whereby its debt stock was reduced from US$7.1 billion to US$4.5 billion. In 2006, under the MDRI, the IFIs provided those countries that had already reached the HIPC Completion Point with an additional write-off without having to undergo any further structural adjustment. Zambia's total debt was further reduced from the US$4.5 billion to around US$600 million (Fraser, 2008: 308). The reduction in Zambia's debt load and sustained economic growth prompted positive sovereign credit ratings (B+) in 2011. This permitted the government to tap into international bond markets to finance infrastructure investments. Debt relief, in conjunction with high copper prices and substantial Chinese aid and investment, has provided Zambian policymakers with increased leverage in their relations with the IFIs and western donors, thus creating what Peter Kragelund terms "developmental space" (i.e. economic sovereignty) (Kragelund, 2014). However, the current Eurobonds carry (increasingly) higher interest rates. The situation is made worse by a weakening global demand for copper. Zambia risks returning to a situation similar to that of the 1980s, when weakening demand for copper, high interest rates, and ballooning debt eroded any developmental space it had been afforded post-2006.

7.3 Managing Natural Resource Extraction in Historical Perspective

On the eve of independence in 1964, Zambia inherited an economy heavily dependent on the extraction of copper from mines that were foreign-owned. There was a complete lack of economic diversification and industrialization. To make matters worse, Zambia was surrounded by hostile neighbours (Portuguese colonies of Angola and Mozambique and the white settler-controlled Rhodesia). In addition, Zambia lacked infrastructure and was dependent on

Rhodesian- and South African-controlled transportation networks. Finally, there was a scarcity of skilled workers and university graduates (Martin, 1972). In an effort to rectify this situation, UNIP focused on building economic and social infrastructure (e.g. roads, railways, school, hospitals, etc.), encouraged "Zambianisation" of managerial positions, nationalized strategic assets, and attempted to diversify the Zambian economy.

The Mulungushi (1968) and Matero (1969) reforms facilitated the nationalization of sizeable privately held companies by transferring controlling shares to the state. Control over most of these parastatal companies was conferred to the state-owned conglomerate ZIMCO. The Matero reforms enabled the state to acquire a majority 51% controlling stake in Zambia's two major copper-mining companies, Anglo-American Corporation and Roan Selection Trust (RST), in 1969. Anglo-American's assets were valued at just over K240million and RST's at K165million; 51% of these came to K125 million and K84 million (US$292 million in total). The old shareholders would receive ZIMCO bonds in exchange, unconditionally guaranteed by the government, to be repaid in twelve years from 1970 for Anglo-American and eight years for RST with interest of 6%.

In 1973, in a miscalculated effort to secure further control, the Zambian government redeemed the ZIMCO bonds early, paying out US$231 million, after borrowing US$150 million externally in order to do so (Whitworth 2015, 965). Unfortunately, this decision was made at the time that copper prices began to tumble. By redeeming the ZIMCO bonds, the Zambian government sought to cancel the costly managing contracts it signed with the RST and AAC, accelerate Zambianisation, and secure greater control over marketing, purchasing, and investment. Many rights previously accorded to the minority shareholders in 1969 were removed:

> *Under the new structure, the government influenced operations via the managing directors... The two companies reported to the Zambian government through quarterly Board Reports. Management would also provide specific reports as requested by the government, other stakeholders or the minority shareholders. Dividends were only payable when the mines posted profits. Payment of dividends overseas, as with all other sectors in Zambia at the time, was at the approval of the central bank and subject to foreign exchange availability* (NRGI 2015, 41).

The redemption of the ZIMCO bonds was accompanied by the formation of the state-owned Metals Marketing Corporation of Zambia (MEMACO) in 1973. By managing the sale of

Zambia's copper, MEMACO replaced the marketing teams of the private minority shareholders, countering the latter's tendency to under-report sales. MEMACO provided the Zambian state with greater oversight and control of mining revenue, but also led to a lack of reinvestment into mining productivity as payments were diverted to the Bank of Zambia (NRGI 2015). The mines were subsequently consolidated to form ZCCM in 1982. The government, in conjunction with other copper-producing countries, also sought to manipulate the price of copper through controlling its global supply by establishing the CIPEC. However, the fact that CIPEC only controlled about 35-40% of the world's copper, combined with its inability to collectively regulate supply, led to its failure to operate as an effective commodity cartel (Shafer 1994). The collapse of copper prices beginning in the mid-1970s restrained foreign exchange earnings, provoking a sustained economic decline. The Zambian government looked to foreign lenders to cover the shortfall; the country's external debt rose from US$ 627 million in 1970 to US$ 7.2 billion in 1990 (Rakner, 2003; 44). This eventually culminated in the imposition of neoliberal structural adjustment policies in the 1980s and the collapse of the UNIP one-party state in 1991.

While the national ownership of the mines encouraged the training of Zambian managers and artisans, improved regulatory capacity through the establishment of MEMACO, and ensured contracts were awarded to local Zambian contractors, it was also plagued by numerous inefficiencies and declining productivity. Foreign exchange rationing, increased transportation costs incurred by cutting links with Rhodesia and apartheid South Africa, and job fragmentation to facilitate Zambianisation created operational inefficiencies. The formation of non-mining subsidiaries by ZCCM in the 1980s (e.g. Circuit Safaris and Munkumpu Farms) to promote diversification and generate foreign exchange and maintenance of full employment were also a drain on limited resources. As a result, the government was compelled to finance the mines, providing them enough funds to cover operational costs, but insufficient capital to make new investments or replace aging equipment (NRGI, 2015).

Pressed by international financial institutions to privatize ZCCM, with copper prices at an all-time low, the succeeding Movement for Multiparty Democracy (MMD) government offered lucrative incentives to potential foreign investors. The Mines and Minerals Act of 1995 permitted the government to enter into generous "development agreements" with foreign investors during privatization negotiations (Lungu, 2008). Some of the conditions stipulated in these agreements included the following: reducing corporate taxation from 35% to 25%; passing sizable tax deductions, including a 100% tax deduction allowance on capital expenditures; exempting mining companies from paying customs, excise duties, or any other duty or import tax levied on machinery and equipment; extending loss-carryforward provisions for up to 15-20 years; setting mineral royalties at a paltry 0.6% of the gross revenue of minerals produced; relieving some private investors from assuming financial liabilities and environmental legacies originally incurred by ZCCM; and protection for these development agreements by a "stability period" wherein these agreements could not be amended for 15-20 years (Simpasa et al., 2013). Clearly, the provisions of the development agreements were exceedingly favourable to the interests of international mining firms. After having acquired the mines, foreign investors hired part-time and casual workers to avoid paying benefits and pensions, knowingly contributed to the environmental degradation of the Copperbelt, flouted labour safety regulations, and reduced/eliminated previously funded healthcare services (Fraser and Lungu 2006). After the privatization of its core and non-core assets, ZCCM was converted into an investment holding company, ZCCM-IH. This was established to manage the minority ownership that the Zambian government retained in some of the mines.

There was widespread dissatisfaction with the MMD's governance. This translated into growing popularity for Michael Sata's PF and a shift in the Zambian political landscape. During the 2006 elections, the populist PF election campaign manipulated anti-Chinese sentiment[10] and promised to change the mining tax regime, increase regulation of the mines, raise wages, improve basic services, and lower personal taxes (Larmer and Fraser, 2006). The PF's resource nationalism threatened the MMD's hold over Zambian national politics, prompting the MMD government to reform the mining taxation regime in 2008 (Cheeseman and Hinfelaar, 2009).

The MMD government was unable to renegotiate the eleven development agreements due to the intransigence of foreign mining firms. The government legislatively cancelled the agreements and developed a new mining taxation regime in 2008. The central elements of the new mining tax regime included the following: an increase in the corporate income tax to 30% from the 25% previously applied; an increase in the mineral royalty rate on base metals from 0.6% to 3% of gross revenue; the reintroduction of a withholding tax (15%) on interest, royalties, management fees, and payments to affiliates or subcontractors for all mining companies; a reduction of capital allowances from 100% expensing to 25% per annum; a variable profit tax rate whereby the marginal tax rate would increase from 30% to 45% when taxable profits exceeded 8% of gross revenue; an export levy on the export of copper concentrates as an incentive to finish copper products (bars, ingots, cathodes) in Zambia; and,

[10] Two incidents involving the Chinese-owned operations the previous year infuriated many residents of the Copperbelt. In April 2005, 52 workers were killed in an explosion at the Beijing General Research Institute for Mining and Metallurgy (BGRIMM) explosives plant in Chambishi. In July 2005, four workers were shot following a disturbance at the Chinese-owned Non-Ferrous Metals Corporation.

most controversially, a graduated windfall royalty tax levied on gross proceeds at a rate of 25% when the price of copper exceeded US$2.50 per pound, 50% when the price of copper exceeded US$3.00 per pound, and 75% when the price of copper exceeded US$3.50 per pound. The sharp decline in copper prices in late 2008, caused by the global financial crisis, led to a withdrawal of the controversial graduated windfall tax in 2009.

The victory of the PF in the 2011 elections was achieved in large part due to the support that PF garnered from the Copperbelt. Prominent among the PF constituencies on the Copperbelt were mineworkers, mine suppliers and contractors, and small-scale miners.

7.4 Role of the State and the Management of Resources in Zambia

The state plays a crucial role in the management of natural resources in Zambia. From the legal standpoint, and precipitated by Kaunda's philosophy of humanism, all land in Zambia is the property of the state and all transactions in land require presidential consent. The administration of various resources and utilization of various types of land, however, is left to the various ministries. For example, mining-related activities are administered by the Ministry of Mines, while other lands are administered by the Ministry of Lands, Natural Resources, and Environmental Protection. Agricultural lands are administered by the Ministry of Agriculture and Cooperatives.

The Ministry of Mines administers its activities through various Acts of Parliament. The principle Act however is the Mines and Minerals Act of 1995 (which has been subsequently revised in 2008 and more recently in 2015). The Act provides particular incentives for investors and also determines the contribution of the mining industry to government finances through taxation. The Act also outlines a provision for the prospecting and mining of minerals. However, although mining rights permit holders of licences to mine minerals, the rights to minerals are vested in the Republican President on behalf of the people. A person can therefore not carry out any mining operations except with the authority granted under Cap 213 of the Laws of Zambia (Mines and Minerals Act). The Act permits the Minister to enter into development agreements with prospective investors and provides various mining rights including: prospecting licences, retention licences, large-scale mining licences, prospecting permits, small-scale mining licences, gemstone licences, and artisanal mining rights.

The Mines and Minerals Act (1995), Cap 213, provides for environmental protection of areas with ongoing mining operations. It protects the air, water, soil, flora and fauna of such areas, as well as preserving the cultural and historical heritage of such areas. It also requires that areas that are abandoned and/or exhausted of minerals be rehabilitated (e.g. pits may require filling in or shafts may need to be sealed).

The regulatory institutions for mining activities are the Zambia Environmental Management Agency (ZEMA), under the Ministry of Lands, Natural Resources and Environmental Protection, and the Mines Safety Department (MSD) under the Ministry of Mines. The relationship between the two institutions is governed by a memorandum of understanding. ZEMA has overall mandate on policy and regulations relating to the environment as provided for under the Environmental Protection and Pollution Control Act of 1990, while the Mines Safety Department (MSD) has overall jurisdiction over mining regulations as provided for under the Mines and Minerals Act of 1995. The two institutions carry out joint inspections to avoid duplication of work. Both institutions oversee preparations of the Environmental Project Briefs, Environmental Impact Assessments, and Environmental Management Plans.

The MCTI is responsible for providing the regulatory framework for industry and trade. Currently, the regulatory institutions for trade, commercial, and industrial activities in the country are the ZDA, the Multi-Facility Economic Zones, and the newly established IDC. In 1995, the government enacted the Investment Act through the Ministry of Commerce, Trade and Industry. The Investment Act established the ZIC to assist companies through the process of investing into the Zambian economy, as well as laying out the procedures for doing so. It provided general incentives that applied to all investors, as well as special incentives for investors in particular industries. It also provided assurances against forced acquisition of companies by the state, preventing a repeat of the earlier nationalizations in the 1960s and 1970s. The Act reaffirmed the removal of foreign exchange controls, allowing companies to take out of Zambia—without interference—all funds in respect of dividends, principal and interest on foreign loans, as well as management fees and other charges.

At the end of the privatization programme, the centre was amalgamated with other statutory bodies to establish the Zambia Development Agency (ZDA) that then became a “one-stop shop.” The ZDA promotes trade and investment. It is semiautonomous and its board is appointed by the Minister of Commerce, Industry and Trade. The ZDA Act of 2006 empowers the institution to declare and establish MFEZs (economic free zones that are tax-free with liberal labour laws). There are currently six declared MFEZs and Industrial Parks in Zambia. They include Chambishi, Lusaka East, Lusaka South, Lumwana, and Ndola. Roma Park is an Industrial Park. The Multi-Facility Economic Zone (MFEZ) in Chambishi was established in order to cultivate forward and backward linkages to mines operating in the Copperbelt Province.

The Ministry of Finance (MOF) coordinates national planning and economic management, and mobilizes and manages public funds and economic resources. The ministry has been split into the MOF and the MDP in 2015. The MOF supervises the work of the Bank of Zambia, the Development Bank of Zambia, and the Zambia Revenue Authority. The ZRA is a semi-autonomous institution that was established in 1994 to stem the declining government revenues in the early 1990s. In 2008, in collaboration with the Norwegian Tax Administration, the ZRA established the Mining Tax Unit under the Large Payers Tax Office in order to more effectively tax the mines and counter practices like transfer pricing.

The MOF also works in close collaboration with the BOZ, which was established under the Bank of Zambia Act of 1996, and the Development Bank of Zambia (DBZ). The BOZ is responsible for conducting monetary policy to ensure price stability in the country. The DBZ was established in 1972 under Chapter 323 of the Laws of Zambia. DBZ supports the government's economic development strategies for growth, wealth creation, job creation, poverty reduction, infrastructure development and improved service delivery. However, the role of the DBZ has diminished since its establishment, especially in relation to the BOZ, whose monetarist orientation has held greater sway since its inception in the 1990s.

At the sub-national level, there are three main institutional actors: traditional authorities, district administrators, and local councils. District administrators are presidential appointees and act as his representative at the local level. Due to the centralized nature of the state and the concentration of power in the executive, a hangover from the UNIP one-party state, local councils have a limited mandate, essentially controlling the allocation of council lands, collecting some fees and levies, and providing limited public services. Traditional authorities, the successors of the colonial Native Authorities, on the other hand, have been significantly empowered following the collapse of the UNIP one-party state (Gould 2010).

Traditional authorities are increasingly playing an active role in the management of natural resources. Mining operations require vast tracts of land for prospecting and the development of new mines. Land tenure in Zambia is divided between customary and leasehold. The 1995 Land Act allows for the conversion of land from customary to leasehold tenure under authorization of the relevant traditional authority. The consent required for the conversion of customary land has empowered (and enriched) the traditional authorities of North Western Province with the flurry of new mining investment in Kansanshi, Lumwana and Kalumbila. Traditional authorities (or their agents) in North Western Province have also operated as labour brokers, benefitting from the casualization of mining employment following privatization (Negi, 2010).

Any new mining development also technically requires the consent of the local people. There is now legislation that compels new investors to seek consent of the local people before commencing any new mining development. This consent is sought through environmental impact assessments (EIA). In other words, prospective mining companies are required to commission studies to assess the impact their operations would have on the local communities and then present their findings to the community for their feedback. Where EIAs indicate that the new investment would be detrimental to the local community, ideally such development should not take place. However, the results of the EIAs have been highly contested, with the state and traditional authorities in some instances siding with the foreign investors against the wishes of local inhabitants. Ultimately, the decision to award a prospecting licence (which lasts up to fifteen years) or a large-scale mining licence (which lasts up to twenty-five years, with the possibility for renewal) does not rest with local inhabitants. In many instances, once the prospecting or large-scale mining licence has been awarded, the investors will demand that local people residing on their land relocate to other areas.

7.5 Challenges Ahead

With respect to national institutions, we were able to identify six key challenges. First, there is reportedly a lack of coordination between various ministries and agencies (World Bank 2016: 13); many government employees intimated that each ministry and agency "operates in silos."[11] Second, after the privatization of the mines, numerous regulatory problems emerged. Due to budgetary constraints and deficient capacity, regulatory bodies like the MSD and ZEMA were unable to effectively regulate the mines. Similarly, the ZRA has faced challenges countering the practice of transfer pricing. Nonetheless, it is worth noting that there have been efforts to bolster regulatory capacity, such as the formation of the ZRA's Mining Tax Unit. Third, the MOF has tended to dominate policy decisions, to the detriment of other ministries, which is a hangover from the restructuring of the Zambian state in the 1990s. Fourth, despite the rhetorical return of "development planning" (e.g. in the first and second national development plans), there is an absence of long-term strategy and an inadequate implementation and monitoring of policies. Hopefully, the recent announcement that a separate Ministry of Development Planning will be created independent of the MOF is a step in the right direction. Fifth, up until recently there has been a total absence of industrial strategy. The promotion of non-traditional exports was to come from commercial agriculture, more in line with the country's supposed

[11] A series of interviews conducted by Alex Caramento with Zambian government officials from May to October 2015.

comparative advantage. The recent promotion of industrialization is now being tied to agriculture and mining, in line with a wider intellectual and policy trend towards the formation of linkages to primary commodity extraction and cultivation (UNECA, 2013). Arguably, industrialization will need to be expanded significantly if formal employment is to be increased. Finally, ZCCM-IH holds positions on the boards of the privatized mines, but it has not sought to effectively monitor operations as a minority shareholder until just recently.

Concerning sub-national institutions, four key problems can be identified. First, governance structures are overly centralized, an inheritance from the UNIP one-party state era. Greater efforts should be made to encourage devolution of powers, delivery of services, and to reduce unnecessary jurisdictional overlap. Second, services and infrastructure maintenance in the mining communities of the Copperbelt were provided by ZCCM prior to privatization. Local councils have experienced difficulties sustaining these services and maintaining infrastructure. Third, as mentioned earlier, the 1995 Land Act allows for the conversion of land from customary to leasehold tenure under authorization of the relevant traditional authority. The stated intent of this legislation was to encourage the formation of private property so as to empower Zambians, but it also facilitates land grabbing, as in the case of First Quantum and the Musele Chiefdom, North Western Province. Thus, the 1995 Land Act, as it presently exists, facilitates what David Harvey terms "accumulation by dispossession" (Harvey, 2003).[12] Finally, the Mineral Revenue Sharing Mechanism was introduced in the 2008 Mines & Mineral Development Act. Although not actively enforced, it has been completely removed from the most recent 2015 Mines & Mineral Development Act. If communities are to benefit in any significant way from nearby mining operations, beyond tokenistic Corporate Social Responsibility initiatives, such legislation needs to be reintroduced and enforced.

7.6 Key Reforms in the Last Five Years in Zambia

Following the victory of the Patriotic Front in the elections of 2011, there have been two attempts made to increase mineral royalties. In 2012, the mineral royalty was increased from 3% to 6%. In late 2014 it was announced that, as part of the 2015 budget, mineral royalties were set to increase to 8% for underground mines and 20% for open-pit mines. However, this increase in the mineral royalty tax was aggressively opposed by the Chamber of Mines (in fact,

[12] According to Marxist geographer David Harvey, accumulation by dispossession is the continuation and proliferation of practices that Marx designated as "primitive" or "original" accumulation during the rise of capitalism (conquest or plunder, expropriation and enslavement). Examples include the conversion of various forms of common, collective or state property into exclusive private property; the commodification of labour-power and the suppression of alternative forms of production; colonial, neo-colonial and imperial processes of appropriation (e.g. securing access to Iraqi oil); and usury (e.g. subprime lending to lower-income households).

Barrick Lumwana went as far as to threaten to put their operations under care and maintenance in December 2014 if the mineral royalty tax was not altered). It was subsequently reduced to 6% for underground mines and 9% for open-cast mines in 2015. The mining taxation regime was altered again in 2016, with the removal of the variable profit tax and the introduction of "price-based royalty" that varies between 4% and 6%.

"However," as former ZRA economist David Manley laments, "if prices rise again, the government is likely to receive a smaller share of income than if it had stuck with one of the previous tax regimes. This is because the removal of the variable profit tax and the design of the price-based royalty ensures that the new tax regime is less progressive than previous regimes" (Manley 2016) (see also, Figure 6.5). The latest taxation regime was lauded by the Chamber of Mines, but rebuked by civil society organizations like Publish What You Pay Zambia and Zambia Tax Platform, who have complained that the Zambian government should engage in a more consultative and participatory process in developing taxation regimes.

Figure 6.5: Mineral Taxation Regimes Since Privatisation

	DAs	2008	2009	2012	2013	Jan. 2015	Jul. 2015	2016
Mineral Royalty	0.6%	3%	3%	6%	6%	8% Underground 20% Open-Cast	6% Underground 9% Open-Cast	4-6%
CIT	25%	30%	30%	30%	30%	0%	30%	30%
Windfall Tax	No	Yes	No	No	No	No	No	No
Variable Profit Tax	No	Yes	Yes	Yes	Yes	No	Yes	No
Capital Allowance	100%	25%	100%	100%	25%	25%	50%	50%
Export Duty on Copper Concentrate	0%	0%	0%	10%	10%	10%	10%	10%

Source: Adapted from Manley 2015 and Manley 2016

Following reports of tax evasion by multinational corporations Glencore and Illovo—responsible by some accounts for the loss of $4.9 billion from 2000 to 2010 (Kar and Frietas 2012)—the Zambian government enacted SI 33 (2012) and SI 55 (2013). SI 33 barred the use of foreign exchange in domestic transactions, and SI 55 empowered the BOZ to monitor international money transfers. However, both measures were revoked in response to the depreciation of the kwacha in the summer of 2014. The Zambian government, with the financial assistance of the European Union, has also recently been involved in the implementation of the Mineral Value Chain Monitoring Project in order to develop a comprehensive, multi-stakeholder reporting system for the extractive industry.

Emerald Auctions for stones mined in Zambia became localized in 2013. Revenue earnings from gemstones more than doubled, from US$40.4 million in 2012 to US$100.5 million in 2013 (Zambian Mining Magazine, 2014: 34). *The Financial Times* proclaimed that "Zambia [did] a Botswana on emeralds" (Bowman, 2013). In late 2014, the late President Sata directed the Ministry of Mines, Energy and Water Development to permit small-scale miners of gemstones access to the international auctions (Zambian Mining Magazine 2014: 34). If implemented, this measure would increase government revenue and circumvent predatory intermediaries.

As part of ZCCM-IH's 2012–2016 Strategic Plan, the Technical Department was converted into an independent subsidiary, MAWE Exploration and Technical Services, in order to act as a catalyst for exploration and small-scale mining development. With respect to the latter, MAWE was intended to assist small-scale miners with conducting geological surveys of their plots and provide financing for the purchase of capital equipment. Unfortunately, due to budget constraints, MAWE was folded back into ZCCM-IH in early 2016.

Aside from assisting small-scale miners, the government has also sought to assist mine suppliers and contractors. According to the 2014 Mineral Value Chain Monitoring Project, there exists an "over dependence on foreign manufactured consumables in the [mining] industry and the absence of significant local manufacturing resulting in most spares and consumables being imported" (ZRA 2014, 11). Of the approximately US$1.75 billion procured by the Zambian mining industry annually, only US$87 million (5%) is spent on locally manufactured goods (ICMM 2014, 66). This is in large part due to the negative consequences of trade liberalization, with imports outcompeting Zambian-produced manufactures, and the privatization of the mines, with foreign mining companies moving away from local procurement policies (Fessehaie et al. 2016). In 2012, then-Vice President Guy Scott, in cooperation with the Chamber of Mines and the Zambian Association of Manufacturers, championed the Zambian Mining Local Content Initiative (ZMLCI), which was meant to act as a successor to the International Finance Corporation's Copperbelt SME Supplier Development Programme (2007–2010). ZMCLI proposed a series of recommendations to facilitate local supplier development, "including the establishment of a credit guarantee facility, financial education for micro- and small enterprises, establishment of a central collateral registry, and development of a national MSMEs financing policy" (Kragelund 2017, 63). Unfortunately, the initiative dissipated following the departure of Scott from office in late 2014. Both the Mines and Mineral Development Bills of 2008 and 2015 included provisions giving preference to "materials and products made in Zambia" and "contractors, suppliers and service agencies located in Zambia and owned by citizens or citizen-owned companies."[13] However, implementation and enforcement were lacking.

Immediately following the 2011 elections, there was a wave of strikes at the copper mines on the Copperbelt and North Western Provinces. With the mediation of the government, mineworkers were able to secure sizeable gains from the mining companies during negotiations in 2011 and 2012. However, the plight of mineworkers was subsequently ignored, and these early gains have largely been eroded with the slowdown of the copper mining following the fall in price of copper, problems with electricity provision, and the enactment of the 2015 mineral royalty taxation regime, as mining firms have subsequently retrenched their workforces and inflationary pressures have depressed real wages (Uzar, 2017). Moreover, as Figure 6.6 demonstrates, the Patriotic Front has failed to reverse the casualization of the mine workforce, with contract labour accounting for nearly 45% of those employed by the mines in 2014.

Figure 6.6: Direct and Contract Employment in the Mines (2014)

Operation	Ownership (as of 2014)	Direct employees (2014)	Contract labor (2014)	Other (expansion project)	Total
Mopani	First Quantum 16.9%, Glencore 73.1%, ZCCM-IH 10%	10,000	10,000		20,000
Konkola	Vedanta 79.4%, ZCCM-IH 20.6%	7,000	9,000		16,000
Lumwana	Barrick Gold 100%	1,882	2,054		3,936
Kansanshi	First Quantum 80%, ZCCM-IH 20%	4,781	3,731	5,407	13,919
Albidon		63			63
Lubambe	VALE 40%, Africa Rainbow Resources 40%, ZCCM-IH 20%	1,200	1,000		2,200
Chibuluma	Jinchuan Group 90%, ZCCM-IH 10%	602	345		947
Chambishi Metals	CNMC 85%, ZCCM-IH 15%	741	147		888
Chambishi Copper Smelter	NMC 60%, Yunnan Copper Group 40%	1,600	400		2,000
NFCA	CNMC 85%, ZCCM-IH 15%	1,064	1,219		2,283
Total		28,933	27,896	5,407	62,236

Source: World Bank 2015, 33 (Annex B)

7.7 The South Korean Development Path: Comparison and Lessons for Zambia

The experience of East Asia and the "idea of a developmental state," Lindsay Whitfield argues, has "made inroads in the thinking among African intellectuals, economists, technocrats, and politicians" (Whitfield, 2009: 367). In a recent report, economists at the UNECA have called for the establishment of developmental states in Africa to facilitate the subcontinent's

[13]Government of the Republic of Zambia (GRZ), Mines and Minerals Development Act (2008), 13:1; GRZ, Mines and Minerals Development Act (2015), 20:1.

desperately needed economic transformation (UNECA, 2011). The market-driven policies of the IFIs in Africa, it is argued, have fashioned states with weak regulatory capacities and left economies dependent on agriculture and resource extraction. Drawing mainly from the experiences of East Asia, along with acknowledging the failings of Africa's earlier developmentalism, UNECA declared that:

> *developmental states, barring external shocks and adverse global conditions, can stimulate rapid economic growth and diversification, technological innovation, industrial development and social welfare in Africa* (UNECA, 2011: 111).

Similarly, in a study of the prospects of a developmental state in Africa, Meyns and Musamba suggest that:

> *[t]he question for fledgling African economies is whether they can learn from East Asian experiences and perhaps even emulate their achievements to overcome their persistent development problems* (Meyns et al, 2010: 7).

The developmental state paradigm was conceived and propagated by academics such as Chalmers Johnson (1982), Alice Amsden (2001), and Robert Wade (1990), examining the experiences of East Asian late industrialization. This was to counter the neoliberal prescriptions offered by the IFIs and donor countries to the struggling economies of the Global South in the 1980s and 1990s, as well as efforts by the World Bank and the International Monetary Fund to "creatively" reinterpret the East Asian experiences to justify the aforementioned prescriptions. Contrary to the neoliberal orthodoxy that the promotion of free trade and free markets will grow economies, DSP scholars argued that economic growth and industrialization in the Global South requires state coordination and intervention. They highlight specific institutional arrangements (e.g. bureaucracies that possess embedded autonomy[14] and the existence of a pilot organization,[15] etc.) and economic policies (e.g. protectionist trade measures, reciprocal control mechanisms,[16] etc.) that facilitated economic growth and industrialization in Japan, Taiwan, and South Korea. While offering a useful critique of neoliberalism, the DSP downplays the

[14] Peter Evans (1989) argued that the East Asian developmental state possessed a meritocratic and capable bureaucracy which operated autonomously from social pressures, yet at same time remained firmly connected to the business community for the purposes of economic planning.

[15] Chalmers Johnson (1982) argued that Japan's economic success can largely be attributed to the Ministry for International Trade and Industry (MITI). MITI operated as a pilot organization that actively coordinated the actions of competing firms in order to maximize economic output and efficiency.

[16] Alice Amsden (2001) maintains that in order to encourage positive industrial outcomes, East Asian development banks granted subsidies to privileged firms on the condition that these firms met certain performance and policy standards (e.g. maintained a particular debt-equity ratio, purchased a percentage of their inputs from local producers, exported a certain percentage of their product, etc.).

socio-economic coalitions and international conditions behind the emergence of the South Korean developmental state (Pempel, 1999: 138).

First, the developmental state model often treats the state bureaucracy as a neutral arbitrator, "totally depoliticized, socially disembodied, and in rational pursuit of a self-evident national interest…" (Pempel, 1999: 144). Pempel interrogates this overly simplistic assumption: "[w]hich sectors benefit most, and which are most noticeably disadvantaged by the specific economic strategies pursued by the bureaucrats of the developmental state? What are the social-economic underpinnings of the developmental state?" (Pempel, 1999: 145). Indeed, the DSP ignored the social forces that drove (national manufacturers and state bureaucrats) and were disciplined (industrial workers) by South Korean industrialization efforts.

Second, the DSP tends to focus almost exclusively on the domestic sphere, ignoring the specific international conditions that facilitated the South Korean "miracle." (Pempel, 1999: 146-147). Prominent among these favourable international conditions was the sizeable amount of American economic and military aid given to Japan, Taiwan, and South Korea, and the economic privileges granted by the United States to its East Asian allies. Concerning American aid provided to East Asia, Giovanni Arrighi writes,

> *Altogether, in the 20-year period 1950–70, US aid to Japan averaged US$500 million a year. Aid to South Korea and Taiwan combined was even more massive. In the period 1946–78, military and economic aid to South Korea amounted to US$13 billion (US$600 per capita) and to Taiwan US$5.6 billion (US$425 per capita). The true dimensions of this munificence are revealed by the fact that the nearly US$6.0 billion in United States economic aid to South Korea in 1946–78 compare with a total of US$6.89 billion for all of Africa and of US$14.8 billion for all of Latin America in the same period* (Arrighi, 2002: 30-31).

In addition to this massive volume of economic and military aid, the "United States gave the exports of its East Asian allies privileged access to the US domestic market, while tolerating their protectionism, state interventionism and even exclusion of US multinationals to an extent that had no parallel in US practices anywhere else in the world" (Arrighi, 2002: 31). Clearly, the developmental states of East Asia were cultivated within a highly favourable international environment, along with inheriting distinctive economic and political legacies (e.g. Japanese colonialism, coherent national units, etc.), which are unlikely to be reproduced anywhere else. Moreover, as Ha-Joon Chang argues, developed economies have effectively "kicked away the ladder"—protectionist policies previously employed by today's developed economies to insulate their infant industries are no longer tolerated (Ha-Joon Chang, 2002).

Another major flaw of the developmental state model is its preoccupation with successful cases and its disregard for states that made genuine developmental efforts and commitments but were derailed by exogenous and unforeseen factors (i.e. "failed" developmental states) (Mkandawire, 2001: 290-291). Many African states in the 1960s and the 1970s could be classified as developmental, as they were driven by a developmentalist ideology (e.g. Kenneth Kaunda's "Zambian Humanism") and possessed the requisite technical and administrative state capacity (Mkandawire, 2001: 290-291). The combination of rising oil prices and falling agricultural and mineral prices prompted the acquisition of unsustainable debt by these states and eventually led to the dismantling of their developmental projects under the tutelage of the IMF and World Bank structural adjustment programmes. The Copperbelt in the 1970s, for example, could be considered a microcosm of a developmental state.

Setting these criticisms of the DSP aside, some lessons can be drawn from the South Korean developmental state. First, the experience of South Korea reinforces the importance of state capacity. The Korean developmental state possessed a highly capable, cohesive, and embedded bureaucracy. Moreover, the Korean developmental state possessed the requisite capacity to extract and channel revenue and to develop, implement, and monitor various initiatives (Chibber 2014, 33-34). The African post-colonial states have typically lacked the institutional capacity of the South Korean developmental state. Scholars have argued, on the one hand, that the African post-colonial state was "bloated" (i.e. staffed with superfluous personnel) and functioned as a vehicle for rent-seeking, and on the other hand, that it is possesses limited regulatory capacity, which is the legacy of colonialism, made worse by neoliberal structural adjustment. The World Bank's 1981 report on sub-Saharan Africa (commonly referred to as the "Berg Report") and Robert Bates's *Markets and States in Tropical Africa* (1981) blamed excessive state intervention and the "urban bias" of economic policies for the worsening economic conditions of the 1980s. The state, they argued, is a rent-generating institution that inhibits the efficient allocation of resources. Alternatively, an unfettered market could allocate resources efficiently and curb rent-seeking. Essentially, this line of argument offered a theoretical justification for neoliberal structural adjustment.

Many critical scholars have countered that African post-colonial states were, in reality, weak and tainted by the legacy of colonialism. According to Shafer (1994, 66):

> *Zambia reached independence crippled by its past… The literacy rate was 29%; less than 50% of the children attended primary school, 4% attended secondary school, and just a hundred Zambians had college degrees. Technical education was non-existent, and the University of Zambia would not graduate its first class until 1969. The weak civil service reflected the colonial state's law-and-order and copper industry biases. In 1964, Africans held only 39 of 1,298 senior appointments, and whites monopolized even low-level posts. Their abrupt departure gutted the bureaucracy. Even five years later, one-quarter of the civil servants had no in-service training, two-thirds of the mid-level civil servants had no high school education, and only one quarter of the senior civil servants had finished school. Ten years later, in 1979, more than half of the permanent secretaries running ministries lacked a university education*.

Fredrick Cooper (2002) has argued that African post-colonial states were built upon a set of skewed and deficient institutions inherited from colonialism. Colonial administrations were externally orientated gatekeeper states "standing astride the intersection of the colonial territory and the outside world," e.g. collecting custom duties, regulating the entry and exit of goods and persons, etc. (Cooper, 2002: 5-6). Many post-colonial states, much like their colonial predecessors, "sit astride the interface between a territory and the rest of the world, collecting and distributing resources that derived from the gate itself; permits to do business in the territory, entry and exit visas; and permission to move currency in and out" (Cooper, 2002: 157). However, unlike their colonial predecessors, post-colonial states are vulnerable due to their limited coercive capabilities and unbalanced economies, making them prone to instability and spoils politics.

In many instances, the nationalist developmental projects of 1960s and 1970s sought to rectify this lack of state capacity through various initiatives (e.g. expanding regulatory bodies, building educational and training facilities, utilizing technical assistance, etc.), albeit with variegated results. Unfortunately, these efforts were subsequently stymied by neoliberal reforms, as the state was squeezed by fiscal constraints, pillaged through privatization, and a sizeable portion of the "superfluous" civil service was retrenched (Mkandawire, 2001: 306-307).

Second, the South Korean developmental state possessed cohesion, made possible by the coordination of a nodal agency. South Korea's Economic Planning Board (EPB) functioned as what Chalmers Johnson terms a "pilot organization." As Ha-Joon Chang (2010) explains, "[t]he EPB was the quintessential 'pilot agency' of the developmental state, coordinating the activities of the Ministry of Commerce and Industry (in charge of detailed sectoral policies), the banks (which were all state-owned between 1961 and 1983 and fully controlled by the government until the early 1990s, even after some of them were partially privatized), and SOEs" (Ha-Joon, 2010: 89). The Central Planning Office and National Commission for Development Planning existed under UNIP but was dissolved by the MMD under President Chiluba. "National planning" was subsequently revived under President Mwanawasa and placed under the control of the MOF. Hence, an effective pilot organization essentially does not exist in Zambia currently. Moreover, as mentioned earlier, there exists a general lack of coordination between the various ministries and agencies. For example, the Ministry of Mines was not adequately consulted in the drafting of the 2014 budget and the associated increases to the mineral royalty tax (Director of Mining, Ministry of Mines, June 30, 2015). Arguably, an important supplement to cohesion is consistency, which is also absent in the regulation of mineral extraction in Zambia. The numerous changes to the mineral royalty tax over the past two years, as previously discussed, and the revocation of SI 89 (2013) are two prominent examples. In the case of the later example, the Zambian government faced pressure from the mines to revoke the 10% duty on the export of unprocessed copper concentrate, as it was claimed that Zambia did not possess adequate smelter capacity. In response, the Zambian government issued SI 89 in late 2013, which suspended the 10% duty. However, this unpopular measure was revoked less than a month later, reinstating the duty!

Third, the need for the state to effectively discipline capital, whether domestic or foreign, is also demonstrated by the South Korean example. The South Korean developmental state, using what Alice Amsden (2001) terms "reciprocal control mechanisms" (e.g. the provision of subsidies to firms were tied to performance standards and targets), was able to encourage manufacturing firms to transition from Import Substitution Industrialization (ISI) to Export-Led Industrialization (ELI) (Amsden, 2001; Chibber, 2003). Zambia, on the other hand, was unable to make the transition from ISI to ELI, which eventually culminated in deindustrialization during economic liberalization in the 1990s. Under the Zambian import-substituting industrialization, access to foreign exchange was tightly regulated, and local firms were protected from foreign competition through the use of prohibitive tariffs.

The Industrial Development Cooperation of Zambia (INDECO) was charged with managing many of the more sizable manufacturing firms. Zambian manufacturing firms mainly produced consumer goods for domestic consumption and some intermediate goods for copper mining (e.g. lime, acid, explosives, etc.) as opposed to securing much-needed foreign exchange by exporting the goods being produced. Hence, the nascent manufacturing sector was dependent on foreign exchange from copper mining for imported capital goods (i.e. technology and machinery). The reduction in export earnings caused by lower copper prices in mid-1970s meant less foreign exchange to finance imports, leading to shortages and decreased production from import-dependent firms (Tangri, 1984). Zambia's industrialization strategy also suffered a number of other problems including the use of inappropriate capital-intensive technologies, dependence on expatriate managers, and the production of luxury consumer items for a limited market (Seidman, 1974). These weaknesses were exposed when the Chiluba administration implemented trade liberalization in the 1990s, as many of these newly privatised firms could not compete with imported goods and were closed. As a result, Zambia underwent significant deindustrialization.

The South Korean experience demonstrates, one must first promote industrialization through infant industry protection, but then pressure those firms to seek foreign markets. Whether or not this path is feasible or not under the current global economic conjuncture is the crucial question. Some scholars have suggested that the most realistic strategy to industrialize Zambia is through cultivating backward linkages to copper mining (Fessehaie et al., 2016). However, the robust local content measures have been resisted by the mines. Hence, the need to discipline capital can also be extended to the governance of mineral extraction. Following privatization, the Zambian government has faced some difficulty regulating the mines, in large part due to its limited institutional capacity previously discussed.

Finally, as Arrighi has pointed out in his comparison of East Asia and sub-Saharan Africa, there has generally been a failure to create an enduring indigenous business class on the subcontinent (Arrighi, 2002: 27-29). Arguably, the coalition of domestic firms and state managers was important for the formation and resilience of the South Korean developmental state. In Zambia, however, the commanding heights of the Zambian economy following independence were nationalized. Some space was provided for private (small and medium-sized) enterprise to flourish, but many of these businesses folded in 1990s with increased competition from imported goods. The privatization of parastatal enterprises in the 1990s largely failed to benefit indigenous Zambians due to a lack of investment capital. Arguably, a local content strategy is necessary to cultivate indigenous capital formation.

Although the South Korean developmental state sought to foster industrialization by effectively managing and regulating manufacturing firms, its core lessons can be justifiably applied to the governance of mineral extraction. The Zambian state must possess the requisite institutional capacity, cohesiveness, and disciplinary leverage to utilize the country's natural resources for economic transformation and inclusive growth.

7.8 Recommendations: Natural Resource Management for Sustainable and Inclusive Development

Considering the challenges currently confronting the state in the management of its natural resources and the lessons that can be gleaned from the South Korean experience, we have put forward a series of recommendations. First and foremost, there is a need to increase state regulatory capacity to better monitor the operations of mining firms. Efforts should be made to ensure mines are paying the requisite taxes and are abiding by labour, safety, and environmental legislation. Second, part and parcel with the previous recommendation, effective policy monitoring protocols and mechanisms need to be put into place. There have been a number of important pieces of legislation drafted and initiatives enacted as of late, but they have not been sufficiently implemented. Third, there needs to be increased coordination between various state departments and agencies. This could perhaps be achieved by constructing an effective pilot organization like the Korean EPB.

Fourth, Zambia's past experience under the UNIP one-party state cannot be written off completely as a period of 'failed policies.' In some instances, the experience of the 1970s and 1980s offer important lessons for policy formation and implementation. Take, for example, the training of skilled personnel, which expanded greatly under ZCCM, but declined greatly following privatization (Hamukoma, 2011). Despite efforts by the Chamber of Mines to train Zambian graduates through its network, a more comprehensive programme is necessary. Fifth, the Zambian state, in a manner reminiscent of the Korean developmental state, needs to develop an effective industrial policy that both encourages the formation of an indigenous manufacturing class and spurs economic diversification. Sixth, the Zambian state needs to be able to effectively discipline capital. Due to the country's dependence on copper, this has proven difficult, as the recent reversal of the mineral royalty tax increases have demonstrated. However, it is not impossible. Finally, the state needs to devolve more control over mining to local communities and effectively implement a mineral revenue-sharing mechanism to benefit those communities.

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CHAPTER VIII: POLICY IMPLICATIONS FOR ZAMBIA

8.1 Introduction

In this concluding chapter we want to return to the main question of the study: under what conditions do states become effective within and across different domains of development? The conceptual framework of the developmental state guided our study. It assumes that given a strong political will and vision in combination with human capabilities to articulate and implement the vision, a developmental state is achievable in any African country. Or as Mkandawire reminded us some time ago: "The experience elsewhere is that developmental states are social constructs consciously brought about by states and societies. As difficult as the political and economic task of establishing such states may be, it is within the reach of many countries struggling against the ravages of poverty and underdevelopment" (2001). South Korea is such a case. So, in conclusion, we want to highlight lessons from the South Korea's experience as a means of showing Zambia's potential trajectory as a developmental state. By doing so, we bear in mind the limitations to a direct comparison, given the vast foundational differences between the two countries.

9.2 The Main Lessons from South Korea

The chapters of this report have presented several lessons for Zambia from the South Korean development experience. Out of those, the lessons represented below are only a limited selection of the most critical messages for Zambia from South Korea.

Policy Consistency. The South Korean economy has grown incredibly over the past sixty years. This success has been achieved through consistency in policy formulation and implementation. From the 1961 to 2015, South Korea has been ruled by ten different administrations. Each administration over the period pushed its own policy initiatives and national projects, but always fit these projects into the overarching ambition to achieve economic growth. Despite this, and episodes of civil war, military coups and political upheavals, there was policy consistency. Why this consistency? This was largely due to an autonomous professional civil service and consensus of the political leadership over the growth path. This was coupled with liberal market policies that derived policies from actual experience and not dogmatically. Furthermore, South Korea effectively used legal frameworks to secure actual implementation of policy. The use of a legal framework has consequences for non-compliance and is less vulnerable to policy shifts. Policies implemented without a legal framework are susceptible to reversal.

Policy in South Korea was derived from "concrete pragmatism." That is, policies were derived from the actual conditions and not from ideology. The state intervened in the market. But this intervention was "market augmenting," so as to reduce uncertainties and risks related to business and generated information about opportunities. Zambia has been ruled by only six administrations over the fifty-two years since 1964. During this time, policies have usually been derived from ideology without reflecting the actual conditions in the society. There have been abrupt changes in policies from one administration to the other. This, and the inability to effectively use legal frameworks to pursue policy implementation, has tended to produce policy inconsistency and dogmatism.

Coordination. The implementation of policy in South Korea was further supported by an institutional framework. Policy initiatives and projects were productively coordinated across government ministries. For instance, there was coordination in the implementation of the development plans. There was a constant re-shuffling of government ministries and institutions to fit the objectives of the plan. This ensured unity and consistency in the policy coordination and implementation among the concerned ministries. This was aided by the formation of effective inter-ministerial working committees, which stressed study and discussion in their work. This was possible because of the professionalism and meritocracy of the civil service. In Zambia, ministries tend to work in isolation with limited coordination. Further, the civil service has limited capacity and is heavily politicized.

Industrial Upgrading. When South Korea achieved the full easy-import substitution of consumer goods, it upgraded its industrial structure. This enabled them to move into the production of higher value industrial goods and to realise a trade surplus. Building of technological capability was private-firm specific and was crucial to sustain industrial growth. The technological capacity improvement was assisted by R&D of private companies and high tertiary education. The strategy for industrialization and import-substitution policy in South Korea was micro-specific and focused on industrial upgrading. The state handed out subsidies (or other benefits) to firms they wanted to become internationally competitive. In exchange, the selected firms had to meet certain performance targets.

There has been no real strategy for Zambia. In the 1970s when Zambia achieved the easy-import substitution of its consumer goods, it was not accompanied by the upgrading of the industrial sector. When subsidies were given to the sector, these were given wholesale and were not monitored. The state focused on state participation and diversification away from copper. To date this has remained a vague concept with no policy guidelines.

Role of the State. South Korea was in the 1960s an agricultural economy. This has been transformed into a modern and advanced economy. In this process of transformation, the state played a decisive role. The state intervened to support industry. The vehicle for intervention was the civil service. It was able to do that because it was autonomous and professional. Unfortunately, in Zambia, the civil service was destroyed at a crucial time. Because state intervention has to be managed so that it is least cost and successful. This is to enable it to nurture the "infant industry" and nudge industrial growth. Because the civil service is porous, the process of state intervention in Zambia was and still is managed by politicians from the ruling party.

Education and Training. The driving force for South Korea was overall improvement of the people's capabilities, driven by the unrivalled enthusiasm for education. It enforced compulsory or mandatory education for all as a core policy. South Korean education has grown remarkably over the past fifty years, both in quality and numbers educated. The country is currently rated as one of the top performing in the OECD countries. Education is also very competitive; for instance, teenagers in South Korea have the highest levels of literacy and numeracy of all OECD countries.

Technical education and advanced training for scientists and engineers was recognised by the state in South Korea. This consisted of setting up technical colleges and institutions for science and technological infrastructure with adequate research funding, elite education for the best minds in the country. South Korea used human capital as an engine of growth. Up to this date, South Korea continues to send its people for education and training in Europe and the United States.

In Zambia the rapid quantitative expansion of primary, secondary and tertiary education has cost the country in terms of educational quality. The sector has failed to maintain standards or improve the quality of education. Educational quality has declined at all levels, and the sector has remained uncompetitive. Scores for reading and mathematics in primary schools put Zambia among the lowest ranking in Southern Africa.

Technology. Technology policy was important for the transformation of industry in South Korea. The import-substitution policy initially depended on imported turnkey-based technology. The state set up an infrastructure of scientific and technological institutes and supported this with the training of scientists and engineers. The state chose sectors and pursued a policy of active importation of foreign technology. It increased R&D investment for imitative innovation. Generally, the state pushed for an increased R&D on innovative effort in the private sector. This was coupled with increased educational training in the colleges.

In striking contrast, there is no clear specific policy on technology and innovation in Zambia. Ideas to foster technological development are aired loosely as hazy or vague concepts. The state has no mechanism to support private sector R&D or to effectively spur foreign technology updates.

Civil Service. The civil service is a crucial tool in promoting and managing transformation. At their respective independences in the 1960s, both Zambia and South Korea inherited professional civil service structures. These were mainly manned by career civil servants. Both countries had entrance examinations and grade examinations. South Korea built on this structure and continually reformed the civil service. It has created an autonomous and professional civil service. The service has substantially improved in competitiveness and meritocracy over time. Appointments and promotions are competitive. There is continuous educational training at all grades, aimed at increasing the knowledge and skills of civil service workers to carry out their functions effectively. Continuous training of staff and use of IT in government is a key component of the South Korean administrative strategy. The country has built the most advanced e-government services to date and the highest levels of e-participation in the world.

On the contrary, over time, Zambia increasingly politicised the inherited civil service. In the late 1960s, there was a deliberate policy to politicize senior appointments in the service. This worsened thereafter with the successive political administrations that took office. This politicization has eroded professionalism in the civil service. Civil servants are expected to be loyal to the ruling party. This has had an adverse effect on the appointments, promotions and dismissal of civil servants. This is now more dependent on family ties, tribal lineage and political patronage. Civil service grade examinations at every level have been abandoned, and there is very little continuous civil service education. Consequently, the civil service has become unprofessional and unsuitable as a tool of transformation. Indeed, in many cases the service is even inadequate and ineffective as an instrument in the implementation of routine government programmes.

Socio-economic Inequality. Zambia and South Korea were faced with the same levels of inequality in per capita incomes in the 1960s. South Korea has managed to control inequality while at the same time increasing per capita incomes and the quality of life. It has done this through harnessing real growth dividends and diligently pursuing the social welfare programmes it embarked on to transform society. As the economy grew, there was a realization that social welfare support to the socially marginalized classes fell on the shoulders of the state. Thus, in the 1990s South Korea's welfare policy moved from the residual welfare concept to the institutional public assistance concept. Thus, a robust social safety net has been built.

On the other hand, the economy in Zambia has grown. However, this growth has been without balanced poverty reduction and with increasing inequality. The persistence of extreme poverty has been intractable. Zambia's social welfare programmes have had a limited impact on inequality and poverty.

Resource Abundance. South Korea and Zambia are a marked contrast in resource endowment. Zambia has abundant mineral wealth. It was among the four largest copper producers in the world in the 1960s. The growth process was therefore heavily dependent on resource extraction for growth. However, Zambia has failed to use its abundant mineral resources to transform itself into a prosperous modern society and economy. It has failed to capture an appropriate share of the resource rents from copper; save a judicious amount abroad and set clear, growth-orientated priorities for absorbing the remainder at home.

On the other hand, South Korea has insufficient natural resources. Mining activities in South Korea do not play a significant role in the economy. Instead, South Korea has focused on using its human capital as an engine of growth. It has managed to create institutions that have delivered growth and transformed itself into a modern economy and society.

Capability and autonomy in state institutions. Zambia can learn from South Korea in the ways that South Korea has diligently sought to build autonomy in its institutions of governance. In Zambia, politicians, bureaucrats and beneficiaries are heavily entangled in behaviours that attempt to manipulate the institutions of governance to the interest and benefit of the few. Rent-seeking behaviours are promoted and rewarded. The independence and autonomy of most institutions of governance do not exist. The major developmental challenge for Zambia is how to come up with institutions that can promote development in the country. These should be autonomous and independent.

Zambia can learn from South Korea by looking at some of the measures that South Korea has instituted to enshrine autonomy and independence in its governance institutions. Firstly, for instance, South Korea has strictly limited the tenure of office for the heads of executive, judiciary and the legislature. The President serves for a fixed and non-renewable term of five years. The Chief Justice serves for a fixed and non-renewable term of six years. The legislature has a four-year term. Secondly, the term of office for the heads of the executive, judiciary and legislature overlap. The tenure of the national assembly is four years, the chief justice six years and the president five years. Thirdly, the members of the various constitutional bodies are appointed directly and proportionately by the three arms of government, the legislature, judiciary and president. Fourthly, most members of the constitutional boards have term limits. Chairpersons usually have a fixed and non-renewable term. Finally, to make the National Assembly inclusive and autonomous, the members are elected from constituencies and a proportion is elected by political parties for the purpose of proportional representation. Ministers are appointed outside national assembly. The prime minister (vice president) is appointed by president—usually a technocratic—but can only be impeached by the National Assembly. The National Assembly can also impeach ministers and all top public officials.

Political Leadership. In South Korea, despite their political differences, the political leadership viewed economic development as a national imperative. They persuaded society that a strong modern society was a public good that would benefit every member of the society. This made it possible for all administrations to follow the development plans and pursue growth.

To the contrary, politics in Zambia have been very divisive. Each new administration attempts to pursue its own strategy of development, resulting in serious discontinuity. One can argue that Zambia, being a multi-party democracy, could operate such that political parties agree on a bipartisan development strategy. This would be followed by each party during their term in power. A successful development strategy, commanding the confidence of the public, can provide some institutional memory and continuity of policy. However, this currently does not exist in Zambia, and can only happen if the ruling party is impressionable and is supported by an autonomous, professional civil service. Experience suggests that strong technocratic teams focused on long-term growth can also provide some institutional memory and continuity of policy. This stability and experience is particularly valuable during political upheavals.

Devolution. The structure of government is very important in order to bring about development. South Korea has a devolved system of government. It has implemented a full self-governing system both at the local and regional levels with elected heads of authorities. This was seen as a way of accelerating the spread of regional development and fostering balanced development of the rural and urban areas.

However, in Zambia, "decentralization in centralism" has been pursued. This has meant that the government machinery might have decentralized some activities while retaining effective control of the government machinery at the centre. This is basically to decentralize but avoid self-governing regional and local authorities. This is a defining difference between Zambia and South Korea. South Korea has pushed regional and local self-governance in order to promote growth and development and democratic institutions. But Zambia has continued to concentrate power at the centre, with dire consequences for regional and local development, democracy and ultimately the growth of the country.

The Developmental State in Zambia: Plausibility, Challenges, and Lessons from South Korea

This study discusses the plausibility of the developmental state in Zambia, including its implications for economic policies, the quality of growth, and the institutional and bureacratic culture required for success. Using historical, political economy and comparative analyses, the study discusses Zambia's policy and strategy options in its quest to boost domestic institutional capacities and put the economy on the path to structural transformation, and inclusive and sustainable development.

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