

(Provisional Translation)

Country Assistance Policy for the Republic of Zambia

April 2012

(revised June 2014)

The Government of Japan

1. Philosophy and Significance of Assistance

The Republic of Zambia has been politically stable since its independence, and democracy has come to stay in the country. Zambia has contributed to the political stability, economic development and democracy of the Southern African region by housing the headquarters of the Common Market for Eastern and Southern Africa (COMESA); being one of the member countries of the Southern African Development Community (SADC); as well as actively accepting refugees from the surrounding countries. Furthermore, Zambia potentially would be an important resource-supplying country for Japan in light of its affluence in mineral resources such as copper and cobalt.

Over the years, Zambia has adopted a development policy which aims at economic diversification, in an effort to reduce dependence on the mining industry. In recent years, Zambia has seen signs of diversification of its economy, as exemplified by the expansion of domestic and foreign demand for non-minerals and an increase in trade in non-minerals. Moreover, the escalating price of copper contributed to boosting the annual GDP growth rate to between 6 and 7% since 2004. With this background, Japanese enterprises such as trading and manufacturing companies have been showing growing interest in Zambia.

Nevertheless, poverty levels remain high, especially in the rural areas. This is attributed to the weak economic infrastructure such as transportation and

electricity, which are essential to attaining industrial development, as well as to the underdeveloped social infrastructure such as education, health care, sanitation and water supply.

In an effort to address these issues, the new Government under President Sata, who was inaugurated in September 2011, has been striving to promote socio-economic development, continuing with the endeavours of the previous administration under former President Banda. Japan believes that assisting such country-led efforts and promoting socio-economic development will enhance the stability, prosperity and democracy of not only Zambia, but also the overall Southern African region. Japan also believes that these engagements will lead to strengthened economic relations between Japan and Zambia.

2. Basic Policy of Assistance : Promoting Sustainable Growth of a Diversified Economy Freed from Overdependence on Mining

In 2010, Zambia was classified as a “lower middle-income country” by the World Bank, on account of the improved national income, which came about largely as a result of the increase in the international copper price. However, despite this economic status, poverty levels remain high. In order to address this situation, Japan will assist in the following areas: vitalisation of agriculture, in which 70% of the population is engaged, as well as manufacturing, which is the driving force of the sustainable economic growth; improvement and enhancement of the infrastructure for growth; and improvement of the social infrastructure as well as provision of the groundwork for human resource development.

3. Priority Areas

(1) Vitalisation of Productive Sectors

There is a significant disparity in productivity between the foreign-capitalized

large companies and the domestic micro, small and medium-sized enterprises (MSMEs) in the manufacturing and agricultural sectors in Zambia. The dominance of the large companies in the market limits the opportunities for the MSMEs, which account for 91 % of the workforce in Zambia. With a view to addressing this issue, Japan will render support to enhance MSME's business skills and to promote improvement of the business environment with a focus on technical assistance, thereby enhancing the growth rate of the manufacturing sector as well as its ratio in the overall export. In the agricultural sector, the productivity is low because a high proportion of farmers solely cultivate maize, the principal diet of Zambia, and because the cultivation depends almost wholly upon rainwater. Japan will provide technical assistance for expanding the area of irrigation and diversifying food crops.

(2) Improvement and Enhancement of Basic Infrastructure for Economic Activities

While Zambia, as an inland country, has a pressing need for a well-maintained road network for its economy, the domestic roads are often insufficient or inadequately maintained. For this reason, Japan will assist with the development of main road networks and the consolidation of road maintenance management skill, with a view to reducing the cost of transportation associated with distribution of goods. In addition, Japan will engage in increasing access to electricity by helping develop electricity generation facilities, along with power distribution networks, with an aim to address issues on stable power supply.

(3) Improvement of Social Infrastructure for Sustainable Economic Growth

Zambia's average life expectancy is 48 years old and about half of the population is aged below 15 years. This is due to the low rate of access to safe water and health services. Furthermore, Zambia is one of the countries in the Southern African region that scores the lowest marks in academic achievement. This has been attributed to the paucity of class rooms and teachers, as well as the teachers' insufficient teaching skills. Japan, therefore, will extend assistance to

improve water supply and sanitation, access to health services, and quality of education.

4. Points to note

- (1) In the education sector, Japan will strengthen its efforts on greater coordination between its bilateral assistance and its assistance through international organizations (“Multilateral-Bilateral Cooperation”), with a view to complementarity in aid effectiveness.
- (2) Japan, as one of the leading donors in the energy sector, will actively take initiative on aid coordination in the sector.