COUNTRY PROFILE 2015

ZAMBIA

United Nations
Economic Commission for Africa

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ACKNOWLEDGEMENTS

The aim of the Economic Commission for Africa country profile series is to produce and disseminate country and region-specific policy analyses and recommendations for economic transformation that will promote sustainable growth and social development, strengthen regional integration and facilitate better development planning and economic governance. They are a joint collaboration of the Commission's subregional offices and the African Centre for Statistics, with inputs from the Macroeconomic Policy Division, the Regional Integration and Trade Division and the Social Development and Policy Division.

The lead author of the Zambia country profile was Ian Filakati of the Subregional Office for Southern Africa. The country profile was prepared under the overall coordination and substantive guidance of Giovanie Biha, Deputy Executive Secretary for Knowledge Delivery of the Commission, and the direct leadership of Said Adejumobi, Director of the Subregional Office for Southern Africa, with supervision from Sizo Mhlanga, Chief of the Subregional Data Centre.

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ZAMBIA AT A GLANCE

General information	
Subregion	Southern Africa
Official language(s)	English
Currency	Zambian Kwacha
Capital city	Lusaka
REC membership(s)	COMESA,SADC

Rankings	
Human development index (United Nations Development Programme)	139/188 (2014)
Gender Inequality index (United Nations Development Programme)	132/155 (2014)
Ibrahim index of African governance (Mo Ibrahim)	12/54 (2014)
Ease of doing business index (World Bank)	91/189 (2015)
Corruption perceptions index (Transparency International)	76/168 (2015)

ECONOMIC GROWTH

In Zambia, gross domestic product (GDP) has had an average growth rate of over 6 per cent since 2010, with the lowest growth rate of 4.6 per cent recorded in 2015. The performance of the manufacturing and industrial sectors has been fairly good. With unstable weather conditions, poor rainfall and other associated challenges, the growth of the agricultural sector has been uneven over the years. The service sector is growing and making an increasing contribution to GDP of over 45 per cent in 2014.

FISCAL POLICY

A budget deficit of 1.5 per cent of GDP was recorded in the first quarter of 2015, due to reduced revenues resulting from low mineral royalty inflows and the non-receipt of grants. The Government of Zambia expects the budget deficit for 2015 to increase to 6.9 per cent of GDP.

MONETARY POLICY

Since 2010, monetary policy in Zambia has focused on sustaining macroeconomic stability and restricting inflation to single digits, while ensuring adequate levels of liquidity for the growing economy. Thus, between 2010 and 2014, the inflation rate was on average 7.8 per cent, but the single digit target could not be met in 2015. In December 2015, the inflation rate was 21.1 per cent, and it increased to 21.8 per cent in January 2016.

CURRENT ACCOUNT

A widening of the current account deficit of US$ 401.0 million was recorded in the third quarter of 2015, up from US$ 305.9 million in the preceding quarter. Exports to other African countries have increased, although the largest share of exports remains those to the rest of the world, with the top two export destinations being Switzerland and China. The country's imports have also increased, with the main import origins being South Africa, the Democratic Republic of the Congo and China.

CAPITAL AND FINANCIAL ACCOUNTS

In 2014, the financial account registered a surplus of US$ 698.5 million compared to a deficit of US$ 276.9 in 2013. The capital account balance posted a decline to US$ 51.0 million in 2014 from US$ 278.0 million in 2013. Foreign direct investment inflows for 2014 amounted to US$ 2,484 million, up from US$ 1,810 million in 2013.

DEMOGRAPHY

The Zambian population was estimated to be 15.474 million in 2015. Of the total population, about 60 per cent reside in rural areas, while the remaining 40 per cent are urban-based. The country has a relatively young population, with 46.1 per cent aged below 15.

POVERTY

The proportion of Zambians living in extreme poverty has gradually declined over the past decade. Extreme poverty is four times higher in rural areas (57.7 per cent) than in urban areas (13.1 per cent).

EMPLOYMENT

In 2014, the unemployment rate in Zambia was 7.4 per cent. Rural unemployment was 4.2 per cent, while urban unemployment was 11.5 per cent. At 9.2 per cent, the female unemployment rate was higher than the male unemployment rate of 6.3 per cent. Youth (15-35 years) unemployment stood at 10.5 per cent.

HEALTH

The maternal mortality ratio was 398 per 100,000 live births in 2014, compared to 591 per 100,000 live births in 2007. Over the same period, the under-5 mortality rate dropped to 75 from 119 per 1,000 live births. The prevalence rate of HIV/AIDS for adults aged 15-49 decreased to 13 per cent in 2013/14, from 16 per cent in 2001/02.

EDUCATION

The literacy rate for 15-24 year olds is 81 per cent, with males recording a rate of 84.9 per cent, higher than that of females, at 77.3 per cent. Primary school net attendance rates increased from 73 per cent in 2006 to 78.2 per cent in 2010.

GENDER SCORECARD OF THE AFRICAN UNION COMMISSION

The labour force participation rate for women is 78.3 per cent, against 95.0 per cent for men. There is room for improvement in terms of women's political participation: at present, women account for 12.7 per cent of members of the lower house of parliament. With regard to access to land, high inequalities persist between women and men, as indicated by a score of 2 out of 10 on the African gender scorecard.

1 OVERVIEW

Over the last decade, Zambia has recorded steady economic growth, surpassing the regional average. Its average growth rate in the last five years (2010-2015) was over 6 per cent, which is above the regional average for the countries of the Southern African Development Community (SADC), at 4 per cent. Recent economic challenges, however, arising from a decline in the price and production of copper, the country's main export product, energy shortages and growing inflation are threatening its growth prospects.

This impressive growth rate has brought increased public investment in the social sector and the provision of social safety nets for vulnerable sections of society, although inequality and poverty remain high, in particular in the rural areas. Extreme poverty in the rural areas is four times (57.7 per cent) higher than in urban areas (13 per cent). In the health sector, maternal and child health have shown improvements, while life expectancy continues to recover from the HIV/AIDS pandemic. Life expectancy increased from 51 in 2010 to 53 in 2014. In the education sector, high enrolment and completion rates are recorded at primary level, but the rates are lower at secondary level, in particular in senior secondary. The pupil-teacher ratio remains a challenge and addressing this and other issues relating to quality would contribute to better education outcomes. Youth unemployment and rural poverty pose daunting obstacles to the country's development.

Where regional integration is concerned, Zambia continues to improve the trade and infrastructure facilities at selected border areas, with a view to diversifying its trade partners within Africa and elsewhere, and is performing fairly well against a number of indicators of regional integration. More needs to be done, however, in the areas of trade, investment and macroeconomic policy convergence.

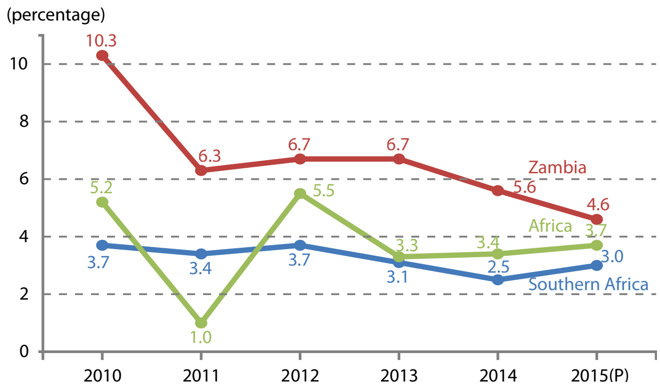
Uncertainties in the mining fiscal regime, the high share of subsistence agriculture and its exposure to the vagaries of weather could slow down the growth of gross domestic product (GDP). Furthermore, the low level of economic diversification and excessive dependence on copper render the economy extremely vulnerable to international developments in commodity prices.

2

NATIONAL AND SUBREGIONAL CONTEXT

The Zambian economy has been on the rise for the last decade but its rate of growth has been slowing in recent years under the pressure of increasing domestic and international economic challenges. On average, between 2010 and 2015, the growth rate peaked at 6.7 per cent, with the highest growth rate recorded in 2010, which registered 10.3 per cent. This dropped to 6.7 per cent in 2013, and further down to 5.6 per cent in 2014 and 4.6 per cent in 2015. For 2016, the GDP growth rate is projected to be 5 per cent. The decline in the primary commodity market (notably copper) and growing energy shortages have caused the country's production, exports and foreign exchange receipts to contract. The fall in the price of copper, from US$ 6,829 per ton in 2014 to US$ 5,160 in 2015, has caused some mining companies to reconsider the scale of their operations and investments, a move which is likely to have an adverse effect on growth prospects in 2016. In addition, some of the copper mining firms have recently been laying off workers, which may also increase the level of unemployment in the country. These challenges notwithstanding, over the last five years – as figure 1 demonstrates – the Zambian economy has performed significantly better than regional and continental GDP growth aggregates.

Figure 1: Average annual GDP growth (2010-2015)



Source: Central Statistical Office (2014a), Ministry of Finance (2014a & 2015a), United Nations Department of Economic and Social Affairs (2016).

Zambia is a member of the two regional economic communities, Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA). Estimates by the SADC Statistics Committee indicate that the SADC region grew by 3.4 per cent in 2014, less than the 7 percent target set by SADC, and a decline from the 3.8 per cent registered in 2013. In 2014, when the regional average growth rate for SADC countries was 3.4 per cent, Zambia recorded a growth rate of 5.6 percent – a rate surpassed by only five of the 14 other countries (SADC, 2014). The slowdown in SADC economic growth in 2013 was attributable to slow recovery of the global economy, particularly in the advanced economies. Notwithstanding the slowdown in the general economic performance of the SADC member States, the 15 countries registered positive growth rates in 2013. This positive scenario continued in 2014 (SADC Committee of Central Bank Governors, 2014).

Box 1 gives some indication of Zambia's performance in selected dimensions of the Africa Regional Integration Index.

Box 1: Africa regional integration index: Zambia

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks such as Agenda 2063 and the Abuja Treaty. The index, which is a joint project of the African Development Bank, the African Union Commission and the Economic Commission for Africa, covers the following dimensions: (i) free movement of persons; (ii) trade integration; (iii) productive integration; (iv) infrastructure; (v) financial integration and macroeconomic policy convergence. The following section gives highlights on selected indicators. A technical description of the indicator may be found on the ECA website at www.uneca.org.

Overall rank: 2nd in COMESA (score – 0.565), 4th in SADC (0.52)*				
Free movement of persons: Joint-fourth in COMESA (score – 0.44) , third in SADC (score - 0.69). Best-performing country in SADC is Swaziland (score – 0.70).	Trade integration: First in COMESA (score – 1), second in SADC (score - 0.63). Best-performing country in SADC is South Africa (score – 1).	Productive integration: Fourth in COMESA (score – 0.61), third in SADC (score - 0.53). Best-performing country in SADC is Zimbabwe (score – 0.74).	Infrastructure: Tenth in COMESA (score – 0.44), tenth in SADC (score - 0.44). Best-performing country in SADC is Botswana (score – 0.82).	Financial integration and macroeconomic policy convergence: Twelfth in COMESA (score – 0.34), eleventh in SADC (0.32). Best-performing country in SADC is South Africa (score – 0.915).

Free movement of persons: African countries are scored based on two indicators in this dimension of the Africa regional integration index: the proportion of regional economic community-level protocols on free movement of persons ratified (out of those communities of which the country is a member) and the number of other African countries whose nationals are allowed to enter visa-free or with a visa on arrival. Zambia scores strongly in this dimension relative to other members of COMESA and SADC. According to sources consulted, it allows nationals of twenty-four other African countries to enter visa-free or with a visa on arrival. Zambia has ratified articles 14, 17 and 18 of the SADC treaty which concern free movement of persons, rights of establishment and free movement of workers but has not ratified the COMESA protocol on free movement of persons (ECA, African Development Bank and African Union Commission, 2012; ECA, African Union Commission and African Development Bank, 2013; ECA and African Union Commission, 2015).

Trade integration: The index includes three indicators of trade integration, namely: average applied tariffs on intra-REC imports and intra-REC goods imports and goods exports, both as a share of GDP. Trade in services is not included due to a lack of data on intra-African trade in services. Overall, Zambia performs strongly in the dimension of trade integration relative to other members of COMESA and SADC.

Examining these indicators in detail, Zambia has an average applied tariff of just 0.1 per cent on imports from SADC, with an average applied tariff of just 0.003 per cent on imports from COMESA. This means that it has the seventh-lowest average applied tariff among SADC member States (behind Lesotho, Mauritius, Swaziland, Botswana, Namibia and South Africa) and the third lowest average applied tariff on imports from COMESA, based on the latest available data (United Nations Statistics Division, 2015; ITC, 2015).

Zambian trade with the rest of the regional economic communities of which it is a member is also high as a share of its GDP. In 2013, the country's imports from SADC amounted to 23 per cent of its GDP, placing it in sixth position within the bloc on this measure, behind Lesotho (at 61 per cent). In terms of its imports from COMESA as a share of GDP, Zambia has the highest share (12 per cent) of any COMESA member. Furthermore, Zambia's exports (excluding re-exports) to SADC amounted to 14 per cent of GDP, meaning that it ranked fifth on this measure among SADC members. Zambia has the highest share of exports to COMESA of any COMESA member, at 8 per cent.

Productive integration: As with trade integration, Zambia falls within the group of top-ranking countries in SADC and COMESA in terms of its integration into regional value chains.

Zambia scores moderately (nineteenth out of all countries in Africa) in UNCTAD's Merchandise Trade Complementarity Index, which measures the extent to which a country's trade is complementary with that of its partners. This suggests that some level of specialization through trade between Zambia and other countries in the region may have taken place.

The Index also measures productive integration looking at intra-regional trade in intermediate goods. The proportion of intermediate goods in Zambia's (already high) trade with SADC is also high. Zambia's share of intermediates in total imports within the region averaged 53 per cent in 2014 (i.e. the average of the shares for SADC and COMESA), while in the same year, its share of intermediates in its exports to the regional economic communities of which it is a member was also high at 76 per cent.

Infrastructure: Zambia's infrastructural integration with its rest of the region appears to be moderate relative to other members of the same RECs. Around 84 per cent of international flights to and from Zambia in June 2014 were intra-SADC, while 75 per cent were intra-COMESA.

Information on Zambia's financial integration and macroeconomic policy convergence can be retrieved from the dedicated website on the Africa regional integration index.

Conclusion: Overall, Zambia appears to perform strongly in all dimensions of the regional integration index that are featured here except infrastructural integration and financial integration and macroeconomic policy convergence. In addition, where the free movement of persons is concerned, it could consider extending visa-free entry to more countries within the region and ratifying the COMESA protocol on free movement of persons.

* A continent-wide ranking, in which all African countries from all regional economic communities will be compared with one another, is currently under development for the Africa regional integration index and will be added to subsequent updates of the ECA country profiles.

3

ECONOMIC PERFORMANCE

Economic performance in Zambia has been generally positive, with modest economic growth rates recorded over the last decade. Its GDP growth rate since 2010 has been, on average, over 6 per cent with the lowest growth rate (4.6 per cent) recorded in 2015, arising primarily from the economic slowdown in the global economy, in particular in China, which occasioned reduced demand and prices of primary products. The country's economic growth has been largely powered by developments in the mining sector. Overall, performance in the agriculture, manufacturing and industrial sectors has been reasonable, although fortunes have fluctuated in the agricultural sector in the last five years. With unstable weather conditions, poor rainfall and other associated challenges, the growth of the agricultural sector has been rather uneven over that period. The service sector is growing in Zambia, and its contribution to GDP increasing commensurately. The volatility of the primary commodity market renders all the more urgent the need for economic diversification and transformation in the country.

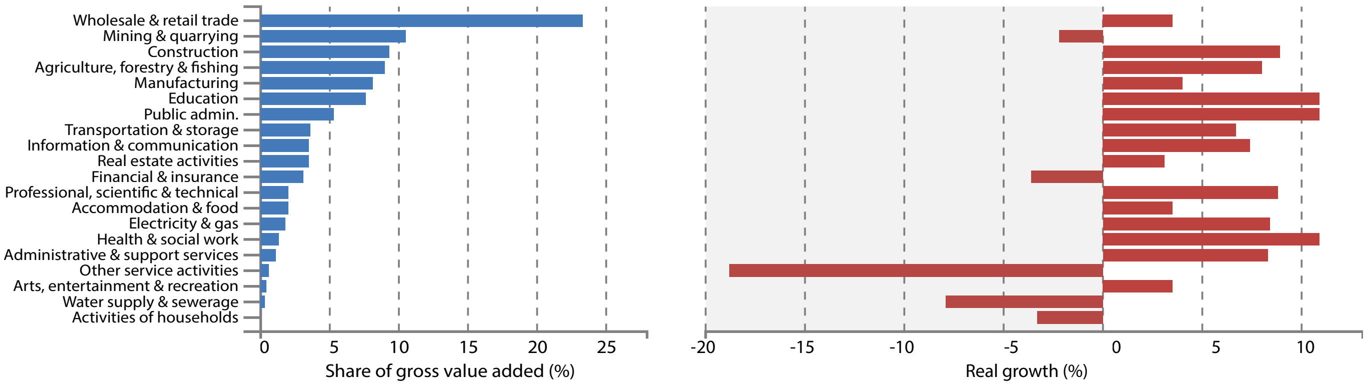
3.1 Economic growth and sectoral performance

The agricultural sector has been characterized by fluctuating growth trends in the last five years, with negative growth rates registered in 2010 and 2013 (-1.7 and -7.4 per cent respectively), while positive growth was recorded in 2011, 2012 and 2014 (8.0, 6.8 and 6.5 per cent respectively). The steep contraction in agricultural production in 2013 was largely due to a very poor harvest caused by bad weather conditions and an army worm outbreak. The sector rebounded in 2014, however, with 6.5 per cent growth. The drought that affected the Southern African region in 2015 is likely to have a negative impact on agricultural production and food security in 2016 as well. On the whole, agricultural value added has been diminishing, from almost 20 per cent in 2010 to 17 per cent in 2014, mainly as a result of declining agricultural commodity prices and dwindling agricultural productivity. Figure 2 shows the sector shares and growth of the major sectors of the economy of 2010.

Even though the country has vast areas of arable land, only 15 per cent is cultivated, demonstrating unused potential from which the country could benefit. Moreover, according to 2014 data (Central Statistical Office, 2014), over 48 per cent of the active labour force was still employed in agriculture, which suggests a very slow socioeconomic transition and non-inclusive growth.

Similarly, the industry growth rate has halved over recent years, from 11.7 per cent in 2010 to an estimated 5.7 per cent for 2015. The decline in the sector has been partly attributed to developments in the textile, clothing and leather, and basic metal industries, which have continued to record negative growth due to inadequate investment in the subsectors and the influx of cheap imports into the country (Ministry of Finance, 2011-2014). Despite a gradually decreasing contribution of manufacturing to GDP, 7.9 per cent in 2014 as against 8.6 per cent

Figure 2: Sector share and growth (2014)



Source: Central Statistical Office (2016).

in 2010, the overall trend of the secondary sector remains positive, with reported GDP value addition of over 35 per cent in 2014. The mining sector, which is the main driving force behind economic growth in Zambia, is expected to experience reduced output and growth as some mining companies reconsider the scale of their operations and investments, in the light of declining copper prices on the international market (Ministry of Finance, 2015a). Developments in construction, such as the road infrastructure project Link Zambia 8000, will have contributed to growth in 2015.

The declining contribution of agriculture and mining to GDP seems to be in line with the country's vision, as it moves towards middle-income status, that the economy should shift from a dependence on primary commodities to manufacturing. The aim is to reduce the contribution of agriculture and mining to GDP through structural shifts, and by adding value to primary commodities rather than by exporting raw materials. These declines are projected to range from 23.6 per cent in 2004 to 10.1 per cent in 2030 and from 3.39 per cent in 2004 to 2.35 per cent in 2030, for agriculture and mining, respectively.

On the other hand, the private and public services shares of GDP are projected to increase from 40.24 to 42.32 per cent and from 8.09 to 9.13 per cent, respectively (Republic of Zambia, 2006). Measures which the country is undertaking to support value addition to commodities include: the 2013 strategy on industrialization and job creation, which identifies key areas for sustainable job creation through the increased production of value-added products; the creation of multi-facility economic zones, identified as the main vehicle for the promotion of industrialization; and the 2013 mineral resources development policy, which promotes linkages between mining and agriculture, mining and tourism and mining for value-adding processing industries.

For the tertiary sector, the expansionary fiscal policy, which placed emphasis on capital spending in 2013 and 2014, contributed to the good performance by the public sector, in particular in education and public administration. The services sector recorded value added of over 45 per cent in 2014, mainly driven by strong performance in the transport and telecommunications sectors. The tourism industry remained stable during that period, with negligible growth rates. Overall, services were the largest contributor to GDP.

In terms of global demand, both household and public consumption growth figures recorded high positive rates. The harnessing of inflation and improvements to labour market conditions are stimulating private spending, which was estimated

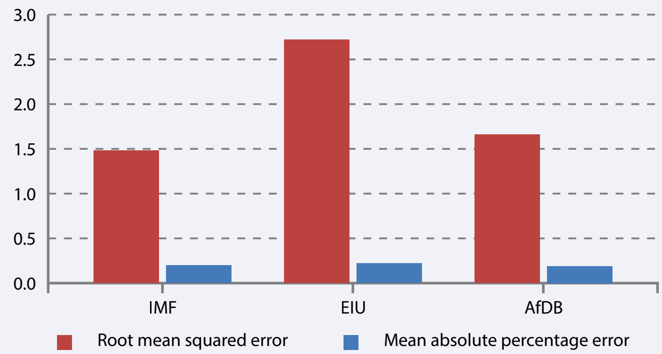
Box 2: Forecasts for the Zambian economy

Economic forecasts provide essential information for decision-makers in the public and private sectors. Reliable economic forecasts empower reliable decision making. Several international organizations produce forecasts for Zambia, including the African Development Bank (AfDB), the Economist Intelligence Unit (EIU) and the International Monetary Fund (IMF). The growth forecasts produced by these organizations have been within 2 percentage points of each other since 2008. The only major point of divergence was in 2009, when EIU was most pessimistic. The most optimistic forecast for 2014 is that produced by IMF (7.3 per cent), while the Economist Intelligence Unit is the least optimistic (7 per cent).

The root mean squared error and the mean absolute error are common forecast accuracy measures. The higher the value of these errors, the less accurate the forecasts are. The analysis suggest that the most accurate forecasts produced for the period 2008-2014 were those made by IMF.

Forecasted GDP growth by institution

Forecast error



to increase by over 6 per cent in 2014. Gross fixed capital formation has profited from the investment initiatives in mining and other sectors, with an expected growth rate for 2014 of 7 per cent, as against 6.1 per cent in 2013.

3.2 Fiscal policy

A budget deficit of 1.5 per cent of GDP was recorded in the first quarter of 2015. This was due to reduced revenue from low mineral royalty inflows and the non-receipt of grants (Bank of Zambia, 2015a). The Government expects the budget deficit for 2015 to increase to 6.9 per cent of GDP, up from the projected 4.6 per cent, because of declining copper prices, depreciation of the kwacha and a rise in interest rate payments for fuel and crop purchases (Ministry of Finance, 2015a). Fiscal deficits from 2010-2014 have ranged from 2.2 to 5.7 per cent of GDP, as shown in table 1 and figure 3.

The Government has embarked on a number of reform programmes to address the increasing budget deficit resulting from increased borrowing for infrastructure development and salary increments for the civil service. The most significant of these was the public financial reform strategy for 2013-2015, which aims to create more fiscal space, improve public expenditure and financial management, expand the tax base and enhance tax administration

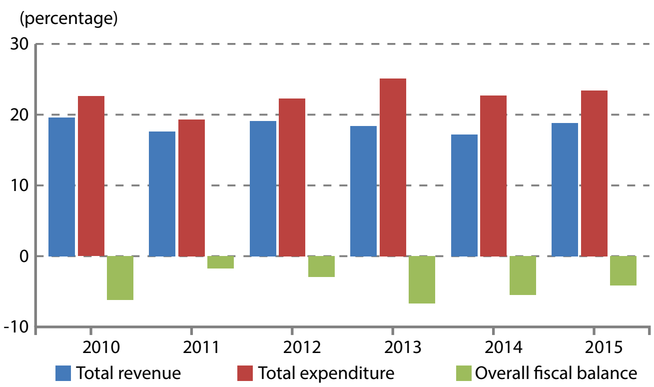
Table 1: Fiscal indicators (percentage of GDP, 2010-2014)

	2010	2011	2012	2013	2014
Total revenues and grants	19.57	21.68	18.16	17.70	18.40
Tax revenue	16.35	20.24	16.1	15.9	15.6
Non-tax revenue	1.43	0.68	1.3	1	2.7
Grants	1.79	0.01	0.6	0.7	0.2
Total expenditures and net lending	22.64	23.98	20.4	23.3	23.2
Current expenditure	19.42	19.29	16.1	17.6	18.9
– of which wages and salaries	8.14	7.92	7.31	8.22	9.49
Capital expenditure	3.23	4.31	3.9	5.4	4.1
Fiscal balance	-3.30	-3.21	-2.20	-5.70	-5.20

Source: Ministry of Finance (2014b), 2010 figures from African Statistics Yearbook, 2015.

(Republic of Zambia, 2012). Changes in the mining tax regime will reduce government revenue from mining companies, one of the major sources of such revenue, and this will have an effect on the budget deficit as infrastructure development continues to demand funds. In an effort to reduce the 2016 fiscal deficit to 3.8 per cent of GDP, the Government has substantially trimmed allocations to non-core recurrent expenditure, by more than 50 per cent, and taken steps to enhance domestic revenue mobilization (Ministry of Finance, 2015a).

Figure 3: Overall fiscal balance as a percentage of GDP (2010-2014)



Source: Ministry of Finance (2014b), 2010 figures from African Statistics Yearbook, 2015.

In 2012, the Zambian Government raised US$ 750 million and, in 2014, US$ 1 billion through bonds to cover the funding gap for infrastructure projects in the railways, roads and energy sectors. A further US$ 1.25 billion bond issue was launched in 2015, partly to finance the 2015 national budget, bringing the stock of Government debt at the end of August 2015 to US$ 6.3 billion, an increase of 31 per cent from the US$ 4.8 billion at the end of December 2014. The ratio of government external debt to GDP increased from 15 per cent in 2013 to 18.27 per cent in 2014.

Indications are that external debt burden would rise in the medium term, but remain below the indicative policy thresholds while the expectation is that the stock of external debt is expected to peak at 35 per cent of GDP in 2017. Further, Zambia continues to remain vulnerable to swings in the price of copper, a situation which makes it imperative for the country to diversify its export base and enhance its external debt management (IMF, 2015).

The Government has committed itself to keeping the debt within sustainable levels and to securing loans with lower interest rates and longer repayment periods; it has also created a sinking fund to facilitate the timely repayment of the Eurobonds

issued (Ministry of Finance, 2015a). As it tries to move forward from the condition of a heavily indebted poor country, the Government's financial capacity for domestic capital and social investments may, however, be affected by external debt sustainability in the event that interest rates rise, its debt burden grows and, over time, debt servicing becomes an increasingly large part of its State budget.

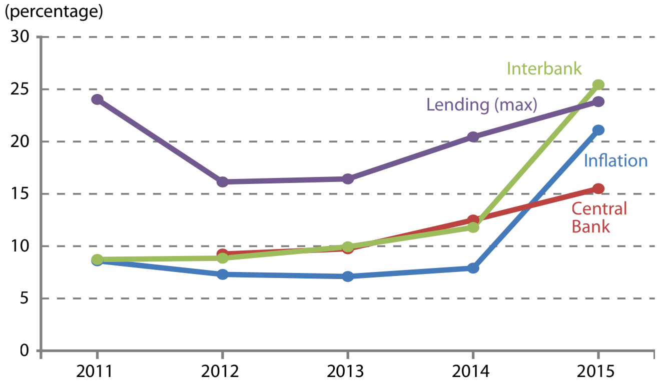
3.3 Inflation and monetary policy

Since 2010, monetary policy in Zambia has focused on sustaining macroeconomic stability and restricting inflation to single digits while ensuring adequate levels of liquidity for the growing economy. Between 2010 and 2014, the inflation rate averaged 7.8 per cent, with rates of 8.5 per cent in 2010 and 7.9 per cent in 2014. The single digit inflation target could not be met in 2015, however. By December 2015, inflation had climbed to 21.1 per cent, and increased still further to 21.8 per cent in January 2016. This escalating inflation rate was due largely to the depreciation of the kwacha, the drop in foreign exchange receipts caused by lower prices and reduced production of copper, the country's main export, and also by energy shortages that affected manufacturing. According to the Central Statistical Office, of the total 21.8 per cent annual inflation rate recorded in January 2016, food and non-alcoholic beverage products accounted for 13.3 percentage points, and non-food products for 8.5 percentage points.

To contain inflation, the Central Bank of Zambia further tightened monetary policy by raising the policy rate from 12.5 to 15.5 per cent. In addition, to allow for better functioning of the credit market, the bank decided to lift the caps on lending rates. Both of these measures took effect in May 2015 (see figure 4).

The Zambian kwacha has depreciated gradually over the last few years, from K3.75 to the United States

Figure 4: Inflation and interest rates (2011-2015)

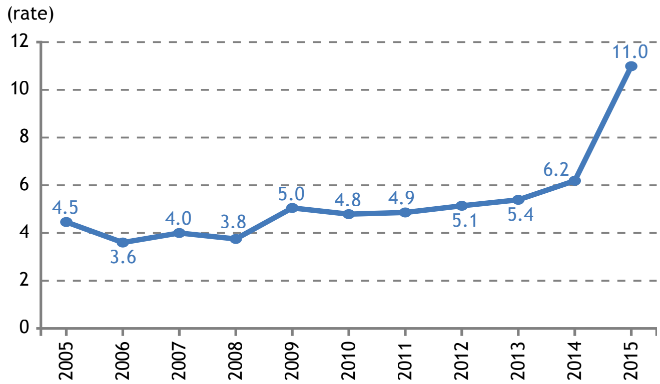


Source: Bank of Zambia (2016)

dollar in 2008 to the current levels of over K11 to the dollar.[1] A sharp depreciation was recorded in 2009, when the kwacha traded at 5.05 to the dollar, jumping from K3.75 in 2008, as shown in figure 5.

This depreciation trend persisted and the kwacha weakened to 6.15 to the dollar in 2014. By the third quarter of 2015, it had depreciated by 60 per cent against the dollar and also registered losses against other major currencies (Bank of Zambia, 2015b). By the end of June 2015, it stood at 7.51 to the dollar. As at 31 December 2015, the Central Bank of Zambia quoted the kwacha at 10.99 to the dollar.

Figure 5: Exchange rate developments (2005-2015)



Source: Bank of Zambia (2016)

1 As of January 2016.

The volatility of the kwacha is jeopardizing efforts to reach the 2015 inflation target of 7 per cent and, to remedy this, in March 2015, the Bank of Zambia raised the statutory reserve ratio on both kwacha and foreign currency deposits from 14 to 18 per cent (Bank of Zambia, 2015a; Ministry of Finance, 2015b). The Government has attributed the volatility of the kwacha to reduced foreign exchange earnings occasioned by a decline in non-traditional exports and the fall in the price of the main export commodity – copper – and has taken measures through the Central Bank to monitor the situation to check the harmful effects of depreciation. Other factors responsible for the slide of the kwacha include reduced portfolio investment inflows, uncertainty over the performance of the mining sector, the widening fiscal deficit and the declining electricity supply, with the attendant adverse impact on production and exports. According to the Central Bank, the depreciation of the kwacha is also attributable to rising demand in the face of low supply and a stronger dollar, compounded by unfavourable sentiments associated with amendments to the mining tax regime (Bank of Zambia, 2015a).

The depreciation of the kwacha is expected to affect the implementation of the national budget and, as a result, the Government anticipates that the 2015 budget deficit will widen to 6.9 per cent of GDP from the earlier projected 4.6 per cent of GDP (Bank of Zambia, 2015a). The sharp depreciation of the kwacha has also contributed to the increase in inflation, largely through the pass-through effects (Bank of Zambia, 2015b). Added to which, imports in the first half of 2015 dropped to US$ 3.4 billion, 18.3 per cent lower than the value recorded in the first half of 2014 (Ministry of Finance, 2015a). The Government has stated that, along with short-term measures taken by the Central Bank, such as selling foreign exchange to the market and tightening monetary policy, stabilization of the kwacha will require sustained economic diversification, the building up of international reserves and commitment to fiscal consolidation and macroeconomic stability in the long term (Ministry of Finance, 2015a).

3.4 Current account

A widening of the current account deficit of US$ 401.0 million was recorded in the third quarter of 2015, up from US$ 305.9 million in the preceding quarter on account of higher import-related service payments and the increase in income on equity payments by foreign-owned enterprises. The deficit in the balance of goods dropped to US$ 14.0 million from the US$ 91.0 million posted in the preceding quarter as a result of a higher growth in goods exports relative to imports (Bank of Zambia, 2015b). Total exports steadily increased between 2005 and 2014, from US$ 2,077 million to a high of US$ 9,687 million in 2014, as shown in figure 9 (Central Statistical Office, 2016).

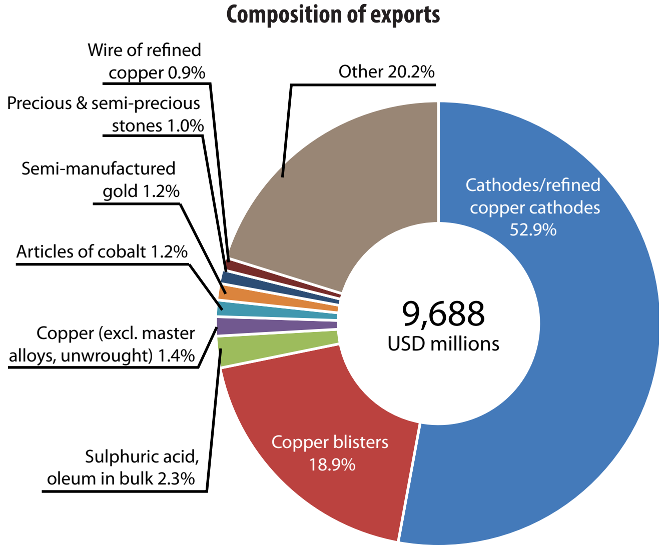
Exports to other African countries have increased, although the largest share of exports remains those to the rest of the world, as indicated by figure 8, with the top two export destinations being Switzerland and China.

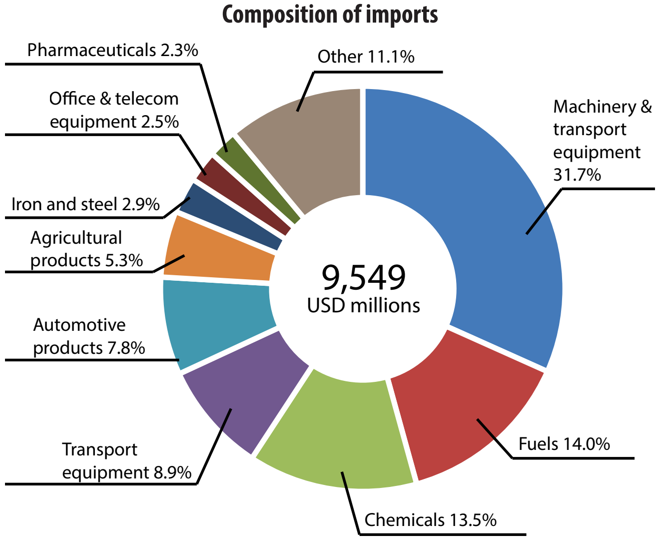
Non-traditional exports have assumed increasing importance for the Zambian economy, as the country strives to diversify from its dependence on copper and cobalt, increasing from 21 per cent in 2011 to 34 per cent in 2013 and an estimated 25 per cent of total exports in 2015.[2]

The country's imports have also increased over time, as shown in figure 9, with the main countries of origin being South Africa, the Democratic Republic of the Congo and China (see figure 10).

2 Calculated from Central Statistical Office figures.

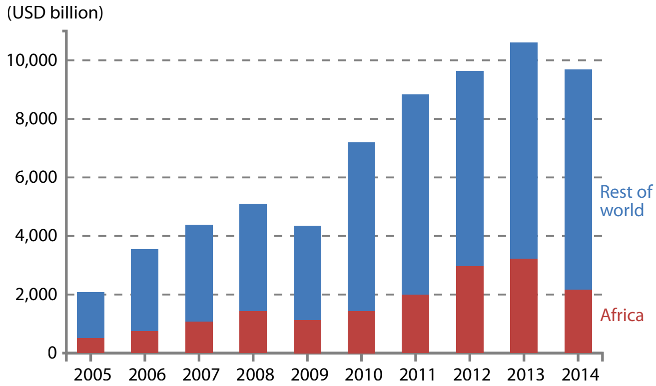
Figure 6: Foreign trade (2014)





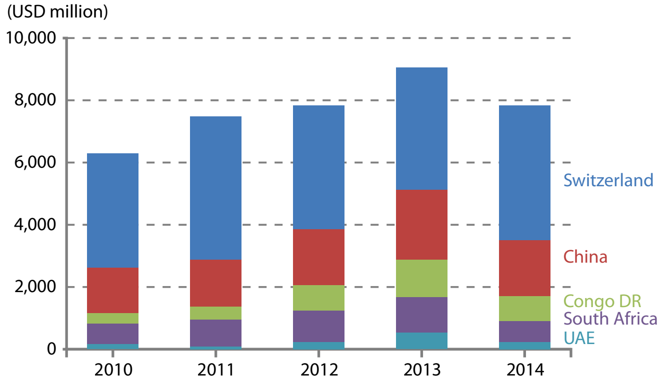
Source: Central Statistical Office (2015a).

Figure 7: Exports, free on board (2005-2014)



Source: Central Statistical Office (2015a)

Figure 8: Zambia's top export partners (2010-2014)



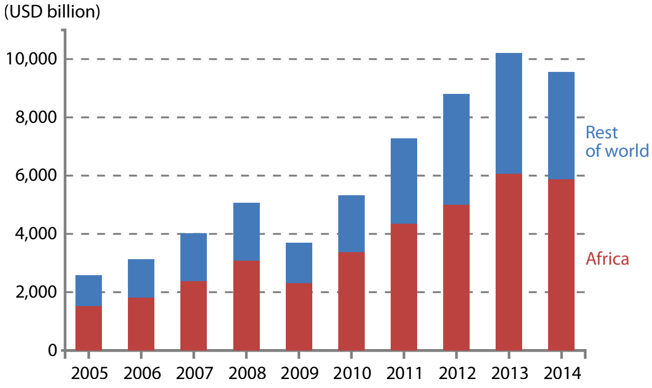
Source: Central Statistical Office (2015a)

The major imports are mineral fuels, oils and distillation products. Other imports include boilers, machinery and mechanical appliances, parts, electrical machinery, equipment parts, fertilizers and ores as shown in figure 6.

The Bank of Zambia reports that the surplus on the balance of goods was lower by 56.9 per cent in the first quarter of 2015 than in the last quarter of 2014. Copper exports decreased by 40.5 per cent in the first quarter of 2015 and this affected the overall goods export earnings, which declined by 31.2 per cent in the first quarter of 2015 (Bank of Zambia, 2015a). Figure 11 and Table 2 shows current account balances for the period 2010-2014.

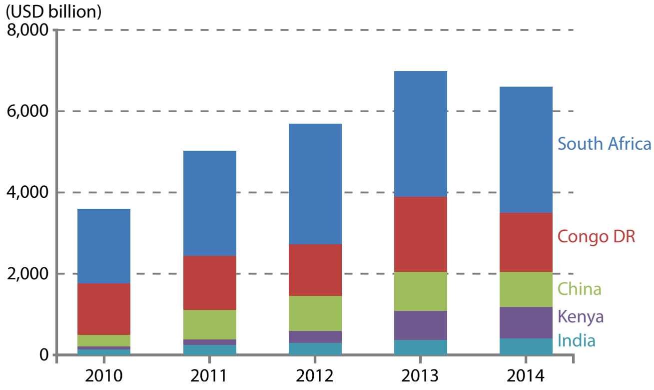
To enhance trade, the country has embarked on improving its trade facilities, including strengthening the border infrastructure at the Chirundu border post, on the border with Zimbabwe, and

Figure 9: Zambian imports, cost, insurance and freight (2005-2014)



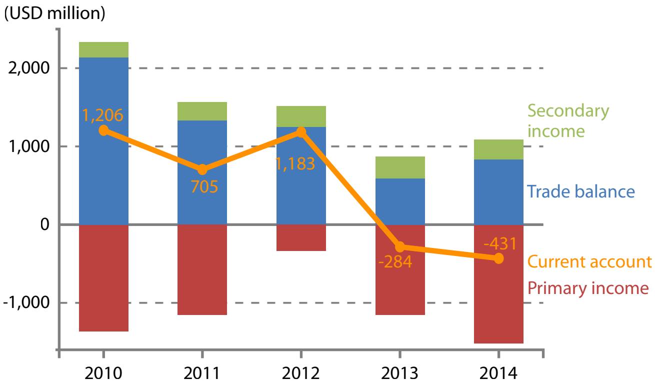
Source: Central Statistical Office (2015a)

Figure 10: Main countries of origin of imports by Zambia (2010-2014)



Source: Central Statistical Office (2015a)

Figure 11: Current account balance (2010-2014)



Source: Ministry of Finance (2011-2014)

Kasumbalesa on the border with the Democratic Republic of the Congo. Zambia has also launched a simplified trade regime at the Mwami border post with Malawi: this is an effort to diversify its trade partners within Africa.

Where the country's assets are concerned, net foreign assets contracted from K12 million in 2012 to K11.6 million in 2013 and then increased to K15.3 million in 2014, while domestic credit has steadily increased since 2010, reaching K27.3 million in 2013. A drop in international reserves was recorded in 2013 but this recovered to reach US$ 3.1 billion in 2014. Zambia recorded a current account deficit, which widened to US$ 386 million in the first half of 2015, up from the US$ 179 million recorded in 2014, following a sharp deterioration in the trade balance (Ministry of Finance, 2015a).

3.5 Capital and financial accounts

In 2014, the financial account registered a surplus of US$ 698.5 million, compared to a deficit of US$ 276.9 in 2013, largely due to increased portfolio debt flows from proceeds from the sovereign bond of US$ 1.0 billion (Ministry of Finance, 2014b). òver the same period, the capital account balance posted a decline from US$ 278.0 million to US$ 51.0 million, as a result of reduced inflows for project grants and budget support. As reported by the Bank of Zambia, preliminary data indicated that the overall balance of payments deficit widened to US$ 405.2 million from the US$ 131.9 million recorded during the first quarter of 2015 (Bank of Zambia, 2015a).

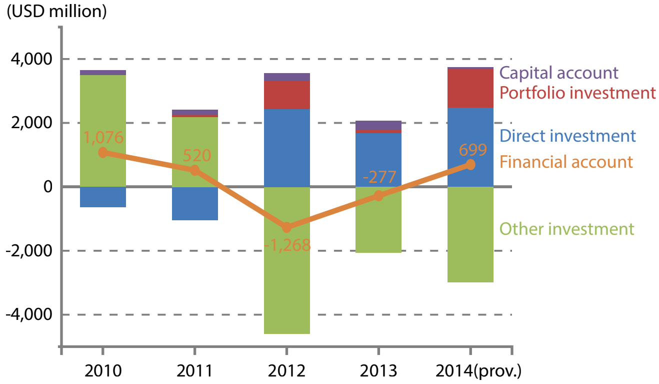
Foreign direct investment inflows for 2014 amounted to US$ 2,484 million, up from US$ 1,810 million in 2013. Outflows for 2014 and 2013 were US$ 213 million and US$ 66 million, respectively (UNCTAD, 2015). Figure 12 shows the financial account balance for the period 2010 to 2014.

Table 2: Balance of payments (2010-2014)

	2010	2011	2012	2013	2014
Trade balance	2 703.7	2 205.60	1 595.30	1 648.00	1 625.40
Services balance	-567	-723.60	-343.90	-1 058.20	-793.50
Current account balance	1 205.5	704.60	1,182.90	-284.40	-431.4
Current account balance (% of GDP)	7.5	4.6	5.5	-0.6	-1.4

Source: Ministry of Finance (2011-2014); World Bank for percentage of GDP.

Figure 12: Financial account balance (2010-2014)



Source: Ministry of Finance (2011-2014)

4

SOCIAL DEVELOPMENTS

4.1 Demography

The Zambian population measured 15.474 million in 2015, compared to the last census count, in 2010, of 13.092 million (Central Statistical Office, 2015a), as shown in table 3.

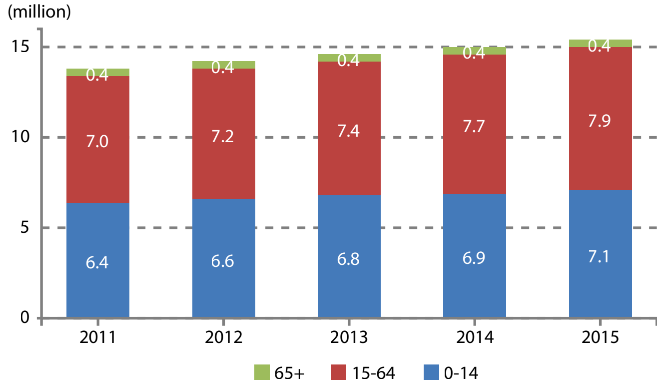
Of the total population, some 60 per cent reside in rural areas, while the remaining 40 per cent are urban-based. The 15-24 and 15-35 cohorts constitute 20.7 per cent and 34.5 per cent, respectively, of the overall population. These two cohorts represent a demographic dividend that could be targeted with appropriate skills and training, to enable them to participate fully in the labour market and contribute to a reduction in the dependency ratio, which is still at a high of 95, as shown in table 3. As shown in figure 16, the country has a relatively young population, with 46.1 per cent aged below 15, while those aged below 18 constitute the highest proportion, at 57.5 per cent (Central Statistical Office, 2012a).

Table 3:Demographic trends, Zambia, 2011-2015

	2011	2012	2013	2014	2015
Total population (millions)	13.72	14.15	14.58	15.02	15.47
Urban population (% total population)	40.6	40.9	41.2	41.5	41.8
Children (0-14, % total population)	46.6	46.4	46.3	46.2	46.1
Youth (15-24, % total population)	20.4	20.5	20.6	20.7	20.7
Dependency ratio	97	96	96	95	95
Population growth rate (%)	3.1	3.0	3.0	3.0	2.9

Source: Calculated from Central Statistical Office figures (2011-2015), Central Statistical Office (2016)

Figure 13: Population distribution by age (2011-2015)



Source: Central Statistical Office (2013)

It is projected that Zambia's population will reach 26.9 million by 2035, because of the high fertility rates, in particular in the rural areas, where the rate increased from 6.7 per cent in 2000 to 7.0 per cent in 2010. This will ultimately lead to an increased demand for jobs, and for more social services and infrastructure to support the rise in population.

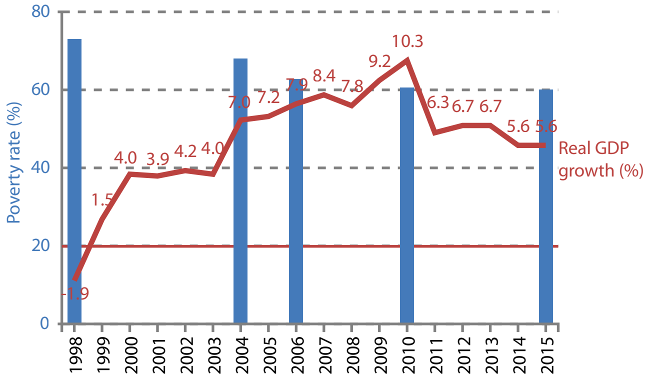
Table 4 shows some of the key demographic indicators.

Table 4: Key demographic indicators (1990, 2014 and projected 2035)

	1990	2014	2035
Population (millions)	7.3	15.0	26.9
Urban (%)	39.4	41.5	46.1
Children (0-14 years) ('000)	3 344	6 938	11 177
Adults (15-64 years) ('000)	3 836	7 687	14 958
Elderly (65 and over) ('000)	130	397	787
Average annual growth rate	2.4	3.0	2.6
Crude birth rate	44	42.9	35.0
Crude death rate	32.6	13.2	8.9
Total fertility rate	6.7	5.6	3.9
Life expectancy at birth	42.1	53.2	61.2

Source: Central Statistical Office (2013)

Figure 14: Poverty and economic growth (1998-2015)



Source: Central Statistical Office (1998-2004), Ministry of Finance online Data

4.2 Poverty and employment

The proportion of Zambians living in extreme poverty has gradually declined in the past decade, but at a very slow pace. By contrast, the proportion of rural Zambians in extreme poverty has steadily increased. In Zambia, poverty continues to be predominantly a rural rather than an urban occurrence. Extreme poverty in rural areas (57.7 per cent) is four times higher than in urban areas (13 per cent) (Central Statistical Office, 2012a). As shown in figure 14, poverty levels remain high, despite the country recording a decline between 2010 and 2015, when the proportion of the population falling below the poverty line contracted from 62.8 to 60 per cent (World Bank and Central Statistical Office, 2015).

The proportion of the extremely poor remained almost stable, shifting from 42.7 per cent to 42.3 per cent between 1991 and 2010. The country's 2010 Gini coefficient of 0.55 is one of the highest in sub-Saharan Africa, partly due to the huge gap between the rural and urban areas (Central Statistical Office, 2012a). Estimates put rural poverty at 73.3 per cent, compared to urban levels of 35.3 per cent (World Bank and Central Statistical Office, 2015); in 2010, poverty was at a high of 77.9 per cent in rural areas, compared to the urban rate of 27.5 per cent. Recently announced job losses, such as the laying off of 3,051 people from two major mining companies, are likely to exacerbate poverty levels in the country (Republic of Zambia, 2015b).

The latest Zambia human development index value for 2014 is 0.586(UNDP, 2014), which is in the medium human development category and positions the country at 141 out of 187 countries and territories. However, when the value is adjusted for inequality, the index reading falls to 0.365, a loss of 35 per cent. The average loss due to inequality for medium human development countries is 25.6 per cent and for sub-Saharan Africa 33.6 per cent. The human inequality coefficient for Zambia is measured at 34.5 per cent. Between 1980 and 2013, the country's human development index value rose from 0.422 to 0.561, an increase of 32.9 per cent or an average annual increase of about 0.86 per cent. The country's index value is below the average of 0.614 for countries in the medium human development group and above the average of 0.502 for countries in sub-Saharan Africa. In sub-Saharan Africa, the country which is closest to Zambia in its 2013 rank and to some extent in population size is Angola, which is ranked 149th on the index. Over the period 1980-2013, Zambia's life expectancy at birth

increased by 6.9 years, mean years of schooling and expected years of schooling increased by 3.2 and 6.0 years, respectively, and the country's gross national per capita income increased by about 12.5 per cent.

Zambia has a number of national social security institutions, such as the National Pensions Scheme Authority, the Public Service Pension Fund and the Local Authorities Superannuation Fund. The National Pensions Scheme Authority is the largest national social security scheme, covering approximately 8 per cent of the labour force. The predominant form of social security provisions are contributory schemes based on the social insurance model and often limited to protection against the loss of income resulting from retirement, disability and death. Social security coverage in Zambia remains limited to formal sector employees.

The challenge which remains is to extend the coverage of such social protection schemes to the wider population and also to increase the scope of their coverage. The share of the economically active population contributing to a pension scheme is 10.5 per cent (ILO, 2010) and the share of population above the statutory retirement age benefiting from an old-age pension is 7.7 per cent (ILO, 2008). Findings by ILO confirm that the majority of the working population in Zambia do not have access to adequate social security. Furthermore, women, who constitute the largest proportion of informal sector employees, have no access to social insurance schemes.

In its efforts to enhance social protection, the Government continues to implement its social cash transfer scheme, which supported an estimated 190,000 people at the end of 2014, of whom more than 80 per cent were female. In 2016, the scheme is expected to have some 250,000 beneficiaries. In the 2016 budget, K302 million has been provided for the scheme, up from K180.5 million in 2015, and the allocation is projected to increase further to K350 million in 2018. The Government also continues to provide support under the public welfare assistance scheme, which provides vulnerable children with access to education and skills training and is targeted to reach 50,000 beneficiaries in 2016. Social protection reforms are also being carried out by the Government, with a view to establishing a national social health insurance scheme (Ministry of Finance, 2014a).

In the area of labour, and according to the 2014 Zambia labour force survey, the majority of the 5,859,225 employed (48.9 per cent) were in the agriculture, forestry and fishing sectors. Of those employees, 60.2 per cent were in rural areas and 33.3 per cent urban-based (Central Statistical Office, 2014). The previous labour force survey, in 2012, indicated that the majority (52.2 per cent) of the employed were in the agricultural sector and primarily in subsistence farming (Central Statistical Office, 2012b). The 2014 survey also showed that formal sector employment had increased from 847,420 in 2012 to 944,256 in 2014, representing 16.1 per cent of all employment. Informal employment[3] in the same period was recorded at 4,914,969, representing 83.9 per cent of all employed persons. Moreover, the overall labour force participation rate in Zambia is relatively high. Of the population aged 15 and above, 77.7 per cent were economically active in 2014. The national employment-to-population ratio for 2014 was recorded at 71.9 per cent; the male ratio was 70.6 per cent and the female ratio 73.1 per cent. The rural and urban ratios were 76.8 and 66 per cent, respectively. The labour force participation rates for males and females were 77.1 per cent and 78.2 per cent, respectively; the rural areas had a higher participation rate at 80.2 per cent, compared to the urban areas at 74.7 per cent.

In 2014, the unemployment rate in Zambia was 7.4 per cent, representing rates of 4.2 per cent and

3 According to the 2014 labour force survey, "informal employment" is characterized by the lack of an entitlement to annual paid leave and absence of social security entitlement. This could be found in both the formal sector and informal sector enterprises; and the "informal sector" refers to all production units that are not registered with a tax or licensing authority.

11.5 per cent for rural and urban areas, respectively (Central Statistical Office, 2014). At 9.2 per cent, the female unemployment rates was slightly higher than the male unemployment rate, of 6.3 per cent. Youth (15-35 years) unemployment stood at 10.5 per cent; the male youth unemployment rate was 12.2 per cent, compared to a rate of 9.1 per cent for their female counterparts. The rural youth unemployment rate was 6.4 per cent, and the urban youth unemployment rate 15.2 per cent.

As part of its continued efforts to combat unemployment, especially for its youth, in 2015 Zambia adopted the national youth policy and action plan for youth empowerment and employment, designed to empower young people with start-up capital and to create employment opportunities. This measure is expected to create 500,000 jobs by the end of 2016. In the 2016 budget, a total of K150 million has been allocated to the action plan (Ministry of Finance, 2015a).

The adverse developments in the mining sector occasioned by energy deficits and the decline in copper prices have led to a loss of employment, as indicated in section 4.1. Other areas of the economy hit by power deficits could potentially experience job losses and, to address this, the Government has acted to actively engage mining companies with a view to finding solutions that will minimize job losses and keep the mines operational (Ministry of Finance, 2015a).

Gender equality in employment is assessed by comparing the labour force participation rate between men and women: this gives Zambia an overall score of 0.8 (Republic of Zambia, 2015a). The assessment indicates that 78.3 per cent of women are participating in the labour market, compared to 95 per cent of men. This aggregate figure needs to be interpreted with caution, however, as it overlooks disparities that may exist across sectors (such as agriculture, services, manufacturing).

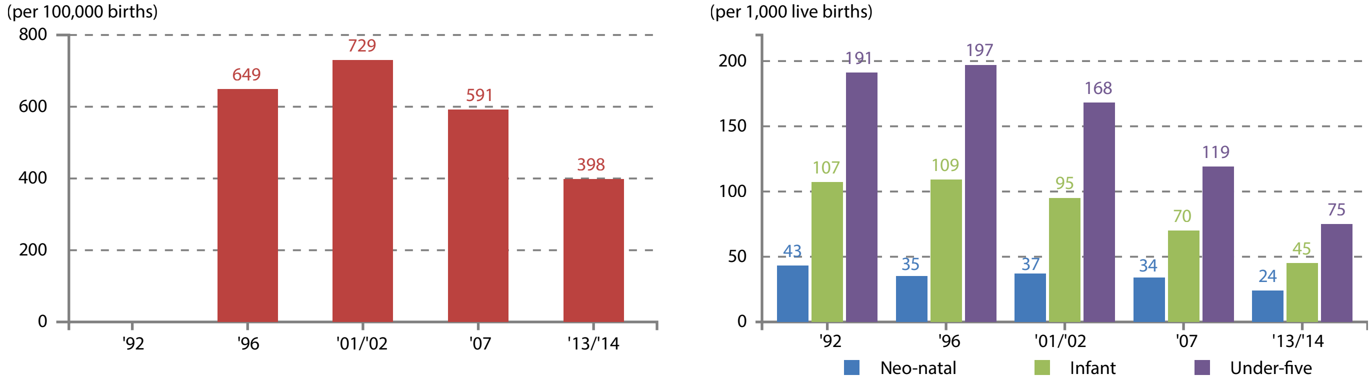
In the business and management area, an assessment is made of the level of gender inequality by considering two indicators: senior management positions in firms and senior civil servants. For each of these two indicators, a computation is made of the ratio of women to men. A huge gap remains between women and men, in both the private and the public sector. Only 23.8 per cent of firms in Zambia have women as top managers and 12 per cent of women are high-level civil servants.

The national long-term vision (Vision 2030), the national employment and labour market policy, the fifth national development plan (2006-2010) and the sixth national development plan (2011-2015) are all illustrative of the Government's focus on job creation to address unemployment. According to Vision 2030, the Government aims to achieve and maintain an unemployment rate of below 10 per cent of the total labour force by 2030.

4.3 Health

Life expectancy in Zambia is 53 (2014), up from 51 in 2010, 50 in 2000 and 47 in 1990; the 2014 figures for females and males are 55.6 and 51.1, respectively (Central Statistical Office, 2015a). The HIV prevalence rate for adults aged 15-49 in Zambia decreased to 13 per cent in 2013-2014, from the 16 per cent reported in 2001-2002. HIV prevalence for women declined from 18 to 15 per cent over the same period, while for men it declined from 13 to 11 per cent (Central Statistical Office, 2015b). Measures in use to combat HIV included voluntary medical male circumcision, voluntary counselling and testing, comprehensive awareness-raising about HIV and AIDS among young people (15-24 years), prevention of mother-to-child transmission, and support measures to ensure that children do not end up on the streets and continue schooling (Central Statistical Office, 2015b). Estimates indicate that, in 2012, malaria parasite prevalence was 15 per cent, and the prevalence of severe malaria was 7 per cent among children under 5 (Central

Figure 15: Child mortality rates, and maternal mortality ratios (1992-2014)



Source: Central Statistical Office (2012a, 2015b)

Statistical Office, 2015b). In 2014, malaria was also reported to be the leading cause of morbidity, with 394 deaths per 1,000 people, up from 370 per 1,000 people in 2013 (Ministry of Finance, 2014b). Malaria tends to be more risky for pregnant women and is a major contributor to conditions threatening both the baby and mother. Various measures have been introduced to fight malaria, including the use of treated mosquito nets, indoor residual spraying, preventive and prompt treatment (Central Statistical Office, 2015b). As for tuberculosis, efforts to control the prevalence of the disease are reported to be succeeding and, since reaching a peak of 545 new cases per 100,000 people in 2004, the notification rate declined to 372 new cases in 2011. Zambia is also reported to have reached the World Health Organization (WHO) targets for both tuberculosis case detection (70 per cent) and treatment success rate (85 per cent); for 2011, Zambia's tuberculosis case detection rate was 73 per cent and the treatment success rate as high as 89 per cent (UNDP, 2013).

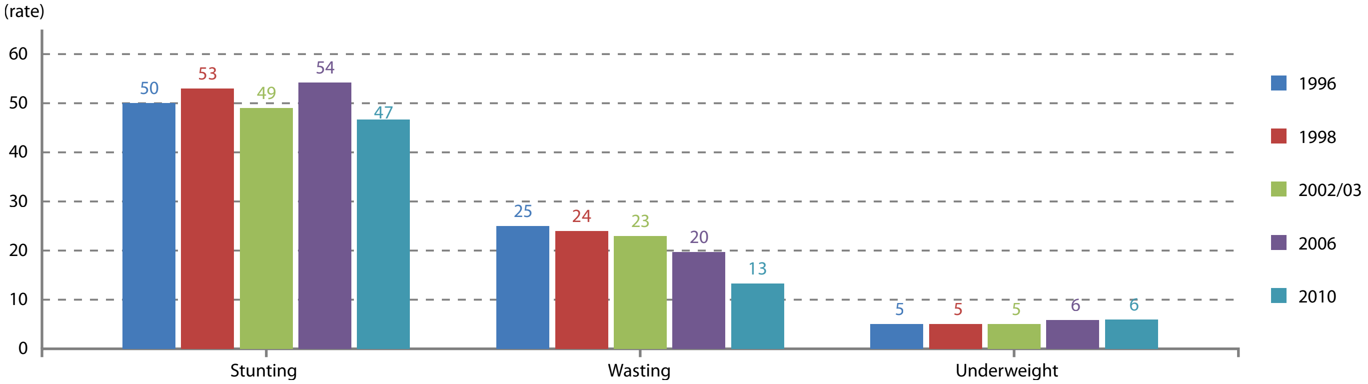
Maternal mortality and under-five mortality have been showing a downward trend since 2001. As indicated in figure 15, the maternal mortality ratio was 398 per 100,000 live births in 2014, compared to 591 per 100,000 live births in 2007. Over the same period, the under-five mortality rate dropped to 75 per 1,000 live births, from 119 per 1,000 live births (Central Statistical Office, 2015b).

Some of the key interventions responsible for the decline in under-five mortality rates include the expanded programme on immunization; the integrated management of childhood illnesses; the programme on the prevention of mother-to-child transmission of HIV; and the scaling up and sustaining of high-impact nutrition (Central Statistical Office, 2015b). Assisted deliveries, increased access to health centres, and community awareness-raising about the role of institutional deliveries have all contributed to the reduction in maternal mortality (UNDP, 2013).

Other health problems affecting children in Zambia include stunting, wasting and underweight. Figure 16 shows the status of the three conditions.

Between 2006 and 2010, the incidence of stunting and underweight declined significantly, from 54 to 47 per cent, while underweight decreased from 20 per cent to 13 per cent over the same period. The levels of wasting remained stable at 6 per cent (Central Statistical Office, 2012a). As indicated by figure 17 births which have occurred at a health facility have increased steadily, from 44 to 54 per cent since 2010.

Figure 16: Incidence of stunting, underweight and wasting (1996-2010)

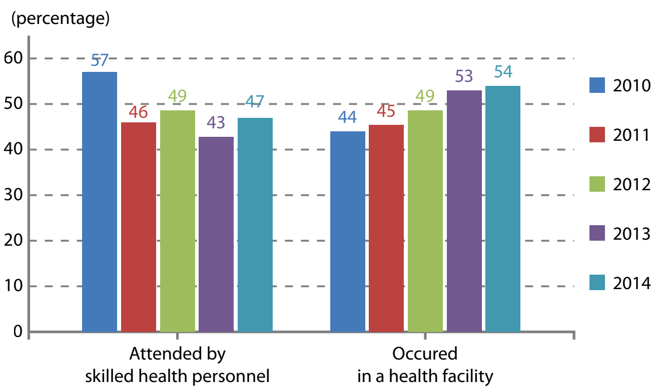


Source: Central Statistical Office (2012a, 2015b).

Births attended by skilled personnel over the same period show a fluctuating trend, ranging from 57 per cent in 2010 to 47 per cent in 2014. The improved trend in deliveries at health facilities seems to be in line with the reduction in maternal mortality rates over the same period, as shown in figure 15.

There has been a decline in the total fertility rate, from 6.5 in 1992 to 5.6 in 2014. This is attributable to the country's prioritization of family planning, as highlighted in the revised sixth national development plan, for 2013-2016, the national health strategic plan 2011-2015 and the related scaling up of access to family planning services

Figure 17: Maternal access to health services (2010-2014)



Source: Central Statistical Office (2012a, 2015b), Ministry of Finance (2011-2014)

throughout the health service delivery system (Central Statistical Office, 2015b).

In 2014, the number of national clinical workers per 1,000 people was 2.6, up from the levels of 1.4 and 1.5 per 1,000 people recorded in 2013 and 2012, respectively. The 2014 figure was above the 2.5 per 1,000 people recommended by WHO in 2014 (Ministry of Finance, 2013b, 2014b). Government funding to the health sector amounted to 8.3 per cent (2016), 9.6 per cent (2015) and 9.9 per cent (2014) of the national budget (Ministry of Finance, 2013a, 2014a, 2015a).

4.4 Education

Literacy rates in Zambia for the age group 15-24 years are high, at 81 per cent, with males recording a higher rate of 84.9 per cent and females 77.3 per cent. Where enrolment rates are concerned, primary school enrolment rates are relatively high, with higher rates for females than males. Table 5 shows some education indicators for Zambia.

Net attendance rates for primary and high school are high, with girls outperforming boys. Rural-urban analyses show that urban net attendance rates are higher than those for rural areas. Between 2006 and 2010, primary school net attendance rates increased from 73 to 78.2 per cent, while in urban

Table 5: Education status (percentage)

Education indicators	2006	2010
Literacy rate (15-24)		81.1 (2014)
Literacy rate (15-24) female		77.3(2014)
Literacy rate (15-24) male		84.9(2014)
Gross enrolment ratio (total, primary)	105	107.9
Gross enrolment ratio (primary, male)	106	110.8
Gross enrolment ratio (primary, female)	103	105.1
Gross enrolment ratio (total, secondary)	55	63.8
Gross enrolment ratio(secondary, male)		67.2
Gross enrolment ratio (secondary, female)		60.6
Net enrolment ratio (total, primary)	76	79.9
Net enrolment ratio (primary, male)	75	79.2
Net enrolment ratio (primary female)	77	80.6
Net enrolment ratio (total, secondary)	37	44.4
Net enrolment ratio (secondary, male)	38	43.8
Net enrolment ratio (secondary, female)	36	44.9
Pupil-teacher ratio (primary)		54.7
Government expenditure on education (% of GDP)	1.3	2012*

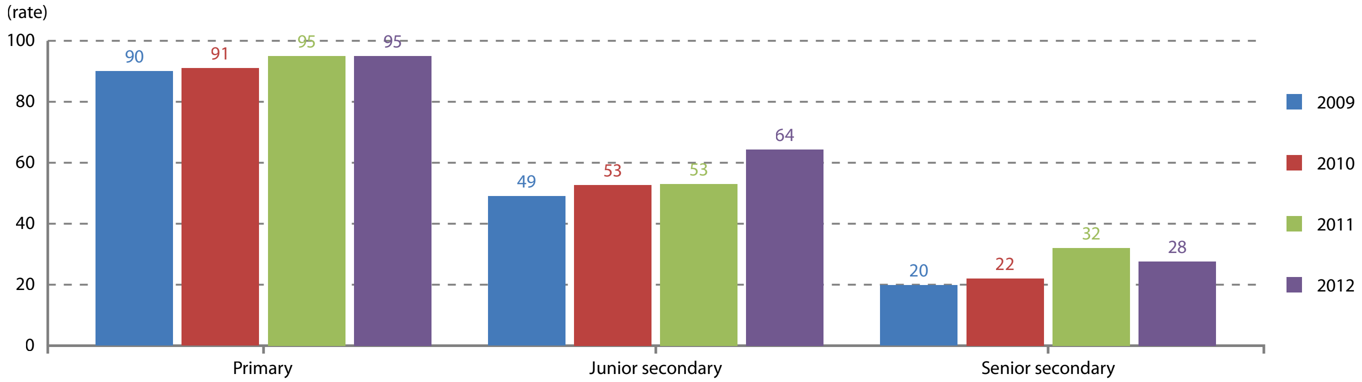
Source: Central Statistical Office (2012a, 2015b), Ministry of Finance (2011-2014), UNDP (2014).

areas the rates increased from 82 to 83.9 per cent over the same period. For secondary schools, net attendance rates in rural areas increased from 27 per cent in 2006 to 34 per cent in 2010, while urban rates increased from 55 to 62.1 per cent over the same period. To remedy some of the problems relating to the quality of education, the Government is focusing on the construction of education infrastructure facilities for early childhood and for primary and secondary levels and scaling up teacher recruitment and retention with the aim of reducing the pupil-teacher ratio. Efforts to revise the curriculum are also under way, with a focus on imparting information and communication technology skills from an early age (Ministry of 2015a).

Where gender equality in education is concerned (Republic of Zambia, 2015a), a comparison is made between the secondary school completion rates and the tertiary level enrolment rates for women and men. With regard to tertiary level enrolment, the gender gap is fairly moderate, with 1.5 per cent of women enrolled in tertiary institutions, compared to 3.3 per cent of men. If secondary school completion rates are taken into consideration, however, the gap is reduced somewhat, as 52.6 per cent of women completed secondary school compared to 60.9 per cent of men.

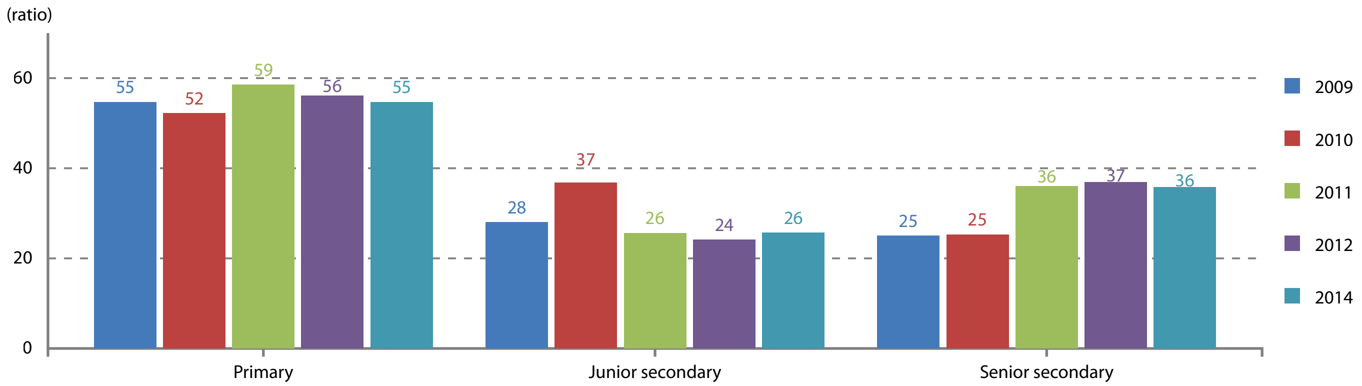
In an endeavour to reduce the pupil-teacher ratio, budgetary provisions were made for the recruitment of an additional 5,000 teachers in 2015 and 2016 (Ministry of Finance, 2014a, 2015a). Figures 18 and 19 show the completion rates and pupil-teacher ratios in Zambia over the period 2009-2014.

Figure 18: Completion rates (2009-2020)



Source: Central Statistical Office (2012a, 2015b), Ministry of Finance (2011-2014)

Figure 19: Pupil-teacher ratios (2009-2014)



Source: Central Statistical Office (2012a, 2015b), Ministry of Finance (2011-2014)

4.5 Gender scorecard of the African Union Commission*

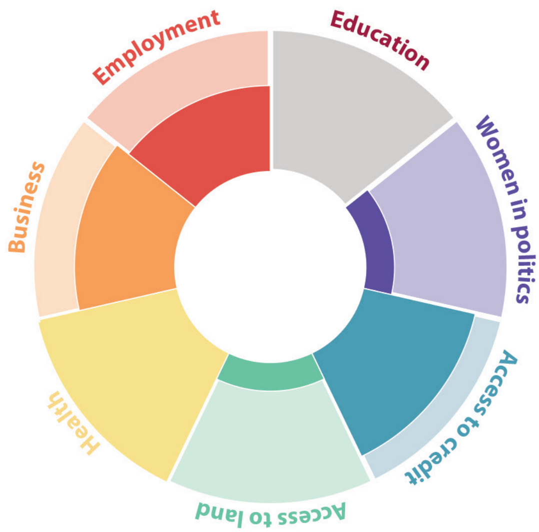
The African Union declared 2015 as the Year of Women's Empowerment and Development towards Africa's Agenda 2063, with a view to building momentum for gender equality and women's empowerment on the continent. Based on this commitment, the African Union developed the African gender scorecard. The scorecard is designed to measure the status of gender equality and women's empowerment in seven core sectors that have a transformative impact on women's lives through their contribution to broad-based, sustainable and inclusive growth. These core sectors are: employment, the business sector, access to credit, access to land, women in politics and decision-making, health, and education at the secondary and tertiary levels.

Interpretation of the pie chart: *The scoring is between 0–10, with 0 being the worst level of inequality, 5 suggesting middle parity, and 10 indicating perfect parity. Perfect parity connotes a situation where the proportion of men and women is equal, irrespective of the developmental level of the variable or indicator being assessed. Some countries go beyond the score of 10, thus showing that women may be more highly empowered in that subsector than men for that country. However, caution is needed when drawing conclusions based only on the scores, particularly when there are large variations in levels of developmental achievements between countries.***

Employment	Score
Employment in non-agricultural sector	3
Labour force participation rate	8

Business	Score
Top management in firms	3
Ownership in firms	10

Health	Score
Under-five survival rate	10
Children under age five who are not stunted	11
Life expectancy at birth	11
Share of population without HIV	9



Education	Score
Youth literacy rate	8
Enrolment ratio in secondary education	--
Enrolment ratio in tertiary education	--

Women in politics	Score
Representation in parliament	1
Ministerial positions - cabinet	2

Access to credit	Score
Account at a financial institution	9
Borrowed from financial institution	7

Access to land	Score
Access to land	2

* The data used in the calculation of the scorecard are drawn from several international databases and sources, including: United Nations, Statistical Division; World Development Indicators, Global Financial Inclusion Database and Enterprise Surveys of the World Bank; the Gender and Land Rights Database of the Food and Agriculture Organization of the United Nations; International Labour Organization; United Nations Children's Fund; Joint United Nations Programme on HIV/AIDs; World Health Organization; International Food Policy Research Institute; United Nations Educational, Scientific and Cultural Organization; United Nations Population Division; United Nations Population Fund; Inter-Parliamentary Union; and some national data sources. Data on access to land were drawn from several sources, with the scoring and harmonization of legislative frameworks done in-house by the African Centre for Statistics and the African Centre for Gender.

** The pie chart is based on the African gender scorecard, which was presented to the Heads of State and Government at the twenty-fifth ordinary session of the Assembly of the African Union in June 2015.

5

MAJOR POLICY CHALLENGES

Despite the positive performance of the Zambian economy during the last decade, it now faces challenges occasioned by domestic and global factors which pose risks to economic prosperity. The major challenges have to do with continued reliance on primary commodities, in particular copper, currency depreciation, infrastructure, energy and economic diversification. Challenges also remain in social areas, such as unemployment, inequality and poverty, gender inequality, the quality of education, access to health facilities, food security and trade.

The recent energy shortages, which are also affecting many other southern African countries, constitute a major policy and development constraint on production and the mining sector, hence limiting the export of copper – Zambia's main export product – and undermining general social well-being in the country. Increased demand for energy in recent years due to economic expansion has not been matched by a commensurate expansion of generation capacity, resulting in rising electricity deficits. The power deficit is currently in the order of 700 MW, up from the initial 560 MW in July 2015 (Ministry of Energy and Water Development, 2015). The principal causes of the deficit, apart from increased demand, include: low water levels for hydropower generation, lack of investment in new capacity by the main power producer, the Zambia Electricity Supply Corporation, and other private players and rising generation, transmission and distribution losses due to aged equipment.

The low rainfall during the 2014/15 season has resulted in a lack of generation capacity at the country's three hydropower stations. Over the last 10 years, demand for energy has grown by an average of about 3 per cent per annum, mainly due to growth in the agriculture, manufacturing and mining sectors and also to increasing demand from the rest of the region, as Zambia is part of the Southern Africa Power Pool. The power deficit is a challenge across the entire SADC region.

The lack of new investment in the energy sector means that, over the last 20-30 years, no major addition has been made to generation capacity in the main source of energy in Zambia, its hydropower resources, despite the country's huge hydropower potential. Estimates indicate that, while Zambia possesses 40 per cent of the water resources of the SADC region, only 2,177 MW of its hydropower potential has been developed and some 6,000 MW remains unexploited (Zambia Development Agency, 2014). The potential is there but participation by the private sector has been limited, owing, among other factors, to the low electricity tariffs. Zambia has one of the lowest tariffs in the SADC region, of around 5.7 United States cents per kilowatt-hour, compared to the highest tariff of 11.5 cents per kilowatt-hour charged by the Swaziland Electricity Commission. The introduction of cost-reflective

tariffs needs, however, to be balanced with the direct adverse impacts of increased tariffs on the cost of production in the economy. Furthermore, the Zambia Electricity Supply Corporation also faces generation, transmission and distribution losses due to aged equipment and infrastructure. Reducing these losses through the upgrading of equipment could increase available power and thus reduce the size of the electricity deficit.

The power deficits have led to reductions in production by some major mining companies and these in turn have led to around 3,000 job losses (Republic of Zambia, 2015b). The Zambia Chamber of Commerce and Industry indicates that the power deficits have caused production declines of between 10 and 50 per cent for industrial players not using alternative sources of energy and between 7 and 20 per cent for companies using alternative sources of energy. This has reduced profits and had a corresponding impact on remittances to the Government, with a knock-on effect on social spending by the State (Economics Association of Zambia, 2015). The Chamber of Commerce also acknowledges that the increased use of generators has raised the cost of business by an average of 15 per cent per month, with a negative impact on productivity. Improved energy management by users could reduce energy consumption at both household and industry levels and further contain the overall deficit.

With a view to expanding generation capacity, a number of projects are being considered in the medium to long term. Some of the projects to be executed under the power system master plan are expected to increase power by 4,000 MW by 2030. The commissioning of new power projects and the expansion of existing ones will not just increase the energy available to meet domestic, commercial and industrial demand, but will also transform the energy sector into a major source of foreign exchange. Some studies have urged Zambia to be cautious and avoid investing its limited resources into a single energy solution but instead to proceed with caution in matters to do with energy sources, particularly with regard to hydropower, in view of recent climate changes (Ministry of Finance, 2015b; Policy Monitoring and Research Centre, 2013).

The Government has amended the Zambia Development Agency Act, categorizing power generation as a priority sector and allowed the construction of hydro, thermal and solar power generation facilities to be eligible for tax concessions. This measure is expected to reduce costs associated with development of power and to encourage the emergence of independent power producers to meet the rising demand, in particular from the production sectors (Zambia Development Agency, 2014). As an incentive to private sector participation and investment in the energy sector, the Government is supporting the adjustment of tariffs to a cost-reflective level. This measure is expected to speed up the completion of other projects, with the aim of producing more than 300 MW from thermal sources (Ministry of Finance, 2015a).

The Government has also taken steps to explore alternative sources of energy aimed at transforming the economy and realizing national development goals of reducing poverty and inequality and accelerating economic diversification (Ministry of Finance, 2015b). In line with these endeavours, private investments in alternative energy sources, including solar and thermal power, are being promoted, with the collaboration of partners such as the World Bank.

As part of efforts to improve livelihoods through increased access to energy, the Government, through the Rural Electrification Authority, is providing electricity infrastructure and improving electricity supply in rural areas using grid extension, mini hydropower development, solar photovoltaic systems, solar mini-grid and biomass resources. While the efforts to electrify

rural areas are commendable, much more needs to be done and the pace of rural electrification must be significantly accelerated, given that the current level of electricity access is around 25 per cent of the population and less than 5 per cent in rural areas. It has been observed that economic growth is synonymous with energy access, and that energy access is pivotal to the social, economic and environmental concerns facing all nations, and in particular developing countries, given its implications for poverty reduction (Policy Monitoring and Research Centre, 2013).

The introduction of cost-reflective tariffs is critical to the successful accomplishment of projects under construction and the encouragement of new projects. A stable and reliable electricity supply is crucial to optimal productivity in key sectors of the economy, such as mining and manufacturing, which are now jeopardized by electricity deficits. The authorities have indicated that output in the economy in 2016 is likely to be negatively affected by current energy challenges (Ministry of Finance, 2015a). Reduced productivity could also have an adverse effect on employment in the affected sectors.

While efforts are being made to explore alternative energy sources to address the current energy challenges and deficits, there is need for concerted efforts to enhance investment in other renewable energy sources, including solar and thermal power, to meet national demand, especially in view of the vulnerability of the current hydropower sources to climatic conditions. The promotion of private investment through such vehicles as the public-private partnerships in energy projects, along with the migration of tariffs to cost-reflective levels, will be key to attaining their successful implementation. The continued power deficits caused by problems at the Kafue Gorge, Kariba North Bank and Victoria Falls power stations are having an adverse effect on output in the economy. Measures under way to complete the 300 MW thermal power plant at Maamba Collieries and the 120 MW Itezhi-Tezhi power generation project, along with the rehabilitation and upgrading of existing power facilities at other sites, must be expedited to ameliorate the deleterious effects of the power deficits on productivity and other aspects of the economy and life in the country.

6. NATIONAL DATA QUALITY EVALUATION

Methodological note on data quality evaluation

The quality of national data sources for key indicators in the country profiles was evaluated. The result is presented in colour codes, with green indicating a "good" data source, yellow for "satisfactory", and red for "needs improvement".

The evaluation focused on the transparency and accessibility of each national data source. The evaluation took into consideration the timeliness and periodicity of data publishing, based on the punctuality of publication and frequency of data updates in accordance with international standards. It also measured the comparability of the data series, based on their length, definition and standard units of measurement. It evaluated database accessibility, specifically whether the data were open and freely available to the general public, the format of the data, and the ease of downloading and sharing. Data citation, together with references to primary or secondary sources, was also assessed. Finally, the evaluation checked the completeness of metadata for data release and the completeness and clarity of documentation and notes.

Demography	Value	Year	Evaluation
Population ('000)	15023	2014	1
Child (0-14 years)	6938	2014	1
Adult (15-64 years)	7687	2014	1
Aged (65+ years)	397	2014	1
Urban population (%)	41.5	2014	1
Growth rate (%)	3.0	2014	1
Total fertility rate	5.6	2014	1
Life expectancy at birth (years)	53.2	2014	1
Crude death rate (deaths per 1000 population)	13.2	2014	1
Crude birth rate (births per 1000 population)	42.9	2014	1

Key macroeconomic and sectoral performance	Value	Year	Evaluation
Real GDP growth rate (%)	4.6	2015	1
GDP, current prices (billion Kwacha)	139, 645.6	2014	1
Inflation rate (%)	21.1	2015	1
Current account balance (billion USD)	-431.4	2014	2

Economic trends and performance indicators	Value	Year	Evaluation
Inward flows of foreign direct investment (Million USD)	n/a		
Total Exports (billion USD)	9.7		1
Total Imports (billion USD)	9.6	2014	1

Education and employment	Value	year	Evaluation
Literacy rate (15-24) (%)	81.1	2014	1
Net enrolment rate in Primary (%)	79.9	2010	1
Proportion of pupils starting grade 1 who reach last grade of primary	n/a		
Ratios of girls to boys in primary education	n/a		
Ratios of girls to boys in secondary education	n/a		
Employment to population ratio total (%)	77.7	2014	1
Unemployment rate (%)	7.4	2014	1
Youth unemployment rate (%)	10.5	2014	1
Population below national poverty line (%)	n/a		

Health	Value	Year	Evaluation
Under five mortality rate (per 1,000 live births)	75	2014	1
Infant mortality rate (per 1,000 live births)	45	2014	1
Neo-natal mortality rate (per 1,000 live births)	24	2014	1
Maternal mortality ratio (per 100,000)	398	2014	1
Proportion of [births] attended by skilled health personnel	64.2	2014	1
Contraceptive prevalence rate	44.8	2014	1
HIV prevalence among population aged 15-24 years	9.4	2014	1

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2. Ministry of Finance

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Rural Electrification Authority: http://www.rea.org.zm/

International Trade Centre market access map: www.macmap.org

Southern Africa Power Pool: http://www.sapp.co.zw/

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