

**JAPAN INTERNATIONAL
COOPERATION AGENCY**

**MINISTRY OF LOCAL GOVERNMENT
AND HOUSING,
REPUBLIC OF ZAMBIA**

**THE STUDY
ON
ENVIRONMENTAL IMPROVEMENT
OF
UNPLANNED URBAN SETTLEMENTS
IN
LUSAKA**

FINAL REPORT

Volume 2 (Main Text)

July 2001

**NIPPON KOEI CO., LTD.
GLOBAL LINK MANAGEMENT, INC.**

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ON
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PREFACE

In response to a request from the Government of the Republic of Zambia, the Government of Japan decided to conduct a Study on the Environmental Improvement of Unplanned Urban Settlements in Lusaka in the Republic of Zambia and entrusted to study to the Japan International Cooperation Agency (JICA).

JICA selected and dispatched a study team headed by Mr. Isamu Asakura of Nippon Koei Co., Ltd. and consist of Nippon Koei Co., Ltd. and Global Link Management Inc. to the Republic of Zambia, five times between March 1999 and June 2001.

The team held discussions with the officials concerned of the Government of Zambia, and conducted field surveys at the study area. Upon returning to Japan, the team conducted further studies and prepared this final report.

I hope that this report will contribute to the promotion of this project and to the enhancement of friendly relationship between our two countries.

Finally, I wish to express my sincere appreciation to the officials concerned of the Government of Zambia for their close cooperation extended to the study.

July, 2001



Kunihiko Saito
President
Japan International Cooperation
Agency

July, 2001

Mr. Kunihiro Saito
President
Japan International Cooperation Agency
Tokyo, Japan

Subject: Letter of Transmittal

Dear Sir,

We are pleased to submit herewith the Final Report of the “The Study on Environmental Improvement of Unplanned Urban Settlements in Lusaka, the Republic of Zambia”. This study was conducted by Nippon Koei Co., Ltd., in association with Global Link Management Inc., under a contract to JICA, during the period from March 1999 to June 2001. The Report consists of Summary, Main Text and Appendix.

The report presents a sustainable action area plan for environmental improvement in unplanned urban settlements of Lusaka, which is reflected by the results of implementation, monitoring and evaluation of the pilot projects carried out by community participation approach, selected priority projects as well as development guidelines of living environment improvement.

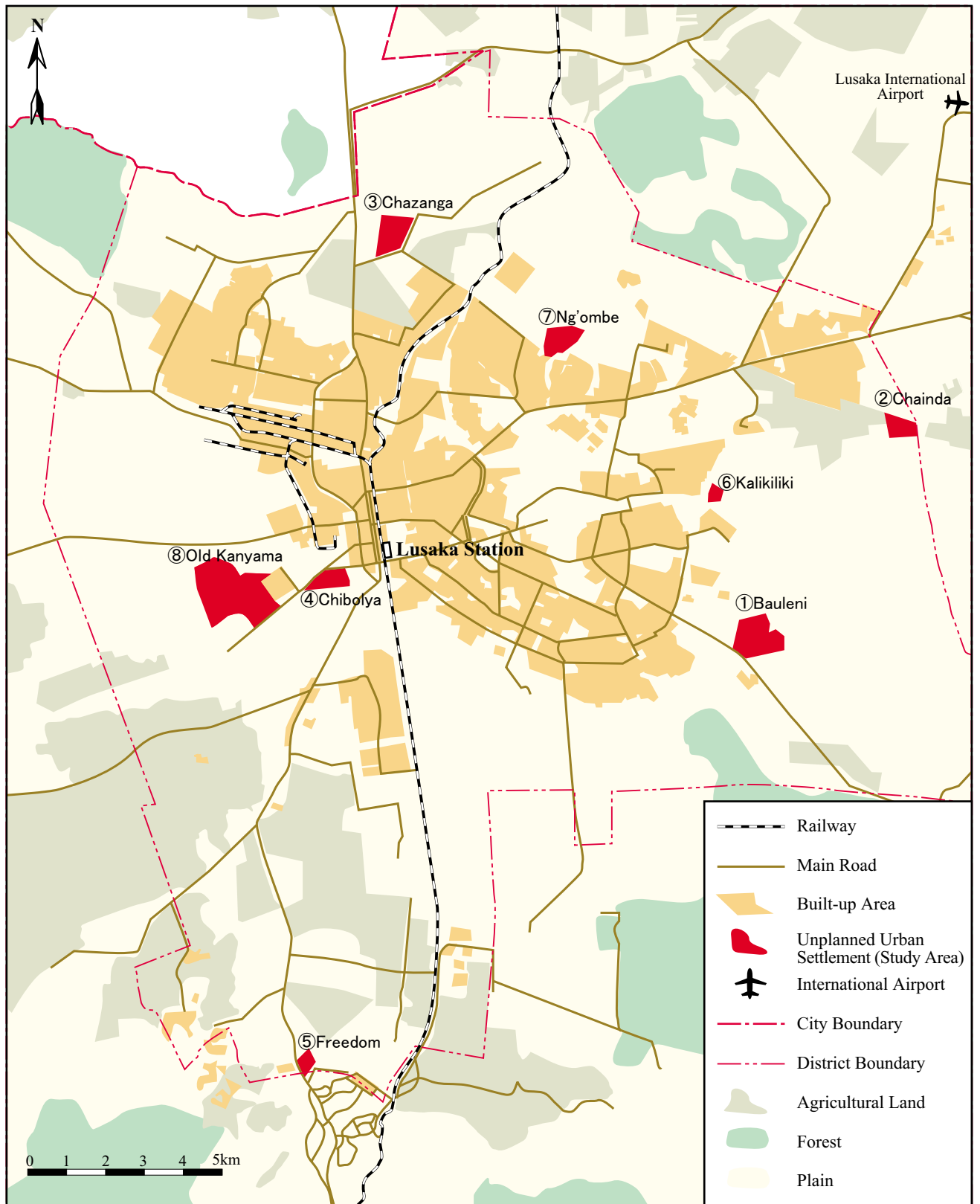
We would like to take this opportunity to express our sincere gratitude to your Agency, the Ministry of Foreign Affairs. We are also most grateful for the cooperation and assistance from the officials concerned in Zambia, the JICA Zambia office, and the Embassy of Japan in Zambia. The Final Report is a fruit of excellent collaboration of all participants in this Study.

We hope that this report will contribute to improve living environment of Lusaka City and all over Zambia.

Yours Faithfully,



Isamu ASAKURA
Team Leader, JICA Study Team
The Study on Environmental Improvement of
Unplanned Urban Settlements in Lusaka,
the Republic of Zambia



Location Map of the Study Area

INTRODUCTION

Authority

This is the Final Report on the Study on Environmental Improvement of Unplanned Urban Settlements in Lusaka prepared in accordance with the Scope of Work (S/W) concluded on October 19, 1998, between the Ministry of Local Government and Housing, Republic of Zambia and the Japan International Cooperation Agency (JICA).

Background of the Study

The city of Lusaka, Capital of the Republic of Zambia, is undergoing rapid urban growth due to incessant inflow of population from rural areas and enhanced urban activities of citizens. The population of the city was estimated at about 1.6 million as of 1995. However, the public services provided by the Government are insufficient to cater to rapidly increasing population.

Most of the new migrants are living in unplanned urban settlements, called ‘Compounds’, which are disorderly developed by them. Compounds are located in the periphery of the city and inhabited by mainly low-income people with a total population of approximately one million. Their living standard is quite low with insufficient provision of social services such as public transport, utilities and garbage collection.

The city of Lusaka compiled “The Greater Lusaka Development Plan” in 1975. However, most of the development concepts proposed in the plan have not been realized.

Therefore, the city’s development during the last few decades had been conducted without any development guidelines or scenario integrated by a master plan. This fact has resulted in the unbalanced and fragmented implementation of urban development projects by the Government and has degraded the environment of the city.

On the other hand, projects to improve social services have been carried out by the community in association with international donors and Non-government Organization (NGO). However, the projects are not comprehensively carried out due to insufficient cooperation between the community and responsible government bodies such as the city council.

It is urgent and imperative for the city of Lusaka to formulate comprehensive and effective models for the consistent improvement of the living environment in unplanned urban settlements.

Under such circumstances, the Government of the Republic of Zambia (GRZ) requested the Government of Japan (GOJ) for technical cooperation to prepare action area plans, guidelines for social services improvement and short term programs and projects for unplanned urban settlements. The GOJ agreed to study the unplanned settlements. The implementation of this, entitled “The Study on Environmental Improvement of Unplanned Urban Settlement in Lusaka” was entrusted to the Japan International Cooperation Agency (JICA), the official agency responsible for the implementation of the technical cooperation program of the Japanese Government.

The Study was commenced by a JICA Study Team organized by JICA in March 1999. The area covered by the Study has the unplanned urban settlements, defined as the combined jurisdiction of eight compounds: Bauleni, Chainda, Chazanga, Chiboliya, Freedom, Kalikiliki, Ng’ombe and Old Kanyama.

Study Area

The area to be covered by the Study is the unplanned urban settlements (UUSs), defined as the combined jurisdiction of eight UUSs :Bauleni, Chainda, Chazanga, Chiboliya, Freedom, Kalikiliki, Ng’ombe and Old Kanyama.

Study Objects

The objectives of the study, as agreed on by GRZ and JICA , are:

- (1) to formulate Action Area Plans for eight UUSs ;
- (2) to prepare guidelines for living environment improvement ; and
- (3) to prepare priority projects for the short-term development.

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ABBREVIATIONS

1, Organizations

(1) International Organizations

ADB	Asian Development Bank
CIDA	Canadian International Development Agency
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
OECD	Organization for Economic Cooperation and Development
SIDA	Swedish International Development Agency
SLP	Sustainable Lusaka Programme
UNICEF	United Nations International Children's Emergency Fund
WFP	World Food Programme
WHO	World Health Organization

(2) Governmental Organizations

CBH	Central Board of Health
DEO	District Education Office
DHMT	District Health Management Team
GRZ	Government of the Republic of Zambia
LCC	Lusaka City Council
LCC-DPH	Lusaka City Council (Department of Public Health)
LDHB	Lusaka District Health Board
LDHMT	Lusaka District Health Management Team
LWSC	Lusaka Water & Sewerage Company
MLGH	Ministry of Local Government and Housing
MOCDS	Ministry of Community Development and Social Services
MOE	Ministry of Education
MOF	Ministry of Finance and Economic Development
MOH	Ministry of Health
NWASCO	National Water and Sanitation Council
PHD	Public Health Department
ZCCM	Zambia Consolidated Copper Mines

(3) NGOs

AMDA	Association of Medical Doctors of Asia
CIM	Challenge International Ministry
HUZA	Human Settlements of Zambia
PPAZ	Planned Parenthood Association of Zambia
PROSPECT	Programme of Support for Poverty Elimination and Community Transformation
PULSE	Peri-Urban Lusaka Small Enterprise Development Project
PURCH	Peri-Urban Community Health Project
PUSH	Programmes Urban Self-Help
PoCMUS	Promotion of Community Managed Urban Services

WVI	World Vision International
ZCSS	Zambian Community School Secretariat
ZOCS	Zambia Open Community School

2, Others

ABO	Area-Based Organization
ADaT	Agape Development and Training Consultants
APU	Academic Production Unit
BASICS	Basic Support for Institutionalized Child Survival
BHN	Basic Human Needs
BOP	Balance of Payment
CAP	Community Action Planning
CBD	Central Business District
CBD	Central Business District
CBHP	Community Based Healthcare Provider
CBO	Community Based Organization
CDO	Community Development Officer
CE	Continuing Education
CFP	Community Family Planning
CG	Consultative Group
CHHP	Community Health and Hygiene Promoter
CHW	Community Health Workers
CIF	Community Initiative Funds
CP	Community Participation
DAC	Development Assistance Committee
EC	Education Committee
EFA	Education for All
EHF	Environmental Health Facilities
EHT	Environmental Health Technician
EIA	Environmental Impact Analysis
EIRR	Economic Internal Rate of Return
EPM	Environmental Planning and Management
ESAF	Enhanced Structural Adjustment Facility
FFW	Food for Work
FIRR	Financial Internal Rate of Return
FODEP	Foundation for Domestic Process
FP	Family Planning
FZR	Forum of Zonal Representatives
GDP	Gross Domestic Product
GITI	Gastrointestinal Tract Infections
GSP	Galvanized Steel Pipe
HC	Health Committee
HEG	Health Educators Group
HHCIP	Health and Hygiene Conditions Improvement Project
HI	Health Inspectors
HIPC	Highly Indebted Poor Countries
IEC	Information Education Communication

IEE	Initial Environmental Examination
IGAs	Income Generation Activities
JST	JICA Study Team
KAP	Knowledge Attitude Practice
LA	Local Authority
LCG	Latrine Construction Group
MCH	Maternal & Child Health Care
MOU	Memorandum of Understanding
MP	Member of Parliament
NGO	Non Governmental Organization
NHC	Neighborhood Health Committees
O&M	Operation & Management
ODA	Official Development Assistance
OPD	Out-Patient Department
PCM	Project Cycle Management
PDM	Project Design Matrix
PEP	Polyethylene Pipe
PHAST	Participatory Hygiene and Sanitation Transformation
PHC	Primary Health Care
PIP	Public Investment Programme 2000-2002
PLA	Participatory Learning and Action
PMC	Project Management Committees
PRGF	Poverty Reduction Growth Facility
PSRP	Public Service Reform Programme
PTA	Parental-Teacher Association
PVC	Polyvinylchloride Pipe
PWAS	Public Welfare Assistance Scheme
QOL	Quality of Life
RC	Roads Committee
RCCO	Revenue Contribution to Capital Outlay
RDC	Resident Development Committee
SCDP	Sustainable Community Development Programme
SCP	Sustainable Cities Programme
SFH	Society for Family Health
SHCC	School Health Coordination Committee
SHEFA	Shelter for All
SIDO	Small Industries Development Organization
SLP	Sustainable Lusaka Project
SWAZ	Society for Women and Aids in Zambia
TA	Tap Attendant
TB	Tuberculosis
TOT	Training of Trainers
UFW	Unaccounted for Water
URTI	Upper Respiratory Tract Infections
UUS	Unplanned Urban Settlements
VAT	Value Added Tax
VIP	Ventilated Improved Pit

VIS	Village Industrial Service
WASHE	Water Sanitation Health Education
ZAMSIF	Zambia Social Investment Fund
ZDC	Zone Development Committee

MEASUREMENT UNITS

Extent

cm^2 = Square-centimeters (1.0 cm x 1.0 cm)

m^2 = Square-meters (1.0 m x 1.0 m)

km^2 = Square-kilometers (1.0 km x 1.0 km)

a. = Are (100 m^2 or 0.01 ha.)

ha. = Hectares (10,000 m^2)

ac = Acres (4,046.8 m^2 or 0.40468 ha.)

Length

mm = Millimeters

cm = Centimeters (cm = 10 mm)

m = Meters (m = 100 cm)

km = Kilometers (km = 1,000 m)

Currency

US\$ = United State Dollars

US\$1.0 = J¥116 = Kwacha 2,500

J¥ = Japanese Yen

Kwacha = Zambian Kwacha

Others

Lpcd = liter per capita per day

kgpcd = kilogram per capita per day

Volume

cm^3 = Cubic-centimeters
(1.0 cm x 1.0 cm x 1.0 cm
or 1.0 m-lit.)

m^3 = Cubic-meters
(1.0 m x 1.0 m x 1.0 m
or 1.0 k-lit.)

lit., 1 = Liter (1,000 cm^3)

Weight

gr. = Grams

kg = Kilograms (1,000 gr.)

ton = Metric tonne (1,000 kg)

Time

sec. = Seconds

min. = Minutes (60 sec.)

hr. = Hours (60 min.)

d = day

CHAPTER 1 SOCIAL AND ECONOMIC CONDITION OF ZAMBIA AND LUSAKA

1.1 Population and Economy

1.1.1 Population

(1) Migration in Zambia

Migration is one of the major components of population change in an area, the others being fertility and mortality. In the dynamics of population, migration could be a major component of population change, and may drastically affect specific age, gender and socioeconomics. Migration is defined as a form of geographical or spatial movement.

The population of Zambia has a long history of mobility associated with the settling in the country by different ethnic groups and the rural economies practiced in pre-colonial times which involved hunting and gathering, and shifting cultivation. The levels of human mobility in the country have probably increased since the beginning of the colonial period due to the economic development. In particular, rural-urban movement with some associated return movement developed in response to demand of employment opportunities in urban areas especially in mining, creating a long term circular pattern of mobility within the country from rural to urban and back to rural areas. Population growth and land alienation in some parts of the country by colonialists led to rural-rural movements in search of areas where land was plentiful. Also the provision of services such as roads, schools, and crop collection depots has encouraged population mobility both of a daily and seasonal nature, and also on a permanent basis where population redistribution has occurred.

Despite the importance of migration in the country, there were no national data available on migration. Data on migration were only made available when the first full census was undertaken in 1969. The 1980 and 1990 Censuses provided the second and third set of national data on migration and allowed the comparison of data and the identification of trends in internal migration over the three censuses.

According to the estimates of intercensal net migration at provincial level by the Central Statistical Office, 6 provinces, Central, Eastern, Lusaka, North-Western, Luapula and Western provinces experienced net in-migration during the intercensal interval, from 1980 to 1990 as shown in the following table. Eastern province recorded the highest total net migration rate of 40 per thousand, followed by Lusaka and Central with 31 and 20 per thousand, respectively. In absolute

terms, the provinces with the largest number of net migrants were Eastern (128,843), Lusaka (100,130), and Central (47,950). In terms of the provinces that experienced net out- migration, Copperbelt had the highest rate of 30 per thousand and lost 158,831 people through out- migration.

The commercialization of agriculture, better access to goods and services and the ideal climatic conditions and soils in Eastern, Lusaka and Central may account for much of the in-migration. With regard to Copperbelt, the economic recession in the mining sector accounts for the high rates of out-migration.

Net Migration by Province (1980-1990)

Province	Number of Net Migrants	Net Migration Rate (per thousand)
1. Central	47,950	20.1
2. Copperbelt	158,831	29.6
3. Eastern	128,843	40.8
4. Luapula	4,281	2.3
5. Lusaka	100,130	31.1
6. Northern	9,394	3.1
7. North- Western	526	0.4
8. Southern	2,336	0.7
9. Western	18,920	8.9

Source: Internal Migration and Urbanization, Aspects of 1990 Census of Population

(2) Population of Zambia and Lusaka

The population and annual growth rate by province, urban/rural in the 1969-1990 period are shown in the following table. The total population in Zambia reached about 7.4 million in 1990. The total population grew at average annual rates of 3.1% and 2.7% during the 1969-1980 and 1980-1990 intercensal periods, respectively. In the same respective periods, the urban population grew at annual rates of 9.3% and 2.6%, while those of rural were 0.5% and 2.8%, respectively. In comparison with the growth rates of the total and the rural population, those of the urban population were extremely rapid in the first intercensal period but declined slightly in the 1980-1990 period. It is considered that migration shifted from the urban area to the rural area due to the congestion in the urban area as well as the economic stagnancy.

A comparison of urban and rural annual population growth rates by province also shows a similar pattern. Urban population growth rates were higher than rural ones during the 1969-1980 period. Provinces with notable higher annual urban

population growth rates during this period were Western, Northern and Luapula with average rates of around 20% per annum.

Population and Annual Growth Rate by Province, Urban/Rural (1969-1990)

Province		Population (1969)	Population (1980)	Population (1990)	Annual Growth Rate (%) (1969-1980)	Annual Growth Rate (%) (1980-1990)
1. Central	Urban	-	151,419	213,197	-	3.5
	Rural	358,655	360,486	507,430	0.1	3.5
	Total	358,655	511,905	720,627	3.3	3.5
2. Copperbelt	Urban	744,094	1,029,903	1,221,199	3.0	1.7
	Rural	72,215	221,275	206,346	10.7	0.7
	Total	816,309	1,251,178	1,427,545	4.0	1.3
3. Eastern	Urban	13,413	62,892	88,415	15.1	3.5
	Rural	496,102	588,010	877,552	1.6	4.1
	Total	509,515	650,902	965,967	2.3	4.0
4. Luapula	Urban	7,466	54,942	81,861	19.9	4.1
	Rural	328,118	366,024	443,299	1.0	1.9
	Total	335,584	420,966	525,160	2.1	2.2
5. Lusaka	Urban	-	551,367	830,238	-	4.2
	Rural	353,975	139,687	156,868	8.1	1.2
	Total	353,975	691,054	987,106	6.3	3.6
6. Northern	Urban	14,206	118,275	120,922	21.2	0.2
	Rural	530,890	556,475	734,255	0.4	2.8
	Total	545,096	674,750	855,177	2.0	2.4
7. North-Western	Urban	-	40,849	56,087	-	3.2
	Rural	231,733	261,819	331,465	1.1	2.4
	Total	231,733	302,668	387,552	2.5	2.5
8. Southern	Urban	63,457	166,555	214,897	9.2	2.6
	Rural	432,584	505,368	692,253	1.4	3.2
	Total	496,041	671,923	907,150	2.8	3.0
9. Western	Urban	9,600	82,318	78,467	21.6	0.5
	Rural	400,487	404,137	528,346	0.1	2.7
	Total	410,087	486,455	606,813	1.6	2.2
10. Zambia	Urban	852,236	2,258,520	2,905,283	9.3	2.6
	Rural	3,204,759	3,403,281	4,477,814	0.5	2.8
	Total	4,056,995	5,661,801	7,383,097	3.1	2.7

Source: Internal Migration and Urbanization, Aspects of 1990 Census of Population

According to 1990 Census of Population, Housing and Agriculture, Demographic Projections 1990-2015, the future population by province is estimated based on the mortality and fertility assumptions by the Central Statistical Office. The projected populations advisable to use are shown in the following table. The projected populations and demographic rates considered most likely are those yielded from low variant mortality and fertility assumptions. In spite of the same source between the above table and the following table, the 1990 populations are different without any clear reason.

The population of Zambia and Lusaka province would reach 16.5 million and 2.5 million in 2015, respectively. The increase in population of Zambia and Lusaka province would be 5.7 million and 0.8 million between 2000 and 2015. The population of both Zambia and Lusaka province would double between 1990 and 2015.

Projected Population by Province (1990-2015)

(Thousand)

Province	1990	1995	2000	2005	2010	2015	Increase 2000-2015
1. Central	771	915	1,042	1,241	1,405	1,582	540
2. Copperbelt	1,458	1,623	1,735	2,057	2,370	2,689	954
3. Eastern	1,004	1,193	1,480	1,715	1,945	2,215	735
4. Luapula	564	630	721	845	955	1,079	358
5. Lusaka	991	1,314	1,717	1,951	2,228	2,522	805
6. Northern	925	1,088	1,282	1,486	1,732	2,021	739
7. North-Western	443	533	581	598	701	820	239
8. Southern	965	1,113	1,372	1,670	1,999	2,390	1,018
9. Western	638	703	792	912	1,023	1,140	348
10. Zambia	7,759	9,112	10,722	12,475	14,358	16,458	5,736

Source: Demographic Projections 1990-2015, by the Central Statistical Office

1.1.2 Economy of Zambia

The major economic indicators in Zambia are shown in the following table. Economic activities recovered significantly in 1996, with real GDP (Gross Domestic Product) expanding by 6.6%. The turnaround in economic activities was caused by the near doubling of the maize harvest following favorable rains during the 1995/96 crop season, strong growth in nontraditional exports, and higher metals production. In spite of a smaller maize harvest and a decline in metal production, GDP grew by an estimated 3.3% in 1997, due mainly to the strong growth of nontraditional exports and tourism. Besides, the tightening of monetary policy contributed to a steady decline in the rate of inflation from 35.2% in 1996 to 18.6% in 1997.

There was a downswing in the performance of the economy in 1998. GDP in real terms declined by about 2% due to a sharp deterioration in the public finances. The decline in economic activities was recorded across most of the major sectors of the economy such as agriculture and mining as shown in the table on the next page. Despite a generally tight monetary policy stance, there was an upswing in inflation, closing at 30.6% in 1998 from 18.6% in 1997. The resultant effect of the

decline in the economy and the deteriorating financial conditions was a slump in welfare as real per capita GDP, private consumption and formal sector employment declined in the order of 5, 5.3%, and 2.1%.

Major Economic Indicators in Zambia

Major Economic Indicators	1995	1996	1997	1998	1999*
1. Gross Domestic Product (Billion Kwacha)					
(1) At Current Prices	2999	3951	5141	6033	7522
(2) At Constant (1994) Prices	2185	2329	2406	2360	2418
2. Per Capita GDP (Thousand Kwacha)					
(1) At Current Prices	329.2	418.1	525.7	597.3	721.2
(2) At Constant (1994) Prices	239.8	246.4	246.0	233.7	231.8
3. Real GDP Growth Rate (%/year)	2.5	6.6	3.3	1.9	2.4
4. Inflation (%/year)	46.0	35.2	18.6	30.6	20.6

Source: Selected Socio-Economic Indicators 1999, Central Statistical Office, Lusaka

*: Preliminary

Gross Domestic Production by Sector in Zambia

(Measured in 1994 Prices, Million Kwacha)

Sector	1995	1996	1997	1998*
1. Agriculture, Forestry and Fishing	402,964	400,400	379,900	356,800
2. Mining and Quarrying	270,891	277,843	284,404	253,200
3. Manufacturing	218,996	231,147	248,128	255,700
4. Electricity, Gas and Water	71,056	67,075	69,900	67,900
5. Construction	107,750	94,407	126,281	121,200
6. Wholesale and Retail Trade	297,021	398,808	408,300	397,600
7. Restaurants, Bars and Hotels	37,256	40,300	44,004	45,500
8. Transport and Communications	130,044	137,799	138,595	150,200
9. Financial Institutions and Insurance	218,085	200,089	200,700	201,600
10. Real Estate and Business Services	122,227	141,318	158,700	177,600
11. Commercial, Social and Personal Services	176,566	182,488	183,070	176,700
12. Imputed Banking Service Charges	125,329	114,987	115,400	115,800
GDP at Factor Cost	1,927,527	2,056,687	2,126,582	2,088,200
Indirect Taxes	262,272	277,400	285,600	276,400
GDP at Market Prices	2,189,799	2,334,087	2,412,182	2,364,600

Source: Selected Socio-Economic Indicators 1998, Central Statistical Office, Lusaka

*: Preliminary

1.2 Assessment of the Capacity of the Government of Zambia to Support Environment Improvement of Unplanned Urban Settlements in Lusaka

1.2.1 Recent Development of Zambian Economy and Accession to Highly Indebted Poor Countries (HIPC)

Short of Sustainable Growth: The Zambian economy is still struggling for sustainable growth. In 1999 it achieved only 2% growth in real GDP after a 2% negative growth in 1998. Preliminary estimate indicates a 3.47% growth for 2000. Real per capita GDP in 1994 price had been decreasing since 1998 for 2 consecutive years (minus 5% for 1998 and minus 1% for 1999), which barely ceased in 2000 (plus 0.19%). Inflation is still rampant, with 30.6% in 1998, 25.3% in 1999 and 25.9% in 2000. Along the abated value of the local currency (Kwacha) under high inflation and continuous deficits on current balance of payment, its exchange rate against US\$ has been continuously depreciated; Kwacha 1,487 in January 1998, Kwacha 2,343 in December 1998, Kwacha 2,688 in December 1999 and Kwacha 4,024 in January 2001. It has been depreciated 2.7 times for the last 3 years. With these unfavorable economic developments, per capita national income is estimated at more or less US\$300. In fact, the poverty incidence in Zambia, in terms of one dollar per day, according to the Economic Report 1999 prepared by the Ministry of Finance and Economic Development (MOF), had increased nation-wide from 69.2% out of the population in 1996 to 72.9% in 1998. Even in urban areas the poverty is yet prevalent with 56% in 1998 (extreme poverty accounted for 36%). This poverty development presumably has not been reversed since 1998 under the above economic developments.

The underlined structural weakness of Zambian economy has not yet been improved enough to take off towards sustainable economic growth, an annual growth rate of at least 5% (World Bank, CAS Report, October 1999), in terms of meaningful reduction of current poverty incidence. The economy is still at the stage of almost monoculture of the minerals (copper and cobalt share over 60% of the total exports), which had been dominated by a state-owned sector through Zambia Consolidated Copper Mines (ZCCM) under poor management, particularly in respect of the lack of investment in productivity enhancement for long. The agriculture sector which produces 17% value of GDP with employment of 13% of the formal employees (both larger than manufacturing sector and only next to service sector) has barely achieved self-sufficiency under favorable weather conditions for the past 2 years. Diversified and dynamic production activity has not been observed much yet in the manufacturing sector except for the food, beverage and tobacco sub-sector. And in line with a continuous deterioration of

the production level in the mining sector, the manufacturing sector has been reducing its share of GDP from 28.5% in 1987 to just over 11% in 2000.

Un-Sustainable External Debts Burden: The Government of the Republic of Zambia (GRZ) has been undertaking the Public Sector Reform Program (PSRP), which led to the retrenchment of as much as 15,000 workers by the end of 1998 and simultaneously over 80 % out of the 280 non-mining public enterprises had been privatized or liquidated. With these achievements of GRZ, among others, IMF had approved a new Enhanced Structural Adjustment Facility (ESAF) program in March 1999 (now renamed the Poverty Reduction Growth Facility—"PRGF"). Subsequently, in mid-April 1999 GRZ reached an agreement with the Paris Club creditors to restructure GRZ's debts falling due during the period of the PRGF, and further through a successful Consultative Group Meeting in May 1999 in Paris, several bilateral donors resumed balance of payment (BOP) support to GRZ. World Bank also released a "floating tranche" of BOP support (US\$107 million) in relation to PSRP in July 1999. These BOP supports amounting to US\$ 185 million on disbursement base was the largest for the past 4 years (no disbursement made in 1998) and covered 40% of deficit on the balance of current account for 1999 (US\$483 million). On the external debt balance, however, GRZ had accumulated US\$ 6,507 million in outstanding debts as of the end of 1999 which was equivalent to 8.5 times annual exports in the year (US\$759 million), and GRZ international reserves, through continuous external debt services, deteriorated to as low as about 2 weeks of imports from about 7 weeks at the end of 1997.

The long term protracted privatization of GRZ's mining sector, specifically Zambia Consolidated Copper Mines (ZCCM), had caused the Zambia economy wide-spread adverse effects; mining production going down (only half of 1980 production level for 1999), reduction of export earnings (the export proceeds of copper in 1999 was by 15% below the 1998 value), cash flow problems of the related businesses in Copperbelt due to accumulated over-dues from ZCCM, prolonged arrears on its payments to the employees, and international donors' delayed disbursement from their pledged ODA account. In late 1999, GRZ and Anglo-American Corporation reached an agreement on the sale of the remaining major assets of ZCCM (Nchanga, Konkola and Nampundwe mines). Further, GRZ and a Consortium of First Quantum Minerals and Glencore Ltd. reached a preliminary understanding on the sale of Nkama Mine and Mufulira Mine. These transactions had been finalized in March 2000 and the privatization of ZCCM, together with other mines privatized before (RAMCZ, Bwana, Mkubwa and Chibuluma in 1997) had been completed.

The privatization of ZCCM assets is a landmark of GRZ's efforts for the recent 5 years under its structural reform program, and is expected to revitalize Zambia's single leading industry, through the input of professional management and investment in enhancement of productivity. In early 2001 ZCCM is gradually picking up its production level ever since the early 1990s and the related businesses in Copperbelt are coming to breathing. Completion of privatization of ZCCM deems the almost single bright signal for the Zambian real economy at this moment together with a good harvest expected for 2000/2001 agricultural production. It is expected to bring about positive impact on the economy as a whole in a couple of years. The other prospective industry for Zambia in medium-term is tourism. Zambia, with its abundant wild life and extensive national parks, has been achieving a rapid growth in its hard currency earnings from the tourism sub-sector, US\$91 million in 2000 from US\$47 million in 1995, assisted by the prevalence of relatively peaceful conditions in the country. With improved infrastructure and skilled human resources expected from foreign direct investment (FDI) in this sub-sector, the international tourism industry would contribute to the development of the Zambian economy in the future.

The balance of payment for 2000 was, on its current account, deteriorated further to the deficit of US\$578 million from US\$483 million for 1999. This was attributable to, among others, an increase in imports of intermediate and capital goods and in particular the re-capitalization of the mining sector and petroleum products. GRZ envisages the widening deficit on current account for 2001 amounting to US\$610 million due to declines in trade balance to be caused by increase in domestic demands overall. In the short term the Zambian economy is facing a serious difficulty in management of its external balance, reflecting the upward trend of the domestic real economy and the persistent very tight conditions of external debt services (See the following table).

External Financing Schedule: 1999-2002

(Million US\$)

	1999	2000	2001	2002
Requirements	680	884	1,042	906
Current Account Deficit (excl.official transfer)	483	578	610	468
Scheduled Amortization (1)	162	226	224	217
Change in Net Official Reserve	35	80	208	221
Resources	503	560	325	389
Grants	214	299	182	185
Program	61	121	0	0
Project	153	178	182	185
Loans	296	319	165	172
Program	130	180	0	0
(World Bank)	107	140	0	0
Project	166	139	165	172
(World Bank)	0	66	90	100
IMF net Disbursement	14	27	-102	-102
FDI & Other Private Flows (net) (2)	165	125	180	228
Short Term Capital, errors & omissions	-232	-183	-100	-100
Financing Gap	-177	-324	-717	-523
Debt Relief (3)	443	229	225	60
Net Change in Arrears	-192	-69	0	0
Residual Financing Gap	0	-164	-492	-463

Sources: GRZ & IMF. 1999 & 2000; Estimates, 2001 & 2002; Program

(1) Excluding IMF Repayments

(2) Including change in net foreign assets position of the commercial banks

(3) Reflecting 1999 Paris Club Rescheduling Agreement and its comparable terms with other bilateral creditors

Accession to Enhanced HIPC: The 12th Consultative Group (CG) meeting for Zambia was convened in Lusaka in mid-July 2000. GRZ had successfully received, in light of its recent achievements particularly completion of the privatization of ZCCM and policy dialogue on the country's development process, the donors' commitment to support Zambia in its efforts towards sustainable economic growth and poverty reduction. CG pledged to make available US\$1 billion over the period of 2000-2001 (against US\$ 818 million pledged in the 11th CG meeting). This amount comprises US\$ 645 million in project finance and the remainder US\$ 355 million in BOP support.

Preliminary data indicate the total external debts of Zambia, as of the end 2000, at US\$ 6,310.5 million outstanding. Of this amount, the GRZ debt accounts for US\$ 5,837 million (US\$ 3,447 million due to Multilateral and US\$ 2,390 million to Bilateral) and the remainder US\$ 473.5 million on the account by private and state-owned companies. With this huge external debt amount outstanding, it is quite obvious that Zambia could not service the debts with yet weak hard currency earning powers of the industry and dominant poverty incidence in the country as well. GRZ had been negotiating with IMF and World Bank on its accession to the

Enhanced Highly Indebted Poor Countries (HIPC) Debts Relief Initiative. In early December 2000, GRZ was approved for the Decision Point under the Enhanced HIPC, based on Zambian track record under PRGF program and its unsustainable external debt situation.

The total debt service relief from all of GRZ's creditors is worth more than US\$ 3.8 billion, after the full use of traditional debt relief mechanisms. Under the Enhanced Initiative, GRZ's annual payments will be reduced by about US\$260 million over 2001-2005 and roughly US\$130 million over 2006-2015 (IMF Press Release No. 00/67, December 8, 2000). IMF and World Bank started providing interim debt relief immediately at the Decision Point. Zambia is now on the Floating Completion Point, where GRZ should implement a full-fledged participatory poverty reduction strategy to be prepared with broad participation of civil society, and an agreed set of measures aimed at enhancing economic growth under the PRGF program. In the case of Zambia, a progress in combating HIV/AIDS should be made in order to reach the Completion Point, where the remainder of debt relief will be delivered to GRZ subject to confirmation of the participation of other Paris Club creditors in the debt relief operation.

1.2.2 Development of the Central Government Public Finance

At this moment, March 2001, before the issuance of Financial Report by the Government, the precise figures of actual Central Government budget implementation for 1999 and 2000 are not available. According to the preliminary reports by the Ministry of Finance and Economic Development (MOF) on its Economic Reports, January 2000 and 2001, the balance of the Government actual budget are recorded with a small surplus for the year 1999 and a small deficit for the year 2000 before accounting for the external grants received, as shown in the following table.

Central Government Budget Performance for 1999 & 2000

(Billion Kwacha)

	FY1999		FY2000	
	Budget	Actual (%)	Budget	Actual (%)
Tax Revenues	1,400	1,271 (91)	1,630	1,740 (107)
Income Taxes	480	481(100)	595	634 (108)
Excise Duty & VAT	532	474 (89)	571	509 (89)
Trade Taxes	388	316 (81)	464	597 (129)
Non-Tax Revenue	60	29 (48)	29	22 (76)
Total Revenue	1,460	1,300 (89)	1,659	1,762 (106)
Current Expenditure	1,013	996 (98)	1,481	1,533 (104)
(Interest on Public Debt)	(70)	(103) (147)	(142)	(140) (99)
Capital Expenditure	317	123 (39)	172	228 (133)
Payment of Arrears	23	122 (530)	44	92 (209)
Total Expenditure	1,353	1,241 (92)	1,697	1,853 (109)
Balance	107	59 (55)	-38	-91 (239)

Source: Economic Reports 2000 & 2001, Ministry of Finance and Economic Development

In case these figures are a precise reflection of the actual implementation of 1999 and 2000 budgets, it would be remarkable achievements by the Government in terms of cash budget management system (1% equivalent deficit of GDP for 2000), compared with the previous successive years bigger deficits (more or less 10% equivalent of GDP). Particularly, collection of Income Taxes (Personal Income Tax and Corporate Income Tax) accomplished 100% performance. Among the other main tax revenues, domestic VAT has been under-performed mainly due to the stoppage in production of an oil refinery plant following an inferno at INDNI in Copperbelt in 1999.

Under the cash budget management system adopted by the Government, most categories of expenditures have been constrained within the actual revenues. The largest share of Current Expenditure have been civil servant wages and salaries (35%), and in fact for the last two years these expenditures have been over the initial budgets by 2% and 4% for 1999 and 2000, respectively, due to adjustment on salary increment during each year. Supported by a bit better performance of revenue collection in 2000, Capital Expenditure to promote economic growth was released over the initial budget by one third, which financed mostly roads construction and maintenance to support tourism and agricultural sectors. The year 2000 was the first year of Zambia's Public Investment Programme 2000-2002 (PIP) and approximately Kwacha 741 billion was planned for the year on

disbursement basis. The actual Capital Expenditure of Kwacha 228 billion financed domestically through the Government budget was only equivalent to 30% of this PIP target for the year.

For the year 2000, in addition to the above budget, GRZ set aside Kwacha 423 billion for net lending to ZCCM to allow the Company to pay its domestic creditors including Kwacha 191 billion for ZESCO tax arrears, of which Kwacha 412 billion was released in order to support smooth privatization of ZCCM. Taking into account the GRZ's budgetary assistance to ZCCM as above, the actual balance of the 2000 budget resulted in Kwacha 222 billion deficit which was equivalent to 2% of GDP. This balance was financed by the Government through its borrowing from the domestic banking system, mainly in the form of Government bonds and the bridge loan from the Central Bank, the latter form of which is a temporary arrangement. As at end 2000, the outstanding balance of these Government debts was Kwacha 521 billion.

More detail investigation in the Government budget performance should await the issuance of Financial Reports and further the Report of Auditor-General. Although more or less balanced budgets implemented for the most recent two years are commendable fiscal performance, it is obviously difficult for the Government to undertake its necessary investment in infrastructure building and provision of social services delivery, without external financial assistance under the circumstances of yet increasing poverty incidence in the country. In this context, the most recent development of GRZ's accession to the Enhanced HIPC Initiative debt relief as mentioned above, assisted by the World Bank and IMF, will give the Government a significant opportunity to allocate more or less US\$500 million debt cost saving to these badly needed areas.

1.2.3 Financial Standing of LCC and its Future Development

The financial standing of Lusaka City Council (LCC) has been extensively reviewed in the context of its future financial capacity to develop unplanned urban settlements (UUSs). This has been undertaken based on the materials and budget sheets provided by LCC, supplemented by the discussion with the officials concerned. This field-work has revealed continuous struggling efforts being made by LCC to manage an extremely tight and difficult City financial position. There are a couple of positive actions being undertaken by LCC; however, it would obviously take a longer time to enable LCC to strengthen its revenue base thereby to provide for sufficient basic social services in Lusaka City.

The budgeting exercises have been done by LCC through its four individual Committees, according to each designated public service criteria, namely (i) Finance and General Committee, (ii) Plans, Works & Development Committee, (iii) Public Health Committee and (iv) Housing & Social Services Committee. Under each Committee there are executing Department(s) undertaking practical business, as follows;

Finance and General Committee: Finance, Legal and Administrative Departments

Plans, Works & Development Committee: Engineering, Engineering Services and City Planning Departments

Public Health Committee: Public Health Department

Housing & Social Services Committee: Housing Department

This organizational budgeting and implementation exercise enables cash budget management effective, subject to streamlined inter-departmental information flows on both revenue and expenditure in implementation through computer system. Unfortunately, all data on LCC public finance is still dependent on manual entry, which makes it difficult to grasp the overall financial position of LCC on a daily or even monthly basis in a timely manner to manage the City's financials. It may be advisable to computerize these systems as soon as practicable in order to effectively manage the public finance of the City.

(1) Developments of Revenue & Expenditure and Budget for 2001

For the fiscal year 1999, LCC had set up the budget of Kwacha 25 billion (approximately US\$10 million at the 1999 average exchange rate of Kwacha 2,388 / US\$) with a slight surplus expected for the year-end. As a result of implementation of the budget, the actual revenue was 42% of the budget with the actual expenditure of 46% against the budget, which realized Kwacha 1,150 million deficit (5% of the revenue budget) on the balance. Compared with the previous LCC fiscal budget management, it accomplished an improved management on revenue and expenditure, in terms of stricter implementation of cash budget management system adopted. Actual deficits against the revenue budget for the previous years were 21% for 1997 and 48% for 1998. The fiscal management has been kept for the year 2000 in such a strict manner, and as of the end of December 2000 the deficit was estimated to be contained within 1% of the revenue budget (See the following table).

Lusaka City Council: Budgets for 1999-2001

(Million Kwacha)

	FY 1999		FY 2000		FY 2001
	Budget	Actual	Budget	Actual	Budget
Revenue	25,200	10,476	27,143	12,541	33,603
Taxes	8,456	4,791	12,806	7,908	16,565
Fee&Charge	7,699	1,806	6,262	1,469	9,241
Rents	2,317	392	3,620	314	2,879
Licenses	1,357	393	1,095	408	1,278
Sale of Houses	3,004	1,348	622	336	1,196
Land Development	622	589	480	349	153
Gov. Grants	578	300	624	332	268
Miscellaneous	1,167	857	1,634	1,425	2,023
Expenditure	25,088	11,626	27,182	12,831	33,311
Employees	10,892	7,337	10,774	8,868	7,853
Premises Maintenance	3,112	226	1,939	307	1,367
Suppl.&Services	4,071	487	5,999	463	8,315
Vehicles M&O	599	726	974	910	1,452
Establishment Exp.	1,839	824	2,512	1,051	1,232
Miscellaneous	1,212	948	2,386	854	5,150
Debt Charges	5	0	5	77	314
Land Develop.	222	20	480	0	955
Staff Advances	0	325	0	0	0
RCCO(1)	3,136	733	2,074	301	6,673
Balance	112	-1,150	0	-290	292

(1) Revenue Contribution to Capital Outlay, comprising capital expenditures in public use building, car, equipment and machinery & tool.

Source: LCC Finance Department

Lusaka City Council: Balance Sheet as of End of 1999 (Provisional)

(Million Kwacha)

ASSETS			LIABILITIES		
Current Assets		5,826	Bank Overdrafts		900
Cash		783	Account Payable		8,019
Account Receivable		9,539			
Less Doubtful Debts		-4,599			
Inventory Stock		103			
Fixed Assets		16,093	Surplus in Reserve		13,000
Properties		11,968			
Plant & Machinery		1,320			
Furniture&Equipments		134			
Assets in Progress		2,671			
Total Assets		21,919	Total Liabilities		21,919

Source: LCC Finance Department

On the revenue side, Taxes comprising Rates (Property Tax) and Personal Tax are the main fiscal sources for LCC to manage and implement its expenditure budget, and should constitute the City's main financial sources from which to deliver basic social services. In this respect, LCC had recovered a part of the Rates over-due to the Central Government (approximately Kwacha 12 billion outstanding as arrear at one time) for Kwacha 2 billion in 2000 and expected to recover further Kwacha 5

billion towards the year-end. Besides the Taxes, LCC had had another relatively big revenue source from Sale of Council Houses, which had accounted for Kwacha 5 billion for 1997 and Kwacha 3.5 billion for 1998. Now, LCC almost completed its sale and is not able to secure this fiscal source for a couple of years. At this moment, only a staff housing project for construction of 20 medium and low cost houses in Ibex Hill, Lusaka is on going (Kwacha 2.7 billion). The sale of this housing complex is incorporated in the 2001 revenue budget for Kwacha 700 million. In addition, sales of Civic Centre Chambers and Nakatindi Hall are estimated at Kwacha 1 billion in 2001.

On the expenditure side, Salary and Wage bills for the employees share the single largest portion of the whole expenditure. Due to a shortage of the revenue and stricter cash budget management as well, LCC is at this moment forced to delay the payment for 3-4 months to the civil servants, which is obviously creating significant problems in the area of unreliable basic social services delivery and even deteriorating Tax and Dues collection powers. Other expenditures are also constrained due to general revenue shortage through thrift or deferred payment. In respect of expenditure on basic city public services, namely health, housing and other basic human needs related services, it comprises approximately 40% out of the total budget every year under the Public Health and Housing & Social Services Committees (Kwacha 8,291 million for 1999; Kwacha 11,470 million for 2000). Approximately US\$ 3 million equivalent expenditure in these areas in Lusaka City is far insufficient to meet the needs of nearly two million population.

In order to finance the general shortage of revenue, LCC borrowed a fund without interest charge from the Central Government, which was originally granted by the Japanese Government to GRZ through its grant scheme, Non-Project Grant Aid for Structural Adjustment Support, for Kwacha 264 million (about US\$ 100,000 equivalent) outstanding as of the end of 1999. In 1999 LCC had paid back to MOF only Kwacha 80,000 against Kwacha 1,059,000 scheduled. In 2000 LCC paid back Kwacha 68 million to MOF, which accounts for the “Debt Charge” of the Expenditure. According to the FY2001 budget, the outstanding debt to MOF will be paid up, subject to sufficient revenue realized. LCC managed the budget deficit through over-draft arrangements with three commercial banks, which costed LCC about Kwacha 3.5 million per year.

(2) Measures taken by LCC to improve its financial status

LCC has taken a couple of measures to improve its financial standing in addition to the strict budget management mentioned above, as follows:

Updating Rateable Value: Under the financial assistances from World Bank and USAID, LCC is trying to update the value base of the rateable properties (land and building) for the Rates. According to the Rating Act of 1997, the rating authority (LCC in case of Lusaka) shall, not less than once in every five years, be prepared for the update of rateable value (Section 8-(3) of the Act). At this moment, the property value has not changed from 1995 when the Kwacha value against US\$ was Kwacha 900 / US\$ (Kwacha 4,024 / US\$ as of January 2001). Taking account of the high inflation since 1995, over 25% annually, the property value seems unrealistic. However, it is not affordable for LCC to discharge its duty under the Rating Act, due to lack of both money and staffing. USAID is supporting LCC by hiring surveyors with a budget of US\$ 300,000 and LCC envisages the updated Rates to be implemented commencing 2001. Further, World Bank is assisting LCC in capacity building to strengthen the City revenue base in relation to Rates. In case these developments will be taking place, which does not seem so easy due to, among others, election year in 2001, the City revenue would be increased to cover the legitimate expenditures to a considerable extent, subject to successful enforcement of the Rating Act.

Retrenchment of LCC staff: As of end 2000, LCC employs 2,352 civil servants with additional vacant positions of 232, totaling to 2,548 positions. With a population of nearly 2 million (yet to be confirmed on 2000 Census), the number of more or less 2 thousand civil servants working for the municipal authority is not necessarily deemed to be redundant at all, particularly taking into account that Lusaka is the capital of Zambia and that there are still immigrants going to UUS. On the other hand, for the total budget size of more or less US\$8 million (at the exchange rate of Kwacha 4,024 / US\$ early 2001), 2,000 civil servants are over staffed. In order to improve LCC's financial status after stoppage of the budgetary support from the Central Government in 1993, LCC has tried, in several manners, to reduce the number of staff. However, it is not an easy task for LCC, simply because LCC does not have enough budget to compensate for the early retirement or even due age-retirement. Also, LCC should consider the adverse effects on its capacity to deliver its legitimate services to the citizen without sufficient staffing.

In fact, one of the reasons for a shortage of revenues from Taxes and Rents against the budget for the past years is obviously the citizen's resentment to the poor civil services provided by LCC. LCC has reduced more or less one thousand staff

including casual workers for the past couple of years and the vacant positions as above may not be filled up for a while, which would be what LCC could accomplish at this moment under a tight cash flow condition. There does exist over-due to the employees' salary and wage for over 3 months, with the outstanding amount of Kwacha 3,524 million arrears as of end 1999 which is assumed not to have been reduced thereafter. On top of this over-due, arrears as much as Kwacha 3,524 million is outstanding for Terminal Benefit as of end 2000. LCC has made a provision of Kwacha 255 million to cater for the retrenchment exercise to be undertaken during 2001.

Specific Measures to be taken in 2001: In order to strengthen the revenue base for the FY 2001, particularly in the area of revenue collection, LCC intends to take up the following measures for the year;

- (i) Engagement of a Revenue Collection Company to collect revenue on behalf of LCC,
- (ii) Planning to introduce a flat rate tax on LCC's properties in lieu of Rent,
- (iii) Revising Rates on commercial and industrial properties as of February, and
- (iv) Selling off all unproductive Council assets such as Taverns and Site & Service materials offices.

(3) Future Direction of LCC's Fiscal Performance Improvement

LCC, specifically its Accounting Division, has worked out on preparation of the City's balance sheet as of the end of 1999, with tremendous efforts under the circumstances of poor book keeping practices and even losses of certain significant substantiation documents. As the concerned officials duly comment, the balance sheet does not necessarily reflect precise features of the City's financials. For example, the financial assistance from the Central Government with the outstanding balance of Kwacha 264 million as at the end of 1999 is not accounted for the liability.

Interestingly enough, the City's balance shows Kwacha 12,736 million surplus (after accounting for the debt to the Central Government as above) which is approximately equivalent to US\$5 million at the exchange rate of Kwacha 2,688 / US\$ applied for the year end. As mentioned above, this surplus figure should be surely taken for considerable reservation, however, it gives a certain significant over-view to understand the City's financial position. A bit irregular figures are seen on both Account Receivable and Account Payable. Out of Kwacha 9.5 billion Receivable, Kwacha 8 billion is attributable to Rates arrears (80%) and Personal Tax arrears are only Kwacha 56 million. Of Kwacha 8 billion Payable, as much as Kwacha 3.5 billion (44%) is attributable to outstanding due to employment. This

striking balance between Receivable and Payable shows the significant problem LCC should cope with.

As described earlier, LCC has been struggling for improvement of cash flow in several ways, which seems to have accomplished a certain degree of success within LCC's current capacity. However, it is obvious that the basic restructuring of its budget is still far from satisfactory level, in respect to delivery of basic social services and developmental investment in particular. With the total budget size of US\$ 7.5 million with the total assets of US\$ 8 million (a lack of enough physical instruments duly assumed) as at the end of 1999, it is simply impossible to fulfill nearly 2 million population's basic human needs which should account for yet increasing poor people's ones (38% in 1996 to 52% in 1998 for incidence of poverty in Lusaka).

The most urgent task of LCC, in this context, would be strengthening its secured revenue base, particularly those from Rates and Rents. LCC has organized Rates collection teams, which achieved a certain success in FY2000, but it is not sufficient to keep up with provision of delivery of the City's basic social services. It would be vital for LCC to update the ratable value to realistic and practicable level and to fully cover the rateable property without leakage of legitimate properties liable to Rates, and to properly enforce the Rating Act, coupled with good governance and professional civil servants.

Without appropriate actions by LCC as above, it would not be possible to commence a steady recovery from chronically crippled fiscal positions. Lusaka City had only 200 thousand in population when Zambia got independence in 1964, and tremendous urbanization took place in the 1980s, which increased the population almost ten times until now in urban and peri-urban areas. LCC has no capacity of planning and development under such a rapid urbanization, therefore the development of Lusaka has, in fact, mainly taken place in unplanned areas. However, taking into account the concurrent burden on LCC both in cash flow and in human resources, it would be extremely difficult for LCC to undertake satisfactory development tasks in peri-urban settlement areas within a reasonable time frame. It would be particularly so, in view of relative tendency of major donors to change their development focus from LCC towards other under-developed provinces in the country.

1.3 Administrative Organization of the Government and Lusaka City Council

1.3.1 Administrative Reform of the Government

The Government announced the Public Service Reform Programme (PSRP) in September 1997, which was a comprehensive plan for the administrative reform. The plan entailed the reduction of 15,000 civil servants in 1998, improvements of public services and increases in the level of compensation for civil servants. The Government disbursed Kwacha 80,000 million for special retirement allowance against the budget of Kwacha 20,000 million. However, funds promised by donors totaling Kwacha 96,000 million were not released and consequently the retrenchment has not been implemented as planned. Although the government plans to reduce 7,000 civil servants in 1999, the plan may not materialize without substantial assistance from donors to the required resource of Kwacha 112,000 million.

1.3.2 Administrative Reform of Lusaka City Council

Functions of local governments are defined in the Local Government Act of 1991 and its subsequent amendments. Major functions expected for city authorities are water and sewage services, refuse collection, public health services, street lighting, supply of rental housing, provision of market construction and maintenance, public transportation, fire fighting function, provisions of park, cemetery, library, sport facilities, and city planning. In addition, issues of license and conduct of elections are undertaken by local authorities on behalf of the Government. Local governments are expected to finance these activities through local revenue generation. Besides the Central Government provides assistance to specific activities such as health, road construction and maintenance through line ministries. In 1992, an amendment to the Local Government Act allowed local authorities to set their own fees and charges within limits. It has been assumed rightly that the local revenue base was not sufficient to finance all these activities and the grant from the Central Government has been a major source of finance. For example, in 1988, 37% of local sales tax were returned to local authorities, but this resource was gradually reduced in 1990 to 26%, in 1991 to 22%, 1992 to 9% and 1993 to 4%. There is no outright grant from the Central Government to local authorities.

The Minister of Finance and Economic Development announced in his budget speech in 1992 that the Government withdrew financial assistance to local governments as a part of the structural adjustment policies. This major turn around of the policy was not based on examination of technical and financial capacity of local authorities to fulfill their responsibility to citizens, but the decision reflected the financial inability of the Central Government to assist local governments. The

major revenue sources of local government including LCC were the grant from the Central Government, rents collected from local housing and levies. Withdrawal of the grant by the Central Government has reduced the ability to provide adequate services by the local governments. Lusaka is not an exception. Its ability to render services has been greatly reduced. Factors such as poor maintenance of infrastructure and equipment owned by LCC over the years, and decline in moral of civil service because of lower compensation are additional reasons for poor services by LCC.

Following the democratization policy, the Local Government Act of 1991 defines the devolution of power to local authorities. The Public Service Reform Programme (PSRP) emphasizes the same policy orientation. The establishment of the Planning Department in LCC is an example of the devolution of power to local authorities, but in general the devolution of power and the enhancement of the administrative capacity of local government have not advanced substantially. The plan is there to be implemented, but the capacity of LCC is so limited that it is not likely that the program will progress significantly in the near future.

Lusaka Mayor Ms. Nawa told European Union Ambassador Mr. Krebs that LCC currently has 2,499 staff members, which needed to be scaled down to 1,000 to operate efficiently. The city plans to reduce 1,400 employees, but Kwacha 15,000 million is required for the exercise. In August 1988, LCC managed to reduce 140 employees by the fund borrowed from a bank. Considering the fact that the revenue of LCC in 1998 is Kwacha 12,000 million, the administrative reform of LCC is not an easy endeavor.

As of June 1999 the numbers of the staffs of LCC are 2,376, of which 1,623 are general service staffs, 731 are professional, and 21 are managers. In addition, 700 casual workers are employed. In total about 3,000 are employed by LCC. The plan is to reduce 50% of the staff to 1,500. Besides LCC lists 2,629 posts of which 2,089 posts are filled and 504 posts are vacant. No explanation is obtained for the difference in the number of staff. LCC expects the reduction of the staff would enable to increase the level of staff compensation and to employ efficient professionals in order to provide better services to citizens. Because of the lack of necessary funds, LCC is not able to carry out its plan, meanwhile professionals are leaving the city posts because of low salaries, that affects the quality of services LCC can provide. In addition, the employees with more than 22 years were asked to retire in 1992 and this bold exercise affected the city services negatively. Details of the retrenchment plan are not clear except a few statements by officials to cut back administrative officers and to retain technical staff. However, if the

administration of LCC has to be managed by 1,500 staffs, the minimum administrative works of the city would require a fair number of administrative officers and like any other local authorities the administrative staff retain traditionally, its influence and the number of technical officers will be seriously affected.

1.4 Urban Development Plan for Lusaka

1.4.1 Background of Urban Development Plan

The LCC compiled “The Greater Lusaka Development Plan” in 1975. Lusaka was designed as a “Garden City” in the master plan as guides for development and growth.

However, most of the development plans proposed have not been realized due to the following facts:

- The development concept proposed in the plan had unrealistic “Big Plans” for GRZ.
- The projects proposed in the plan did not have sufficient financial source.
- A slump in the national economy in the succeeding decade delayed the implementation of the plan, and
- The plan has not been reviewed by the Government.

Therefore, the city’s development during the last few decades had been conducted without any development guidelines or scenario integrated by the master plan. This fact has resulted in unbalanced and fragmented implementation of urban and peri-urban development projects undertaken by the Government and degraded the environment of the City.

On the other hand, the living environment improvement projects have been proceeding by the community in association with international Donors and NGOs. However, the projects are not comprehensively carried out due to the insufficient cooperation between the Donors, NGOs and responsible organization such as LCC.

1.4.2 Regulation Related to Town and Country Planning

Chapter 475 of the Law of Zambia stipulates Town and Country Planning Act and finally was amended on 1997. Also National Housing Policy, which was prepared by Ministry of Local Government and Housing has relation with town and country planning, including improvements of unplanned urban settlements.

(1) Town and Country Planning Act (chapter 475 of the laws of Zambia)

This Act aims to make provision for the appointment of planning authorities for:

- establishment of a Town and Country Planning Tribunal,
- preparation, approval and revocation of development plans,
- control a development and subdivision of land for the assessment and payment of compensation in respect to planning decisions,
- preparation, approval and revocation or modification of regional plans, and
- matters connected with and incidental to the foregoing.

This Act consists of nine parts as shown below.

- Part I Preliminary
- Part II Town and Country Planning Tribunal
- Part III Development Plans
- Part IV Procedure for the Preparation and Submission of Development Plans and Their Modification and Extension
- Part V Permission Required for Development and Subdivision of Land
- Part VI Compensation for Refusal of Conditional Grant of Planning Permission
- Part VII Acquisition of Land
- Part VIII Regional Plans
- Part IX General

(2) ACT No.21 of 1997 (An Act to Amend the Town and Country Planning Act)

This Act was enacted on 6 November 1997 and enforced by the Parliament of Zambia since 14 November 1997 to amend 27 items of the Town and Country Planning Act.

(3) National Housing Policy (MLGH)

The Policy provides a comprehensive assessment of the housing situation in Zambia and provides a vision for resolving the housing problem. It also spells out the roles of the various stake-holders in the housing matrix and their coordination for an effective housing supply/development system, stressing private initiative while strengthening Government's role for sustainable housing supply/development.

1.4.3 Present Development Condition

Serious environmental issues identified in the environmental profile (1997) are as follows:

- Poor and inadequate solid waste management,
- Inadequate and unsafe water supply and poor sanitation,
- Unattractive and congested Central Business District (CBD),
- Poor and inadequate housing,
- Increasing in crime and urban violence,
- Increasing poverty and social inequity,
- Low incomes and vulnerability, and
- Breaking up of the social fabric and morals.

Non-Government Organizations (NGOs) and Community Based Organizations (CBOs) have been implementing the improvement projects for sixteen development sectors taking sustainable urban development and socioeconomic development into consideration. These sectors are water supply, solid waste, wastewater, drainage and flood control, transportation, telecommunication, energy, industry and commerce, mining and quarrying, small scale enterprises development, agriculture and fisheries, forestry, housing, education, recreation and tourism, and health.

The common problems of all these activities/sectors are:

- Adverse impact of increasing demands from competing interests for the diminishing resource base,
- Multiplicity of actors involved in providing or administering the services, often resulting in the clash of interests, and therefore, ineffective implementation of policies, and
- Lack of financial, human and other material capacities, and especially of reliable and adequate information to deal with these and other issues of environmental concern.

The poor due to their immediate consumption needs are unable to make the trade off for long-term sustainability of the projects/resources on which their survival depends. For Lusaka, its very difficult to improve the poor adequately, because of the inadequate regulatory, institutional and policy framework of LCC for sustainable development, such as:

- Poor delivery mechanisms for services and infrastructure by the local authority,
- Macro level policies such as trade and economic liberalization,
- Inadequate capital and resources base,
- Low asset base,
- Low human capital, and
- Lack of autonomy.

Most of the new migrants are living in Compounds, which are disorderly developed by themselves. Out of 37 Compounds, 15 have not been regularized and their living environment conditions are quite low with insufficient provision of public services as mentioned above.

1.4.4 On-Going Major Urban Development Plan

In an effort to improve the living conditions and environment of the City and to reduce poverty, a number of projects have been implemented by Programmes Urban Self-Help (PUSH), Promotion of Community Managed Urban Services (PoCMUS, Irish Aid), Programme of Support for Poverty Elimination and Community Transformation (PROSPECT), and Sustainable Lusaka Programme (SLP). A study for comprehensive structure plan of Lusaka has been carried out by WB.

(1) Sustainable Lusaka Programme (HABITAT)

All of development activities in Lusaka City have been managed and implemented by a lot of NGOs, Donor Agencies. Their functions are various in the form of information, policy, technical methods, project implementation, management strategies, etc.

LCC is incapable of effectively coordinating the projects of the various actors especially for NGOs, because commonly they are not obliged by law to report their project plan and progress to the councils' town planning mechanism for scrutiny and approval.

SLP has started to assist the LCC coordinating Donor Agencies and major NGOs activities, and to control and harmonize the projects for maximum effectiveness from a viewpoint of overall Lusaka city development. Ng'ombe, Kalikiliki and Chibolya are involved as the target settlements of SLP, and the pilot studies for water supply and solid waste treatment projects have been implementing in Ng'ombe.

(2) Urban Structure Plan (World Bank)

A study on structure plan in Lusaka was commenced from July 1999 and finalized in March 2000 by the assistance of World Bank.

The overall objectives of the study are:

- Preparation of urban data bases including appropriate maps for the City,
- Analyze, tabulation and mapping of the data collected,
- Preparation of planning and development strategies and scenarios with recommendations for a preferred scenario,

- Preparation of urban structure plan,
- Preparation of prioritized capital development programs for infrastructure and municipal services, and
- Recommend proposal and cost implications for ensuring adequate future operation and maintenance of public infrastructure and municipal services.

Those objectives will assist the beneficiary local authorities to:

- More efficient and equitable management of existing infrastructures and services based on consumers priorities and willingness to pay,
- To provide incentives for operation and maintenance of urban services in accordance with transparent and consistent performance criteria,
- To foster accountability of civic planners and services providers by ensuring that key decisions are made to the lowest appropriate level, and
- To establish processes through which future investment programs are identified and prioritized based on realistic projections of available resources and explicit assessment of urban environmental impact and prepare those initial programs.

1.5 Social Services Framework of Zambia and Lusaka

1.5.1 Health and Sanitation

(1) Health Situation in Zambia and Lusaka

Child survival in Zambia has not improved over the past few years. Currently, the Infant Mortality Rate at the national level is quite high, 109 death per 1,000 births as shown below. One in every 5 Zambian children dies before the age of 5. The number of malnutrition cases is rising because of the lack of knowledge and poor attitudes, and feeding practices in homes coupled with poverty and lower incomes.

Health Situation

	National	Lusaka
Fertility Rate	6.1%(1994-1996)	5.5%
Growth Rate	2.8%	6.2%
Crude birth rate	42/1,000	43/1,000
Crude death rate	23/1,000	15.7/1,000
Infant mortality rate	109/1,000	92/1,000
Average household size	5.0	5.7
Maternal mortality rate	94/10,000 live births	97/10,000
Stunted children	46%	-----
Underweight children	22%	-----
Access to safe water	27%	-----

Source: Central Bureau of Statistics "Welfare and Poverty in Zambia 1997"

(2) National Health Policy

In 1992, the Government approved the National Strategic Health Policies for radical reform of the health system. In 1994, the Government launched a largely donor-funded "Health Reform", shifting the focus away from tertiary level institutions towards "Primary Health Care" which emphasizes preventive and promotive health services. The national health policy and strategies define an essential package of health care services, which are to be made freely available to all Zambians. The package comprises an integrated, broad-based set of curative and preventative interventions which respond to the major causes of ill health and death in Zambia, as well as a series of organizational/managerial interventions designed to maximize the use of Zambia's limited health resources. A specific health care package is defined for each service level: household, community, health center, and hospital levels.

(3) Health Care Financing

In recent years, health financing within Zambia has been characterized by increased government commitment to the health sector, from 5.7% in 1991 to 13.4% by 1994 and over 14% in 1998 (MOH 1998). The health budget is heavily donor funded. Currently, of the Kwacha 2.2 trillion total government budget, 34.5% comes from donors. Even with the dangers of being driven by donor interest, the government of Zambia still relies heavily on such sources of financing. With health reform over the last few years, there has been a shift in budget allocation emphasis towards more support for the districts (provided 80%) instead of hospitals (now getting 20%), shifting way from traditionally urban, hospital-based services. Districts have received cash grants for non-salary, non-drug recurrent costs since January 1994, with progress being made towards devolution of drug allocations in 1996.

However, the introduction of, and increased emphasis on, cost-sharing through user fees charged at the health center level has yet to be seen to bring positive results. Inadequate guidelines resulted in perverse incentives/irrational use of the referral system and perceptions of "paying for nothing" since there has not always been an improvement in quality of services.

(4) National Water Policy

The lack of safe water supplies, population growth and increased congestion in many localities were precursory to the approval of the national water policy and overall package of reforms for the water sector in December 1994. The strategic intent of the policy includes the fostering of inter-sectoral cooperation,

decentralization and community-based approaches to provision and integration with health education. Other features of the policy include:

- Establishment of district committees consisting of community representatives
- Establishment of Community Management and Monitoring Unit to provide policy guidelines regarding planning, management and evaluation of water and sanitation interventions

(5) Local Government Act, 1991

The LCC Public Health Department (LCC-PHD) executes its public health services under the 1991 Local Government Act. It includes encouragement of community participation in community development, establishing and maintaining environmental health services, to take measures for the preservation and improvement of public health and prevention and decrease of nuisances including mosquitoes and other vectors. Under the Act, the city council has to establish and maintain sanitary services for the removal and destruction of refuse and effluent, to establish and maintain drains and sewers and to work for the disposal of sewerage among many other functions.

(6) Public Health Act, 1935 and National Health Services Act, 1995

Under the Public Health Act, the Local Authority (city council) is responsible for the regulation of latrines as follows:

- 1) New and rehabilitated houses having a latrine, and
- 2) Siting of latrines

Under this Act, the CBH (Central Board of Health) becomes responsible for dealing with outbreaks of infectious/preventable diseases if local authority fails to do so.

Responsibility for Sanitary Facilities according to the Relevant Acts

	Public Health Act 1935	Local Government Act 1991	Water Supply and Sanitation Bill 1997	National health Service Act 1995
Planning	Individual to plan for sanitation so there is no nuisance to public (S.64)	LA for communal facilities only (61)	LA for communal facilities only (10)	
Promoting				LA (6)
Implementation (construction)	Individual to construct No nuisance (64)	LA for communal (61)	LA for communal facilities only	CBH when LA fail to provide (7)
Regulation	LA for regulation (68)		Licensing of communal NWASCO by	CBH (7)
Enforcement	LA (68)			LA (6)

Note: LA (Local Authority)

NWASCO (National Water and Sanitation Council)

1.5.2 Education

(1) Present Situation

In Zambia, the education system has undergone serious degradation over the last decade. Levels of learning are declining due to falling enrollment rates, increasing drop-out, and decreasing completion rates, declining highly variable quality and relevance, and an increase in gender, geographical and other inequalities. Figure 1.5.1 shows the enrollment ratios of basic education by enrolled, out-of school and gender.

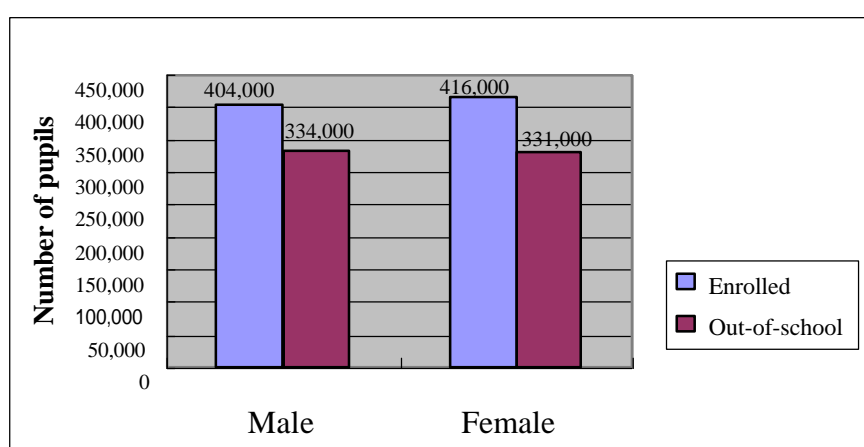


Figure 1.5.1 Enrollment Ratios in Basic Education

Source: Prospects for Sustainable Human Development in Zambia, United Nations 1997

The data provided by UNICEF (1997) also illustrate the severity of the present situation.

- Gross primary enrollment rates have dropped from 96%(1985) to 83%(1990). The current estimate is 77% (1994).
- 45% of 7-13 year olds are not in school.
- 45% of 7 year olds are not admitted to Grade 1 each year.
- The median age in Grade 1 is 8.7 years in rural schools and 7.7 years in urban schools.
- For every 100 girls enrolled in Grade 1, 90 reach Grade 5 and 75 complete Grade 7.
- For every 100 boys enrolled in Grade 1, 99 reach Grade 5 and 92 complete Grade 7.

The major problems facing the education sector resulted from insufficient school facilities and reduced investment in teaching and learning materials, training and supervision, curriculum development, a centralized and bureaucratic approach to the education system, and the lack of policy to prioritize in education sector.

(2) Education System

Although higher education was more prioritized in the past, the government has recently changed its policy direction to focus more on the development of basic education. In the old system, primary education provided 7 years, which was considered to be compulsory education. But after the reform of education policy in 1996, the system was transformed to ensure full basic education for 9 years as shown in the following table.

Comparison of Education System before and after Reform

Age	Education Year	Grade	Before the Reform	After the Reform
18	12	G12	Senior Secondary School	High School
17	11	G11		
16	10	G10		
15	9	G9	Junior Secondary School	Full Basic School (G1-9)
14	8	G8		
13	7	G7	Primary School	Middle Basic School (G1-7)
12	6	G6		
11	5	G5		Lower Basic School (G1-4)
10	4	G4		
9	3	G3		
8	2	G2		
7	1	G1		

Source: Ministry of Education (1998)

(3) National Education Sector Policies

Considering the serious problems of the education sector mentioned above, the Ministry of Education established the education reform by the National Policy in Education (Education Our Future i.e. Education For All) in 1996. The purposes of the Zambia's 'Education for All' strategy are to ensure access to quality education for all primary aged (7-13 years) children with gender equality, and provide learning opportunities with the skills, knowledge, confidences and capacities which enable them to manage life by themselves and to fully participate in the country's development.

More specifically, the goals and objectives addressed in the National Policy are :

- To ensure education for all in Lower/Middle basic Education (Grade 1-4/5-7) by the year 2005
- To ensure education for all in upper Basic education (Grade 8-9) by the year 2015
- To achieve the enrolment at 100% in Full Basic Education (9 years) by the year 2015
- To achieve the enrollment at 50% in high school (Grade 10-12) by the year 2015

(4) Education Financing

The education investment was 13.8% out of total national expenditure between 1981-1985, but it decreased to 7.5% between 1990 to 1997. However, the budget in 1998 soared up to 11.41%. This is an increase especially supported by the donor and the international agencies, and their budget allocation for education sector was raised at 57%. It is a fact that the government depends highly on donors, funds to sustain the education services. The proportion of expenditure by education levels indicate 33.8% for primary education, 24.7% for higher education, and 23.0% for secondary education respectively in 1986, but primary education held 61.1% (Kwacha 91,287,951) in 1998. These changes prove more priority is being placed on the primary education by the government.

1.5.3 Economic Situations and Poverty

(1) General Situation

After the drop in copper prices, the country's economy declined drastically and suffered from the chronic shortfalls of state finances. Since 1989, the country has been forced to accept the Structural Adjustment Programme by the IMF. In response to these measures, the government had to squeeze public expenditure, and the subsidies of education, health sectors and other welfare services. As a result the country has experienced increased unemployment and social instability.

The inflation rate in 1993 soared to 200%, and the current inflation rate is estimated to be 18.6%. Under these circumstances, poverty in the country continues to be widespread and almost 70% of total population (9.5 million) are reported to be living under the poverty line. The absolute poverty line is determined by the cost of foods (with minimum nutrition requirements) that people can purchase. In general, the poverty line is constructed based on the 'food-basket' approach. In Zambia, current food basket requirement is about Kwacha 186,000/month/household (Dr. Millimo PAG, cited in Singha:1997).

(2) Public Welfare Assistance Scheme (PWAS)

The government initiated PWAS (Public Welfare Assistance Scheme) in order to assist destitute people both in rural and urban areas. It is estimated that about 2% of the population are destitute, and those such as aged, handicapped or ill, and unsupported women and children, refugees, other displaced people, and people in disasters, are entitled to get the services by this scheme. The main purpose of this scheme focuses on the service delivery of food, school requirements, clothing, small business. Those are provided through social assistance committee at the ward level, which is organized by 11 members in total such as ward councilor, NGOs, traditional ruler, churches, the Ministry of Health, the Ministry of Agriculture, the Ministry of Education, and so on.

PWAS is also complemented by the charity and efforts of neighbors, relatives, women, churches, welfare NGOs.

(3) Village Industrial Service (VIS), and Small Industries Development Organization (SIDO)

In view of the degrading economic environment and increase of poverty, the government established institutions to foster the economic activities of small business and enterprise for the poor. Village Industrial Services (VIS) was established in 1976 and is a quasi NGO originally to assist village and cottage industries in rural areas but now expand to peri-urban areas. It provides credit, technical support, assistance for project design, development and implementation, business and marketing training, and other technical transfer.

Small Industrial Development Organization (SIDO) was established in 1981, and supports research, training, business consulting, promotion of investment, procurement of equipment and raw materials.