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Zambia: Back to the Future?

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Zambia: Back to the future?

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1. Introduction

Since the mid 1980s Zambia has been identified as an emblematic case of a country dominated by its donors. For twenty years, massive debt and aid dependency have weakened the government's ability to negotiate with external actors, to set its own policies and to represent or act on the wishes of its citizens. Rita Abrahamsen (2000) described a 'disciplined democracy', in which conditionality had been used by the International Financial Institutions (IFIs) to press compliance with every detail of aid donor's prescriptions, with the result that, no matter who was elected, economic liberalisation would follow.

And yet, in the past two years, the possibility has been mooted that Zambia will reverse this pattern. The opportunity to go 'back to the future' may arise if the country is able to take advantage of a situation reminiscent of the first two decades of independence, from 1964-1984. In this period, the Government of Zambia (GoZ) developed five year plans, defining its own developmental model. It attempted to insist that donors worked within these frameworks. This implied Government taking ownership and responsibility, domestically and internationally, for the successes and failures of its policies. Largely, they failed, contributing to Zambia's dependency. The internationally supervised liberalisation that resulted is also widely perceived as having failed, and has greatly deepened dependency. Nonetheless, the GoZ now claims that recent developments, including Zambia's Poverty Reduction Strategy Paper (PRSP), its replacement the 2006-2010 Fifth National Development Programme (FNDP) and a new 'aid strategy' provide hopes of returning Zambian sovereignty.

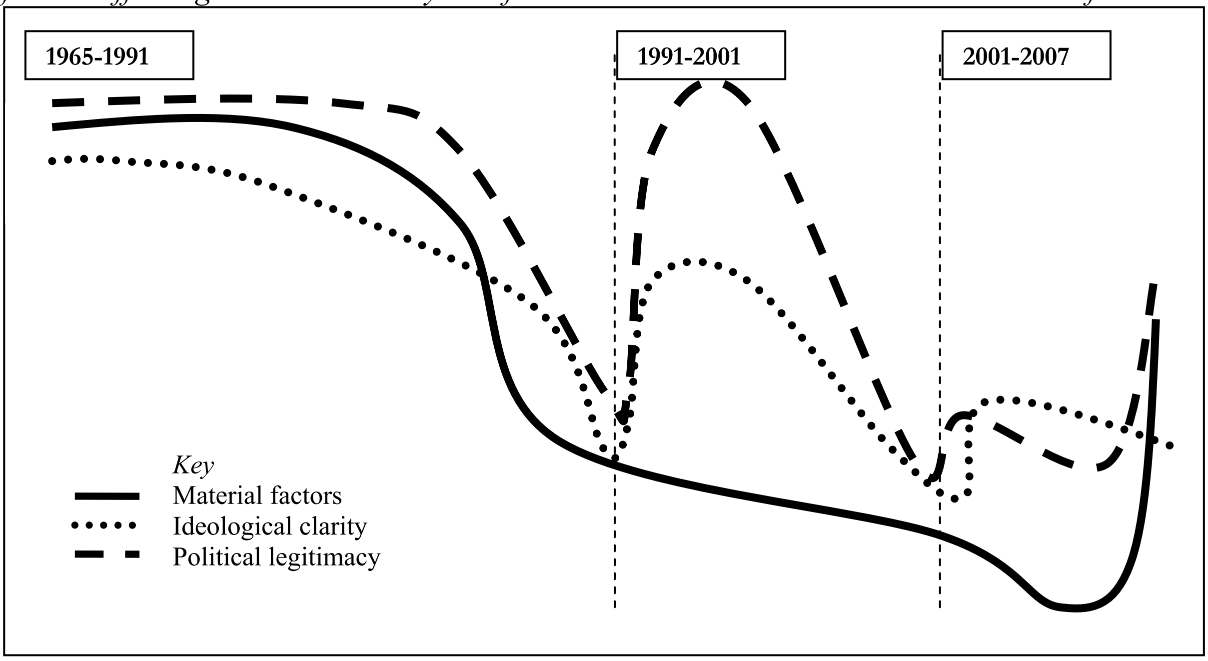
A number of factors encourage nostalgia for a lost era of sovereign decision-making.

- Since 2003, the price of the lynchpin commodity in the Zambian economy, copper, has rocketed back towards the high levels that bankrolled the early independence era, driving some positive economic indicators for the first time since the start of liberalisation.
- Following the Multilateral Debt Relief Initiative (MDRI), from 2006 onwards, Zambia's debt burden has been massively reduced. With debt relief, the country's sovereign rating went up in global capital markets, increasing hopes of attracting investment.
- The Chinese, supporters of independence-era Zambia, are back in town, buying into the mining, industrial and commercial sectors and offering an alternative source of capital.
- A number of developing countries (led, as in the 1970s, by Latin Americans) are reshaping the terms of their incorporation in the world economy and redistributing the benefits flowing from their extractive industries. The Zambian state, unions, media and investors are well aware of efforts in Chile, Bolivia and Venezuela to re-work ownership, tax and wage structures. The 'Latin American model' represents the aspiration to use the commodity boom to fund development and buck decades of IFI tutelage.
- Finally, even the FNDP encourages nostalgia, adopting the name of previous 5-year National Development Plans.

In order to test the realism of hopes invested in Zambia's new aid strategy, the chapter firstly considers these developments in more detail, asking whether the necessary pre-conditions for assertive negotiation are in place. It argues that there are three: material factors underpinning relations with donors, the ideological clarity of the GoZ's programme, and the political legitimacy that the GoZ is able to claim for itself. The chapter then describes changes in these factors over time in order to present an assessment of where we are now.

The argument is represented schematically in Fig. 1 which suggests, on entirely notional scales, fluctuations in these factors over time. Each is discussed below, with evidence drawn from the periods in office of the country's three Presidents since independence: the United National Independence Party (UNIP) period under Kenneth Kaunda from 1964 to 1991, the two Movement for Multiparty Democracy (MMD) Governments of Frederick Chiluba from 1991- 1996 and 1996 - 2001, and the 'New Deal' MMD Governments under Levy Mwanawasa who took power in 2001 and won again in 2006.

Fig. 1 – Schematic representation of fluctuations over time in relative strength of three factors affecting the state's ability to influence donor interventions or resist donor influence



In summary, it is suggested that:

- the material pre-conditions for effective negotiation with donors have weakened consistently throughout Zambia's history, as the economy endured its extended decline, but have started to revive very recently.
- The ideological clarity of the GoZ's programme evaporated as the socialist economy stagnated and UNIP experimented with liberalisation. Despite a revival of self-confidence with the MMD's dramatic turn to the free-market, this experiment is also widely perceived to have failed Zambia, leaving disorientation and a sense of crisis-management in its wake.
- The political legitimacy of the GoZ gradually declined as Kaunda slipped from liberator to autocrat. A resurgence of domestic and international support arrived with multi-partyism but both proved short-lived in the face of electoral malpractice and corruption. The 2006 elections were the first since 1991 regarded as free and fair, and have improved the GoZ's international standing somewhat. Their complex domestic impact is discussed below.

The second section of the chapter then interrogates Zambia's shifting strategies to constrain donors, and asks whether the latest iteration seems likely to achieve its aims. It uses the context described in the first section to help explain the development of the relationship between Zambia and its donors. It focuses on the negotiation and implementation of policy conditions, rather than the management and co-ordination of aid projects, mainly because conditionality has been particularly extensive in the Zambian case. It considers particularly the period after 1999 when debt relief negotiations and increasing shares of bilateral aid were managed through the PRSP, and both donors and Government began to claim that Zambia had increasing control. It also considers whether, since debt relief has been delivered and the FNDP replaced the PRSP, intensifying such claims, we are likely to see significant change.

Little existing literature describes Zambia's aid relationship from the recipient's perspective, although Chisala (2006) provides a recent exception. The most well-known contributions focus on the successes and failures of strategies donors have adopted to get the GoZ to do what they think it should, and this chapter leans particularly on the rich empirical material provided by Rakner (2003) and Sassa and Carlsson (2002). In contrast to Abrahamsen's image of a 'disciplined' Zambian state, such accounts do recognise that the behaviour of Zambian politicians and bureaucrats is a key limiting factor on the ability of donors to achieve their objectives. Indeed Rakner argues that Zambia has been ill-disciplined, delaying and blocking reforms. However she does not read this outcome as a success because, in common with much of the rest of the literature, to the extent that negotiating agendas and behaviours are recognised, they are typically understood as by-products of 'neo-patrimonialism'. This catch-all-bad-things category proposes that it is the *personal self-interest* of politicians and officials, rather than either their *principled beliefs* or *national or social interests* that are being promoted and defended by Zambian negotiators. To the extent that the literature is interested in what GoZ representatives want, beyond money and power for themselves, *consensus* between GoZ and donors, is widely assumed. Thus strategies of negotiation are often either ignored or written off as illegitimate. Although this chapter's conclusion accepts elements of both dominant explanations of GoZ behaviour, a case study of the recently completed privatisation process for Zambia National Commercial Bank suggest that negotiating behaviour is present in talks over particular conditions and that, in terms of explaining such behaviour, neo-patrimonialism and consensus both beg more questions than they answer. Their assertion often represents an attempt to make Zambia an exemplar of a pre-existing theory about Africa in general. In contrast the analysis in this chapter draws out the specificities of the Zambian context, suggesting elaborations and alternatives to the dominant explanations, seeking to explain and assess policy-driven negotiating strategies.

Despite evidence of the presence of such strategies, the chapter concludes, in line with Abrahamsen, that Zambia is still being disciplined, albeit through means less blunt than simple conditionality. It is suggested that it is unlikely the GoZ will be able to significantly constrain donor interventions because, whatever the strategy, the pre-conditions for doing so are not present. High copper prices and debt relief do not, of themselves, imply that Zambia is not still aid dependent. Reworking tax and ownership structures of the mining industry to increase revenues would mean challenging donor values head on. In order to achieve donor acceptance of this kind of Zambian leadership, the GoZ would need to secure the high moral and political ground. This in turn would require recognition of the GoZ as the legitimate representative of a popular sentiment in favour of an ideologically-coherent national strategy. However, with legitimacy and ideological coherence in very short supply it is unsurprising that the aid strategy and FNDP are predicated on dependence as a fact of life and the FNDP is little more coherent than a shopping list. Donors respond by treating it as such, backing aspects they support and ignoring those they don't. Without an ideological underpinning, elements of the plan can only be promoted by the GoZ on their own terms rather than as part a treasured principle or a unified strategy. The Zambian case suggests that, although ownership and leadership now form key elements of donor rhetoric, and of the system they are attempting to build, the effort may be doomed to failure since neither legitimacy nor ideological coherence are likely be willed into being from outside a society.

Of course, crises of legitimacy and ideology are not unique to Zambia. Many OECD states are living an era of technocratic politics with a rapid turnover of initiatives in place of a long-term political vision. However the 'death of politics' has a different impact in an aid-dependent country. Without a vision of their own to defend the GoZ is poorly placed to resist donor techno-fixes. Unconstrained by accountability relationships with local populations, donor fixes tend be even more short-lived and fanciful than domestically generated initiatives.

Before moving into the substantive discussion, we need to introduce the political-economic context in which the Zambian aid relationship exists, describing briefly some key actors, events and social and political processes in Zambia since independence.

2. Zambia's post-colonial political economy

The first twenty five years of Zambia's independent history provided a familiar cast of characters in post-colonial African political economy: independence struggle led by urban nationalists (Hall, 1964; Sardanis, 2003); a negotiated transition (1964); initial hopes for economic and political development under a socialist-oriented government (led by Kenneth Kaunda's UNIP) using favourable world prices for primary commodity exports (copper) to subsidise consumers and state-owned companies; relatively rapid reversion to one-party rule (1972) on the grounds of opposition manipulation of tribal politics (Gertzel et al., 1984); economic collapse as commodity prices tumbled after the first oil crisis, and after the second, a debt crises that encouraged the country to attempt economic liberalisation under IFI supervision (hesitantly in 1983-5 and then more convincingly from 1990-91) (Young and Loxley, 1990; Chakaodza, 1993; Mwanza, 1992). At the end of that first quarter-century, political resistance to adjustment not only derailed the liberalisation programme but catalysed, together with changes in the international environment at the end of the Cold War, a transition to multi-partyism and a change of ruling party. (Bratton and Van de Walle, 1997; Baylies and Szeftel, 1992; Ihonvbere, 1996)

Independence, one party rule, economic collapse, adjustment and democratisation all came earlier in Zambia than neighbouring countries. The pattern at the moment of transition was also one that Western donors hoped would prove infectious across the continent. The trigger for this optimism was the electoral defeat of the liberation party, UNIP, in the 1991 election and the landslide victory of Frederick Chiluba's Movement for Multiparty Democracy (MMD). The MMD owed its original momentum to trade-union led resistance to adjustment but, by the time of the elections, the unions had made a wide range of alliances within the business and political communities and 'civil society', and the MMD ran on a manifesto that promised to liberalise the Zambian economy, privatise state-owned industries, and secure a new democratic dispensation (Bratton, 1992). In power the MMD was able to restrain radical forces within the labour movement, and pursue a massive privatisation programme not only because it was led by a union boss, but also because workers had suffered as badly as anyone else from the mismanagement of state companies. Unions identified with the MMD and thus endorsed a project to break the power of the one-party system, in which UNIP structures were tied to state companies and institutions for the supply of agricultural and industrial subsidies.

The hope for donors was that an energetic, reforming government could lead a popular privatisation process. They thus worked to support Zambia to be come a 'success story' that would affirm the 'dual transition' thesis, popular at the end of the Cold War, that in formerly-socialist, one-party states, economic and political reform processes – capitalism and democracy – could be mutually reinforcing. Donors sought to secure the reform process by 'buying' the MMD an extended political 'honeymoon' and pushing for a massive reform programme to be implemented very rapidly in the first five years. Over the first few years of MMD rule, aid money poured in, (Rakner et al, 2001) and the budget became more than 40% donor dependent. (Bauer and Taylor, 2005: p. 70; Chisala, 2005)

The initial political transition was lauded internationally, as President Kaunda stepped down peacefully. Zambia's programme of privatisations was hailed by the IFIs as a huge success five years into the process (Campbell-White and Bhatia, 1998). However, warning bells about the 'dual transition' were also already ringing and uncritical support for the MMD both inside and outside the country was short-lived. Anti-democratic restrictions were re-imposed on the opposition and civil society and the privatisation process, although exceptionally rapid and wide-ranging, was accompanied by a spectacular 'looting' (Craig, 2000; Szeftel, 1998) of the national fiscus, negative growth rates, de-industrialisation, deepening debt and increasing poverty. By 1996 half the original MMD cabinet had resigned, most of them citing gross corruption. At the same time, veteran politicians from UNIP crossed the floor to join the MMD, reinforcing the image that the fresh start had failed, and that Zambia would continue to operate 'business as usual'. Chiluba himself did nothing to encourage hopes for democratic renewal, refusing demands to reduce the power of the President, clamping down on protest and enforcing two states of emergency. The experience of the next two elections, in 1996 and 2001 left few convinced that either elections (Baylies and Szeftel, 1997; Venter, 2003) or parties (Burnell, 2001; 2003) had been successfully established in Zambia.

The non-emergence of a vibrant private sector to step into the vacuum left by privatisation saw employment and growth go into freefall, where they stayed throughout the 1990s (McCullough et al., 2000). Partly as a result of the difficulty of demonstrating 'results', the economic reform process slowed up during Chiluba's second term, from 1996, as the project encountered its political limits. Cutting back the civil service wage bill and privatising key state assets (particularly the copper mines) proved difficult to manage domestically and became major sources of tension between donors and the GoZ. While the GoZ remained formally committed to liberalisation, given the poor performance of liberalising measures thus far and the political sensitivities involved, there was a reversion to the pattern of stop-start liberalisations familiar in the last years of UNIP. Rakner (2003) argued that this process conformed to a wider type described by van de Walle, as a case of 'partial reform syndrome'.

Nonetheless, with the emergence of a new incentive for compliance with donor priorities, in the form of the World Bank's 1996 HIPC proposals, securing maximum debt relief became the overwhelming objective of the GoZ and many blocks to reform were broken. This prioritisation also defined the first Mwanawasa term. As various hurdles were raised to progress towards debt write-off (principally HIPC decision point and completion point), the state came under pressure to push through the last few, most controversial privatisations. Typically, the GoZ stalled, tried to appease domestic interests negatively affected by the reforms, and then eventually went ahead anyway, choosing debt relief over domestic politics.

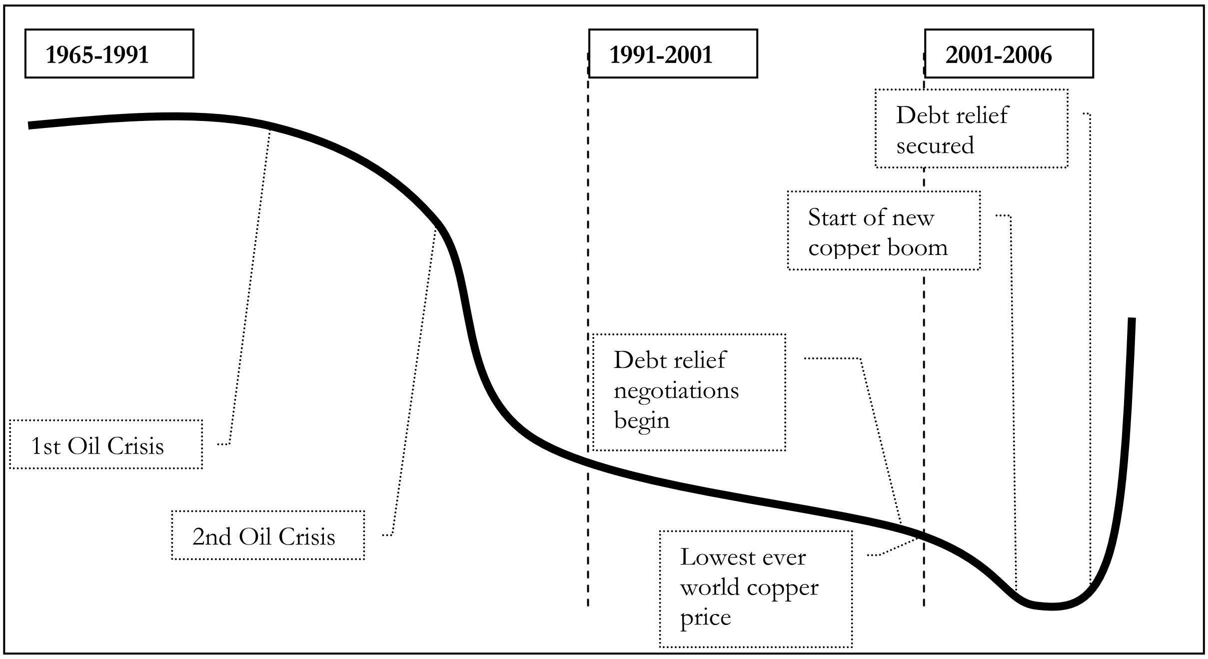
Finally, since 2003, after a long period of cataclysmic declines in value, (and ironically, just after Zambia had finally completed the privatisation of the copper mines) increases in the copper price, driven by Chinese expansion, are said to be threatening a ‘new boom’ in Zambia. Alongside the massive debt write off, finally delivered in 2006, Zambia may actually have some of its own money to spend, and a number of strategic choices to make, free of the overwhelming imperative to keep the donors happy and win maximum debt relief. The following sections reflect on some of the underlying historical trends that may support or constrain the likely success of any such strategy.

3. Preconditions for successful negotiation

FACTOR 1: Material Factors

Material factors affecting the ability of an aid recipient state to negotiate with donors can principally be understood in terms of the degree of aid dependence and indebtedness. Both are broadly functions of the availability of alternative sources of funding. In Zambia’s case, the obvious source is revenue from the copper industry, whether in the form of income from sales during the state-owned era, or taxes after privatisation. As suggested in Fig 2. below, Zambia’s negotiating capacities were terminally weakened when these revenues started a long decline from the mid-1970s, only reaching the lowest point in 2001, just after the privatisation was completed. Largely as a result, Zambia’s aid dependence and indebtedness have gradually increased over the same period, until a situation at the end of the millennium where Zambia’s indebtedness enabled the IFIs to set a series of remarkably explicit ‘hurdles’ for the country to clear in order to receive debt-relief. This period marks the weakest point of Zambia’s ability to bring material factors to bear in relations with donors. However, the coincidence of a massive debt relief package in 2006 and a major spike in world copper prices has presented a surprising situation. It seems, all of a sudden, possible to imagine Zambia funding its own development and freeing itself of aid dependency. Nonetheless, before assuming that this situation will come into being, a consideration of the historic pattern of Zambia’s aid and debt relationships places the contemporary situation in context.

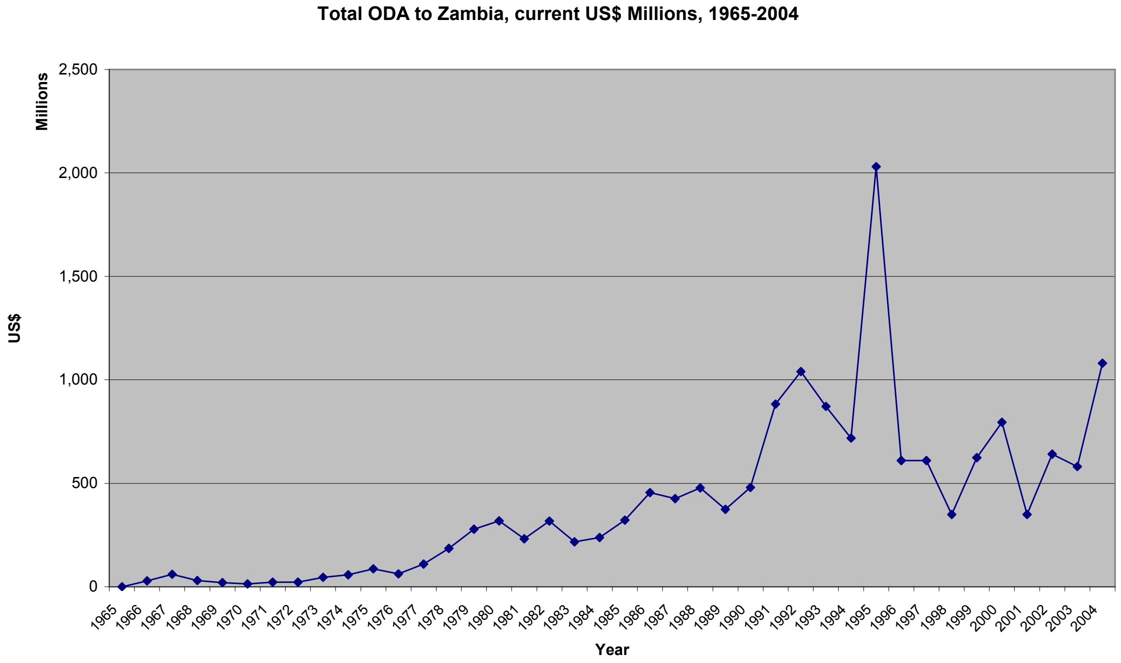
Fig. 2: A schematic representation of the strength of material factors supporting Zambia's ability to negotiate with external donors, 1965-2006



As seen in Fig 3. below, from independence in 1964 until the first oil crisis, Zambia received relatively little aid. However, from 1978 there was a steady increase in assistance until 1990. The arrival of the MMD in 1991 led to an explosion of aid, reaching a high point in 1995, before dipping in the period 1996-98 and in 2001 (both following contested elections), since when aid has again recently picked up significantly, with 2004 seeing the second highest aid flows in the country's history. Aid as a share of Zambia's GNI has been as high as 63% in 1995, but by 2004 was back to 21%. This figure is still high by comparative standards, and is expected to rise again.

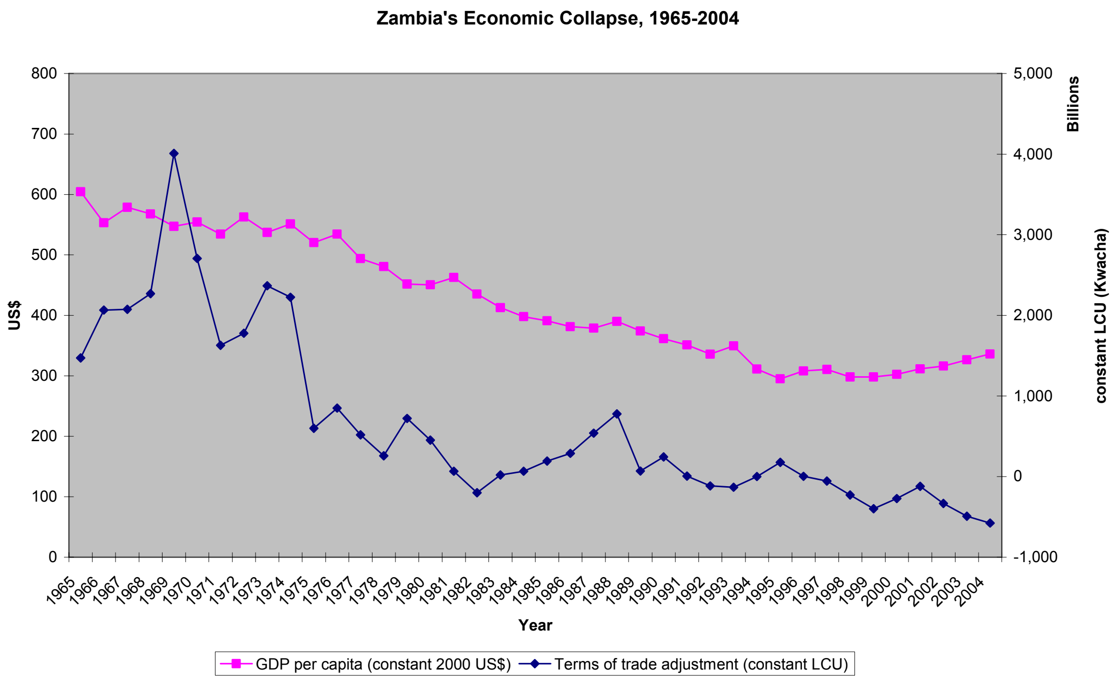
Zambia's general experience of aid increases over time may be explicable in simple terms. The country's long-run economic collapse has increased need. This disastrous economic performance has a number of causes, but most commentators agree that it has related most closely to shifts in the country's terms of trade (see Figure 4 below), themselves driven by secular declines in the world market price of Zambia's principle export, copper, starting in 1975. External receipts from copper dropped 23% between 1974 and 1988, severely restricting access to foreign exchange. (Sassa with Carlsson, 2002, p. 24)

Fig. 3



Source: World Bank, *World Development Indicators*

Fig. 4

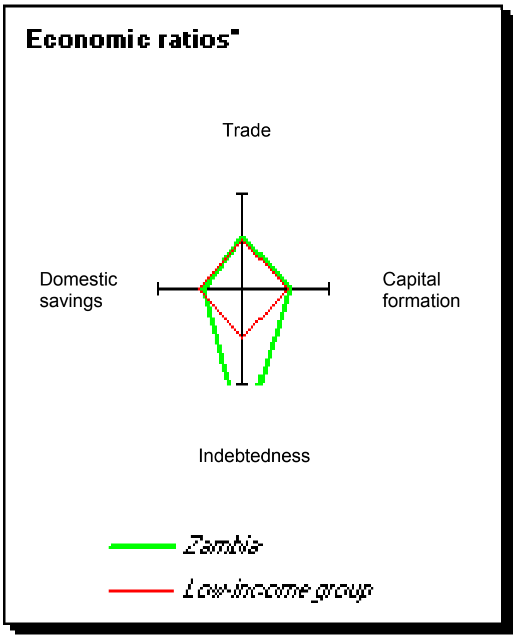


Source: World Bank, *World Development Indicators*

If the overall direction of aid dependence maps onto this gradual decline, specific peaks and troughs of Zambia's aid, shown in Figure 3, can be mapped even more directly onto key political events, demonstrating that donors have used aid as a form of punishment and reward, reacting quickly and decisively to major turning points in the country's history. Sassa and Carlsson note, "the pattern of aid flows correlates closely with the country's policy changes" (2002: 66).

While Zambia's aid statistics are high, they are not unique amongst other low-income countries. What marks the country out, rather, is its spectacular debt burden. In 2004, debt service was US $ 424 million, 8.1% of GNI. The 2004 debt overhang represented 36% of GNI. (World Bank, *World Development Indicators*) The lopsidedness of Zambia's World Bank 'economic ratios diamond' (Figure 5, below), on which Zambia's debt runs well off the scale, demonstrates the unusually heavy burden the country faces in comparison to other low-income countries. Around 60% of this debt was owed to the IFIs. (World Bank, *Zambia at a Glance*)

Fig. 5: World Bank 'Economic Ratios' diamond compares key Zambian statistics with Low-income group averages. Source, World Bank: Zambia at a Glance

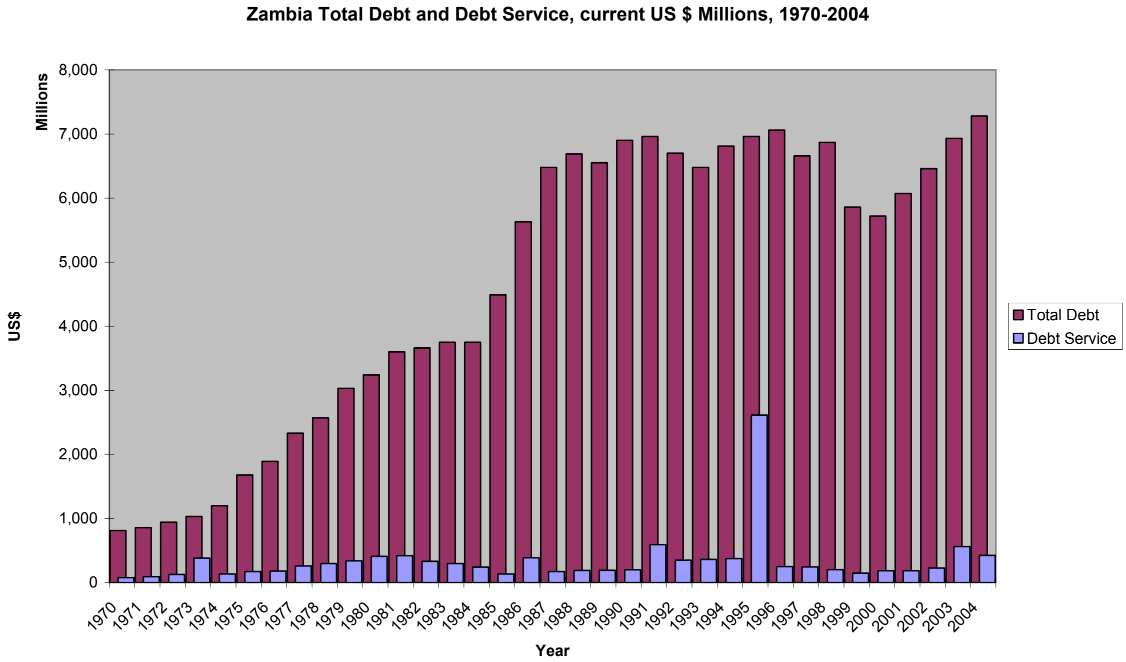


As Figure 6 (below) shows, Zambia's debt increased rapidly from 1974-81 before almost doubling in the decade to 1991. Zambia's debts accrued as early non-concessional borrowing from the World Bank's IBRD through the 1970s resulted in the built up of significant arrears. The GoZ believed the collapse of copper prices would be temporary and borrowed to soften the blow to services and subsidies. However, as spending continued to grow, and copper prices did not recover, the debt ballooned. As early as 1984, Zambia was the most indebted country in the world relative to its GDP. (Sassa with Carlsson, 2002, p.39)

Collapsing copper prices were not the only problem. Although the country has been politically peaceful since independence, Zambia's decline can only be understood with reference to its support for struggles against white minority rule in many of its neighbouring Southern African states. This solidarity brought economic, political and military reprisals, and increased spending on defence and on rail, road and oil networks built to Tanzania to avoid South African ports. Even now, Zambia has not overcome the legacy of this disruption, facing internal displacement, destroyed infrastructure and landmines. The financial cost to Zambia of fighting apartheid has been estimated in excess of £13 billion (Jubilee-Zambia and ACTSA, 2001). During this period, Zambia built up debts to creditors including Yugoslavia, the UK, China, India, USSR and the OAU.

'Defensive lending' by the Bank on IDA terms from 1984 allowed some repayments to be made, but it was not until 1991 that the new MMD Government made an explicit strategy of re-engagement of the IFIs, and repayment. Since 1996, a number of debt relief initiatives slowed growth of the debt, making faltering inroads into its overall size and the size of annual debt service until the point in 2006 when a massive new deal was struck through the MDRI.

Fig. 6



Source: World Bank, *World Development Indicators*

'Normalising' relations with the IFIs from 1991 by paying off IBRD loans and accepting a structural adjustment programme (SAP) opened the door to massive concessional lending from the Bank as well as encouraging the African Development Bank and the IMF to re-commence relations. The IMF's first significant relationship with the country involved a non-concessional debt restructuring package that enabled Zambia to start paying off its private and bilateral 'Paris Club' creditors. Repayments through to 1995, and delivery on adjustment, opened up a major concessional IMF loan in 1995. Since then, crises in donor-state relations show up, as in the aid statistics, in stop-start lending through to 2004 and international debt-relief initiatives have significantly reduced net outflows in terms of interest and repayments.

Despite this, in 2003, the country was still fundamentally 'dependent', with the value of debt/GDP still 104.2%, the value of debt/exports 353.3%. (World Bank, *Zambia at a Glance*) Before Zambia's contributions begin to decrease the total owed, interest payments alone were swallowing 3.1% of GDP. Debt service payments accounted for 30% of income from exports.

The real story of Zambia's debt relief package thus only emerges after World Bank WDI statistics (on which the charts presented here) run out. Zambia finally attained HIPC completion point in April 2005. As a result, debt stock reduced significantly from US$7.1 billion at the end of 2004 to $4.5 billion at the end of 2005. Under HIPC, the World Bank will provide US$885.2 million of debt service relief, delivered from 2001 through 2020, the IMF US$602 million from 2001-08, and the remaining bilateral and multilateral creditors are also expected to write off vast debts. The Paris Club has already written off US$1.4 billion of Zambia's bilateral debts, leaving a balance of US$124 million. This was precisely the 'reward' towards which the Zambian Government worked so hard to achieve HIPC hurdles. However, the best news was still to come. Under the MDRI arrangement, announced unilaterally by the Bank and Fund in 2006, those countries that had already reached HIPC completion point won a massive additional write off, and having 'proved their commitment' received it without having to undergo any further formal conditionality processes. The IMF is expected to deliver US$572 million to Zambia under the MDRI scheme. The World Bank, through IDA, will deliver debt relief to Zambia amounting to Special Drawing Rights (SDR) 1,269 million while the AfDF will offer around of US$254 million (Zulu, 2006). Zambia's total debt was slashed from the $4.5billion remaining after HIPC to around US$600m after MDRI in 2007. (*The Post*, April 19 2007)

The debt relief also arrives in the middle of a rumoured 'boom'. As Fig. 7 (below) suggests, in the last three or four years, there has been a notable improvement in Zambia's excruciatingly drawn out economic collapse, with increases in GDP growth and in export sales of goods and services.

Fig. 7: Vital Signs for a Zambian Recovery?

	1984-94	**1994-04**	**2004**
(average annual growth)			
GDP Growth	0.9	2.9	4.6
GDP Growth per capita	-2.0	0.9	3.2
Growth in exports of goods and services	-1.0	6.2	12.6

Source: World Bank, *Zambia at a Glance*

Clearly the impacts on the population, on government capacity and on investment, production and efficiency of the drawn-out economic collapse suffered from the mid 1970s cannot be turned around by a couple of years of better growth figures. Exports of goods and services as a share of GDP remained lower in 2003 than either 1984 or 1994 and the current account balance/GDP was also considerably worse.

Fig. 8: Key Economic Ratios and Long-Term Trends

	1984	1994	2003
GDP *(US$ billions)*	2.7	3.3	4.3
Exports of goods and services/GDP	35.1	36.0	20.6
Current account balance/GDP	-9.6	-11.9	-16.1
Total debt/GDP	138.3	203.7	148.2
Interest payments/GDP	2.0	3.8	3.1
Total debt service/exports	25.3	31.6	30.4

Source: World Bank, *Zambia at a Glance*

The country still needs, and attracts aid. As shown in Fig. 9 below, Zambia's most significant donors in recent years have been the UK, World Bank, Germany, the IMF and the European Commission, in that order. There is currently an approximately 55:45 division of total between bilateral and multilateral donors. Although this relatively broad spread of donors should offer Zambia some choice between sponsors, and thus negotiating leverage, the overall strategic irrelevance of Zambia to donors means that it cannot rely on any actor as an uncritical friend. Donors have traditionally fallen in behind the IFIs, who have a 'gatekeeping' role. Increased co-ordination through the PRSP and FNDP processes continue this pattern.

Fig. 9. Top ten donors of gross ODA (2003-2004 average)

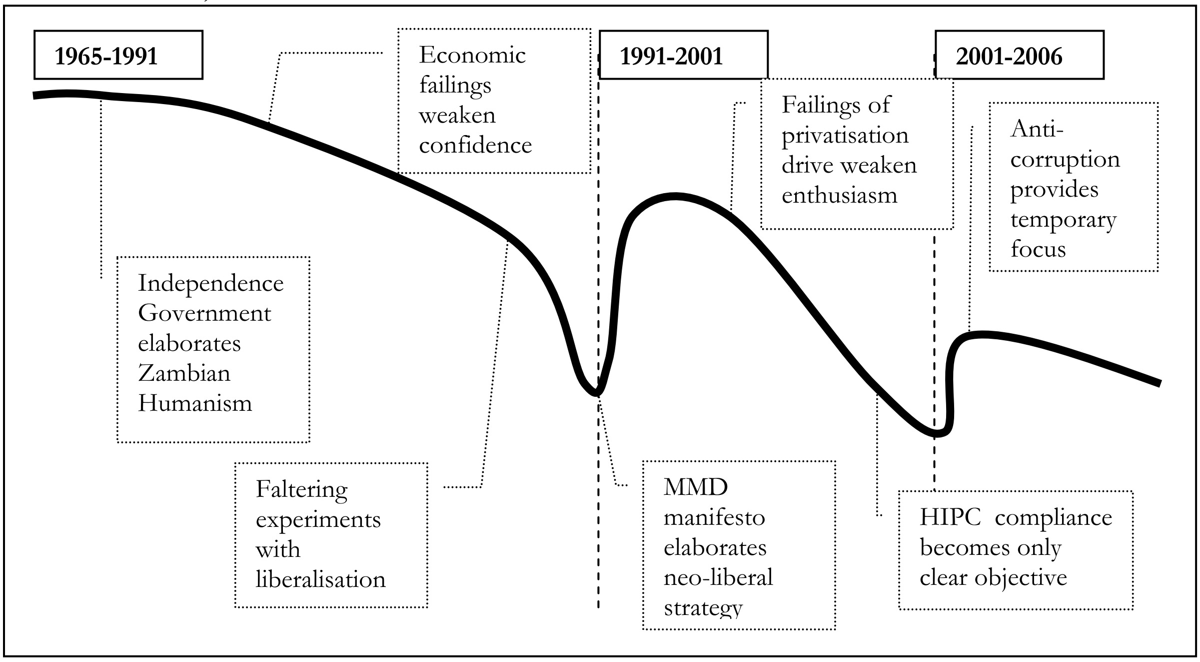
Donor	US$ millions
UK	174
IDA (World Bank)	148
Germany	135
SAF and ESAF (IMF)	122
EC	107
US	76
France	53
Netherlands	44
Denmark	38
Norway	36

Source: OECD-DAC, 2006

FACTOR 2: Ideological Clarity

Ideological clarity refers to the ability of the state to express a clear vision about where the country is going, and about the contribution of public policy to achieving that outcome. States that can generate, sustain and express a clear rationale for their development plans are likely to be in a better position to negotiate with donors, who, despite engaging across a remarkable range of policy areas, often have a self-image as apolitical, non-interfering technocrats. Fig. 10 presents a notional measure of the strength of the Zambian state's ideological clarity.

Figure 10: A schematic representation of the ability of the Zambian Government to express a clear ideological programme that might strengthen negotiating capacity in relation to external donors, 1965-2006



In its colonial format Northern Rhodesia (now Zambia) was understood by the white authorities principally as a source of mineral wealth to support much more significant industrial, social, educational and governmental infrastructure in Southern Rhodesia (now Zimbabwe). Zambian infrastructure was largely ignored (less than 0.5% of the population were estimated to complete primary education at independence). On coming to power, the UNIP administration put significant effort into laying out a philosophical case for its priorities and for defining the country's development agenda in 'Zambian Humanism'. Zambian Humanism focused on developing the potential of the indigenous population and a series of five-year National Development Plans (NDPs) presented ambitious plans for spending the profits of copper mines on educational and health. Whilst frequently described as 'socialist', largely because an early action of the state was to nationalise the mines, the redistribution of wealth implied by 'developmentalist' plans also involved demanding sacrifice from and constraining labour, particularly mineworkers, via state-linked trade unions. Wage demands were suppressed to ensure maximum profit from 'state-capitalism' accrued to the GoZ, and indeed the ruling party. (Larmer, 2007: 41-58)

Zambia's philosophy, strategy and identity was constructed within a global context, with active membership of the Non-Aligned Movement witnessing a close relationship with non-Soviet states of socialist orientation - Yugoslav leader Tito was a friend and ally to Kaunda. China was also seen as providing a model for the transformation of a poor economy through industrial development, and provided material support for the building of the ambitious TAZARA railway link to Tanzania. The combination of Western post-colonial guilt, a 'state-building' ideology, and non-alignment made Zambia an attractive partner for a range of donors and the country won support from states on both sides of the Cold War divide. Indeed to some extent Zambia played them off against each other to maximise support.

In the mid 1980s, as state socialism failed around the world, the Non-Aligned Movement stagnated, and collapsing copper prices reduced the fiscal basis for the pursuit of developmentalist goals, UNIP faced an ideological crisis. Given its history, UNIP was never capable of convincingly presenting a rationale for experiments with structural adjustment, liberalisation and austerity measures, and never recovered its ideological coherence.

In contrast, the MMD, on coming to power in 1991, presented a self-confident manifesto – a liberal programme of reforms to both the economic and political systems. Workers were encouraged by their former trade unionist leader that it was necessary for them to 'die a little' to revitalise the economy (Larmer, 2007: 177). It is largely on the basis of the MMD's 1991 election manifesto that academics interpret Zambia's massive SAP as 'home-grown', and a result of 'consensus' between GoZ and donors. Nonetheless, it is open to question how deeply these beliefs were etched into the MMD's organisational form or the hearts of its supporters. The MMD emerged, as much as anything, as a broad front of anti-UNIP forces that recognised the international community could be a key ally in winning power and managing a transition. Its organisational implosion, two years into power, reflected the failure of its limited ideology to mobilise supporters or hold together a coalition (Ihonvbere, 1996).

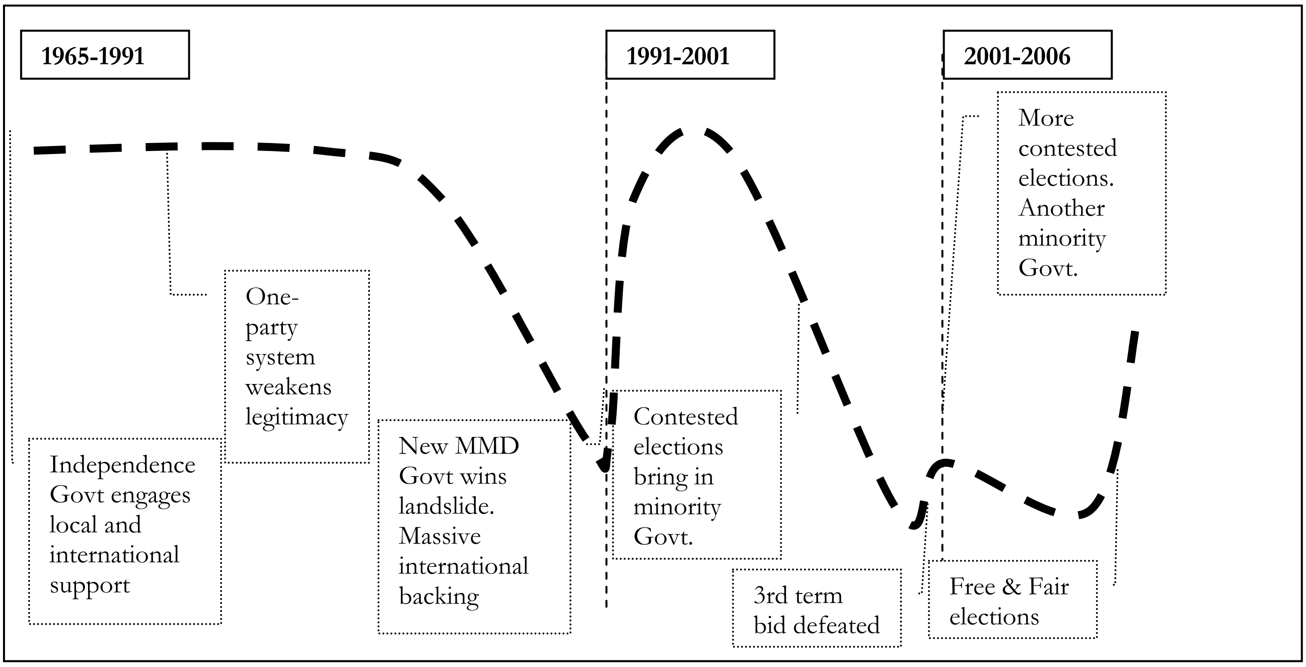
Any consensus that did exist was thus between a thin layer of the party leadership and donors with whom they had been in discussions even before winning power. The key point of agreement, and the one constant of MMD rule, has been an anti-ideological pragmatism that considers Zambia's international reputation its greatest asset. The resulting eagerness to please was encouraged by the positive reaction of donors to the MMD, with massive aid in the early 1990s and the carrot of debt forgiveness in the second part of the decade. Rakner argues that through the 1990s, with donors supporting liberalisation, and no intellectual or programatic challenge in view, implementing liberalisation was a default for the MMD, threatened principally by self-interest rather than any alternative vision.

From the late 1990s, the acceptance of debt relief as the state's primary policy goal further weakened the ability of the GoZ to negotiate with donors over the terms on which it was to be delivered. Chasing HIPC offered no ideological coherence, separate from an acceptance of each and every priority thrown up by changing donor fashions. The most consistent of these tropes; poverty reduction, the Millennium Development Goals (MDGs) and good governance have in recent years come to stand in for a legitimating discourse for the MMD, which ran in 2006 on a manifesto that dwelt on achieving HIPC completion point, (faltering) progress towards the MDGs, and an anti-corruption drive. Clearly, such 'targets' have some appeal, both as public policies, and as a mode of mobilising resources. However, they provide no answers to questions about how the state should orient itself in relation to most policy controversies and thus no leverage in discussion with donors who also claim that their plans are motivated by the same goals.

FACTOR 3: Political legitimacy

Political legitimacy refers not to the ability of the Government to express a coherent vision, but to its ability to demonstrate domestic and international endorsement of its right to govern. State's negotiating mandates flow to some extent from their unique ability as sovereign authorities to mediate competing interests and views. This mediation implies a state can gather negotiating strength not only by demonstrating support for the positions it adopts, but also from its unique function of maintaining order by managing or accommodating social pressures from constituencies opposing its policies. Domestic opposition can in this way lend credibility to states resisting 'un-manageable' proposals from donors.

Figure 11: A schematic representation of the ability of the Zambian Government to draw legitimacy from demonstrable democratic or international support that might strengthen negotiating capacity in relation to external donors, 1965-2006



Coming to power as the 'liberation party' UNIP initially had huge legitimacy. Zambian humanism enjoyed genuine engagement from a population willing to make sacrifices to achieve a viable independent state. While Kaunda, as 'father of the nation' developed strong bonds of loyalty, widespread support for UNIP was badly damaged by relatively rapid declarations of a state of emergency and the one-party system. Within a decade, UNIP had lost much of the negotiating power flowing from the claim to unambiguously represent its people. Nonetheless, international political conditions, including limited donor concern about democracy through the Cold War, Zambia's positioning in the Non-Aligned Movement, and as an outspoken critic of Western policy towards apartheid South Africa, lent a certain moral weight to the state and Kaunda in particular. By the end of the Cold War these conditions evaporated and the one-party system was void of credibility either at home or in the eyes of donors. UNIP was able to draw some legitimacy in aid negotiations from opposition to austerity. Still, although 'IMF riots' against early attempts to impose SAPs helped legitimate UNIP hesitancy in implementation, the riots also played a key role, after almost two decades of severe deprivations for the population, in the party's unceremonious removal from office.

The first MMD Government, headed by former trade union boss Frederick Chiluba, came to power following major street protests and with a massive popular mandate. Having been imprisoned by Kaunda for organising wildcat strikes, Chiluba also had a certain 'hero' status at home. The MMD also initially enjoyed high legitimacy internationally as donors hoped Zambia would embody the 'dual transition'.

However, the broad domestic coalition that brought the MMD to power fragmented quickly, and old style politicians and old-style politics, in the form of a state of emergency, soon re-emerged. As new economic programmes failed to deliver gains for the population and more and more egregious cases of corruption came to light, the MMD lost popular and international legitimacy. The transition itself had also demobilised opposition, as groups that fought one-party rule saw their job done, and the union leadership stayed loyal to 'their man'. Rita Abrahamsen argues that the mass movements that provided the popular muscle for democratisation were primarily concerned about economic issues. However, they were outmanoeuvred by the 'civil society' and business wings of the MMD coalition, partly because the 'rule of law' and 'rights' agendas of professionalized elements won most donor support (Abrahamsen, 2000). Popular support was thus exchanged for international backing.

Elections in 1996 which brought Chiluba back to power with a significantly reduced mandate were subject to severe international censure with the MMD accused of abusing its incumbency. As the massive liberalisation agenda continued to reap few benefits and popular support evaporated, some degree of elite stability was maintained through a patronage network managed by an all-powerful Presidency. The last straw for many MMD cadres came with Chiluba's attempt to alter the constitution and secure a third term. Civil society and the MMD party machinery eventually defeated the plan. However, with Chiluba's anointed successor Levy Mwanawasa winning a third MMD term on a mandate of just 29% in 2001 elections (again condemned by international observers) the legitimacy crisis continued. During his first term, Mwanawasa managed to win back a little credibility, stepping out of Chiluba's shadow by offering hopes of constitutional reform and running a high-profile 'anti-corruption' agenda, including prosecuting the former President. Free and fair election in 2006 further bolstered the President's international credentials.

Throughout the period of MMD rule, limited popular engagement in Zambian politics has appeared to result from a lack of choice between parties and generalised disgust at corruption and incompetence in the political class. Particularly debilitating has been the long-run economic collapse which leaves most citizens scrabbling to survive. The introductory paragraph of a report prepared for the UK's DFID on Zambia's political economy thus notes;

> *"the principle emotions in the country, after over a quarter of a century of economic decline, faced with the catastrophe that HIV-AIDS now presents, and in the light of growing recognition of the scale of corruption, are those of disappointment with the past and confusion as to what went wrong. There is currently fear of what the future holds, growing anger at the emerging evidence of the scale of recent abuse of public resources, and in some quarters lack of confidence that a way forward can be found. Many young, trained Zambians leave, seeing no reason to remain."* (Duncan et al., 2003: ii)

What effect then did de-politicisation have on Government legitimacy and thus on negotiating capital? Rakner suggests that demobilisation of social forces actually increased policy space since Government was under less pressure than under the one-party state.

> *"Disregarding the lack of economic results and the fact that no sector of society emerged as 'winners' of the economic reforms, the economic reform programme continued through the 1991-2001 period. The MMD Government did not face an opposition that seriously challenged its economic policy in the 1996 or 2001 election.*

> *Thus, despite a disastrous socio-economic record, the processes of political and economic liberalisation proceeded concomitantly without seriously affecting or undermining each other… In the 1991-2001 period, three local, parliamentary and presidential elections have proved that, despite the presence of thirty-six listed parties and around 400 non-governmental associations, there are presently no organisations in Zambia capable of contesting the incumbent's power. As a result, pluralism, and with it institutional proliferation, has increased MMD's autonomy from society."* (Rakner, 2003: p. 16)

Through the 1980s being autonomous from society was seen by the World Bank as desirable for Governments. With the arrival of democratisation in the 1990s the 'dual transition' thesis existed in defiance of previous anxieties that democracy might empower social forces to derail adjustment. Zambia seemed to be a case that eased these anxieties. However, the dual transition thesis also assumed that liberalisation would increase popular support for adjustment because it would work. This is obviously not the explanation Rakner offers. In fact, with democratisation and 'pluralism', the institutional forms of democracy seemed to have arrived without the life-blood that might animate the institutions – their ability to represent popular political engagement. While Rakner aimed to demonstrate that the MMD had no 'excuse' not to liberalise, other than defence of self-interest, her analysis also reflects a new anxiety. While 'losers' from liberalisation did not threaten the process, the timidity of social forces was actually a problem as it left space for a new threat, the 'neo-patrimonial' political class. Ironically, despite pluralism, the absence of 'countervailing forces' holding the state accountable for delivery of political goods (initially assumed to mean liberalisation, later also poverty reduction, human rights and good governance) now appeared as a problem. Popular passivity, it seemed, could be as dangerous as an over-politicised citizenry. However, Rakner's assumption that passivity increased policy space does not consider donor responses to the situation. A lack of visible opposition also represented a problem for the GoZ. Although the GoZ continued to face opposition to individual privatisations and wage cuts, they could not realistically claim to donors to be in fear of losing power as a result, leaving few excuses for delaying implementation. Similarly, with few issues appearing controversial, donors did not hesitate to interfere across a wide range of policies. Effectively donors now propose, since the state does not speak for the poor, and they seem not to speak for themselves, we will speak for them. Much conditionality is now justified in such terms.

How then have the fluctuations in the three factors described above affected the content and form of Zambia's negotiations with aid donors?

4. Historical background for Zambia's aid and debt negotiations

<u>Aid and debt negotiations under UNIP (1964-1991)</u>

Zambia accepted its first conditioned loan as part of a 1973/4 IMF stabilisation loan to help cope with the drop in copper revenues. It interfered little with Zambia's development planning system. However, from 1983, the World Bank became involved for the first time in the programme, and introduced a wide range of policy conditions, including currency auctions, expenditure cuts, a wage freeze and the marketisation of prices and subsidies.

It was not inevitable that increased material dependence, or the arrival of the World Bank and conditions would introduce tensions in the relationship with donors, since according to Sassa and Carlsson "By 1985, the political leadership became convinced that the economic system had become moribund and that a major policy shift towards liberalisation had to be effected" (2002: 40). However, The 1983-85 programme had little evident success, and as inflation bit, urban 'food riots' reflected popular discontent and the major trade union confederation, the Zambian Confederation of Trade Unions (ZCTU), led by future President Frederick Chiluba, organised opposition.

Disagreements with donors in the last five or six years of the UNIP Government were thus not principally about the ultimate objectives of reform. Rather they were over the question of whether the GoZ had the right to modify the programme in the light of its political and economic impacts. When elements of the UNIP Government sided with critics of the programme, in July 1987, the GoZ replaced its SAP with a 'New Economic Recovery Programme' (NERP), including the re-introduction of import controls, and vitally, a limitation on debt-service payments to 10% of net export earnings, after the exchange required by key economic sectors had been set aside. The GoZ's hope was that donors would allow it space to alter the timing of the reform process in response to circumstances. That hope was proved wrong in a bitter experience that would affect the calculations made by GoZ decision-makers for decades.

The NERP slogan, "growth from our own resources" was suggestive of UNIP's intention to limit donor influence, in spite of the country's severe aid dependency, and of its acceptance of the necessity of liberalisation. However, the slogan soon came back to bite Zambia. By September 1987, refusal to pay debt service at the prescribed rate resulted in the country being declared ineligible for IMF support. Bilateral donors handed the IMF a gatekeeper role and, "almost all multilateral agencies and donor countries decided to starve the country of the much sought after external assistance." (Sassa and Carlsson, 2002: 43) Zambia's arrears to the IMF continued to stack up, and no new money arrived. Within eighteen months of the launch of the NERP, the donor freeze had successfully made the point it aimed to: Zambia was incapable of growing through its own resources, and the price of growing with donor support would be compliance with donor priorities and timelines for implementation.

In late 1988, Zambia recognised that it had little choice but to accept this reality, re-engaging the Bank and Fund, devaluing the currency, decontrolling prices except for maize meal, and cutting food subsidies. In an effort to prevent a re-run of the food riots the government introduced food coupons for poor urban households. From August 1989, under a new 'Policy Framework Paper', a second effort at structural adjustment in Zambia was underway. Bilateral and multilateral donors started to come back in. Nonetheless, it was too late for the UNIP Government, which had been unable to manage structural adjustment and maintain its assumed leadership status as the 'party of liberation'.

Aid negotiations under Chiluba's MMD Government, 1991-2001

Just before losing power, UNIP agreed a 'Rights Accumulation Programme' (RAP), designed to 'normalise' relations with the IFIs and re-open access to lending and bilateral aid. The MMD continued with the same programme, and from 1992 negotiated a series of structural adjustment credits from the IFIs. The MMD's 'strategy' was essentially to place economic decision-making in the hands of IFI staff, believing that they had access to expertise that Zambia did not, and that the only way to get the shattered economy back on track was to do everything possible to please international banks and investors in order to attract new capital.

As we have seen from the aid statistics, this latter aspect of the plan worked. Economic recovery, however, depended on the impact of IFI prescriptions.

The six World Bank and two IMF loans contracted through to 1996 involved a huge array of conditions, including: eliminating arrears to international creditors, ending agricultural subsidies, liberalising agricultural markets, cutting tariffs, cutting the civil service, increasing social spending and the formulation of policies on privatisation, liberalisation of labour law and collaboration with NGOs in welfare service (Situmbelo and Jones Zulu, 2004: 19). Zambia committed itself legally and politically to becoming a free market economy. A massive privatisation programme started from 1992, when the Privatisation Act No. 21 created the Zambia Privatisation Agency (ZPA), tasked with selling 280 parastatal companies. Many of these were small, loss-making enterprises, and could be sold with little difficulty, either technically or politically. By June 1996, 137 companies had been sold in a process that the World Bank would recommend as a model for other countries. In a 1998 study of privatisation in Africa, considering 10 countries, Zambia is described as the greatest success (Campbell-White and Bhatia, 1998). However, success was principally measured in terms of the speed of sales and the level of involvement of foreign companies, understood as a key element of a vibrant private sector. Factors not considered were the economic, political, social and governance impacts of the reforms.

Three impacts are clear. Firstly, the programme failed to revitalise the economy, which continue contracting though many had assumed it had hit rock bottom in 1991. The dominance of foreign buyers in the privatisation, particularly of the most viable firms, meant little profit stayed in Zambia. In one symbolic case, a Lusaka street that housed much of the country's steel industry became a street of steel warehouses, as mainly South African companies bought the firms, moved their machinery to South Africa, and then either closed shop or used the sites to store South African goods making their way to the wider continent. Secondly, the programme became intimately associated with corruption. The Privatisation Act did not prevent public office holders from acquiring enterprises, and they did not have to declare their intention to bid. Transparency International claimed, "Zambia's privatisation was a looting exercise… Government Ministers simply grabbed the assets." (Craig, 2000: 361). Thirdly, the evident failings of the programme affected the level of support even MMD Ministers offered a continuation of the 'strategy' of trusting the IFIs. As Rakner et al. argued in a 2001 World Bank study of aid and reform, "Despite external support, however, the MMD government's commitment to reform waned over time, in part because the reforms achieved so little in terms of stemming the continued economic decline." (2001: 536)

The international support initially offered to the MMD was principally a result of Zambia's status as Africa's first post-Cold War democratisation. Thus during its first term, the MMD probably could have chosen a less orthodox economic policy and still won backing. The strategy they did select, of handing the IFIs a free rein, was born principally of a desperate material situation. By 1996 this unquestioning approach to donors was being severely tested.

Although increasing numbers of MMD politicians had 'lost their faith', the process described through 1991-1996 continued in the second MMD Government, with 257 of the original 280 parastatals sold by ZPA by the end of 2001. However, the detail of the conditions on loans contracted in the second Chiluba administration (1996-2001) illustrate a change in the previously co-operative relationship with the IFIs. Rapid progress on the legal framework for liberalisation in Chiluba's first term disguised some hesitancy around policies that directly threatened the interests of major political constituencies: the civil service, subsistence farmers, and employees and consumers of state-owned utilities. The GoZ had quickly sold off many small parastatals: farms, hotels, shops and some manufacturing and industrial firms. What they hesitated over were service-providing companies ZAMTEL (telecommunications), ZNCB (Commercial Banking), ZESCO (Electricity), and ZAMPOST (postal services), as well as the biggest industrial sectors, ZNOC (Oil) and the massive ZCCM (Copper Mines and mine-linked firms). Privatising each presented significant risks due to the size of the work-force, the potential impacts on consumers, and the symbolic value of these national assets.

Nonetheless, explicit conditions were written into Bank and Fund loans between 1996 and 2001 insisting on all of these sales (Situmbelo and Jones Zulu, 2004: 19). The IFIs also demanded tighter fiscal policy (read faster progress on civil service cuts), restraint on intervention with the exchange rate, liberalisation of the strategic grain reserve, and an end to the distribution of fertiliser. The latter two policies had helped secure MMD electoral support in rural areas after the party's alienation of its urban and labour-based support base. Implementing the conditions thus presented a significant political threat to the MMD.

However, during this period, there was also a change in the nature of aid talks that limited opportunities for the GoZ to manage reform implementation in response to political developments. In 1996, the Heavily Indebted Poor Countries (HIPC) initiative, a new process for relief of un-payable poor country debt, was unveiled by the IFIs. The process established a series of hurdles for applicant countries to clear before receiving relief. Each involved assessments of performance by IFI staff. The first hurdle, 'HIPC Decision Point' required three years of compliance with a SAP, and the preparation of a draft development plan, called an interim Poverty Reduction Strategy Paper (I-PRSP). At Decision Point, the IFIs would then carry out a 'debt sustainability analysis', establishing the level of forgiveness to be offered. The second hurdle was the submission of a full PRSP, developed in consultation with the country's donors and domestic and international civil society groups. The plan needed to meet with the approval of the boards of the Bank and Fund. In place of the individual conditions previously established through the exchange of letters and memorandums, the PRSP was a comprehensive plan, including huge lists of commitments on economic, social and governance policies that would operate as 'benchmarks' or 'triggers'. The final hurdle in the process, 'Completion Point' was achieved after hitting these benchmarks and triggers for a year. At completion, the bulk of resources would be delivered. In December 2000, Zambia's country's total debt stock stood at £4.5 billion, just over half of which was owed to the IFIs. With the huge carrot of alleviating this debt burden, the IFIs were able to use the PSRP hurdles as significant leverage in negotiations with Zambia.

Navigating HIPC to the satisfaction of the IFIs thus entailed a complete re-working of the process for the negotiation and management of Zambia's aid. The hurdles built into the process also made the 'stop-start' a much harder game to play as clearing the hurdles depended on prior performance, rather than acceptance of future commitments. According to Rakner, the 'partial implementation' approach was re-emerging under the MMD as disillusion with privatisation set in. Now the GoZ was effectively being offered a huge incentive to implement reforms it had not previously felt able to manage politically. At the same time, the process did provide a new resource to the state in making the case for the reform since the importance of debt relief, and the size of the package on offer were widely understood in society. Government was thus able to shift from attempting to justify all unpopular measures in terms of the value of the policies themselves, and to instead repeatedly justify them as sacrifices necessary to achieve HIPC decision and then completion points.

Easing the mines out of state hands had been the single greatest donor concern, and a source of major tension with domestic constituencies for many years. Conditions mandating feasibility studies, and then sale of the mines had been in almost every IFI credit from 1991. As a range of technical and political issues repeatedly delayed the sale, the issue became a sticking point with donors, featuring accusations of bad faith on either side. However, once it became clear that the debt relief process would not start without privatisation, the Chiluba administration unbundled the massive ZCCM and sold it, starting in 1997 and concluding with the two most significant of the 'packages' of copper mines, Konkola (KCM) and Mopani (MCM) both sold in 2000. With these sales, Zambia achieved Decision Point. Nonetheless, progress on privatising a range of other parastatals was much slower. Rakner argues that the GoZ was able to pursue what we might call a *partial implementation* strategy, with the state winning credit for demonstrating 'commitment' by selling the mines, and using this to ease pressure for other measures and to moderate condemnation of democratic and human rights failings. This strategy was in part possible because, even in a negotiation over massive debt relief, the donors did not hold *all* the cards. The IFIs were also under pressure to get countries onto the debt relief scheme, and as many as possible across each 'hurdle' as global pressure groups monitored progress of the G8's flagship initiative.

Aid and debt negotiations under the New Deal MMD Governments 2001 onwards

For the Mwanawasa administration that took power in 2001, 'Completion Point', scheduled for December 2003 played a similar role that 'Decision Point' had for Chiluba, encouraging the state to settle key political contests by committing to donor-favoured policies. Mwanawasa's minority 'New Deal' administration immediately came under pressure inside and outside parliament to moderate free-market policies. The administration made a point of establishing a clean break from their predecessors, including suggesting a move towards social democracy. In a drawn-out attempt to renegotiate the relationship with the IFIs strategies of *politicisation, ambiguity, delay* and *partial implementation* have all been tried, with limited success. The example of the privatisation of ZNCB illustrates some of the strategies attempted, as well as their limitations.

Case study – Privatising the Zambia National Commercial Bank[1]

In November 2002 NGOs, students and unions staged a protest march in Lusaka to oppose privatising ZNCB and ZESCO, both triggers for HIPC Completion that the administration had by then signed up to in the 2002-2004 PRSP. As Chisala notes, the bank was widely understood to provide a service to the nation that a commercial entity was unlikely to replicate: "The government had long resisted the privatisation of ZNCB because not only was it the only bank with branches in the remote rural areas, it was responsible for the management of a significant part of the government's banking business. There was also public resistance to the privatisation of ZNCB as it provided services that other commercial banks did not provide, particularly for small businesses and those that could not qualify to hold accounts in the international commercial banks." (Chisala, 2006: 176) Michael Sata, leader of the opposition Popular Front (PF) described the finance minister as a capitalist agent who did not care about the lives of ordinary Zambians (*BBC*, 10 Dec 2002).

[1] The interviews for this case-study were carried out for the author by Miles Larmer in Lusaka in April 2006

In December, a Parliamentary motion called on the state to backtrack. In response, in January 2003, President Mwanawasa announced that ZNCB, ZAMTEL and ZESCO would remain in public hands and that he had written to the Bank and IMF proposing renegotiation. Mwanawasa initially chose a strategy of *politicising* the issue, telling international media ahead of talks that the IMF privatisation programme, "has been of no significant benefit to the country … privatisation of crucial state enterprises has led to poverty, asset stripping and job losses." (*BBC*, Feb 10 2003) The political circumstances at the time seemed to confirm Mwanawasa's suggestion, particularly since Anglo-American, who had recently bought the massive KCM concession at privatisation, found themselves unable to turn the short-term profits they hoped for and unilaterally pulled out of the Zambian copper mining sector, threatening a massive crisis. The IMF responded to Mwanawasa immediately, announcing Zambia risked forfeiting US$1 billion in debt relief. Despite Zambia's particular circumstances and the shift in rhetoric to 'country ownership', little seemed to have changed since the aid boycott that greeted the NERP in the late 1980s. IMF resident representative, Mark Ellyne said "If they don't sell, they will not get the money." (Situmbelo and Zulu, 2004: 34). The politicisation strategy thus had little effect on donors and reinforced a lesson Zambian politicians had learned a decade earlier – resistance is futile. By the end of March bids had been received by the ZPA and negotiations to sell ZNCB commenced. It should be noted that in the same period the administration did seemingly 'renegotiate' ZESCO privatisation, instead offering a 'commercialisation' (Chisala, 2006: 176).

Despite the GoZ backing down on its threat to block ZNCB privatisation, HIPC Completion, originally timetabled for December 2003 was postponed to 2005 as a result of an overspend on civil service wages (again in the face of strikes). To try and achieve HIPC Completion, the GoZ then attempted a strategy of *partial implementation,* presenting an austerity budget for 2004, freezing salaries and increasing a number of taxes. The preparedness of Minister of Finance Magande to impose public sector pay restrictions despite significant labour unrest was perhaps, for the IFIs, the key demonstration of GoZ 'commitment' they were looking for, and partial implementation bought Zambia some time. Although the Government entered negotiations for sale of ZNCB with a 'preferred bidder', South African bank ABSA, in April 2003, negotiations with the company dragged out. Zambia thus reached Completion Point in April 2005, even though the sale had not been completed, and in spite of the IMF's warning that, 'if they don't sell, they won't get the money.' This raises the question of whether Zambia was able to identify other more successful strategies after politicisation failed, or whether politicisation might be understood as the first *move* in a process, in which its dramatic nature changed the context for later, less confrontational moves.

One clear answer is provided by the fact that the sale of 49% of ZNCB's shares to a consortium led by the Netherlands' RABOBANK did finally go ahead in April 2007, two years after Completion Point, after Zambia's massive MDRI debt relief package had been confirmed and in the face of some of the largest protests against the privatisation yet seen. This raises further questions: did the GoZ ever intend to cancel the privatisation, or were Mwanawasa's statements a sop to public opinion that could be reversed once the 2006 elections were out of the way? Did the state ever actually have the option to turn back on its commitment? Does the MDRI, which is widely understood to have solved the debt crisis and opened new policy space, continue conditionality?

In considering whether the GoZ was attempting to resist conditionality, the first point emphasised by interviewees involved in negotiating for the state is their general commitment to market reform. Dominic Mulaisho, who chaired the ZPA committee charged with leading talks with potential buyers in 2004-5, insists ZNCB will perform better outside state control. Whatever the elected President's publicly expressed views, for negotiators, non-implementation was a delaying tactic not a policy objective, and this was not an ideological battle over privatisation. Rather, the precise form of marketisation was contested and the delays allowed GoZ to press for changes it wanted to the process. Both Mulaisho and Davidson Chilapamushi, Permanent Secretary in the Ministry of Commerce, Trade & Industry (MoCTI), also stress their good relations with the IFIs. Each met periodically with visiting IFI staff and felt the officials accepted their explanations of delays. This suggests either that there was a disconnection between the agents in the negotiation (civil servants) and their political principles, or that the President's politicisation effort was theatrical and timed to defuse domestic political tension ahead of elections rather than to re-negotiate with the IFIs.

What then were the issues that negotiators felt necessitated the delay? Both interviewees refute two suggestions. Firstly, they deny the delay was the first phase of a strategy of non-implementation. Secondly, they argue that the state's hesitation was not an attempt to manage political reactions to the proposals. Instead, they focus on *technical* explanations, arguing the key reason for the delay in the sale was the collapse of talks between GoZ and 'preferred bidder' ABSA. Mulaisho blames ABSA, complaining of a lack of transparency in relation both to the bank's attempt to benefit from a complex oil-related transaction linked to the sale, and to ABSA's takeover by Barclays in May 2005. This story seems plausible, especially since the sale to a rival bidder has now gone ahead.

Chilapamushi raises an interesting claim. He argues that Zambia did not in fact renege on its conditions, since the PRSP required ZNCB to be advertised for sale and for negotiations to be in process, rather than for the bank to have been sold. This position was confirmed in January 2005 by the Deputy Minister of Finance and World Bank Country Representative Dr Nyanin who said. "That was the trigger and that trigger has been met because government did go through that process. It brought ABSA (of South Africa) to the table and by the time government started negotiations, they met what was contained in the letter of the condition." (The Post, 18 Jan 2005) This bureaucratic nicety highlights the potential for *ambiguity* as a method of avoiding conditionality. Mulaisho emphasises that demonstrating the commitment of his committee to the sale to the IFIs created some space to delay sale talks until the GoZ was comfortable with the terms on offer. This appears to have been accepted by the IFIs though it effectively led to what might have been perceived as an unnecessary delay before re-opening bids to find a new buyer. Drawn-out negotiations with a prospective buyer lacking credibility and public legitimacy might therefore itself be an example of *delay* as a tactic of conditionality avoidance.

Since the failure of its 'politicisation' strategy, which seems to have represented a one-off outburst on the part of the Zambian President, rather than a sustained strategy for renegotitation, the GoZ has attempted a series of reactive strategies. By stressing the technical basis of problems, shifting the blame for the resulting delays to an un-transparent bidder, and continually stressing their general commitment, the GoZ appears to have convinced donors that it was meeting the spirit of conditions, if not their substance, and kept the debt forgiveness process rolling forwards. In the end however, GoZ was forced to submit to the substance of conditions, and ZNCB was sold. If we assume Mwanawasa's original pronouncements on opposition to privatisation were heartfelt, all strategies to achieve the GoZ's objectives failed. If on the other hand, we assume the politicisation strategy was not heartfelt but was tactical, the question is then what there were real issues of substance dividing the GoZ and IFIs were, and whether the delays enabled the GoZ to achieve its aims.

All of the positions in the Zambian social, political and governmental debate on the sale of ZNCB have rehearsed their arguments in terms of economic nationalism. Those arguing for privatisation, against it in general, or against the particular terms of the sale have all reflected an overwhelming political concern with 'Zambia for Zambians'. For example, in interviews six months before the completion of the privatisation, and at a point when it was not obvious the sale would proceed, both Mulaisho and Chilapamushi discussed the failure of the ABSA bid in terms of the general undesirability of selling to a South African bidder and, at times, to any foreign buyer. Chilapamushi who had previously been an academic and a vocal critic of ZCCM's privatisation process also identified problems with the model of ZNCB privatisation that his Ministry was promoting (and did eventually implement), under which 49% of shares pass to the foreign buyer, 25% remain with the state and 26% are offloaded on the stock-market. Nonetheless, once the sale had gone ahead on precisely that basis, Chilipamushi was quoted in the media arguing that even this sale might meet the nationalist test since selling 26% of shares on the Lusaka stock market implied, "most Zambians own shares literally, and not through Government" (*Zambia Daily Mail*, April 4 2007). The independent media and opposition parliamentarians found such claims unconvincing and argued that the bank should have been sold to a Zambian buyer and that safeguards should have been put in place to ensure RADOBANK's share remained at 49%. Following the sale it was revealed that the Lusaka Stock Exchange had advised GoZ against the model of privatisation pursued, on the basis that a share option soon after privatisation was likely and would shift majority control to RADOBANK (*The Post*, April 11, 2007). It was also revealed that the privatisation committee had rejected a bid by a consortium of local buyers that proposed a significantly higher price per share than was eventually achieved (*The Post*, April 12, 2007).

In conclusion, the Zambian Government failed to block the privatisation, and failed to favour local investors over foreigners, policies that at different moments it claimed to favour . Had the GoZ aggressively pursued either policy, they would have had to fight on their hands, since both contradict IFI policy preferences, for the free market, and for equal rights (even favourable rights) for foreign investors. We can say then that a range of strategies adopted by the Zambian state won some delays but few concessions from the IFIs. At the same time, the long delays in the negotiation, and the public pressure to prevent it, may have strengthened the GoZ's hand in its negotiation with the investors – winning promises not to close rural branches of the bank, and possibly delaying cuts in the workforce and wage structure after the take-over. Given the GoZ's ever-shifting rhetoric, it is perhaps impossible to answer what the Zambian state actually wanted to do through this process, and thus whether its strategies of politicised resistance and bureaucratic delay are best understood as means to avoid conditionality, to avoid responsibility for unpopular decisions, or to strengthen its hand in negotiations with private investors.

5. How, now, is aid negotiated?[2]

The PRSP process

The PRSP introduced an entirely new system for aid negotiation. Zambia's PRSP has been widely cited as a model of the system with officials, civil society and donors lauding the process for establishing GoZ leadership and creating a cultural shift towards inclusion of

[2] The chronology of PRSP negotiations laid out in this section is presented in a table on p. 18. of Bwalya et al., 2004. Additional information is drawn from Mulikita, 2002

stakeholders in the domestic policy process. The development of the I-PRSP, PRSP and FNDP have all been led by James Mulungushi, Director of Planning and Economic Management at the MoFNP and have followed similar principles: ‘capacity building’ of state and civil society actors to understand new priorities, provision of opportunities to contribute insights and experiences, and direct involvement of stakeholders in decision-making forums.

Given the rush at an international level to kick off the debt forgiveness programme, and Zambia’s keenness to be in the first wave of recipients, the I-PRSP involved participation-lite. A more comprehensive arrangement developed the full PRSP. ‘Hearings’ were held around the country for regional government and local civil society groups, including traditional authorities to express their views. In August 2000 a stakeholders’ workshop was held and established eight thematic working groups (TWGs) on macro-economic issues, agriculture, tourism, mining, industry, education, health and governance. These drafted relevant sections of the PRSP. Each had 10-12 members, invited by the MoFNP, including representatives from line Ministries, donors and civil society. The chairs of each were staff at MoFNP. Secretaries and a consultant were employed by the MoFNP. Each group worked to ToR developed by the Ministry and reported to it. While this may sound like a highly centralised process, the agenda does not seem to have been closely controlled by MoFNP. Rather, since part of the point was to ease the tensions in previously conflictual relationships, donors and civil society groups were understood as strategic partners whose perspectives should be considered. Bwalya et al. claim, “When setting up the working groups the MoF made a deliberate effort to include the donors. It was seen as a pre-emptive move against potential criticism after the PRSP had been finalised.” (Bwalya et al., 2004: 20)

As regards civil society, ninety of the more professional and internationally oriented organisations joined a new umbrella funded by Northern development NGOs and donors and set up specifically to relate to the process: Civil Society for Poverty Reduction (CSPR). CSPR both brokered civil society participation in the official process and established a ‘shadow’ process, holding its own hearings in four of the poorest provinces. In July 2002 the group released its shadow PRSP. The MoFNP made an effort to assure CSPR members that the PRSP and their document would effectively be ‘merged’. Bwalya et al. concluded that the consensus-building effort was highly successful in bringing previously hostile actors closer to each other: “the PRSP process seems to have created a partnership between the civil service and Zambian civil society… Considering the prevailing scepticism towards the international donors – in particular the IFIs – from… Zambian civil society in recent years, it is interesting to note that the donor community also played an active part in the formulation process… this was regarded as desirable by both civil society and government.” (2004: 28)

Any alliance between civil service, donors and civil society did, however, leave certain actors out. The process was intentionally insulated from both representative and mass politics. President Chiluba’s second term in office was due to end with general elections in 2001, right in the middle of the PRSP’s preparation. At the end of 2000, he started a controversial campaign for a third term in office, angering donors, splintering the MMD, provoking civil society resistance and weakening the MMD’s chances of maintaining power. An MoFNP representative running the process told Bwalya et al., “Politicians were deliberately excluded. We reflected on whether the parties should be put in. But due to the political circumstances and the elections looming, we thought it safer to remove the political parties from this process. Our fear was that the PRSP would become politicised and branded an ‘MMD document’, what would then have been the status of the document given that the elections produced a new government?” (2004: 22) Perhaps more importantly than not being involved in the consultation, the PRSP was not sent to Parliament for discussion or approval.

In mid-June 2002, the German foundation Friedrich Ebert Stiftung (FES) organised a regional conference for parliamentarians on PRSPs. 150 Zambian MPs were invited. Only 4 attended. “According to one informant, this was the first time they had heard of the PRSP process.” (Bwalya et al., 2004: 23) Around the same time, MoFNP invited 158 parliamentarians and cabinet members to a conference, again with low turnout. However, the mode of assumed ‘integration’ with politicians in these cases is telling. MPs were being invited out of Parliament, which had no formal role in the process, to attend a workshop in a hotel on the same terms as traditional leaders, environmental activists and journalists, in an open-ended teach-in/brainstorming session. They were seen as *sources of information* and as *opinion-leaders* rather than as *representatives* and *decision-makers.*

The PRSP process also carried on in isolation from ‘street politics’, including protests against privatisation, described above, and a series of strikes in sectors including mining and the civil service. The PRSP’s outcomes provoked further unrest. In contrast to the rhetoric of ‘national ownership’, the state was typically forced to settle such struggles in favour of donor-favoured policies, sometimes resorting to authoritarian means. Still, despite imposing the policies, the MMD was reluctant to ‘take ownership’ of the PRSP. During civil service strikes against pay restrictions imposed under the PRSP, the Minister of Finance stated, “We are running the country but the budget is controlled by donors.” (*The Post*, July 18 2004)

What difference did the PRSP make to GoZ’s relations with donors?

By insisting that decisions were to be made by consensus, and through discussion the PRSP ignored the political strength and differing representational credentials of various ‘stakeholders’, shifting the balance between different ‘voices’ in the development debate in Zambia. Specifically, it weakened the authority of politicians, and limited the influence of membership organisations such as trade unions. It also normalised donors’ presence in the debate and granted them an equal voice with domestic groups. Donors found it increasingly possible to insert themselves *between* the state and civil society. Given that the same donors ‘participating’ in discussions were often the main funders of the civil society groups that participation was advertised as ‘empowering’, the system enabled donors and domestic groups to gang up against the state to press their shared interests.

The PRSP was designed in recognition of the political illegitimacy of conditionality. However, in seeking to reconstruct a politically legitimate national plan, it assumed the degeneracy of the existing political system. The PRSP sought to replace the confrontation, argument, mobilisation and voting inherent in democracy with a form of ‘national conversation’, seemingly modelled on an exclusive dinner party to which the host has invited ‘everyone who is anyone’ but left the mob outside. The polite behaviour of guests was predicated on their recognition firstly that being invited was better than being outside, secondly that donors would be covering the bill and thirdly that debt relief was so important and urgent that accepting conditions on entry required by them was a price worth paying. By neutering civil society, the PRSP weakened the GoZ’s negotiating strength by disallowing one of the key arguments they had previously made to avoid conditions – that domestic interests made implementation politically impossible.

After Debt Relief - Back to the Future?

Through the process of setting hurdles in the HIPC process, donors were able to establish even closer supervision of the Zambian policy process than under SAPs. This leverage was premised on acceptance by GoZ and elements of civil society of the primacy of debt relief, the resulting normalisation of donor representation at every level of decision-making and the insultation of the process from ongoing political and social resistance to the 'consensus' being generated. The question arises then: what happens once HIPC Completion is achieved and the MDRI secured, removing the key lever of donor influence, indebtedness.

Since the MDRI the GoZ has been coming under intensifying political pressure to illustrate that there is a pay-off from the austerity, wage restraint and privations Zambians endured to reach Completion Point (Larmer and Fraser. forthcoming). As one opposition leader put it: "Today they are saying HIPC. Go in the street of Cairo Road, go to Soweto, where is HIPC? Go to women who are breaking stones. Have they seen any HIPC? What has been the benefit of HIPC?" (Michael Sata, *Radio Phoenix*, September 05 2006). The GoZ is also clear that the austerity required to achieve completion point was a response to a condition imposed by donors. A range of new institutional mechanisms are now being put in place which the GoZ claims will help re-establish sovereignty. The next section briefly describes the FNDP, donor moves towards harmonisation and the GoZ's new aid policy. Finally, the chapter revisits the necessary conditions for effective negotiation discussed in section three, asking what support contemporary material, ideological and political conditions offer any strategy and how much political space the Zambian Government is likely to be able to generate for itself.

The FNDP

By 2002, the fact that Zambia would get its debt relief had at last been settled. Thoughts were moving to a less dependent future. In his address to Parliament in 2002 President Mwanawasa announced the GoZ wanted to revert to the state planning regime that Zambia adopted at independence and abandoned in the late 1980s as conditionality flooded policy space halfway through the 4th NDP. Chisala (2006) provides a detailed analysis of the institutional changes over time within the Zambian state, pointing up particularly the marginalisation of 'planners' in the post 1991 period when the National Commission for Development Planning (NCDP) was merged with the Ministry of Finance and tasked, instead of developing Zambia's strategic plans, with developing new investment policies, and with managing aid flows. Partly as a result, since 1991, donors co-operated less and less with the Zambian central authorities, operating either completely independently to manage their own 'projects' or focusing increasing amounts of their assistance on line ministries and NGOs. Financial assistance flowed 'off budget' as private bank accounts proliferated. By 2002 both Zambia and its donors had identified the absence of a plan as a central problem in co-ordinating their efforts. The FNDP was in part a reflection of the felt-absence of older structures and approaches. Although the plan has been discussed as having the potential to weaken conditionality, we should remember that it was conceived principally as a solution to problems of aid management.

A Transitional National Development Plan (TNDP) was adopted through 2002-2005, encouraging line ministries to mainstream policies established in the PRSP, and placing them in a context with a weaker explicit relationship to loans and conditions. MoFNP then announced in mid 2004 that Zambia would not develop a second PRSP when the country reached HIPC Completion. Nonetheless, the process for designing the FNDP mirrored that for the PRSP, with some acronyms changed.

- The TWGs became 'Sector Advisory Groups' (SAGs). Again each included donors and civil society. This time the groups were chaired by Permanent Secretaries from line ministries instead of MoFNP staff. The SAGs developed 'advice' (meaning draft policies) for the FNDP. As with the TWGs, after the FNDP's publication, the SAG groups have been tasked with monitor implementation.
- 'Above' both the SAGs and the Line Ministries sat the Cabinet and the MoFNP. Both co-ordinated the process and were formally the people being 'advised' by the SAGs.
- 'National development planning' was also established on three levels: District Development Co-ordinating Committees (DCCs), Provincial DCCs and a National DCC which included all the Permanent Secretaries of the line Ministries, the PS of the Finance Ministry and the Cabinet Secretary, who chaired it. The national DCC has been criticised for not meeting often enough or not being effective.

Following a consultative process led by the DCCs, and the deliberations of the SAGs, MoFNP held a national stakeholder consultation workshop in Lusaka, 24-27th July 2006 and released a 'final draft' FNDP 2006-2010 alongside a long-term vision statement. 'Vision 2030' declared the Government's intention for Zambia, "To Be a Prosperous Middle Income Nation by the Year 2030." The 'theme' of the FNDP is: "Broad Based Wealth and Job Creation through Citizenry Participation and Technological Advancement." The programmes and spending priorities in the FNDP follow closely international priorities established under the MDGs. Finance Minister Magande stated that the plan aims to employ 10,000 teachers and 800 core health workers. He announced in July 2006 that 3,074 teachers had already been recruited while about K1.6 trillion had been allocated to the education sector representing 26.6 per cent of the discretionary budget as compared to 24 per cent in 2005. The health sector was allocated K1.1 trillion representing 18 per cent of the discretionary budget as against 12 per cent in 2005. (*Times of Zambia*, 25 July 2006) The GoZ also makes commitments in the document towards the kind of macro-economic policies donors might previously have proposed as conditions, including reform of investment laws and the tax regime in a bid to attract direct foreign investment.

As with the PRSP, CSPR organised a parallel civil society NDP as well as generating their own costing for Zambia to reach the MDGs. These processes were spun as being politically supportive of the main process. On release the FNDP document was welcomed by CSPR as, "the government's real attempt at framing a really country owned, locally driven poverty reduction and national development strategy." (Mwambwa, 2006) CSPR's initial statements made no explicit comment on the priorities described in the draft, suggesting that they accepted the document as a serious attempt to meet the MDGs. Their principle comments focused on establishing a similar participatory process to that which operated under the PRSP for the implementation and monitoring of the FNDP. Still there was a disconnection between this agenda and the organisational efforts of trade unions and opposition parties, who continued to launch strikes and protests against privatisation and IMF tax proposals.

Donor approaches to harmonisation

Following the Paris Conference seven donors, Denmark, Finland, Ireland, Norway, Sweden, the United Kingdom and the Netherlands agreed to combine efforts in support of 'harmonisation and alignment'. In Zambia they formed a 'Harmonisation in Process' (HIP) group. MoFNP officials welcomed the move, and signed a MoU in 2004 with the group, believing their approach would lower transaction costs. HIP donors aimed not only to harmonise their own projects, but also where possible to subsume their work within Government initiatives, providing increasing shares of aid directly into the central budget. They also co-ordinated policy inputs. On each SAG there was to be a 'lead donor', understood to speak for the others.

The group has subsequently been extended to the 'Wider HIP' (WHIP), including 12 donors. Together these agencies are expected to prepare a Joint Assistance Strategy for Zambia (JASZ) which may be unveiled at a Consultative Group Meeting scheduled for April 2007.

Wamupu Akapelwa Senior Economist, Economic and Technical Co-operation at MoFNP, welcomes the WHIP, but recognises that the genesis of the new approach rests with changing donor views, not with a Zambian initiative and that, as a result, its spread depends principally on the dynamics within and between donor agencies: "The values of the donors are always changing. For instance, switching from programme aid to budget support – some cannot do it. The US and Japan will cite legal constraints in their domestic system. But you have pioneer donors and followers. In a country like Zambia with our history, of course, the British are very important. Once you have DFID and maybe the Germans, if they lead then the others have the confidence to follow."

This raises the question as to whether we should understand HIP/WHIP/JASZ as a donor response to a Zambian initiative (the FNDP) or the FNDP as a Zambian response to donor fashions, and particularly to the commitment of the biggest bilaterals, that once they saw a 'Zambian initiative' with which they were sufficiently comfortable, they would provide more aid, would channel more of it through the budget and would encourage others to follow suit.

Zambia's new aid policy

Over the past two years the GoZ has been drafting a 'Zambia Aid Policy and Strategy'. This may help us to understand more clearly the meaning of the shift from PRSP to FNDP and the emergence of the WHIP. While the document is yet to be released, a final draft has been submitted to the Cabinet (GRZ, 2005), laying out perceived problems with the current system, and proposing a number of remedies.

The document contains strong assertions of Zambian sovereignty, includes a threat to refuse aid that does not conform to Zambia's preferred priorities and modalities, and suggests a number of interesting strategies to recover sovereignty, discussed below.

Nonetheless, the overall impression is of self-flagellation. The GoZ blames itself for existing problems and makes commitments to donors to re-orient its entire bureaucracy to meet their needs and ease their concerns. Thus strategies to recover sovereignty are proposed within the context of an overwhelming focus on administrative rather than political issues. What the aid strategy mostly deals with is planned improvements in state's own financial systems, emphasising building capacity for effective budgeting, accounting and reporting. The aim is not only to improve the impacts of development spending, but also to prove the trustworthiness of Zambian state systems, increasing donor confidence in the country and encouraging them to adopt aid-giving modalities that place the least administrative strain on the state: "the Government shall strive to identify and address those budgeting and accounting constraints that continue to prevent cooperating partners from fully embracing this mode of aid delivery." (17)

Complaints about donor behaviour are almost exclusively about the overburdening of the Zambian bureaucratic system caused by multiple donor missions, priorities and accounting systems. The key solution proposed is the synchronization of disbursement of donor funds with GoZ planning and budget cycles. In particular, the GoZ proposes an extension of the JASZ that: "while allowing for division of labour among cooperating partners (through the *lead donor* concept), could ultimately facilitate the elimination of individual donor strategic plans." (16)

Although donors are criticised for not involving GoZ in *their* decision making, there is little discussion of the involvement of donors in Zambian decision-making. The word conditionality appears once, and is discussed as a fact of life rather than a problem. The document accepts the donor consensus that the major cause of aid's limited impact in Zambia has been recipient failure: "There is emerging consensus that aid effectiveness is dependant, to an overbearing degree, on the recipient country's institutions and policies… policies that create extensive market distortions are likely to undermine the quality of scarce resource use, resulting in socially sub-optimal outcomes." (GRZ, 2005: 6-7) Despite this clear orientation towards the status quo, there are a number of proposals in the strategy that, even if administrative in motive, if pursued, might have a significant political impact on Zambia's aid relationship.

Strategy 1: Recipient pre-appraisal

The 'fundamental principles' of the GoZ's strategy kick off with a very strong statement about country ownership: "This principle entails Government's imposition of its will and priorities on cooperating partners and the implied readiness to reject aid if it is not consistence (sic) with national aspirations and priorities as stated in the country's national development plans." (GRZ, 2005: 10) Any such rejection would come about through the activities of a new department for the appraisal of all donor plans prior to accepting any funding. "The appraisal function shall establish whether the project/intervention:

a) is in Zambia's public interest;
b) fits into the Government's priority activities as defined in the national Development Plan and associated documents;
c) is feasible in technical, financial, economic, institutional, social/ distributional, and environmental terms;
d) can be efficiently implemented within the specified timeframe; and
e) is sufficiently sustainable." (GRZ, 2005: 21)

Adopting such a system would represent a revolution in the management of aid in the country. Vast funds currently arrive in Zambia without the GoZ knowing about it, let alone per-appraising the plans or threatening to return any of the money.

Strategy 2: Alignment with domestic administration

The strategy recommends as far as possible using existing Government systems, specifically the NDPs, to implement programmes. "a) All external resources given to the Government (both financial and human), shall be delivered, managed, monitored and reported through the existing public sector management system in the same manner domestic resources are handled. b) The

National Development Plans shall define the areas where external resources shall be required and to avoid congestion in some sectors and/or regions to the disadvantage of others, the Government, not cooperating partners, shall determine where external support is to be utilised." (GRZ, 2005: 11)

Strategy 3: Limit contact with TAs and donors

There is an aim to draw more heavily on Zambian expertise and reduce contact during planning with donors and costly foreign consultants priced under 'technical assistance'. The GoZ claims that it alone: "shall be in charge of the management of aid in the country and shall not unduly be influenced, through external intrusion, in its day-to-day operations. In this regard, the Government's direct contact with cooperating partners at both the political and bureaucratic levels shall be confined to the approved/agreed upon consultative and/or operational meetings/committees." (12) Individual donors at the moment win a huge amount of attention from the GoZ. A structure has been built up within the Department of Economic and Technical Cooperation (ETC) of individual staff and departments monitoring and relating to each multilateral and bilateral donor: The paper suggests that this system be redesigned around Zambian priorities. It announces a new 'Permanent Aid Policy Committee' (PAP) chaired by the Deputy Minister of Finance and with representation from the Permanent Secretaries of each of the line ministries. The twin declared aims of the new arrangement are to strengthen the MoFNP's planning capacity, and to increase donor alignment with the resulting plans: "consideration of elevating the Government's planning functions to a 'Ministry,' 'Commission,' or 'Authority' shall be given priority." (35)

Strategy 4: Don't let donors mediate the relationship with civil society

The final proposal in the plan is tucked away at the back of the report, and is presented without ceremony and with a confusing diagram. Nonetheless, if the interpretation presented here is correct, it is an unusual and innovative proposal that could have far-reaching consequences. At the moment, the SAGs, in which donor and civil society participation is standardised, are according to Bwalya et al. effectively the policy-generating wings of the development planning system. There is no discussion in the aid strategy of the problems for GoZ discussed above that may arrive with such a system, particularly the 'ganging up' of donors and domestic civil society. However this seems to be the problem that the proposed strategy aims to solve. It notes: "The Government maintains that although there is need for a joint coordination system that serves as a common ground for both the Government and its cooperating partners, the two parties still require internal consultative structures *within their respective domains* that would bring to the joint forums more harmonized positions on issues of common interest. The Government shall establish a three-tier structure involving (a) the Government's internal consultative and decision-making structure at which level the country's cooperating partners are not involved; (b) Donors' consultative system that excludes Government involvement; and (c) the Joint Government-Donors consultative system that brings together the 'partners in development.'" (2005: 36, emphasis added)

Under such a proposal, the Government may be attempting to eject donors from the role they appropriated for themselves under the 'participation' rubric, mediating the relationship between the Zambian state and civil society. What needs to be clarified is how the GoZ understands the 'respective domains' of the state and donors. It is also worth noting that only in the 'tier' that excludes donors is there any 'decision making' to be done. Of course, existing 'sector *advisory* groups' only formally had an advisory function. However, Bwalya et al.'s analysis makes clear that donors have been able to initiate and pursue their policy preferences through these structures, securing their position in 'Government' plans. By moving the SAGs into a completely separate realm away from decision-making structures, Zambia may be attempting to exclude donors and to make room for the Zambian state to negotiate directly with civil society without foreign interference.

Could Zambia crack the WHIP?

Of course we cannot yet know what impact Zambia's strategy will have – it remains a draft. Nonetheless, whatever the origins and intentions of the new aid policy and the WHIP, they may contain within them the potential for Zambia to constrain its donors and break free of conditions. The rhetoric on both sides proposes a system through which GoZ develops plans according to its own dynamic, and donors then endorse these plans by providing increasing, untied, non-conditional, core funding to central government. The aid strategy includes proposals for the Zambian state to police this system. There are a number of gaps between the reality thus far and this potential future that should cause us to ask whether the GoZ has the political will and the negotiating strength to impose the system.

Firstly, donors will not support all elements of the FNDP. Unsurprisingly, since it is presented as a costed list of projects, donors are already cherry picking those elements they want to support. Although the EU is in the WHIP, backs the FNDP and is part of planning for the JASZ, their aid, which counts as 'budget support' because it goes into the central government bank account, is still clearly tagged for an area that the EU supports – road building, and the EU still has to be accounted to for spending of EU aid money in that sector. As officials note, the only practical difference between this kind of budget aid and 'old-fashioned' programme aid is that it arrives in advance of benchmarks being met. Critics of budget support might also note the 'fungible' effects of aid given to a central budget. Nonetheless, part of the aim of the complex set of proposals for budgeting, budget monitoring and new accountability systems that donors are keen on, the Bank has placed as a condition on some loans, and the GoZ commits to as part of the aid strategy is that they make central government budgets *as a whole* monitorable, and thus limit space for funging.

Secondly, even where donors respond collectively with the JASZ, this is a *response to* the FNDP, not a plan for funding it uncritically, and will also select for support certain elements of the plan. Wamupu Akapelwa recognises, "There are things they like, and things they don't like." Core elements of the state machinery, such as the police force, listed in the FNDP, have attracted no interest from donors, and seem unlikely to. Agricultural subsidies and infrastructure development also represent areas that the GoZ is keen to develop but is concerned that it will not find sponsors.

Thirdly a number of donors, including two of the largest, the US and Japan, are not inside the WHIP/JASZ. Akapelwa notes, "the US and Japan are happy to support programmes in the FNDP, but not through WHIP because they have legal constraints at home. So they have problems of putting funds through the budget, or even in a basket." This raises a question about how realistic is the threat in the aid strategy to reject aid that does not arrive in the prescribed manner. Officials involved in preparing the strategy recognise there is little the GoZ can do while aid dependence is still a fundamental constraint on the country's ability to force donors into a tightly defined system. Musonga argues, "We don't want assistance in areas other than what we are saying this is what we need to do. But if we say, you can't come outside the FNDP, we won't get the money. We can't say that. It is a process. We cannot say no to their aid. We are a poor country and we still need aid almost everywhere." Akapelwa agrees: "There's a practical side to this debate and one that is academic. We want to control donors. We want all money to come through the budget. But how do you reconcile that with the fact that this country is exceptionally poor. You cannot say, 'no, we are rejecting a donation of $20 million to spend on medicines for our hospitals just because the money doesn't come through the budget'. So this desire that we have that the recipient countries will be controlling everything, is it realistic? As a Government we prefer that aid comes through the Budget. But if it doesn't we will still accept it. When the donors are coming, some are still quite aggressive. There are still conditionalities. Some will say, for example, we are coming to build a road. But they still insist that it is done by their own contractors and workers."

Clearly there are major constraints on the political will needed to force all donors into a unified position backing the FNDP. Nonetheless, there is a flip-side to the 'failure' to unify all donors. If we understand that the FNDP is not a pure expression of Zambia's desires, but is itself a tactical response to and a compromise with donor desires, it may be useful for GoZ to be able to attract funds outside of this structure. For example, though it ties aid, stays outside the WHIP and is viewed as recalcitrant by donors such as DFID with an elevated view of their own 'progressive' credentials, Japan is funding precisely the agriculture programmes the GoZ finds it hard to win donor support for. Musonga agrees: "I don't think Zambia is playing donors against each other but it's advantageous if you have some people doing things outside the WHIP." Zambia's recent close relationship with China has also opened up opportunities for funding Government objectives not shared with the WHIP group – such as the recent commitment by China to build three new sports stadiums. Whether or not one believes such stadia should be a national priority or will reduce poverty, they are clearly something GoZ wants and most donors don't. Perhaps more importantly, Musonga claims that the presence of China, "changes the atmosphere for the other donors." Nonetheless, Akapelwa cautions, "If you think about the volume of resources they can provide, it's not going to take the place of the World Bank."

Finally, it is important to recognise that 'consultative' aid processes have themselves already altered the consciousness of Zambian officials about what 'negotiation' entails. Thus, both Musonga and Akapelwa appear resistant to the very idea that there might be any areas of tension with donors or that Zambia should even be thinking in terms of how to secure its own priorities 'against' those of donors. Musonga suggests: "It's not a question of donors versus the Zambian state. The process has become so consultative, that right from the start the donors are there. It's not whether it's donors who win or us who win. There are now programmes that are borne out of problems out there in the world. What we try to do is, through government, we try to explain what we think is the way to tackle them." As is discussed above, this situation may not remain. On one reading of the aid strategy, the GoZ intends to limit the presence of donors at key stages of the planning process.

6. CONCLUSION: What chances of success?

As has been argued throughout this chapter the chances of success for any strategy to manage donors are shaped by the conditions in which the strategy is attempted. We have seen that Zambia's new aid strategy contains some radical proposals, but also that officials interviewed have limited faith that the state will be able to follow up on any of them. What can we learn then about the chances of success by exploring the contemporary material, ideological and political context?

FACTOR 1: Material Conditions

There are two reasons most commonly cited for the view that Zambia is well placed to renegotiate its aid system – an increase in copper prices providing an alternative source of funds and thus weakening donors' authority, and the arrival of MDRI debt relief.

The MDRI

The MDRI is not, as many have assumed, a one-off deal that delivers Zambia from conditionality. Debt relief will not be delivered immediately, being instead a promise to cancel debt service annually over the repayment schedule of existing loans. Performance in three areas must not deteriorate from the moment Zambia reached Completion Point, otherwise debt service relief would be delivered only once the IFIs decided adequate remedial steps had been taken. Three benchmarks are defined in terms that allow significant discretion to Bank staff:
"1) Satisfactory macroeconomic performance under an IMF Poverty Reduction and Growth Facility (PRGF) programme or its equivalent, as assessed by the IMF staff;
2) Satisfactory implementation of their poverty reduction strategies (PRS), as assessed jointly by the World Bank and IMF staff; and
3) The existence of a public expenditure management (PEM) system that meets minimum standards for governance and transparency in the use of public resources, as assessed by the World Bank staff" (Jones Zulu, 2006: 5).

The first of these benchmarks is particularly relevant in explaining the continued commitment of the Zambian Government after HIPC Completion to privatisation of ZNCB – it was included in the PRGF as a condition. It also suggests that these conditions will not come to an end at the closure of the current PRGF. The phrase 'or its equivalent' implies that Zambia may be required to remain under IMF tutelage, and that future programmes will include new conditions. The second benchmark is also interesting, since the timeline of the document officially understood as Zambia's PRS has now elapsed. The language of the benchmark appears to assume Zambia will also have a rolling programme of PRSPs. This raises the question as to whether the FNDP will in fact formally act as Zambia's PRSP, and whether future NDPs will be adopted to include aspects of conditionality requested by the IFIs.

Could Zambia fund development from domestic resources?

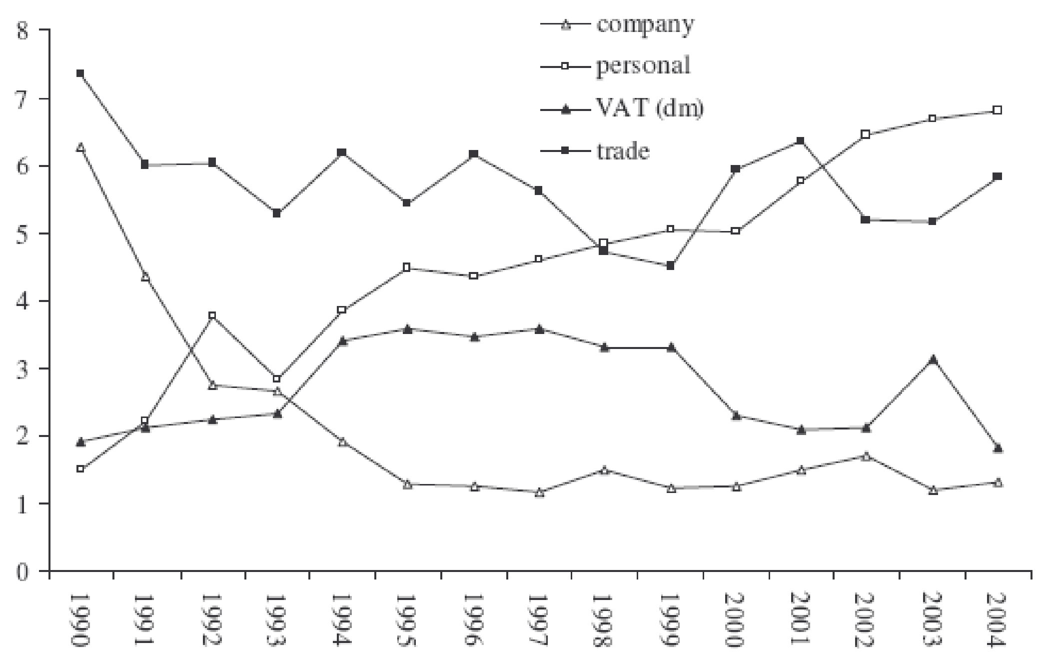
The GoZ estimates the cost of implementing its development plans for the next five years, as expressed in the FNDP, at K65.2 trillion. The Secretary to the Treasury estimated in July 2006 that K49.9 trillion should be available from normal expenditure and funds previously budgeted for debt servicing but released by the MDRI over the five years (*Reuters*, 24 July 2006). This leaves a financing gap of around US US$1.5 billion. The Ministry of Finance suggest a 66% hike in aid would cover just over half of the gap, and that the rest can be raised from borrowing (*The Post*, May 5 2006). In other words, despite debt relief and the claimed boom, the GoZ feels that it still 'needs' aid and loans. But, is there another way? Given the current commodities boom, could Zambia use revenues from copper, as it did in the 1960s and 1970s, as an alternative source of revenue?

Despite the price boom the mines are not currently bringing in significant funds, largely because of the terms under which they were privatised. Under pressure for the IFIs, Zambia adopted legislation mandating the sale of the giant state-owned ZCCM under 'Development Agreements' with six multinational mining companies that included both tax 'incentives' (i.e. exemptions from the rates paid by local companies and firms in other economic sectors), and 'stability clauses' nailing those rates down with contractual guarantees that they would not change for fifteen to twenty years (Fraser and Lungu, 2007).

The World Bank calculated in 2004 that *"Because of the relatively low tax rates and significant incentives.*" the 'Marginal Effective Tax Rate' (METR) on mining is around 0% (FIAS, December 2004: p. ix). The 2005 contribution of the mining sector to the exchequer, around $75 million, is less than one third of the contribution made to the treasury by ZCCM in 1991. (Fraser and Lungu, 2007: 77) Because of 'price participation' clauses written into the Development Agreements, and the state's minority holding in most of the companies, revenue should increase in future years. Nonetheless, the massive profits being made by companies, and the miniscule benefits to the Zambian Treasury are a source of considerable political angst. A recent report by the UNDP (Weekes and McKinley, 2006) argues that Zambia could fund its own development needs by increasing tax revenues equivalent to 3% of GDP, principally through increases in import duties, corporate tax and mineral royalties, currently as low as 0.6% for some companies. Adopting these policies would represent a major re-balancing of the tax structure which, since 1991, has seen massive increases in personal taxes and massive cuts in company tax, shown in Fig. 12 below.

Fig. 12

Types of Taxes as a Percentage of GDP, 1990-2004



Source: Weeks and McKinley, 2005: p. 15

The Finance Minister has repeatedly mooted taking a step towards the policy Weeks and McKinley propose, raising the mineral royalty rate to 3% on the basis that the copper price has unexpectedly quadrupled since the mines were sold (*Mining MX*, 12 Oct 2006). Although 3% is still at the lower end of international average royalty rates, implementation has been glacial. The principle reason for the failure thus far to adopt the policy is that some companies have threatened legal action if the GoZ attempts to impose new terms without their consent, and they believe they have the support of the IMF in defending their 'contractual rights' (Fraser and Lungu, 2007: 65).

The GoZ's long hesitation over taking on the mining companies suggests that material factors alone cannot drive a negotiating strategy. Despite being in a strong position, the GoZ is so concerned about its reputation with donors and investors that, in the absence of their permission to act, it feels paralysed. As in a number of other policy areas, such as agriculture and infrastructure, to generate the confidence to act, the GoZ needs a clear story about its aims, and recognition of its sovereign right to define and promote the national interest: ideology and legitimacy are at least as important as the degree of dependence.

FACTOR 2: Ideological clarity

For the last twenty years Zambia has been subject to unusually biting application of aid conditions. A drawn out recession, apparently immune to economic therapies from either end of the political spectrum, has knocked the stuffing out of Zambian politics with both Government, opposition and civil society struggling to move beyond the PRSP story of free markets, plus safety nets, plus increased investment in human resources story.

It is not that the current development strategies do not have detractors – they do. Over the past three years civil service unions have been striking repeatedly against wage restraint; university students and lecturers have been in open revolt, effectively against the prioritisation of primary education that is doing enormous damage to the tertiary sector; mining unions have been striking and occasionally rioting to protest the impacts of liberalised labour laws. Politics, in the 'old form', goes on, and political demands that contradict the PRSP are constantly articulated. However, there has been no effective unity between these causes because no political force has been able to develop a counter-narrative to the PRSP story. Without an ideology around which movements or parties could coalesce, the development community's 'consensus' seems secure.

Only in such a situation can the bizarre timing of both Zambia's PRSP planning process, and of the FNDP make some kind of sense. Both long-term plans, supposedly based on 'national visions' were negotiated and announced just before the terms of the Governments that negotiated them expired. It is only sensible for donors and civil servants to commit energy to the development of multi-year plans just ahead of elections where there is widespread confidence that, no matter who wins, little will change.

Nonetheless, recent developments demonstrate the fragility of these assumptions. During the 2006 elections the opposition PF managed to harness widespread hostility to liberalisation, particularly the association of privatisation with foreign ownership of retail outlets that compete with local traders, and with insecure, poorly paid employment in what remains of the productive sector. In a country where variants of 'socialism' and 'capitalism' have been imposed with equally devastating results, and in which the only significant winners from the latest liberalisations appear to be foreign investors and traders, it is perhaps unsurprising that the ideology used to generate grassroots support was a rhetoric-heavy form of economic nationalism, asserting a need for 'Zambia for Zambians'. This position was been most clearly enunciated by the PF, but as discussed in the ZNCB case-study, has been so successful all actors feel a need to construct their arguments with reference to it.

Nationalism, though, is a politically indeterminate ideology. At demonstrations after the 2006 elections ostensibly 'against privatisation' of ZNCB, opposition speakers from the platform argued that, on taking power, they would re-nationalise the bank, before re-privatising it, selling this time to Zambians. Similarly, the much publicised decision of the GoZ in 2002, in the midst of a Southern African food crisis, to refuse food aid including genetically modified corn, and then to insist that all corn was milled before entry, represented a response to a very mixed bag of human health, environmental and trade-related concerns (Coghlan, 2003; Masood, 2005). Yet Zambia's 'brave stance' won rave reviews in the media, providing what many perceived as an overdue snub to donors (*BBC*, November 6 2002).
The MMD's initial response to the PF has been to move closer to nationalist positions, including a more sceptical stance on investment, in an effort to claim its share of a long Zambian tradition of economic nationalism. However, it is far from clear whether the ruling party is capable of presenting itself as a credible vessel for these sentiments. The emerging 'talk left, walk right' strategy involves seeking to maintain donor support and yet publicly critique donor policies, and seeking to attract maximum investment while claiming a desire to crack down on investors. It seems most likely to reveal ideological incoherence and strategic opportunism as the defining features of the MMD.

If the kind of nationalism reflected in these cases is not especially useful in adjudicating public policy choices, its frequent and vocal expression illustrates that in situations of extreme poverty and inequality, and where prescribed solutions do not seem up to the task, people will continue to try and think their own way out of the crisis. Although Zambian political thinking has been severely disoriented by a whirlwind of political and economic change since the Cold War, new articulations will continue to arise.

What influence then might these changes have on negotiations with donors? We have seen that accepting the MDGs has provided Zambia with little leverage. Any re-emergence of ideology, no matter how crude, is thus likely to provide something of a shield against donors. With donor officials aware of the fragility of local tolerance of foreign interference, the state is better placed to assert itself.

FACTOR 3: Political Legitimacy

Since 1996, Zambia's adjustment process has been driven by minority administrations with weak electoral mandates that have been widely understood as corrupt. In the absence of a popular connection to the political class, let alone a mandate for a change of direction political pre-conditions for an assertive state negotiating strategy have been weak. The most powerful political case that GoZ has been able to make to donors to resist conditionality is that it is unable to manage the political implications of further liberalisation. As we have seen, donors have shown little tolerance for delays justified on these grounds, and have effectively forced the GoZ to take on domestic lobbies.

Finance Minister Magande has argued that this process has strengthened the GoZ's hand in relations with donors, since "The successful implementation of the stringent conditions of the HIPC initiatives had generated great confidence and trust in the Zambian Government among the cooperating partners." (*Times of Zambia*, 25 July 2006) Trust is clearly a form of legitimacy. It is likely to increase the total flow of funds to a recipient state, and trust won on the 'big issues' – macro-economics, democratic governance, may increase space in other areas - to define the administrative processes for the disbursement of aid or to disagree with donors on the relative importance of infrastructure, for example. However, as shown by Zambia's aid strategy, donor confidence, like investor confidence, is a resource that has to be constantly bolstered by repeated demonstrations of #commitment'. In that sense, winning space by winning confidence can only ever be a temporary measure and is unlikely to allow Zambia to challenge core donor or investor preferences.

However, the Zambian context, and thus the strategy on relying on confidence-building, may have changed importantly since the September 2006 elections. The first free and fair elections since 1991, and an increase in the MMD's share of the vote, have strengthened the Government's electoral legitimacy. Although this has impressed donors and arguably allows some more policy space, it can also be argued that the most significant outcome of the elections was the dramatic arrival of a new populist opposition party, the PF, which came from nowhere in electoral terms to win every urban parliamentary seat in the capital Lusaka and the politically and economically strategic Copperbelt.

Widespread hostility amongst urban voters to liberalisation and privatisation has been evident for some time, but had never previously been represented in a multi-party system dominated by identikit parties operating as leadership vehicles for a range of political entrepreneurs. The PF continue to lead protest movements in Zambia and now present a serious political threat to the MMD (Larmer and Fraser: forthcoming).

Both foreign capital and aid donors have developed relatively co-operative relations with the MMD, and are deeply hostile to the PF. For that reason, the re-emergence of opposition should actually strengthen the Government's hand with donors. Donors are forced to recognise that the state faces a range of genuine social and political threats with which compromise is probably necessary in order to retain power and prevent more dramatic reversals.

An end to the end of history?

One side-effect of the re-emergence of ideology in Zambian politics, and the re-connection of parties to voters has been that the GoZ seems less and less willing to accept ownership of the adjustment strategy, preferring to blame donors for unpopular policies that it continues to impose. This raises an interesting question about whether the MMD Government can ever have been said to 'own' the PRSP process. The MMD is a political party well aware of its need to maintain a connection to the popular opinion in order to retain power. It might be argued instead that while the MMD has been willing to allow them to maintain control, civil servants within MoFNP have temporarily 'owned' the negotiations, and the national plan. They have deliberately excluded (much of) the Government and political class from the process, including, on the other hand, fractions of the donor, civil service and civil society communities who have together formed some sort of broad epistemic community. Thus to the extent that there is a 'consensus' for the World Bank's agenda, those who share it may be a small, technocratic elite. This raises questions about how such a community is constituted and cohered, and how it defends its policy space against competing forces. We do not have sufficient evidence or space to consider processes of ideological reproduction, the effects of 'capacity building', or possible patron-client relationships between Ministries and donors, donors and civil society, but these seem fruitful focuses of further research

What now though? Although the MMD is yet to articulate outright resistance to donor preferences, if it should, it will need to regain some degree of control over the agenda and mechanisms for negotiation and we will get a much better idea of the potential and limits of the GoZ's new aid strategy. The strategy may have been prepared during a period of broad consensus with donors. It would be much more interestingly tested in a period of conflict.

The partnership model on which all of Zambia's institutions and policies for aid management are now based involves two main steps: consensual planning processes leading to a national plans, and then donor 'alignment' with those plans. Both steps reflect an 'end of history' thesis assuming the permanent death of competing ideologies and interests, firstly within recipient countries and as a result, in relations between recipients and donors. Donor willingness to move from conditions to a participatory system of policy development, or GoZ 'leadership' rest partly on the assumption that the 'death of politics' is a permanent condition. Any resurrection threatens a system based on the assumptions that politics can be excluded from the consultative planning process, and that political activity outside of it is unimportant, in the sense that mobilisations can be easily ignored. In a situation of biting poverty and inequality, the line between a cynical and disengaged population, and an angry and mobilised citizenry is thin.

If the Zambian case tells us anything about how to understand change in contemporary donor-recipient relations, and about the potential for recipients reclaiming sovereignty, it is that the focus on administrative systems does not get to the heart of the question. Change at that level is unlikely to allow aid recipients to make decisive break from donor dominance. Rather in situations of material dependence, ideological and political change within aid recipient countries, is a pre-condition of any substantive recovery of sovereignty.

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