Statement by Valeriano F. García
Date of Meeting: October 7, 1999

Zambia - CAS

We commend staff for a document that carefully analyzes the advances and present situation of the country and proposes a CAS strategy for the short and medium term to help overcome the impediments to growth.

This Chair fully supports the general thrust of the strategy, which follows a course already set in the previous CAS. The Government has accomplished a turnaround in economic policy, and a wide spectrum of reforms has been supported by seven IDA adjustment operations. The adoption of an economic reform program, once again, has proven to be a positive factor in the stabilization of the economy. Already some data suggest a lessening in the severity of poverty since the reform program began. However, some social and poverty indicators seem to have deteriorated since the early 1980s, and the quality of services has declined.

We share the perception that Zambia is at a crossroads, more has to be done in order to sustain growth. In this sense we very much welcome the adoption of a CDF framework of analysis. The extensive consultations undertaken in preparation of the present CAS will certainly serve not only to rally Government and stakeholders behind a common vision of the future, but also to better coordinate aid among donors.

We would like to see the CAS addressing the issue of education more forcibly. Education is the main determinant of growth and equity. We welcome the recognition that, after years of preparation, a basic education subsector program has begun and will address the key issues of low enrollment rates and poor learning outcomes. Health seems to be more adequately addressed with the planning of a multi-sectoral, multi-partner HIV/AIDS program and the elaboration of a National Poverty Reduction Plan that will address basic social services for all Zambians.
The obstacles found in Zambia to achieve a transformation seem manifold, but the CAS’s core objective is to help overcome these constraints. We fully support the proposed long-term strategy of assisting a comprehensive development strategy to build institutions, diversify the economy, strengthen partnerships with other stakeholders, and promote socially and environmentally sustainable development. The progress achieved in various social sectors such as health, nutrition and population, as well as in other sectors such as agriculture and rural development clearly show that there is plenty of room for improvement.

The external dependence of Zambia is critical and certainly an issue that has to be addressed up-front. The deterioration of its terms of trade and the lack of substantial foreign private investment increase the vulnerability of the economy and delay economic growth. Zambia seems to be well endowed with natural resources and it was once a thriving economy. Time has changed and courageous measures have to be taken. The withdrawal of the State from production responsibilities has to be complemented with enabling the environment for the private capital sector. Macroeconomic stability is a precondition, but also administrative and fiscal management and accountability. A regulatory framework and the rule of law have to prevail in order to increase private investment. The participation of IFC and MIGA in these endeavors is critical.

Another consequence of its external dependence is its extreme indebtedness. By the end of 1998, the nominal value of Zambia’s total external public debt had risen to nearly twice the level of GDP. The debt service to export ratio had reached 33%, and the net present value of the debt stock to exports ratio, 510%. This situation underscores the importance of debt relief for improving basic services and poverty reduction. We look forward to considering the HIPC debt relief.