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Make Em an Offer They Can't Refuse - Structural Adjustment and Poverty Reduction

By Mathias Foged, Lasse Eggert, Mathias Wejs Hansen, Martin Jensen.

Second Semester Project.

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Introduction

The majority of aid given to a developing country is given through loans from the IMF or the World Bank (Desai 2009). The conditionality of these loans has shifted from Structural Adjustment Programmes (SAP) to Poverty Reduction Strategy Papers (PRSP). The loans entails policy changes in the recipient country. In the initial phase of this kind of lending, the loans entailed an adjustment of the country's economic structure. This was enforced to ensure the donor-countries repayment of the loans. The adjustments were growth oriented, and was criticized for not sufficiently taking measures to reduce poverty. Therefore a shift in strategy occurred with the introduction of PRSP, which were formulated together with the borrower nations. The project aims to analyse this shift in order to examine how the poor have been taken into consideration with the new approach.

Africa is the least developed continent, and its countries have developed enormous debts in spite of the implementation of structural adjustments. Africa contain 28% of people living below the poverty line of 1$ a day, and accounts only for 2% of the global GDP (Robinson et.al 2009). Of the Highly Indebted Poor Countries (HIPC) in Africa, Zambia was the most indebted country in 1986 (after the implementation SAP) (estimate by World Bank cited in Young and Loxley 1990). This is partly the reason why Zambia will be the focus of our research.

In Sub-Saharan Africa the agricultural sector employ the majority of the people. 60% of the regions inhabitants are employed in the agricultural sector and 80% of the people living below the poverty line are dependent on agriculture. Therefore the sector accounts for 12% of the worlds farmers, cultivating 16% of the world's agricultural land. In spite of these facts, Sub-Saharan governments have often favored urban industrialization, and the migration from rural to urban areas has caused the agricultural sector in Africa to account for only 4% of the global agricultural GDP, as resourceful inhabitants and enterprises have moved away from the rural areas, and there has not been government expenditures that could replace their investments in local rural business area (Robinson et.al 2009).

The World Bank recently made an extensive report upon world development (2008), wherein a substantial part was dedicated upon agricultural development, in case of the Sub-Saharan African countries potential in this regard. As over thirty countries of said part of the continent is well underway implementing PRSP programs, it gives a two fold advantage to our study. For one, most of these countries relies heavily on few natural resource industries, and have low impact agricultural sectors, with room for restructuring and growth. Secondly, the term of poverty reduction in these cases can not be seen unrelated to the rural population in these countries, as they are compiled of a substantial part of the overall population and are sustained mainly from agricultural work (IMF, 2014).

The agricultural sector in these countries have a great potential, but the different African governments vary in the amount of priority given to the subject. As stated; "Agriculture is a key sector in Zambia's poverty reduction efforts" (Zambia Progress Report 2004). This is a major reason why the project has been shaped around Zambia's agricultural sector as a case. The study intends to examine the extent of neoclassical theory in the Structural Adjustment policies implemented in relation to the agricultural sector, and whether there is an actual strategy shift to be detected in the poverty reduction strategies of the PRSPs. We analyse the policies that have been implemented under both structural adjustment and poverty reduction to see what problematics they account for, and what issues that impedes a reduction of poverty. This is done in order to conclude on how much has been done to reduce poverty and what successes and failures the Zambian government has had in regards to this objective.

Research Question

How can the strategy-shift of the IMF and World Bank from SAP to PRSP be seen to consider and address poverty reduction in the policy changes of Zambia, in regards to their agricultural sector?

Sub Questions

1. SQ1: Which differences can be detected between the implementation of structural adjustment program and poverty reduction strategy?
2. SQ2: What does the progress reports show on strategies for reduction of poverty when examining them through the analytical model?
3. SQ3: When addressing the last PRSP (2006) together with critical academic material which successes and failures in terms of poverty reduction can be detected?

Hypothesis

The hypothesis of the project, is that if growth is created for small-scale farmers, poverty will be reduced. This is because the vast majority of poor in Zambia fall under this category, and if they are employed, or able to enhance their income, they will emerge from poverty (Zambia PRSP 2002). However, we do not assume that a general growth in the agricultural sector solely is the cause of poverty alleviation, but rather that a focus on growth should emphasize the small-scale segment of the sector, which we have argued for is a more efficient way to reduce rural poverty.

Analytical Framework

Reflections on theory choice

As the project aims to examine the strategies of the SAP's and PRSP's, a theoretical framework that can assist in analyzing the functions and logic behind these, as well as their implementation processes is needed. Development theory and the branch of it that has been dominant in its modern formulation, under which SAP's and RRSPs are shaped, will be utilized to break down these strategies in their different components and approaches to development. The original theory developed by neoclassical principles have been extensively criticized (Garuda 2000, Carmody 1998, Howard 2008, Howard & Nissanke 1998, Pieterse 2009, Bayer 2009, Nsouli 1997) and the evolution of the theory has thus been shaped towards not only formulating ideas on development, but also pinpointing the issues within that may create barriers for development and poverty reduction (Pieterse 2009). Applying the theory along with it's critique will allow for a comparative analysis of the two strategies, that will highlight changes in the approach to poverty reduction and the issues within, in the specific case of Zambia in relation to the concepts of agricultural development and poverty. Through this theoretical framework, quantitative data can be applied to support or denounce the arguments of the theory.

Development Theory and Neo-Classical Development Theory

Development theory, as a grand theory, concerns itself with a wide arrange of different approaches to the development of societies and operates within several broad reaching concepts (Murphy 2010). This entails several factors such as social and cultural development, but while this is recognized, this project operates solely within the boundaries of economic development in relation to poverty reduction.
Development theory originated in the 1940's and 50's, following the end of the second world war, and has through the past decades undergone several changes, and different schools of thought has been dominating its course. Since the 80's the dominating agents within the theory became the large, global financial organisations that through substantial economic power and influence came to shape the foundation of development theory from a western perspective according to development through neo-classical economic principles of economic growth through principles of minimal state influence and free markets (Pieterse, 2009). The development discourse was predominantly formed by the World Bank and IMF as they "are the main institutional actors in development assistance and policy advice. They are also protagonists of (mainstream) development thinking" (Bayer, 2009 p.89). While early development through the policy making of these institutions were based on general

neo-classical ideas, the themes were formulated into a more specific theoretical approach in 1990 coined The Washington Consensus (Bayer, 2009).

The Washington Consensus

The pervasive neo-classical themes that dominated development theory were expressed by John Williamson (1990), a leading economist, through 10 broadly defined point that laid the foundation for development in Global South countries and addressed the issues that the dominating development theorists saw;

- The need for fiscal restraint in order to lower the government deficit.
- Setting priorities in public spending
- Increasing tax revenues by expanding the tax base
- Market-determined interest rates
- Market-determined exchange rates
- Liberalized trading policies to allow for import competition
- Allowing for foreign investment
- Privatization
- Decreasing state regulations and economic interferences
- Laws for property rights

Each of these principles furthers the implication of a dominating neoclassical theme in development theory, and were formulated from the experience of western countries' economic development to impose the same school of thought in the development of the Global South. As the theoretical framework is developed from this school, it is also formed by the axioms and assumptions as well as the economic claims and ideas of how to create growth and productivity that is connected to neo-classical theory (Carmody 1998).

These different points each serves a purpose in developing the economy and creating growth. These points were what laid the base for the SAP's of which the key goals were to:

> "[...] achieve a satisfactory and sustainable rate of growth, reduce inflation and attain a viable balance of payments position over the medium term (Nsouli 1993 p.21)".

The two main components can be drawn from the objectives of the Washington Consensus: First, to stabilize the budget deficit in order to enable the country to achieve a balance of payments. Second, to develop the economic growth capacities of the country through the market. This was to be achieved by the methodological assumption of the individual agents in the economy being those of "homo-economicus", which "posits a rationally calculating individual, maximizing his or her welfare (Stein & Nissanke 1999 p.403)".

This entailed minimal state intervention and regulations, fiscal restraint in terms of subsidies and expenditure on public sector, monetary restraint through limiting money-supply from the central bank and abandonment of government induced consumer subsidies in order to lower aggregate demand and thus inflation. Furthermore the goal were a greater tax revenue through a broader tax base. This would come from the liberalization of the private market by lifting price controls, abolishment of fixed interest rates, exchange rates and tariffs to encourage a competitive market, both in the trade sector and capital market, with the aim of sustainable growth through pareto optimality (Stein 2008, Nissanke 1999).

First and foremost, as the theory is based on neoclassical economic ideas, it is seen as necessary to redraw the influence of the state on the market sector. This relates to both goals, as according to the idea of individual self-interest, a free market will create optimal efficiency and allocation of resources that will result in growth as each component of the market is freely able to pursue a maximization of profit through marginal responses to market changes. The capital market for credit and investment is to be opened for foreign investment and the privatization of the banking sector to create a stable financial market, with exchange rates and interest rates that adjust accordingly to the laws of supply and demand. This would optimize and develop the banking sector in order to create a solid foundation for credit as well as opening international barriers to allow for foreign direct investment through which investment in industry and agriculture could be financed. Furthermore, the liberalization of the market for export and import by lifting trade barriers and other regulations will create incentive for private competition as prices will be determined by the market laws as well as further competition created by the new opportunities for imports from the international markets, creating a dynamic market that again accordingly to the assumption of homo-economicus and self-interest will attain an enhanced growth rate. Nationalized companies are to be privatized as well to remove government funding benefits both to further the development of a functioning price mechanism as well as cutting government expenditure.
Lastly the prioritizing of public spending, means cutting back on the bureaucratic and public sector to make it more efficient and reduce the deficit (Stein & Nissanke 1999).
All these concrete points are what in theory establishes the foundation that allows the government to repay their loans to the IMF and World bank as well as developing the economy in a sustainable manner with a continuous growth tendency that allows for a long term development of the country (Stein, 2008).

These principles established a theoretical framework for development that came to influence and formulate the structural adjustments made by the IMF and World Bank. This became determining for the evolution of development theory and the sub-category of neo-classical development theory became widespread in the Global South, through the extensive implementation of SAP's (Pieterse 2009, Stein & Nissanke 1999).

Development of the underdeveloped countries were thus seen as arising from economic prosperity, which would raise the living standards for the whole country including the poorest.

The Trickle Down Effect

The argument for the focus on economic development as a means to reduce poverty came from the principle of utilizing Supply-Side Economics(SSE). As part of the neoclassical theory for long term growth SSE prioritizes businesses and financial institutions over demand, the economy would grow through capital expansion of privatized enterprises and liberalized markets (Colander 2012). An article by Aghion & Bolton (1997) attempting to establish a more concrete theory on SSE's relation to poverty reduction along with its issues, states that the idea is that a "trickle down effect" would occur, where the success and growth of industries and capital markets would create more employment opportunities and a more stable capital market that would raise investment and income.

> "As more capital is accumulated in the economy, more funds may be available to the poor for investment purposes, this in turn makes them grow richer" (Aghion & Bolton, 1997 p.151).

Though economic development was the principal objective, it was put in relation with development theory and poverty reduction in the sense that the poorest sections of the society would ultimately benefit from a supply side oriented strategy, as in the long run it would increase the opportunities for the poor in joining the prosperity through enhanced opportunities in the capital and labour markets.
The neo-classical principle was to implement aggregate demand management models through monetary and fiscal policies such as currency devaluation and reduced public expenditure, to reduce inflation and support the supply side. The idea is explained in an theoretical appraisal of the SAP's made by Stein and Nissanke (1999):

> "In order to counterbalance these short-run contractionary effects, the supply side policies are supposed to initiate structural reforms through liberalization and privatization [...] Since these models assume that removing price distortions would assure Pareto efficiency in resource allocation, liberalization and deregulation policies are by definition treated as growth-enhancing and social welfare maximizing (p.405)."

Even though the short-term stabilization of economies would include contractionary measures, which initially would have negative consequences for the consumers, this would be countered by the long term strategy to enhance the supply side of the market. It would create growth, that through the creation of jobs and better financial markets would create an economic environment in which all groups in the society would benefit, at least in theory (Stein & Nissanke 1999).

Critique of the Neo Classical Economics (NCE) Approach

Institutional Approach

The assessment of the SAP's and PRSP's is established through the critiques of the neoclassical approach from an institutionalist perspective, to examine the differences in policy making from SAP's to PRSP's to analyze to which degree the issues that have been unveiled are accounted for in the attempt to reduce poverty. The project examines the factors that influence the agricultural sector, and will through the institutional approach look at the policies that affect the major factors and institutions that have a link to the development of the agricultural sector in Zambia.

Introduction of Main Arguments: State Role, Institutional Capacities and Distribution

The main arguments behind the failure of SAP's is the lack of recognition of the positive effect of state regulations, the capacities of institutions and markets and the structures of distribution. (Carmody 1998, Stein 2008, Garuda, 2000, Kempe 1999, Stein & Nissanke 1999, Adedeji 1999).
The Neo-classical theory takes for granted that the relocation of resources through the adjustment of free markets will benefit the economy and thus poverty. This is a main point of critique by professor in African studies H. Stein & Professor of economics M.Nissanke (1999) in their theoretical appraisal of structural adjustment. Both authors have made extensive research and publications in the area of SAP's, taking a critical, institutional approach. They argues that the basic methodology behind SAP's are flawed and that African markets does not respond accordingly to marginal changes in supply and demand, to a large extent due to the incapability to do so. They point out that since African trade sectors are weak in terms of capacity to adjust and be competitive, the market only deteriorate when liberalized (Stein & Nissanke 1999).

The reason for incapacity in the agricultural sector can be drawn from three primary points: Lack of diversity, import liberalization and insufficient credit from the private financial market (Carmody 1998, Schneider 1999, Adedeji 1999, Kempe 1999);

Firstly, agricultural trade markets in Africa are often dependent on very few primary crops, making them vulnerable to external shocks such as price drop in that particular crop. As only one crop is being prioritized due to lack of technology and market knowledge, a global price drop will result in devastating effects on the whole sector. Furthermore, as many African countries face the same issue, and many of them are under SAP's at the same time, this leads to a fallacy of composition, where the global market are flooded by the same commodities, lowering prices drastically.

Secondly, import liberalization further poses a threat to domestic development as foreign competition often are able to undercut domestic producers. Inputs for the agricultural sector of also often purchased for foreign producers, and currency devaluation together with removing subsidies on these, can result in higher production costs for agriculture.

Thirdly as the state withdraws, the agricultural sector is dependent on financing from the private financial market. Due to a high interest rate caused by the high domestic borrowing, along with an olichagic banking sector, the predominantly small scale agricultural sector cannot access credit, impeding investment and development.

The failure of a trade sector like agriculture by liberalization and privatization thus negates the neoclassical argument that the supply side should and can counter the contractionary measures of SAP's. This leads to the central argument presented by another institutional assessment of structural adjustment:

> "The crucial issue in the political economy of successful adjustment is not to reduce the role of the state in the naive hope that markets will develop to take its place, but to restructure its activities so it becomes a facilitator of, rather than an obstacle to, development" (Bromley as cited in Schneider, 1999, p. 328)."

Garuda (2000) further argues in his analysis of distribution in 58 SAP affected countries, that even though SAP's in theory can have beneficial growth effects on the economy, the distributional structures of the free market ideology are not necessarily adequate in creating equity of income. It depends on the conditions of the given country in terms of its state, institutions and markets. The neoclassical policies of contraction is meant to create growth in the economy, but as Garuda (2000) argues: "from a growth perspective, domestic demand restraint may have significantly negative effects on the poor (p. 1033)". As shown earlier, these contractionary measures which lowers the purchasing power power of the general population are meant to be countered by the growth of the supply side.

He mentions four mechanisms in SAP's as having an impact on distribution and poverty: the devaluation of currency, reductions in the budget deficit, changes in growth rates and changes in inflation rates. These mechanisms has different outcomes depending on the structure of the country.

He argues:

> "If the poor are rural farmers producing goods for exports, devaluation will increase the value of agricultural goods in domestic currency and will likely reduce poverty and improve the distribution of income, but if the poor are urban consumers facing higher food prices, or rural farmers producing foodstuffs for domestic consumption, the distribution of income is likely to worsen. In general, income distribution improves if returns to labor and peasant-owned capital increase, and worsens if returns to capital and capitalist-owned land and natural resources increase (p.1033)".

Reductions in the deficit is in SAP's achieved through cutting government expenditure. This is necessary in order to be able to service the debt payments and create macroeconomic stability, but he argues that the burden of the fiscal restraint often fall on the rural poor through cutting subsidies and support of trade sectors. If the sector, for example agriculture can sustain itself by adjusting properly to the market, this liberalization is beneficial as the growth will create employment (Garuda 2000).
As mentioned before, the issue arises that african economies often cannot develop without government support.

Lastly, SAP's has the goal of reducing inflation by restraining money supply and managing aggregate demand. It is argued whether curbing inflation has a significant impact on distribution but "in general, inflation reduction will tend to improve the real incomes of the poor if incomes do not adjust to inflation as quickly as expenditures. The longer the adjustment lag, the more the fund's [SAP] success at reducing inflation will help the poor (Garuda 2000 p.1034). While this is a factor, he argues that this is most hurtful to the urban population as primary consumers, and is as such not a vital part of this project.

In relation to agriculture in general, neoclassical adjustment is thus shown to only beneficial if the sector has capacity to be competitive and to adjust to liberalization. As it is argued that it often is not, the state must intervene.

The Role of the State

As the institutional approach and its critique centers around the state, it will be divided into three main areas:

- The Capacity of the State
- Interventions in the Financial Market
- Interventions in the Trade Sector

Capacity of the state

In the perspective of the hypothesis that the market is insufficient in creating growth and fair distribution, the state can play a role in supporting the areas which lack the ability to accomplish these goals. For example, a trade sector that is not competitive and profitable thus not beneficial for the economy or poverty, can benefit from direct state-protection and financing. This leads to the obvious implication that in order for the state to support this sector, the state itself needs to be stable and capable of support in the first place. This is an underlying theme in the critique of SAP, and a main point of the institutional approach to development (Stein 2008, Stein & Nissanke 1999, Adedeji 1999, Kempe 1999):

While it is recognized that public sector inefficiency is a large contributor to the deficit, and thus the lack of capacity for the state to intervene, the main argument is the severe budget consequences of external debt servicing. In order to reduce the budget deficit, countries are often dependent of loans of the IMF and World bank, which quickly becomes enormous. The annual payments are often very substantial. Adedeji (1999), a former executive secretary for the Economic Commision for Africa, argues:

> “On the basis of the way in which Africa’s debt crisis has been handled since the 1980’s, three conclusions are inescapable. The first is that the creditor nations are determined, regardless of the consequences, to have the debt paid back, even if by so doing, Africa’s competitiveness is completely obliterated. The second is that the current mega-debt has taken on a special social significance. It is no longer simply a question of money, but of people’s lives and survival. The third conclusion is that debt has become a major political instrument used by the creditor nations and institutions. […] Until Africa’s debt problem is resolved by an unconditional write-off of most of it, the competitiveness of the African economies will remain in jeopardy p.527”

Even in scholarly work by researchers who to a large extent support the neoclassical principles of liberalization, it is recognized that debt servicing has a severe impact on African countries’ opportunities for development as shown by a paper by Kempe(1999), who states:

> “The external debt and debt-servicing obligations of the African countries continue to pose a major threat to sustainable development of the region. Africas outstanding debt was estimated at US$320.6 billion in 1996. As a ratio, this was equivalent to 211 percent of exports and 57 percent of GDP. Of the World Bank’s list of 41 Highly Indebted Poor Countries (HIPCs), 33 are in Africa Debt servicing amounts to 25 percent of export earnings (p.83).”

While the argument of a complete write-off can be debated, the issue of the state’s incapacity due to debt overhang, is an important factor when combined with argument of the institutional approach that the transitional role of the state is essential in development.

Interventions in the Financial Market

As stated, the withdrawal of state support and financing are supposed to pass the responsibility for providing credit for the agricultural sector to the privatized banking sector. An interest rate without the distortions of state regulation, coupled with a private financial market to introduce competition, would in theory create a more stable and growing credit market for the benefit of the agricultural market. A paper by associate professor of economics G.E.Schneider (1999) on the main reasons for the failure of SAP's from an institutionalist approach, considers the issues within the credit market as a major cause for the lack of development. The paper has been critically acclaimed by peer reviews (Muuka 2008).

He argues that the combination of high domestic borrowing by the government, liberalized interest rates and an olichagic banking sector results in severely high interest rates. As most of the agricultural sector is small-scale, poor farmers, their access to credit is limited, reducing investment opportunities:

> "SAP's require interest rate liberalization and increases in government borrowing (instead of monetizing deficits), which, given scarce funds and imperfect competition in the oligopolistic banking sector results in sharply higher interest rates, coupled with instability, devaluation, government spending cuts and trade liberalization, have a devastating effect on investment (p.327)"

This in turn have consequences for export, as domestic producers lack the funding for developing their farmholds. Thus it can be argued that some state ownership, or intervention to prevent monopolizing tendencies in the banking sector could reduce interest rates, making credit for accessible. This issue relates to the debt overhang, in the sense that since the government domestic borrowing are in large extent due to its debt servicing, debt reliefs would through this assist in reducing interest rates as well.

Interventions in the Trade Sector

The main issue with the trade sector is discussed in a paper by professor of geography P. Carmody (1998) who have several acknowledged publications i the field of development. He argues that:

> "[...] opening up [trade] when domestic capital is uncompetitive is disastrous, particular in a context of macroeconomic instability (p.31)"

The trade sector in many sub-saharan countries are so severely underdeveloped in terms of diversity, technology, knowledge and funding that introducing import competition and liberalized international trade often has negative effects on the sector (Carmody 1998, Schneider 1999). The state should thus play a transitionary role with two specific objectives:

Assisting the sector in the development of competitiveness, and protecting it until this is achieved. This can be done through several interventions. Carmody (1998) presents the strategies of the East Asian economies as an example of development measures that could be adopted by African countries:

> "[...] Japan, South Korea and Taiwan developed, in part, by regulating the trade and financial circuits in order to promote their own locally owned productive capital (p.31)",

Firstly, the tendency for dependency on a few crops and lack of diverse specialization can with government assistance be reduced by developing incentives and technological capacities for diversity in production (Carmody 1998, Schneider 1999). This along with assistance through subsidies and direct investment can establish is state in a transitional role, providing guidance and safety in diversification and specialization. This is a crucial aspect as shown by Stein & Nissanke:

> "[...] markets have historically evolved and transformed over time in line with the increasing specialization and the expansion of the division of labour. With higher rates of return to the formalization of markets, long-term and multi-contract impersonal exchanges have developed. However, market transformation does not necessarily take place automatically. For markets to transform and graduate to a higher stage, an appropriate institutional environment and governance structure should be developed to reduce uncertainties and transaction costs (p.413-414)."

Reducing import competition is necessary as imports are able to undermine the domestic export market. Furthermore, as agriculture in Africa are largely dependent on inputs purchased from external manufacturers, the devaluation strategy of SAP's increases the production costs of domestic farmers. Setting up trade barriers for imports and subsidizing inputs, while stimulating exports are thus an important factor in the development of agriculture. This poses some issues, as the reduced competition from imports can have a negative impact on export incentives. The lack of competition can reduce the productive efficiency, but it is still argued that this is necessary in African economies. Export must be stimulated and promoted, but not through import competition as it has severe consequences (Carmody 1998).

Carmody's perspective that the state needs to take protective measures while supporting and creating incentives for the agricultural sector is the broad, pervasive argument of the institutional approach to remedying the issues in the trade sector (Adedeji 1999, Stein & Nissanke 1998, Stein 2008, Schneider 1999)

In conclusion, the state is presented as being a crucial actor in the development of African economies and the reduction of poverty. As the market are imperfect and not capable of self-sustainability, the state is necessary to support and guide it until it is. The state must counter the lack of technology, funding, diversity and competitiveness in the trade sector if the private market is to create growth in the economy, which is necessary to develop the country and reduce poverty, while simultaneously sustaining its debt-servicing. This leads back to the argument that as long as the state is weak in terms of financial and structural capacities, it cannot assume this transitional role. As the large debt overhang is seen as a main reason for the exhaustion of the state, this is a central issue in the overall aim of development and poverty reduction. The state cannot intervene when it does not have the adequate level of capacity.

Theoretical linkages between Agricultural development and Poverty Reduction

This section is made in order to show and establish what our findings through the analysis means for agricultural development with a pro-poor perspective. As our problem area deals with economic development of agriculture for poverty reduction in Zambia, a need arises for establishing that development of the agricultural sector can reduce poverty.
Measurement of poverty reduction is nigh impossible from a case perspective on agriculture, as there is many intricate factors that plays outside of the perspective. With the recognition of this problem, we argue through literature with substantial argumentation that there is a causality between agricultural development and poverty reduction in developing countries.

Gustavo Anríquez, working in the department of agricultural economics in Chile and Kostas Stamoulis, FAO Director of the Agricultural Development Economics Division has made a paper on “linkages” between agricultural development for poverty reduction (2007).
The project aims to frame what incentives and structures that are needed for agricultural development with poverty reduction in mind. This section serves to shed more light on our findings through, what our theoretical framework analysis can say, -to what it particularly could mean for Zambia’s agricultural sector and the poor population in it.

An importing finding of Anriquez and Stamoulis (2007), was that the forward and back linkages (sectors that influence each other economically, for example; where one increases in production the other gains demand for workload) were higher when, more agriculture GDP per rural inhabitant where at present, in regards to the total GDP per capita. The reason for an anomaly in regards to Zambia, is based on the higher rural population count in the rural areas.
Anríquez and Stamoulis (2007) recognizes 4 points where agriculture reduces poverty:

In Zambia, the best arable land lies centrally in the country, but in the case of the whole country only around 2.7million out of 18.2million hectare arable land is in use (Shacinde, 2003). There is a wish for more large scale farming from the governments side, and it might also benefit the unskilled poor population in terms of decreasing unemployment, but actions still needs to be taken towards the over 450 thousand small scale holders (Aregheore, 2006);

This can be done by "Directly increasing the income/own consumption of small farmers" (Anríquez and stamoulis 2007), while Anríquez and stamoulis say that "equitable" distribution of land is necessary, Zambia has approx. 1.1 of its small-scale working on under 2 hectare of land despite of how much arable land it has. The case of zambia is also in a state where benefits are more apparent labour intensive technological progression, as the small-scale farming sector consists of family labour. When yields are in most cases only a third of their potential, simply giving subsidy to fertilizer increases both the income in the aid of subsidy, but also generates a better harvest.

The second point is that development can indirectly reduce food prices (Anriquez and Stamoulis, 2007). connecting the urban and rural market can get rid of high transactions costs of the local markets, the local markets can not function completely at on their own accord as not all food is tradable (Anriquez and Stamoulis, 2007). connecting the two populations can get rid of additional transaction costs and the poor benefit in real income as foodstuffs fills most of their budget (Anriquez and Stamoulis, 2007). Under this view, a stronger agricultural sector could benefit substantially, seeing as most of the urban population is set up along the railway, and as the rural population in Zambia consist of approx. 63 percent of the total population (IFAD, 2010).

The third point of Anriquez and Stamoulis (2007) is the least relatable in a sub saharan country as Zambia, with a rural population compiled of 90 percent farmers. increasing the "income generated by the non-farm rural economy" (Anriquez and Stamoulis, 2007), while the demand of personal financial and community service workers may increase, the small-scale farms demand could be considered low based on the numbers. Seeing as only around 10 percent in the rural economy of zambia are non- farmers and 7 of these are personal financial and community service workers. The numbers where gathered from a paper on the rural non-farmer for poverty reduction, were they admittedly say that "[...] prospects are least favorable in remote backward regions, especially those embedded in poor, slow growing agricultural and national economies." (Reardon et. al, 2010).
This just shows for the non-farm rural sector, that in order to prosper some growth in the agricultural sector has to happen.
Lastly, development and growth in agriculture, whether for small, medium or large scale farmers, can indirectly raise employment and wage rates of the unskilled, this should in turn also pushes unskilled wages in urban areas too (Anriquez and Stamoulis, 2007).

As aforementioned, Zambia is a case which is a little special in terms of how separated the rural and the urban population are. Though the inconsistencies does not only turn an argument against us, seeing as the rural population is cut off from the urban population to some extent and as approx. 76 percent of them are small scale farmers (Aregheore, 2006). We could very well argue that development of agriculture also impacts food security to a greater extent.

Two of the four dimensions of food security, -availability and access, should see improvement as; Availability is defined by the World Food Programme (WFP) as:
"The amount of food that is present in a country or area through all forms of domestic production, imports, food stocks and food aid." (WFP, 2009, p.170 cited in Simon, 2012).
It entails production, distribution and exchange, meaning that not only global or national import and export are accounted for, but also villages, households, and cross-border trade (Simon, 2012).
And, access has three aspects, were the physical could impact agricultural development (Simon, 2012). The physical is concerning transportation, which entail if there are regional difficulties in regards where the food is produced and which households have information and access to the food stuffs.

Methods

Methods and Methodological Approach

This project will be handled as a case study. The agricultural sector in Zambia will constitute the case, and the strategic shift from Structural Adjustment to the Poverty Reduction Strategy Papers will be examined. Even though we examine a specific case, the methodology of a case study specifies that it is not a method in itself. Thereby meant that in this project report it is applied, not a method of research, but rather a method of narrowing down the subject area. Therefore the actual analysis will be done on the basis of two methods. The first being a framework established by secondary research , and the second being document analysis.

A method by which we will gather and address data to constitute our study, is by doing secondary research. This method will allow for an assessment of the research done in the area of development in African countries and enable the project to create a theoretical framework for analysis, which can be applied to the analyzed documents. The secondary research already made on the SAPs will enable us to examine the economic strategy for development before the strategic shift to PRSP. Through our framework, we will make a cross examination of the development strategies, and what gather the available data on which impacts the programmes have had. The move to PSRP and the analysis of the Progress Reports of them will be done by examining them from an institutional economics approach, looking at the arguments of what constitutes stabilization of the different sectors involved in agriculture and thus it's development. Assessments of the quantitative indicators, such as funding in the areas that should lead to poverty reduction is done by examining the the quantitative data accompanying the PRSP reports, which is then treated to indicate to what extent the policies have lead to a pro-poor development from an institutional approach.

The basic advantage of doing secondary research is the fact that it enables the researcher to do extensive studies without great economic means and academic funding. According to Dargentas (2005) the greatest benefit of the method of secondary research is that it enables the researcher to understand the research area, and add something new by a certain study or data collection. Whether it is triangulating it with other studies done in the same field, comparable data on phenomena, or other conceptual/theoretical approaches and frameworks. The last point especially comes into play in this project, since many academic studies have been done under theories such as economic development, and we apply such theories in order to make it more clear how the conceptual vice versa the theoretical framework compliment one another. What is meant by this, is that as our framework allow us to assess whether improvements to the agricultural sector have been made or not from an institutional perspective, based on a different economical approach, and if they have been operationalized through the different programs.

There are of course disadvantages to the method of secondary research as well. When using this method the researcher has no control over how the data is gathered, since it has previously been gathered by other researchers for a slightly different purpose than the project's . This has several implications that one has to take into account. For example the data used can have been collected under a heavily biased theoretical approach or if interviews are conducted in the study that is examined there are often a lot of problematics that are not explicitly explained in the presentation of the study (Dargentas 2005). As our topic is sensitive to positionality, we are giving the reader and ourselves room to get an overview and reflections upon the literature in key parts of our project in order to review and assess the aforementioned implications of using secondary literature.

In order to narrow down the scope of the project into a feasible research, the decision was made to frame our project within a certain case, which allows a more extensive study of a single event, case, unit, etc. and simplifies the extent of research during the research and writing process. According to John Gerring, the case study method is not a way of analyzing a case or to model causal relationships, but is rather seen as the correct way of defining such a case (Gerring, 2004). Through using the case 'method' in the project, a wider applicability of the project's conclusion to external phenomena outside of the specified case is desired without the necessity to incorporate a high amount of cross-national data into the project. In addition, the employment of a case method gives the project process a more simple and stream-lined research phase, which allows for a more goal oriented research and decreases the possibility of a reduced validity of the project's findings through the use of irrelevant data. The case which has been identified as useful for answering the project's research question is the agricultural sector of Zambia and variables within it due to the sector's substantial role in the diversification of Zambia's economy.

Our case study has been identified as case study of type One, according to Gerring's typology of case studies. This identification has been made on the background of that our project studies a single unit case (Zambian agricultural sector) diachronically - over a period of time. The time frame is given by the investigated change over time from structural adjustment policies to poverty reduction strategies and its effects. Thus, the project is concerned with a unit (agricultural sector) comprised of a variation of variables within it (economic principles) which again are based on empirical observations. Furthermore, as Gerring points out, there are some limitations to this type of case study. First of all, although the aim exists to draw wider conclusion with a wide applicability, the data and conclusion drawn from a single case study can be subject to a lack of representativeness and thus, cannot fully used for understanding the same phenomena in other cases. Also a descriptive characteristic is regarded single unit case studies, which makes it hard to answer '*why'* research questions.

The project's timeframe is given by the assessment of data over a period of approximately 30 years. Material from the IMF and the World Bank as well as secondary summaries of these are taken into consideration for the analysis of this project.
The project analyzes the shift from the initial implementation of the SAPs which we define as the 1980's to the assessment of PRSPs in the Fifth National Development Plan that is the latest major paper on policy reforms created in collaboration with the IMF, and was implemented in 2006(FNDP 2006). There were agreements between the IMF and Zambia dating back to the 1970s, but the first major policy agreement was not until the 1980's, therefore our timeframe starts there. Additionally we include literature and data dating later than 2006 in order to assess the FNDP in a broader scope. So even though our timeframe is rather broad, an extensive focus is put on the actual shift defined by the implementation of the first PRSP.

Theoretical linkages between Agricultural development and Poverty Reduction framework serves to substantiate our argument for agricultural development can lead to poverty reduction. While our framework before it can answer what constitutes a neo-classical approach to economic development, and the institutional critique of the neo-classical way serves to link the SAP and PRSP in see if they shift their strategy, acknowledge some drawbacks in the SAP implementation and if their new strategy in the PRSP considers some of the institutional economics factors from our framework. upon these findings the next framework is then there to help link the changes in the agricultural sector to poverty reduction.

The framework can also analyze what agricultural programmes in the PSRP influence the rural population. If the PRSP follows some of the points in the institutional approach and poverty reduction is not showing, what does the framework of agricultural development for poverty reduction tell, in terms of which factors affects rural poverty in agriculture. Thus it can also shed more light upon where further research must be made in order to answer what other factors inhibit poverty reduction in terms of agricultural development (in case of persistent rural poverty).

Choice of Data

Regarding our sources, our main sources are the documents on SAP's and PRSPs, although there are some constraints regarding the SAP. It is not one specific paper, but instead a number of agreements under one program. Therefore we examine the structural adjustment process through a variety of scholars who have examined these agreements. It would be beyond the scope of the project to examine all the agreement-papers directly, therefore secondary research plays a major role in that part of the analysis. We make a qualitative analysis of the PRSP from 2002, but since it is very vague in terms of specific policy actions and fiscal allocations, we use the progress report created by the IMF in collaboration with the Zambian government from 2004, to get a more comprehensive picture of what actions were actually taken, and which problematics Zambia faced during the PRSP period. To get an understanding of where the policy-changes were moving in a more present manner, we additionally analyse the latest PRSP qualitatively, although this policy-paper is called FNDP (FIfth National Development Plan), it is made with the same intentions of describing a policy-change over a period of time. The FNDP was produced in 2006, and the policies it entails were implemented over the period from 2006 to 2010.

We are analysing these different papers by looking what policies they describe. Additionally we examine the wording in the PRSPs. This is done through our framework, in order to critically assess what strategies for poverty reduction that lie behind them. Since the case study is focused on the agricultural sector we have discarded all assessments that is not concerned with that specific sector. This does not mean that we are solemnly concerned with policies in that sector, since there are many other economic factors influencing it, for example fiscal and monetary policies. We have chosen not to analyse the progress report published in 2005 but instead pinpoint factors, that show a continuity from the progress report of 2004. This is mainly because close reading of the document showed that there was clearly a continuity to be detected, even without an extensive analysis.

Through our secondary research we will be able to establish the predominant thoughts made by other scholars in the area which will lay the foundation of our project. Through a triangulation of the already established research we can outline the strategies and their issues separately. Analyzing documents by the IMF and World Bank on aims and means for development of the SAP's, the actual PRSP written by the country itself and the progress reports by the IMF through the theoretical framework will allow us to to establish an understanding of the change in strategy, by framing the intended strategy and their arguments.
Our mixed methods, is dictated to a large extent by the framework. The approach will on one hand allow us as previously mentioned to analyze the strategies and the shift from one to the other from a qualitative perspective and the quantitative data will provide us with a partial assessment of their successes in terms of development and poverty reduction and a direction for further research. This comparison and understanding of the individual strategies and the their link to poverty reduction amongst rural citizens in Zambia will enable us to answer our research question.

In conclusion our analysis will be conducted in three parts:

- Applying the empirical theory, upon SAP and PRSP, and pinpoint the differences in strategy semiotically and economically
- A cross reference will be made with the PRSP progress reports, using our own analytical model, based on the institutional approach of our theoretical framework.
- Lastly, we look at the last PRSP (2006) in order to make soft pointers to; differences, successes and failures and if there might lessons learned.

To sum up, we are doing a two folded research, constituted by secondary research and document content analysis on the case of the agricultural sector in Zambia. As our project is examining a strategic shift that were made in order to respond to a widespread failure of the SAP's, our methods aim to sketch out the theoretical differences in the two different approaches to development and point to what effects change might constitute in theory and to some extent in praxis.

Descriptive Chapter

In 1944 an international delegation comprised of representatives of 44 US allied governments met in Bretton Woods, New Hampshire to discuss the international fiscal and monetary order in the conclusion of World War II and to initiate and establish a series of international fiscal bodies to promote international economic cooperation and to help to rebuild the war-torn European nations. Through agreements made at the Bretton Woods Conference, the International Monetary Fund (IMF) and the International Bank for Reconstruction and

Development (IBRD) - which nowadays together with the International Development Association (IDA) is collectively known as the World Bank - were initiated and in subsequent years brought to life.

The two international financial organizations were established with clearly distinguishable objectives to their work. The main concern of the IMF were to "aid in the process of dismantling the massive system of exchange controls on trade transactions that had grown up in the wake of the Great Depression and World War II" (Burnham, 1999, p. 102). On the other side, the IBRD's task was to reconstruct post-war Europe through a series of reconstruction functions, but soon taken over by the deployment of the US funded Marshall plan in 1947, which led to a shift in the World Bank focus towards non-European nations. Even though the two organizations had distinct tasks to accomplish, much of the later issues were of overlapping nature and thus a closely cooperation between the World Bank and the IMF became natural (Pieterse, 2009).

From the mid-1960's the focus of the World Bank shifted completely towards meeting the basic needs of the developing world's population. Where the initial decade of lending was characterized by smaller sizes and amounts of loans, the shifted concentration also resulted in these loans grew by their respectively sizes and numbers. The *raison d'être* of these loans were not only infrastructure improvements but expanded also to social services and other sectors such as building schools and hospitals and improving literacy, for example.

At the same conference in Bretton Woods another international financial organization were established, namely the International Monetary Fund (IMF). Its task was to oversee the global monetary system, stabilize exchange rates and to encourage its member states to reverse international trade barriers, which was a major factor in the sharp decrease of global trade during and in the wake of the Great Depression in the 1930's. The 29 initial member states, were joined by many others during the 1950's and 1960's. This new block of countries were mainly comprised of African countries who were left to independence by their former colonial rulers to establish and strengthen their national economies. The main agreement of the IMF's member states until 1971 was, that their exchange rates should be kept and only allowed minor adjustments in case of fundamental disequilibrium and with the agreement of the IMF. After the US government decided suspend the dollar-gold convertibility in 1971, this par-value system - also known as Bretton Wood system - ended.
Through several economic crises later - oil shocks and the international debt crisis, the Mexican financial crisis and the Asian financial crisis - the Fund worked closely together with the World Bank in order to lend to a high number of countries and to restructure and help countries' economies to generate a financial output that can meet their international payment deficits as well as boosting the global economy.

Whenever a country applies for IMF and World Bank funding, these funds - in addition to stated interest rates of these organizations - are subject of conditions and adjustment policies in order to ensure funds are used in accordance with IMF and World Bank goals. These policies - also known as Structural Adjustment Programs (SAPs) - have the goal to reduce the borrowing country's fiscal imbalances and problems as well as funding different development projects - in conformity with the Fund and World Bank's guidelines and goals. Some of the fields which are subject of structural adjustments are among others: Cutting state expenditures, the disestablishment of trade barriers for both imports and exports, increase of direct export and resource extractions, privatization of state-owned enterprises and institutions etc. (Babb & Carruthers, 2008). Even though a tight cooperation exists, it needs to be noted that SAPs imposed by the IMF and the World Bank have different general goals. The SAPs of the IMF are intended to help a country facing problem in its international paying balance, that is when the country cannot pay back its international debt and is a nationwide program, whereas SAPs of the World Bank have the aim to fund particular development projects, also in certain sectors and regions alone.

From the 1990's onwards, more and more critics blamed IMF and World Bank SAPs for helping not at all or only partly in a highly generic way. In addition, leaving out the borrowing country from any decision making and participation in the structural adjustments, were criticized together with that possible social costs would exceed created economic and financial benefits. Researchers and scientist, as well as non-governmental agents criticized SAPs for cutting to deep in already under funded social programs (McPake, 2009). In addition, critics were keenly sceptical about the actual positive impacts of implemented SAPs around the world in accordance to intended goals and whether a 'top down' adjustment approach by the World Bank and the IMF led to a failed implementation or if national governments and the civil society should have more ownerships in such policies (Ayittey, 1991; Heidhues & Obare, 2011) .

Facing growing criticism, IMF and World Bank undertook a strategy shift from the structural adjustment approach employed for about five decades towards a novel initiative - Poverty Reduction Strategy Papers (PRSPs). PRSPs are policy papers which are initiated by the borrowing country and together with a revisional cooperation and funding from the IMF and World Bank implemented. The papers' objectives are held in accordance with the IMF's PRS core principles of that the papers should be *country driven, result-oriented, comprehensive, partnership-oriented* and base on a *long-term perspective* (IMF, 2014). Through the new PRSPs, the Fund and World Bank attempt to react and counteract some of the failed objectives of the SAPs in many developing countries and some of the critics these programs received over the last three decades.

Through the new approach, the IMF and the World Bank attempt to ensure that the strategy has a national ownership through participation of the broad civil society and that results will most likely benefit the poor and lead to a higher rate of programme completion. Furthermore, it is stated that multi-dimensionality of poverty is recognized and treated in way of coordinated involvement of a multi-layered composition of donors with the perspective of long-term reduction of poverty. The strategy is now entering its second generation of PRSPs and have proponents as well as opponents, who are criticizing the IMF and World Bank to have created just another 'wolf in sheep's clothing' and that the papers are still not addressing the failed factors of the former SAPs. Furthermore, critics argue that the papers' content to high extent still are dictated by the two organizations and its funding member states as well as that with the new focus even more national sectors come under supranational supervision and revision as Goldman (2005) argues in his award winning book "*Imperial Nature*" and the literature found within it.

Conditionalities & Basic Background

In the subsequent section the project will discuss the concept of conditionality in the light of financial loans of international financial institutions and borrower countries. The section furthermore seeks to display the importance of conditions attached to IMF and World Bank loans since those form the very core of the project's problem field and any issue discussed in this paper. This section aims at giving a basic overview about the concept in itself, a brief review of its history and shifting nature and a discussion of possible controversies of IMF and World Bank conditionalities.

The different perceptions of the word *condition* in the context of financing already shows a diversity of understandings and levels of different interpretation possibilities. The project will give some definitions found in academic literature, to pinpoint the diversity of its interpretations not only by the readers but also by the entities dealing with this concept.
The first one is found in Sarah Babb and Bruce Carruthers' (2008, p. 15) excellent review article on conditionality and reads as follows; "we define conditionality as the placement of policy conditions on the disbursement of financial resources to national governments."
In our opinion this definition makes partly up for the lack of specificity of the first one but after all lacks the ability of creating a clearer picture of what conditionalities actually are and with what purpose these have been created in the international financing sector. It needs to be noted that conditions attached to IMF and World Bank programs not always came with dedicated policy conditions and that conditions may vary in their purposes beyond policies.

The most useful definition of conditionalities we could uncover, comes from Arial Buira and the Group of Twenty-four's book "*Challenges to the World Bank and IMF: Developing Country Perspectives*": "Conditionality may be defined as a means by which a party offers support and attempts to influence the policies of another in order to secure compliance with a program of measures; a tool by which a country is made to adopt specific policies or to undertake certain reforms that it would not have undertaken, in exchange for support." (p. 58). However, all beforementioned definitions lacks to explain that in addition to these, conditionalities, put simple, are tools for the supply side of financial aid to ensure that the demand side repays any loans. In other words, a condition is after all a creditor security for loan repayment.

Conditionalities on IMF and World Bank loans were never official part of their respective Articles of Agreement at the time of the institutions' founding. First after the replacement of Fund and World Bank missions in post-war Europe by the US initiated Marshall Plan as development aid, both institutions began to impose conditionalities on their loans to the developing world.

Conditionalities are especially problematic in the case of IMF conditionalities since its nature is more contentious than World Bank's conditionalities (projects with a clear cash flow) because IMF's loan conditions touches policy ramifications.
The Bank only conditioned their loans with covenants in investment loans rather than taking any influence in policy reforms. Although it has to be noted that the Bank made conditions via the "decision to lend" and "the volume of loans" (Kapur, Lewish and Webb, 1997 as cited in Kapur, 2005).

In general, it can be said that countries which applied for a cooperation with the IMF and its following fund programmes in the 1980's have a row of common mean values or characteristics. According to Joseph Joyce (1992) countries which seeked Fund support had a higher credit expansion, larger government sectors/spending, more severe current account deficits, smaller reserve adequacy and a general lower income level than countries which did not apply for IMF funding.

Apart from this, the application process of Zambia is quite similar to the other Sub Saharan countries that are receiving funding from the IMF and the World Bank. The country became a member of IMF in 1965 (IMF, 2014), and applied for a loan after the collapse of the copper mining industry. At that time they negotiated with the IMF and World Bank officials on the conditionalities, but today as earlier described the process is a little bit different. On the homepage of the IMF the process of a loan is described as three stages. The first is the decision stage. Here the World Bank and IMF decides on the amount of capital that should be disbursed to the country, and of course whether or not the country is acceptable to receive funding under the HIPC initiative (Highly Indebted Poor Countries, the apparatus under which the Poverty Reduction Strategies are funded). Second is the assistance stage where a maximum of 20% (of the total loan) annually and a maximum of 60% in total (60% of the total loan) is disbursed to the country's policy-initiatives. Lastly is the completion stage, where the rest of the amount is transferred to the country, and the objectives are examined and monitored.

Zambia's Economic History since 1964 in Relations to Structural Adjustment and Poverty Reduction

For this section, these three articles has mainly been used for empirical data. One article was published in 1988 and gives a very comprehensive and thorough explanation of the time of the implementation of IMF policies in Zambia. Most notably is the one article in which many of the statistical data originates from the World Bank, this could under normal circumstances present a bias in the article, but the statistical data presents a failure of World Bank intervention. It is therefore included even though it is published through World Bank Publications. There will be portrayed a country with fastly increasing debt, which results in an implementation of IMF advocated policies. These policies were deemed too radical and the Zambian government went back to their former policy framework. This was not fundable, so a middle ground was negotiated with the World Bank. These policies did not result in sufficient growth, and in did not elevate people or country from their poor condition, thus the Poverty Reduction Strategy was set in motion.

The term "Small-scale Farmers" is used often in the project, since the majority of Zambian agriculture is organized in this way. We define the term as family driven farms, and with no employment. The vast majority of the group cultivate less than 2ha of land. The term opposes large-scale farmers, that are defined by them hiring help. Although these as well as small-scale farmers vary a lot in economic capacity and size, and also some small-scale farmers are productive enough to be commercial (PIC 1991.21; Nelson-Richards 1987/88,173 cited in Kalender and Floro 1992).

In the immediate period after gaining independence (which they did in 1964) Zambia was a quite prosperous nation, due to their successful mining of copper (Saasa, 1996). In the same period the government took increasingly in-detail control over the economy. Especially the Bank of Zambia's control over foreign exchange is notable, but the agricultural sector was also under government control. The agricultural sector was controlled to such extent that prices were fixed, remote areas of agricultural production were helped by government by subvention and cross-subsidies. There was almost no agricultural export in this period due to a very high exchange rate, and very low level of diversification due to import-substitution protection (Kydd 1988).

After independence, an agreement was made between the government and the people of Zambia, that the government would always provide affordable maize to the urban industrially employed population (Mason; Jayne and Mukuka, 2013). This forced the government into increasing expenditure on subsidies, which was financed by the income generated from copper mining. This would come to pose a huge problem when the copper-sector collapsed

(Kydd, 1988). The increasing government expenditure and loss in income create an increasing debt. At this time the government of Zambia invested heavily in the copper industry in the hope that it would regain strength, but since this never happened, the debt became so big that the country was forced to file for a loan at the IMF(Saasa, 1996; Kydd, 1988).

Apart from cutting down government spending, the IMF imposed a foreign exchange auction in order to lower the exchange rate. The first round of spending cuts happened in the period of 1983 until 1985, but it brought very little effect. The foreign exchange auction was therefore set in action in 1985, and went through two phases until the Zambian government chose to close it and fix the rate. At first, the auction caused the rate to fall from one american dollar equalling 7 kwacha. The auction was thereafter divided into two windows. In one window, inputs into the government apparatus and the agricultural sector was fixed at a rate between 9 and 12 kwacha equalling 1 dollar, and the other window was kept without restrictions, which made the currency freefall to end up at 21 (kwacha=1$). At this point, the Zambian government chose to stop the process and fix the rate at 8 kwacha to the dollar(Kydd, 1988).

By doing so Zambia cut the connection with IMF. According to the president at the time this was due to shocking measures of malnutrition in the country(Cited in Kydd 1988). By saying so he explains how both the exchange rate and the level of government expenditures influence the agricultural sector. The exchange rate has an influence on the export and thereby growth of the agricultural sector. The people, and especially the poor, relied too heavily on the government expenditures that was now cut down. However this does not mean that the process of structural adjustment was over. Between 1982 and 1987 the World Bank had stopped subsidies for the agricultural sector, on everything except for maize and fertilizer. This can be said to be a result of the old agreement on providing affordable maize, which was difficult for the government to abandon, because that would shift the power towards the opposition (Zambia has a multiparty democracy, that like many other places makes it difficult to take unpopular decisions and get re-elected). The problem was, though, that the subsidies was too extensive, so it did not increase diversification of crop. The agricultural export did not increase in this period, because the 40% devaluation of the exchange rate was not enough (Kydd, 1988).

When looking at statistics running from around the time of independence (1965) till after the implementation of the first PRSP (2004) it is very clear to see the momentarily impact of the SAP and the collaboration with the IMF at that time. For example the amount of capital spent on agricultural subsidies increased until 79 to an extremely high level, for thereafter to be extremely low compared to the other periods between 1980 and 1984. In the period that spans from 1985 to 1989 it was back up at the highest level recorded in the statistics. After 89 it decreased, and in 2004 it was at the same level as in 1965. These statistics are created by the World Bank, and they show in many ways how the government of Zambia returned very much to their usual ways after parting with the IMF(Anderson and Valenzuela, 2008 cited in Robinson et.al 2009 pp 37-38).

Two other areas where one can detect the impact of the SAP and the following return to usual ways are agricultural productions share of the cross-sectoral export, and the level of taxation. Starting with the latter it is very important to note the level of taxation in Zambia is very high compared to the rest of Sub-Saharan Africa. Between 1975 and 2004 it has ranged between 22,4% and 58,9%, except for the period between 1980 and 1984. This period shows a general taxation level of 2,7%, but the subsequent period shows instead the highest level detected (58,9%)(Anderson and Valenzuela, 2008 cited in Robinson et.al 2009 p22). In regards to the agricultural share of export, it has increased since 1961 to be at 14% by 2004. At the time of the SAP implementation it was at an all-time low 2%, and the same period shows the biggest share of import for consumption. Apart from that the self-sufficiency ratio was at an all time low at the time of the SAP implementation(World Development Indicators, 2007 cited in Robinson et.al 2009 pp 16-17). So what can be concluded is that in the period of the initial implementation of the SAP and the collaboration with the IMF, the government of Zambia, did not invest much in the agricultural sector, which caused the agricultural share of export to fall and the import to rise. They lowered the taxes a lot, but the government found it too much, and raised it afterwards.

When looking at the agricultural sector one sees a small but positive development. The sectoral productivity of agriculture has increased although marginally. Statistics for the period between 1965 and 2004 shows that the agricultural sectors share of GDP went from 12% to 20%, although its share of national employment went from 81% to 68%. In the same period the agricultural share of export has gone from 3% to 17%, and the sectoral growth in real GDP has since 1980 been at a rate of 2,5%(World Development Indicators, 2007 cited in Robinson et.al 2009 pp 12-14). These numbers were as mentioned developed by the World Bank, so it is very important to note that even though they do show a lot of development and shows clearly the impact of the SAP, but is says nothing about the development in poverty numbers. It is theoretically biased to assume that a sectoral growth will decrease the level of poverty connected with the sector, and therefore the next part will show the economic policies today, and give a more critical and up to date indicator of the agricultural sector and rural poverty in Zambia.

An important point to make at this stage is that, the Zambian government did return to follow the Structural Adjust Program, but not in line of the 1980's. During the 1990's a vast amount of state owned enterprises, often in the form of the state being the majority stakeholder, were privatized. This did not give a sufficiently positive effect, but it kept Zambia in the scope for World Bank lending, which will be shown in the next chapter (Mulenga & Campenhout, 2008). This would enable Zambia to apply for funding for their Poverty Reduction Strategy

Paper. A couple of the main developments, hereunder the issue of fertilizer subsidies, will now be presented, and a more extensive analysis will be provided later on.

Subsidies for fertilizer was given through the Fertilizer Credit Program until 2002. The programs works in a way that allows the farmer to pay 10% of the price for the fertilizer and wait with paying the remaining 90% till after the harvest, at a very low interest rate. Since 2002 the subsidies for fertilizer has been given in a different way. After the implementation of the first PRS the subsidies has been given through the Fertilizer Support Program, which has counted for 55% of the government expenditures on the agricultural sector. 60.000MT has annually been distributed through the program, which is double the amount distributed through the credit-based program. In the agricultural year of 2009/10 the program was renamed Farmer Input Support Program, and with the name change came a number of changes. The process of choosing beneficiaries of the program was made much more democratic, and many more people and organizations was included in the process to minimize corruption. The crop-diversification was enhanced so the program would apart from maize include rice, groundnuts, sorghum and cotton. The change expanded the program, and it now stands for 90% of the government expenditure on agriculture, and 180.000MT is now annually distributed. According to the minister of finance the point of the program change is to focus the help on the small scale farmers, although this was not a success(Mason, Jayne and Mukuka, 2013).

“All-in-all, given the large scale of the program, FISP performed fairly well in allocating subsidized fertilizer to eligible households“(Mason, Jayne and Mukuka 2013, p 617). This is given to the fact that fertilizer was distributed to 79% of the eligible smallholder farmers(which are 30% of the total smallholder household farmers). The program helped develop the agricultural sector, although it did not sufficiently reduce poverty. This is due to the fact that 73% of all smallholder households cultivate less than 2ha of land, and 80% of these people earn less than 1,25US$ per day. 78% of smallholder household farmers fall below this line as well. In other words poverty has a lot to do with how much land a farmer cultivates. This is not taken into account when distributing fertilizer, which is shown in the fact that 50% of farmers cultivating more than 2ha received fertilizer, and “only 23% and 32% of households in the 0.5–0.99 ha and 1–1.99 ha categories received FISP, respectively”(Mason, Jayne and Mukuka 2013 p618). Apart from that the bigger of the smallholder household farmers received much greater amounts of fertilizer, which would be smart because these farms are able to sell much more of their outcome than the smaller ones that use it for own consumption. The idea behind this skewed distribution is probably to push the price of for example maize down, in order to live up to the old agreement(to keep a low price on maize for urban consumers), although this is not what actually happens, and Mason Jayne and Mukuka describe the reason for it like this: “Using price data and FISP allocations for 50 districts over the 2000–2001 through 2011–2012 marketing years, Ricker-Gilbert et al. find that doubling the mean volume of FISP fertilizer allocated to every district reduces retail maize prices by only 2.0% to 2.8%, ceteris paribus.Though statistically significant(P < 0.10), this effect is very small in magnitude"(Mason, Jayne and Mukuka, 2013, p 618).

Analysis

Analysis of SAP

The following section of the analysis is concerned with the involvement of the IMF and the World Bank in stabilizing and helping Zambia with its negative terms of trade, account deficits and highly indebtedness of its external sector. This is undertaken by looking at credit and policy agreements developed and introduced in cooperation with the Fund and the World Bank and implemented, although in some cases only partly, by the Zambian government. These agreements are then assessed by extracting the main policy reforms and structural adjustments which have a direct effect on the Zambian agricultural sector, as sector reforms and financial redistribution and reforms with an indirect effect such as monetary and fiscal policies.

The assessment will have its main focus on the timeframe from the 1980's until the end of the 1990's. Even though Fund and World Bank involvement dates back to the early 1970's, this choice is justified by the increased and intensified scope of stabilizing and adjustment programs from the mid-1980's onwards and the shift away from heavily structural adjustment towards an involvement with poverty reduction in focus in the late 1990's as shown later in this project (Young & Loxley, 1990). Furthermore, it needs to be noted, that the extraction of policy reforms and adjustment from agreements between the Fund and World Bank and the government of Zambia are taken from various author's and researcher's summary and assessment of these, since SAPs in general are not subject of one agreement and paper, but rather comes in forms of several agreements and papers over a longer period of time. In the subsequent sections, the project will address these different agreements under the umbrella term SAP when no special label is used in relation with it, since the single programs imposed by IMF and World Bank "collectively constitute the 'adjustment program' for a country" (Wulf, 1988, p. 581).

The project group decided to rely on key authors within structural adjustment research to extract key adjustments which then will be assessed in the following analysis. This also sets a natural limit for the amount of policies drawn into account, since an extensive assessment of all IMF and World Bank agreements would go beyond the scope of this paper. In addition to the assessment of main adjustment reforms, the analysis sets out to link identified and described economic factors, whether sectoral or monetary and fiscal, to the project's theoretical framework in order to show clear tendencies that these reforms are derived from a neo-classic standpoint and principles guided by the economic understanding commonly referred to the *'Washington Consensus'*.

As the last step of the analysis of structural adjustment efforts, this section comes up with concluding remarks based on our findings to show whether the agricultural sector in Zambia has been strengthened by the involvement of the Fund and the World Bank and through this, based upon the project's hypothesis that agricultural development will benefit the poor living in the rural areas of Zambia, contribute to poverty alleviation in terms of economic development of the rural population. It also needs to be noted that, in the face of a more widespread poverty trend amongst small and middle-scale farmers, IMF and World Bank programs are also assessed in order to differentiate between the economic development of the agricultural sector in respect to its large or small-scale segments. As the table below clearly shows, small and medium-scale farmers are amongst the poorest in the farming segment. Where the two mentioned categories constitute for 81% and respectively 64% of the extreme poor stratum in Zambia, the large-scale farmers only make up a 13% share of this population group. On the other side 78% of the larger farmers are classified as non poor, whereas the small and medium-scale farmers have a share of 10% and 23%.

Table 4 Incidence of poverty by stratum, Zambia, 1996

	Extremely poor (%)	Moderately poor (%)	Total poor (%)	Non poor (%)	Total (%)	Number of persons
Zambia total	66	12	78	22	100	9,128,000
Small scale farmers	81	9	90	10	100	5,113,000
Medium scale farmers	64	14	78	23	100	187,000
Large scale farmers	13	9	22	78	100	5000
Non-agricultural	67	18	84	16	100	426,000
Low cost areas	48	16	64	36	100	2,622,000
Medium cost areas	32	16	49	51	100	443,000
High cost areas	28	11	39	62	100	332,000

(Source: Seshamani, 1998)

As pointed out earlier in the analysis, this section concentrates on a timeframe ranging from the 1980's until the end of the 1990's based on the argumentation of Young and Loxley (1990) that the mid-1980's constituted the first heyday of Fund and World Bank involvement in the Republic of Zambia. According to Stephen Jones (1994), the increased involvement can roughly be classified in the following periods with the general stated goals (period classifications and exact years used differ from author to author based on the definition and understanding of arrangements' start and end but the project's classification of the periods will keep to the below-mentioned):

1981-1885	Efforts of stabilizing Zambia's economy and liberalization of limited nature. Initially operated under an IMF Extended Fund Facility and later supplemented with a 12 months Stand-By Arrangement.
1985-1987	An intensified period of reform efforts made by the IMF and World Bank containing a strong focus on sectoral agreements and exchange rate policies under IMF Stand-By Arrangement and World Bank projects.
1987-1989	A breach in the cooperation between Zambia, the Fund and the World Bank after emerging social unrests due to sharp food price increases in the wake of structural adjustment efforts. Many precedent reforms were rolled back by the government in order to prevent further uprising (Young & Loxley, 1990).
1989-1991	A period of rapprochement with the Fund and the World Bank including new arrangements over longer and shorter periods of time.

The overall goal of these arrangements were to stabilize the Zambian economy which had plummeted throughout the second half of the 1970's as a result of a drop in international copper prices in the mid-1970's, which the mono-economy of Zambia were highly dependent on . A steep negative trend of terms of trade, balance of external debt payments and a huge budget deficit had to be reversed in order to bring back Zambia's economy on the upward trend experienced in the early 1970's, when copper export and high international demand and prices led to a positive GDP trend. It was at a time that the cries for economic diversification became louder as living standards slumped and the copper industry were unable to provide the necessary financial means to stabilize the rest of the country's economy. Where the export of minerals and copper in special used to provide up to 50% of government's income, after the mid-1970's it did only have a share of 5 %. In these terms, economic diversification became even more apparent and constituted a possible way out of Zambia's crisis when a policy of external loan expansion and government expenditure cutting became unsustainable in the start of the 1980's (Meijer, 1990).

The beginning of the decade was characterized by a phase of 'moderate' reforms from mainly the IMF, whose capital tasks were rooted in macro-political issues. The main features of this initial period were the reduction of the current account deficit and the external debt overhang, the decontrol of prices for domestic goods, a redirection of financing towards the agricultural sector, upward price adjustments in agricultural producer prices, relaxed interest-rates ceilings, devaluation of the national currency, and a reform transforming the controlled exchange rate regime to a floating exchange rate policy (Jansen & Rukovo, 1992).

On agreement with the IMF, the kwacha was devalued by 20% and the exchange rate was set to a floating exchange rate policy. This had the purpose of letting the exchange rate be determined by international supply and demand market forces in contrary to a fixed exchange rate, which the Zambian government had established since its independence from the British

Empire. The liberalization of the exchange rate had some major economic impacts on Zambia. Coming from a massively overvalued kwacha during the 1970's due to government exchange rate control and sharply dropping terms of trade because of a reduced import, the budget deficit of Zambia rose to about 20 % of GDP in 1980-1982 (Wulf, 1988). Economically in the sense of stabilization and reduction of budget deficits, this move can be regarded as meaningful in a macro-economic understanding. The devaluation of the kwacha and the further depreciation of it through the market determined exchange rate implied a betterment of the highly imbalanced terms of trade and a means to straighten the government budget deficit in the sense that prices for imported goods increased to make them less attractive, whereas Zambia's products for export became more attractive and cheaper in the international market.

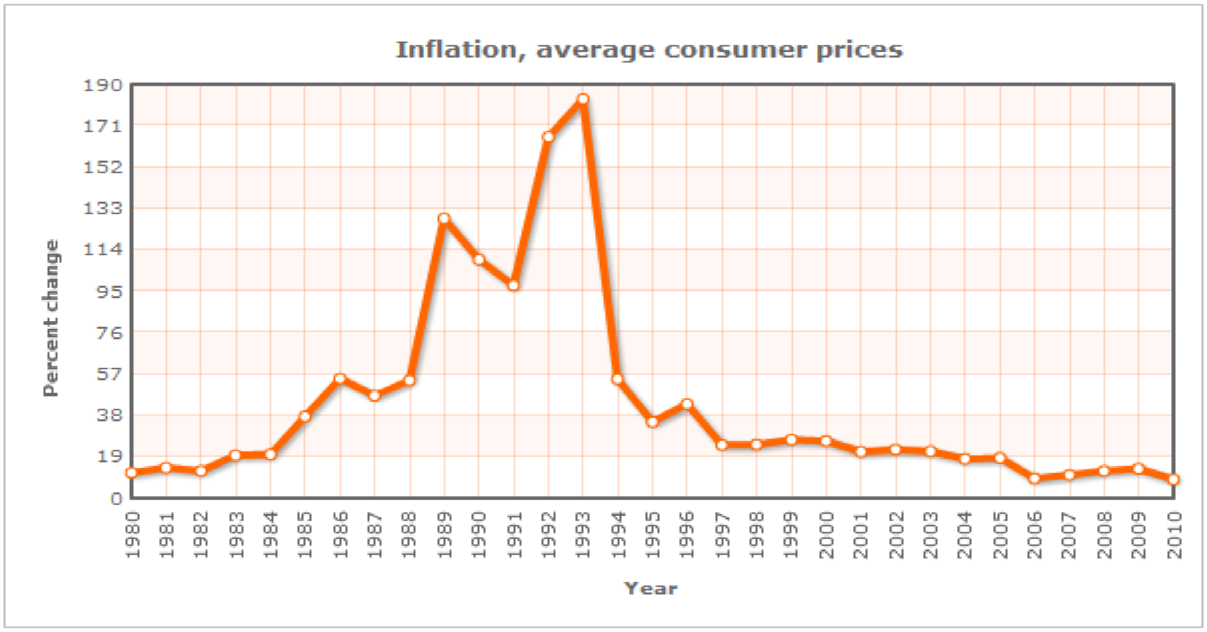
Together with providing a disincentive for imports, the exporting sector were encouraged to increase production with the confident prospects of high international demand. This, in the view of Zambia's negative balance of external payments and trade deficit, made economically sense (Wulf, 1988). One of the arising problems was, that rather than encouraging non-traditional sectors to export, the already massively exporting mining sector which accounted for an average of 94% of total exports from 1980-1983 were further strengthened in the light of falling copper prices and thus falling government earnings (Kydd, 1988). Thus, non-traditional exports accounted only 6 % of the total exports in the same period, which means that a comparatively small share of the non-traditional exports were constituted by agricultural output, which mainly comes from medium to large-scale commercial farming in Zambia (Aregheore, 2009).

Another effect of the devaluation of the kwacha on Zambia's agricultural sector was price hikes on imported goods. Thus, as prices for imports rises and Zambia's substituting economy adapted slowly, farmers who were dependent on imported farm inputs as fertilizer and machinery faced a weakened buying position, which diminished the rate of marginal revenue and discouraged the sector in expanding or in shifting crop pattern towards less input intensive plants. A shift in favor of small-scale farmers, whether subsistence or commercial, was the outcome due to the lower amount of needed inputs. However, this effect is of minor importance, since the beneficial effect was outweighed by the increased input cost in itself, which even small-scale farmers are contingent on. On the other hand, the policy reform of upward adjustment in agricultural producer prices had the positive effect of encouraging more suppliers to enter the market or for already established agents to increase productivity due to the prospect of higher producer prices, which led as a main factor to 9% more agricultural output in 1985 (Wulf, 1988).

From 1985 efforts to further stabilize the Zambian economy were becoming serious. As the result of increased liberalization of the exchange rate regime through the introduction of a foreign exchange auction, the kwacha devalued once more with 64% in one year (Sano,

1988). The introduction of the foreign exchange auction meant that external capital inflows and foreign exchange now would be allocated by the economically efficient market forces. As stated above, the soaring exchange rate had reinforcing effects and the already increased prices for imported goods and made exports more competitive in the international market. This does not mean that a devaluation of the kwacha benefitted the entire farming sector. Generally speaking, the impact on the farming sector which are engaged in import-sensitive crop like maize are hurt since the strongly needed inputs hikes in prices after the devaluation. Increased fertilizer prices had a negative impact on the entire maize producing segment, whereas higher import costs of machinery and other technological inputs mainly hit large-scale farmers (Sano, 1988). However, a general devaluation of the currency in order to diversify the economic spectrum of Zambia through encouraging export farming should not be generally dismissed. But it has to be noted that in order to economically develop the entire agricultural sector, it does not help much to discourage maize production, since maize in the case of Zambia almost equals food and two-third of the total maize production comes from small-scale farmers (Seshamani, 1998). Thus, it can be argued that discouragement of maize production as consequences of the macro-policy reforms taken place in Zambia in the 1980's can barely support the development of large parts of the agricultural sector and by that further the economic development of the rural population in Zambia.
Some side effects of the auction came into play. Since some of the foreign exchange inflow into the auction were foreign aid and loan payments, which amount was volatile in itself, a varying level of cash input on one side cannot create a stable exchange rate on the other side resulting in a general volatile exchange rate. In addition, the drawback of such an exchange rate development is that it results in a decrease of private capital mobilization into sector development due to an insecure financial situation which will affect investment decisions in favor of short-run investments with a shorter time for expected yield (Wulf, 1988). Furthermore, according to Wulf (1988), another drawback for sectoral development through the auctioning system of foreign exchange arose. Bidders had to compete for foreign exchange, which favored the already well-off sector of mining in obtaining foreign exchange for the necessary inputs (imports) for production. Not only the mining sector could take advantage of this, but advantages of the auction were limited to the economic agents with the highest liquidity, namely large-scale producers.

On the other side, a major effect of an intense deprecation of a domestic's currency is that due to nature of the exchange rate in itself. A higher international demand of exportable products will after the law of supply and demand lead to a demand-pull inflation, which means that a higher demand will lead to an increase in these product's prices - which is commonly referred to as inflation. The table below shows the annual change in per cent of the average consumer prices. When looking at the year shift 1985/86, the table shows an almost 57% positive change in the inflation rate compared to the preceding year.



(Source: IMF, 2011; Index Mundi)

When in 1982 the government on advice of the IMF and the World Bank decided to decontrol producer as well as consumer prices of 50 commodities, it was a leap towards market liberalization. It is noteworthy that the prices for maize, wheat meal and bread have not been decontrolled and thus, since maize and wheat constitute the major food for domestic consumption, control of prices for a large share of agricultural output had remained (Jones, 1994; Seshamani, 1998). During the 1980's austerity measures were taken by the government to de-subsidize the agricultural sector in order to reduce market distortions, reduce expenditures and increase competition and thus, economically efficient allocation of resources. The three main subsidies found in relation to the agricultural sector are consumer subsidies, fertilizer and transport and handling subsidies. Especially from 1982 - 1984, a large share of consumer and fertilizer subsidies were cut worsening the situation of the maize sector as import prices on fertilizer already were rising as a result of the kwacha devaluation. But not only the farming sector suffered under the new austerity measures, also the consumers had to shoulder some of its burden. Consumer subsidies in Zambia has been usually employed by controlled producer prices which usually are located well under international prices. This means that Zambia's agricultural marketing parastatals were to collect and buy the produced maize for a fixed share of the total price at the farm gate, whereupon the maize is transported to the millers, which then can sell the maize meal to the final consumer (Sano, 1988).

On demand of the Fund and the Bank, the Zambian government had to reduce its subsidies throughout the sector, which also resulted in a decrease of producer prices. In combination with the higher input costs led to an increase in production costs which were passed on to the consumer, since the government fixed producer prices could not hold pace with the climbing input costs caused by the devaluation. When the foreign exchange auction was implemented the depreciation of the kwacha had rocketing import costs as a consequence. For example rose a bag of 50kg fertilizer from K26,75 in the season 84/85 to K48 in the season 85/86 (Sano, 1988).

Furthermore, as import prices tend to fluctuate heavily since the liberalization of the exchange rate, large scale farmers tended to opt out of maize production, which is one of the import sensitive crops in Zambia. This trend is particularly visible among large-scale farmers since these are able to raise the necessary funds in order to switch production patterns towards less import sensitive crops as sunflowers, cotton and soybeans (Seshamani, 1998). These funds were insufficiently accessible for small-scale farmers, who continued to produce Zambia's staple food. Even though fertilizer subsidies have been restricted by the austerity measures from the government throughout the 1980's, there is no indicator showing that the production of fertilizer dependent maize had decreased among small-scale farmers. This is the result of another development in agricultural subsidization which took place in 1985, when the government decided on new producer prices for maize as a result of the steep climbs of import prices and thus farm input prices which occurred due to the massive devaluation of the kwacha. These producer prices were set in 1985 at the level of large-scale farmers' production costs, which had increased with higher input costs, thus allowing the smaller less-input sensitive farmers (no machinery and modern technology) to continue producing even in the face of increased fertilizer prices and still making an earning of selling their products in the domestic market (Sano, 1988).

One important issue to remember when speaking of agricultural sector development and in particular the small-scale end of the spectrum is that the Zambian government decided not to abolish subsidies on transport and handling of maize and its marketing, which were introduced in 1974/75. These measures were implemented just as decreasing the unequal participation and development throughout the entire country (Sano, 1988). Uniform producer prices and transport subsidies created an artificial comparative advantage for small-scale farmers in the remote peripheral areas of Zambia who did not benefit from the proximity to the line of rail in Zambia. Thus, the retainment of uniform transport subsidies and producer prices encouraged remote small-scale farmers to participate and increase their agricultural production, although putting the public expenditure under pressure since transport costs from remote areas to the next marketing place become more expensive due to deteriorating infrastructure and increase prices for fuel, spare parts and machinery in general as a result of the kwacha devaluation.

Macro Policy Changes from 1991

Zambia started out with a "pan-temporal system" which locked the prices regardless of region and season, this and further information on the change in trade policies comes from Hausner (2000) and his thesis of computable general equilibrium analysis. It has a neo-classical outlook, and is criticizing key points up till 1991 where a change of presidency started to support the SAP wholly. This gives a smart outlook upon how neo-classicist the actual changes in trade policies are. The new president took the aforementioned stance to liberalize and did so in such manner, that they effectively became the fastest adopter of SAP "..and one of the most liberal trade regimes in Southern Africa" (Hausner, 2000). By 1996, import tariffs were 15% on average, but as most of Zambia's tax revenues came from import tax and nominal sales taxes, measures against the imbalance was done by introducing value-added tax in 1996, with effective rate only declining by 1,7 percent (1994-1996) (Hausner, 2000). Together with the exchange rate liberalization in 1990, to quicken the pace of exchange rate adjustment the government introduced a dual foreign exchange regime, wherein the first window for copper, foreign currency receipts was sold at the official rate. The second window, receipts for non-traditional exports, and external loans and grants were channeled through the market rate. The 30 percent devaluation of the kwacha in january 1992 resulted in a removal of the 50 percent foreign exchange receipts, which had to be handed to the central bank. In october 1992, Bureaux de change was allowed to operate, two months later the official rate were unified with the bureaux, with both operating under market rates in order to achieve full convertibility.

While the change in sales tax and tariff barriers did not affect Zambia and its agriculture much, and the exchange rate liberalization induced some needed growth in non-traditional export, which depreciated the kwacha, giving an incentive for importers to turn attention to Zambia's products of export. The slow growth (Musonda, 2008) of the non-traditional exports from 1988 to 1994 can be indicated from several things;
Firstly, the central bank's withdrawal from commercial and semi-commercial activities, -to allow commercial bank for such activities, wherein the central bank functions where to be only primary liquidity and money supply (Saasa 1996). Though because of this and the liberalization of interest rates, a major part of farmers was not able to make sound capital investments, because of a decentralized banking sector, which did not have the capital stability yet to issue risque loans of to small scale farmers. Secondly, the introduction of a government cash based budget not only squeezed the government for capital, but also made it unable to buy up a substantial amount of the crops produced. Thirdly, the accumulation of these macro policy changes and the cash based budget, which did not include debt payment, made the govern loan domestically, thus inhibiting the creation of sound capital markets in regards to facilitating growth in the banking sector.

Table 2: Trend of non-traditional exports performance (1990–1999)

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	Aver
Total exports (US$ mn)	1,269.7	1,162.5	1,174.0	1,029.8	1,114.1	1,238.0	996.8	1,190.8	873.6	771.6	1,082.1
Total exports growth (%)	-7.1	-8.4	1.0	-12.3	8.2	11.1	-19.5	19.5	-26.6	-11.7	-4.6
Total NTEs (US$ mn)	102.2	121.3	102.0	124.1	156.5	202.5	240.8	328.6	301.8	284.9	196.5
NTEs growth (%)	17.9	18.7	-16.0	21.7	20.0	33.9	18.9	36.5	-8.2	-5.6	13.8
NTEs as % of total exports	8.0	10.4	8.7	12.1	12.5	16.4	24.2	27.6	34.5	36.9	19.1
Metal exports (US$ mn)	1,167.5	1,041.2	1,072.0	905.7	975.2	1,035.5	756.0	862.2	571.8	486.7	887.4
Metal exports as share of total exports	92.0	89.6	91.3	87.9	87.5	83.6	75.8	72.4	65.5	63.1	80.9

NTEs: Non-traditional exports
Source: Export Board of Zambia Exporter Audit Report, Bank of Zambia and author's estimates.

Poverty Reduction Strategy Paper 2002

The first PRSP in Zambia from 2002 shows a partial qualitative and quantitative nuance in policy actions. First priority for the strategy is to make the agricultural sector take over the role of mining as main equity. There has been made changes in how to measure and perceive poverty, to give a more holistic view on the subject, although there are some critical points in this shift that are to be addressed. The actions taken towards enhancing private domestic investments can be said to have a similar theoretical approach to the former policies, but an area where the policy paper show a significant qualitative development is rural development. Such great emphasis as is put on the subject, has not been seen in Zambian policy papers till now. Investments are planned to enhance the rural areas economic growth and stability. The interventions planned in the agricultural sector portray a bipolar aim in at least how the development of the sector is perceived. An assessment of these shifts in language, presentation and policy actions will now be presented.

Firstly it is important to mention that the policy-shift as a whole has taken a qualitative step towards poverty reduction. The term is in the title and the fact that it is actively being spoken about portrays a shift in discourse at the least. There are many factors in poverty reduction being presented in the Poverty Reduction Strategy Paper, but only those relevant to our field of study will be addressed in this section.

As mentioned one of the places where one can see both a shift in language and action is the measurement of poverty. With the new focus on poverty reduction a more holistic measurement of poverty has been obtained. The new measurement is the Human poverty Index (HPI) as it was developed by the United Nations. This new measurement takes into account indicators such as life expectancy (measured by percentage of newborns not expected to survive to 40 years of age), illiteracy and level of education, and lastly accessibility to health services and safe water and the number of underweight children. The paper (PRSP of Zambia 2002) recognises that there are other measures, which would give an even more holistic measurement, but these are very difficult to assess. These include such areas as political influence and communal inclusion.

As part of this redefinition a quantified approach, as presented in the paper, sets a poverty line at a level where a person as head of the household has a monthly income which enables him or her to purchase basic foodstuffs to meet the minimum caloric requirement for a family of six. This is as well to give a more holistic measure than the poverty line of one american dollar a day. These new approaches are theoretically better or at least more precise, although it is extremely important to mention that this new way of addressing the issue gives a much brighter picture of poverty in Zambia. When measured solemnly by income below or above a set level (in other words income poverty) Zambia is ranked highest in Sub Saharan Africa, although they only have the fourth highest human poverty in the region. Therefore there could be a underlying tactic behind the shift.

The next point to rise with the PRSP is the presentation of what Zambia intends to do to enhance investment. With the SAP the national currency was first auctioned, the a couple of years after the auction was closed the currency was liberalized (1990), which means that this is not included, especially since that action alone did not increase the investment rate sufficiently. The actions presented are focused around infrastructure and creating a stable economy. Included in improvement of the infrastructure is a mapping of the national agricultural resources and encourage local authorities to designate areas to industrial parks, both in order to ease the investment process. In the agricultural sector the focus is on facilitating investors with capacity to invest in out-grower schemes and in large-scale commercial farms. It is important to note at this point that it is not mentioned that small-scale farmers have no access to the credit market, and through that capital investment, due to extremely high exchange rates. It can be said to be of a neoclassical orientation that emphasis is on this subject only put on attracting capital heavy investors, instead of encouraging a big quantity of small investors.

As mentioned there is a qualitative diversity to be detected in the fact that policy-actions towards rural development are being portrayed in the PRSP. To create rural development investments are made on infrastructure, and social welfare (such as education, health services). Emphasis is put on creating jobs, and enhancing employment. This is done through creating job opportunities in large-scale commercial farms, encourage small-scale farming through enhancing aggregate demand and out-grower schemes. The two folded focus in the agricultural employment is also the picture of the investments in the agricultural sector in general.

An ideology of synthesis orientation can be detected in the PRSP qualitatively. An example of this is the recognition that "future growth potential will be based on increased market competitiveness(PRSP Zambia 2002 p56)". This quote shows an orientation towards a neoclassical framework for policy. It is opposed by a quote found in the same section, that sounds; "Zambia also maintains that the creation of a market economy does not necessarily entail that the state must have no interest or involvement in commodity, input, or resource markets. However, such involvement is being perceived under the PRSP to be indirect and supportive rather than direct and competitive(PRSP Zambia 2002 p58)." This portrays a nuanced ideological background, although the point of the new approach with PRSP should increase and ensure "government ownership" of policy. The first quote show how the country to a large extent still play by World Bank and IMF rules, but the second quote do show an increased autonomy of the Zambian government since an orientation towards laissez faire was to be detected in the SAP, as mentioned in the theoretical framework regarding the Washington Consensus.

The intervention ready approach is also shown in the actions taken towards enhancing productivity in the agricultural sector. On one hand poverty is to be reduced by encouraging small-scale farmers to seek off-season employment in the large-scale farms. These farms are out of the poverty scope, and are big enough to export (Mason et.al. 2013). Therefore there is a big incentive to enhance their surplus in order to enhance capital accumulation and strengthen the national economy. This is a capitalistic approach, which is also seen in the terms used to describe the benefits of this specific policy. So on one hand the Zambian government strive to strengthen the large-scale farmers, but on the other hand out-grower schemes are put forth as a way of encouraging small-scale farming.

Analysis of the 2004 PRSP Progress Report

While the strategy in the PRSP has shifted its emphasis to poverty reduction as part of development, little can be seen in form of actual policies in the domestically developed document. The 2004 progress report of the PRSP made by the IMF is the first report to assess and describe the actual policy actions developed and implemented from the PRSP in order to fulfill its objectives and thus.

The PRSP shows a focus on economic growth in order to reduce poverty, and for this growth to be achieved, macroeconomic stability needs to be achieved to allocate resources properly and make incentives for investment while creating a stable budget that can finance the Poverty Reduction Programmes (PRP). The argument of the institutional approach is that while economic growth is necessary, the gains of this growth must be distributed in a pro-poor manner to achieve aggregate prosperity and poverty reduction. This is shown to have been acknowledged, but to allocate resources, the production of resources is necessary, which is dependent on macroeconomic stability.

Macroeconomic situation

Firstly, there are still huge macroeconomic instability shown by the domestic budget deficit, which in 2002 were 4.1 percent of GDP. This rose to 5 percent in 2003. The external deficit has improved from 10.8 percent of GDP in 2001 to 6.5 in 2002 with an estimate of 5.6 in 2003. Although this is an improvement, it still proves to be a heavy burden on the government budget, which reduces the governments possibilities for the completion of the PRP's. As it is recognized in the PRSP that the state can have an active role in poverty reduction through its Poverty Reduction Programmes (PRP), and allocation of resources to increase growth, the budget deficit is an obstacle, as the goals of the PRSP cannot be achieved while a government deficit exist.
Several reasons lie behind the budget deficit, which will be outlined in this section.

The expenditure on external debt servicing of the Zambian state is still enormous. The total external debt stock in 2003 amounted to 6.882 million US Dollars. This enormous debt is serviced annually, with a payment of $285 million in 2002, and $196 million in 2003. It is not mentioned in the report how much this represents of the GDP, and there is no numbers on the actual prices of the GDP, but external sources show that the GDP in actual prices in 2002 were $3,711,284,000 (Indexmundi.com). The debt servicing thus amounted to 7.67 percent of GDP in 2002. In comparison, only 0.7 percent of GDP were spent on PRPs. 2003 showed improvement, with 1.4 percent of GDP spent on PRP's while the debt servicing with $169 million represented 4.5 percent of the total GDP, amounting to $4,341,841,000. Aside from the improvement, overall this shows that even though PRSPs are developed to reduce poverty, there is still a clear focus on debt servicing, relating to the critique pointed out in the theoretical framework that the huge debt overhang severely reduces Zambias ability to develop, both in terms of economic growth, and financing of Poverty Reduction.

Secondly the completion point for Zambia was delayed, as the government did not fulfill the fiscal adjustment required by the IMF due to "fiscal slippages" in 2003, referred to as being in regards to salary and wage overrun and domestic borrowing, as well as failing to conclude on a new poverty reduction program. The completion point would have resulted in a debt relief of $3.8 billion. As the government missed out on this, it put further pressure on the budget, furthering the impairment of poverty reduction. This again shows the consequences of the external debt overhang.

The domestic debt is another aspect that has severe consequences for the performance of PRPs. The PRSP does not make a change in the strategy that privatization of the banking sector is necessary, which has been carried out by privatizing over 50 percent of the central bank. The lack of control over the interest rate, combined with the large amount of borrowing from the domestic financial market by the government has resulted in the interest rate still being extremely high on commercial loans, at 35 percent in 2002. Macroeconomic indicators such as these can be seen in appendix 1. As the critique of the SAP states that a high interest rate is an obstacle for investment in the agricultural sector, due to small scale farmers being unable to access credit for the development of their farms this proves to be a point in poverty reduction that is not being fulfilled. The strategy in the PRSP for this to be countered is shown to be by lowering the amount borrowed by the government domestically, in order to reduce the interest rate. This is stated to be done by cutting unnecessary expenditures in the public sector, not through state control of the interest rate or a reduction in its foreign debt servicing.

Agricultural Trade

In the trade sector, there has been a significant improvement in non-metal exports from agriculture. The total value of agricultural export grew from $115,1 Million in 2001 to $134.2 Million in 2002 in contrast to the metal export which went from $590 million to $560 million in the same timeframe (appendix 1). Due to the external shock of declining international demand for copper, the mining sector has been in decline. The need for diversification in the economy was a point made by the institutional assessment, and it is shown that the government of Zambia has recognized this in the PRSP and thus it has shifted resources into agriculture to both promote export as well as reducing poverty.

As shown accordingly to the institutional approach and the analysis of the implemented SAP, a main issue of the agricultural sector has been a lack of competitiveness in the global market. According to the critique, this was caused primarily by a dependence of a few primary export crops, the lack of funding and support to the sector , inability to access the credit market for small scale farmers, inadequate infrastructure, inability to develop technological progress and the competition by imported goods. The PRSP can be seen to have addressed these issues to a large extent:

The sector received K104 billion in funding in 2001 , to K119 billion in 2002.
The increase the 2002 funding made up for a smaller percentage of the GDP than in 2001, but even though the sector did not receive a large increase in funding, there are indicators that show that it was better managed along the line of arguments established by the critique of the SAP.

The problem with a lack of commodity diversity has not only been mentioned in the actual PRSP, but has been remedied through the support programmes for other crops. Where maize was the main crop produced before, financing through the allocation of funds from the

government to private enterprises shifted the range of export to several other crops. These included tobacco, cotton, fresh vegetables, paprika and cotton. The funding were made through PRPs which established out-grower schemes, training of farmers and provision of credit, often mentioned in the report as targeting vulnerable but viable small sale farmers. This constituted a more diverse agricultural export market, stabilizing the exchange rate as demand for agricultural exports were consistent, making it internationally competitive while still allowing for import of agricultural inputs and ability for the government to pay back its debt. In relation to this, the government have also targeted the small scale farmers by subsidizing these inputs, through a PRP meant to ensure food security. Between 2002-2004 K 81.2 billion were provided to subsidize 50 percent of fertilizers in small scale agriculture. This lowered production costs, leading to better opportunities for production. It is to mentioned though, that this subsidizing program was initiated due to a heavy drought which resulted in a vast amount of lost income for small scale farmers, and thus it was a special intervention that was part of a "rescue package", more than a permanent policy change to benefit agriculture.
Another important aspect is the fact that even though a substantial amount were allocated to agricultural development, not all of the funding were released, referred to as being due to poor institutional performance in the government sector and distributing bank sector. Of the planned K 104 billion that were to be allocated, the government only allocated K 76 billion, and only K 48 billion were actually released. This shows a deficiency in management, and is described in the report as being caused by poor information systems and lack of planning by the government and banking sector among other things, which led to this underfunding. The consequence was that several programmes were not initiated. Out-grower schemes were made, but the planned training programs for outgrowers and the direct credit provision programmes were abandoned.

Land and Infrastructure Development

The objective in the development of land and infrastructure were to "identify agricultural land, carry out planning on such land, provide basic infrastructure (roads, dams, service centers, electricity, etc.) in order to attract agricultural development and investment (IMF p.22)".
This branch of agricultural development were largely unsuccessful. While several farm blocks were identified, these farm blocks were not developed to support agricultural production.

A successful PRP in this area were the establishment and financing of the Rural Investment Fund (RIF). This fund received K 5 billion to promote development projects, targeted at small scale farmers and several of these projects have been completed for the benefit of several farmers.

Technologic Advances

Some progress has been made to include technological progress as a means for development. These included the vaccination of farm animals, training of livestock farmers in handling disease and increase production and research in seed supply systems for small scale farmers to enhance seed quality and utilization. Furthermore, training in utilizing technology in outgrower schemes were intended, but due to lack of funding, not completed. The proposals for technological development were was set up and implemented through different government established research organizations.

In conclusion, it is observed that where the SAP promoted complete liberalization and free markets in a kind of "every man for himself" manner to introduce more competition, there has been a clear recognition that there is a need for active intervention by the state if poverty is to be reduced while economic growth is attained. The mentioning and focus on the agricultural sector as an important component due to the large percentage of the poor population involved in it, implies a strategy shift with a greater degree of social and equity dimensions. The PRSP has established several programs that have benefitted small-scale poor farmers as well as enhancing overall agricultural production by addressing the issues established in the institutional approach to the SAP and neoclassic ideology of development. The support of a diverse market for crop export increases the agricultural sectors absorptive capabilities in relation to the risk of external shocks, creating a more stable market with greater opportunities for competitiveness and self-sustainability. Although these measures implies a strategy shift, it also sheds light on some of the issues which still impedes development and poverty reduction. The high interest rate is still an issue, as small scale farmers cannot access the credit needed for investment and this has not been addressed through active policies in the banking sector. The interest rate is a consequence of the excessive domestic borrowing by the state in the private financial market, created by its huge deficit. The means for reducing the interest rate is through a lowering of the deficit through a lowering of domestic borrowing. As it is shown, a substantial amount of the government budget is spent on debt servicing compared to poverty reduction, leading to the reinforcement of the argument made by the institutional approach that the debt servicing terms is still a huge obstacle for development and poverty reduction. The lack of PRP funding could be a direct consequence of this, making the debt overhang a critical issue. As the deficit is in large part due to this issue, connections can also be made between the debt overhang and the high interest rate. Furthermore, the institutional incapacities of the government and banking sector in terms of disbursement and efficiency is shown to be inadequate, with large part of the funding not reaching its destination, attributed to poor coordination and management in both the banking sector and the government.

Poverty Reduction Strategy Paper 2007 (Fifth National Development Plan)

There has been a gradual shift since the initial implementation of structural adjustment till the writing of the FNDP from a neoclassical biased growth oriented focus to a pro-poor biased, poverty oriented focus. The shift has happened gradually because the PRSP from 2002 shows a nuances approach, that strives to combine a growth oriented ideology and a more social poverty reduction oriented ideology. The pro-poor bias in this paper is shown both quantitatively by the policy actions that is described, but also in the qualitative wording of the paper. The word "growth" almost never appears without some sort of wording of pro-poor. The pro-poor bias is clear in the statement of the objectives of the plan:

> "The main goal of this Plan is to accelerate pro-poor growth, or to ensure that the growth process rapidly reduces poverty than what was achieved during the PRSP/TNDP period(FNDP, 2006 p26)."

Zambia does at this stage recognize that even a liberalized economy needs some sort of regulation and guiding implementation in order to develop in a beneficial way for the poorest of the society. In this regard the government recognizes as well that even though the mining sector can create an enormous growth increase and a growth rate well above 6% (the goal of the plan being an average rate of 7% over the implementation period) it would not benefit the process of poverty reduction, since the sector can only employ so many, and the majority of poor live in rural areas and are employed in the agricultural sector. Therefore the pro-poor bias will through this plan be manifested through intensive focus on enhancing the production and productivity of the agricultural sector.

The agricultural sector was also in focus under the PRSP, although only 3% of investments was allocated to the sector in 2004. Although this was enhanced to 5,8% in 2005 most investments was used on maize-fertilizer and personnel related expenses. This constrained the sector from growing in a sufficiently diversified manner, and rural poverty to be reduced sufficiently. It is important to note at this point that the agricultural sector has in fact experienced a notable growth and diversification since the 1990s. This is mainly due to "significant increases in the production of such crops as cotton, coffee, tobacco, and horticultural and floricultural products"(FNDP 2006 p46). This has not been due to government spending, but rather outgrower companies.

Rural poverty in general has decreased by 5% between 1998 and 2004,and the same figure is the case for poverty among small-scale farmers(measured by headcount). According to the government these measures are not nearly enough, but they may be explained by the fact that the growth has been driven by cash crops such as cotton and tobacco, which are grown in specific regions, and does therefore not benefit the most rural regions, where small-scale farmers are most often found. Another reason is that the livestock sub-sector that accounts for 35% of agricultural production, has been constrained from living up to its potential by outbreaks of diseases.

Development of veterinary technology and monitoring of livestock diseases was a major focus of the PRSP, but it can be attracted from this policy paper that it was not sufficiently financed, or did at least not work sufficiently. The allocated capital was not invested to a full extent, and the main reason for this is that the zambian government has spent too much money of debt release during the PRSP period. Especially borrowing domestically has constrained the growth and poverty reduction. The domestic debt is estimated at 20% of GDP and 16% of annual revenues has been allocated to interest payments.

The debt has to be dealt with, so following is a number of examples of the pro-poor bias in the FNDP which operates under this constraint. During the decade preceding the FNDP the Zambian economy was quite skewed. 60% of the people lived in rural areas and was employed or seeked employment in the agricultural sector, although only 5% of government spending (1% of GDP) was allocated to the sector. This plan therefore identifies two key areas of investment: "(a) strengthening the relevant economic and social infrastructure, especially roads, schools and hospitals; and (b) enhancing agriculture and rural development"(FNDP 2006 p22). To sucombe to the overall focus, a plan for establishing a well functioning micro and rural financing system has to be created.

The plan falls under the Financial Sector Development Plan (FSDP). The cost of implementing the FSDP is estimated at US $1.5 million. The point of the plan is to create a more harmonized capital and credit market, where also poor people have access. The first and main point of the FSDP is to establish a policy and strategy for rural financing and lower the interest rate in order to increase the number beneficiaries of the credit market. To enhance investment in the agricultural sector the FSDP strives to enhance the system of micro-financing. This is to make the least capital heavy of small-scale farmers able to take loans in order to invest in their own business. As part of this pro-poor agricultural focus the FSDP strive to enhance the role of insurance and pension funds in the country. This is to lower the risk involved in agriculture regarding weather, and encourage investment in the sector from the capital heavy pension funds.

In summation the FNDP "aims to target in the next five years both wealth creation and poverty reduction(FNDP 2006 p2)." This is done through a policy framework in four plans. These four plans being:

1. Wealth creation through sustained growth is the most important part of poverty reduction

2. Redistributive policies are important. both policies towards maximum growth stimulus and social equity investments in agriculture, health and education.
3. “Empowering the poor to earn a decent living income is perceived to be a much more effective approach in addressing their plight than the often unsustainable subsidy programmes(FNDP 2006 p2).”
4. Increased focus on infrastructure. This area of government investments has not been maintained sufficiently due to priority being put on debt relief instead.

Lastly the government plans to reduce domestic borrowing to 1% of GDP in order to lower the interest rate. This is done with the poors access to the credit market in mind. This is a good picture of the FNDP in general. Focus in in this development plan being put on reducing poverty, but the government actions are heavily constrained by the heavy debt that has to be payed back. Pro-poor growth has not been so explicitly prioritized in former policy papers, and this may show a positive evolvement, but it is extremely important to notice that the plan is quite vague, and does not go into specifics as to the specific investments.

Discussion

Arguments:

In this part of the report we intend to discuss some of the critical points in Zambian case. The section will include secondary literature, in order to enhance the validity of our main arguments. The section strives to portray a critical assessments of the arguments made in the analysis and of the economic development and poverty reduction in Zambia on the basis of quantitative data.

During the period of the PRSP Zambia has actually not been successful in reducing poverty. The UN's Human Development Index (HDI) gives a more holistic measurement of development, and is measured with the same indicators as the Human Poverty Index, which has described earlier in the project. From 2002 to 2005 Zambia fell from a position as number 153 to 165 out 177 countries on the HDI(Hanjra and Culas 2011). In the FNDP their position is mentioned as number 166 in 2005, which does not consist with Hanjra and Culas, but in the policy plan it is not mentioned that the position actually portray a slippage.

In the same period there was a decrease in the number of people living below the poverty line. Thereby there was decrease in poverty by the headcount measure, but the more holistic view showed increased poverty (HDI fell 0.17% annually (UNDP, 2010 cited in Hanjra and Culas 2011 p 548)). The reason for this phenomena can be found partly in our analysis. One reason may be the extreme weather conditions in the period. Both the extreme drought in 2002 and floods can have constrained poverty reduction. Apart from that the period saw high inflation rates, so the simple headcount measure show a decrease in the number of people earning less than a set level. The period of the PRSP saw a rise in prices of consumer goods, due mainly to rise in demand enforced by increased export, and the erosion of consumer subsidies. Another reason may be that the focus of government expenditures in the period was on debt relief, so investments in poverty measures such as education was not sufficiently invested in.

In general that is a enormous part of the problem. As shown in the previous chapter debt servicing is a too big part of the annual budget. It is still a problem although Zambia was granted debt relief under the HIPC initiative in 2006. In January 2006 Zambia received 402,59 million SDR as the completion point of the PRSP grant(explained earlier in the report). This meant that their external debt fell from 7.2 billion US$ to 1 billion US$. Thereby the Zambian government would not have had to pay more than 65 million US$ a year in debt servicing during the plan period (2006-2010), compared to the 261 million US$ they would otherwise have had to pay.

This would not be the end of it, because Zambia went back to the old ways of borrowing, and in the FNDP a projection of the borrowing comes to approximately 50 to 60 million US$ annually. This puts the current debt level at 31.20% of GDP (http://www.tradingeconomics.com/zambia/government-debt-to-gdp last visited 29/5 2014). Debt servicing is therefore still a very big part of their annual budget, but it would have been much bigger if it would not have been for the HIPC debt relief. Was is important therefore to note is that the proceeding debt servicing expenditures can not be credited to the critique of the methods of the IMF. It is a problem the Zambian government has put itself in. Though the borrowing is needed, because government expenditure is needed to reduce poverty(as seen in the analysis poverty can not be reduced through liberalization and spending cuts).

Even though much have been done right in theory, when we are looking at the PSRP, the rural poverty have not declined (Mofya-Mukuka, 2013). One reason could be the aforementioned debt overhang, but as noted, Zambia have been relieved of a substantial amount of that debt. There are indicators that one thing which have not been a part of the project, which could be are reason for the lack of poverty reduction. For one is bad governance, or at least bad governance in terms of what the PSRP originally sat out to do.

The information is gathered from articles from the Zambian Economist, a site which is run by an economist named Chola Mukanga whom specializes wide variety of economic issues.
His articles are deemed to be objective when accounting for the data and research papers that are being referred too, which in most of the cases are doing the most of the talking.
A study from Indaba Agricultural Policy Research Institute (IAPRI) in 2013, shows that rural poverty has been a persistent issue from 1996 to 2010 (the issue has of course been there

before, but this within their data set). Some other indicators included from the IAPRI paper also tells us that 73 percent of small-scale farmers cultivate under 2 hectare, and within this group 80 percent are in poverty, furthermore 55 percent of the FISP subsidy program goes to those who cultivate more than 2 hectare. Granted, most of those who cultivate below 2 hectare can in most cases only self sustain themselves, but from an interview of Rhoda Mofya-Mukuka (2013) from IAPRI she makes it known that only a third of the potential yield of hybrid maize is produced, so subsidy for this group of farmers could potentially create a surplus production. The data talked about in the interview is gathered from the aforementioned study.

Another problem is that of government expenditure on the agricultural sector, wherein it has evolved to a 56 percent expenditure on the Food Reserve Agency (FRA) and 30 percent on the FISP, only leaving 14 percent on things like research, irrigation and infrastructure. On top of this it seems that the small scale farmers could actually benefit from it, seeing as not only the the increase of land from 1 to 2 hectare of land, but the amount of fertilizer greatly increases the amount of expected output (see appendix 2) (Mofya-Mukuka, 2013).

The project has analyzed the implementation of policies from an economical point, where the economical capacities and strategies are the points of focus. The arguments does to a large extent not take social and political issues into consideration, and since it is a case study, the lack of putting Zambia into a global context also results in the conclusion made herein being debatable.

Political issues

P. Streeten (1987) gives a brief overview of some of the problems in the development of the Global South which is not given priority in this report:

The project has analyzed the implementation of policies from an economical point, where the economical capacities and strategies are the points of focus. The arguments does to a large extent not take social and political issues into consideration, and since it is a case study, the lack of putting Zambia into a global context also results in the conclusion made herein being debatable. P. Streeten (1987) gives a brief overview of some of the problems in the development of the Global South which is not given priority in this report:

Firstly he mentions how the interests of the actual policy maker i.e. the government in the affected countries, may differ from those of the World Bank and IMF. He gives several examples of this. The question of national sovereignty is mentioned as being an impediment to development As many countries in Africa are former colonies, and along with this follows a strong scepticism towards policies dictated by Western world institutions, as the policy makers may feel a form of new-colonialism being forced upon them. From this, opposition towards following the adjustments may result in their failure. Furthermore, as policy makers are politicians, their interests often revolves around getting re-elected, and as the burdens of structural adjustment may be carried by large groups with a substantial voting power, policy makers may hesitate in implementing policies which result in a decline in their political influence, as stated in the example by Streeten:

> “The government may want to promote the interests of groups on whose support it relies, whereas the lending institution wishes to institute painful reforms for the benefit of less well represented people”

The basic ideologies may also differ. The project is analyzing from the perspective that there is no conflicts of interest, but as development often is framed through ideologies the disagreement over these make cause serious problems of actually producing any form of development. While IMF and World bank institutions may suggest that the public sector is given less priority, this option may be heavily contested by the borrower country, as they may see the public sector as being the main actor of development. This disagreement can lead to policies being made which obstruct each other, further making development problematized.

These conflicts of interest are not being taken into account, but may provide additional important answers when examining the issues in development through structural adjustment.

Reflections

We have made some reflections upon the strengths and weaknesses of the project. These will be outlined briefly in the following section.

Firstly, a critique of our main hypothesis is needed. It cannot be generally stated that the development of the agricultural sector universally can be used for poverty alleviation. Even though growth in the sector is created it does not necessarily mean that poverty will be reduced. For example the growth could just enhance the inequality in the sector.

Second is a critical assessment of our choice of case. Since we are looking at a specific sector in Zambia the report does not take into account the long term regional development under structural adjustment and how the regional cooperation/competition benefits or outweighs the initial economic development. To take these factors into account we could have made a comparative case study, to give a better picture of World Bank and IMF influence in the region. Another way could have been to make the case even more narrow and examine one specific region in Zambia. This would have given a more precise picture of the direct influence of the policy-changes. This could also have given us the chance to do fieldwork, in order to conclude on the measure of poverty reduction from the policies.

Thirdly we could have made a far more extensive and systematic assessment of IMF and World Bank program papers could have been implemented to strengthen the overall arguments of the project. On the other side, this had demanded a more time consuming work load. To structure the IMF and World Bank databases in regard to credit agreements and adjustment programs is from a down-to-earth perspective a project in itself and will give further research in the field an advantage to not first to work through the incredible amount of data.

Lastly another choice could have been made in regards to choice of theoretical departure points. A more narrow framework could have been chosen in the sense that this possibly could have strengthen the focus on more precise and concrete phenomena, concepts and indicators which then could have been measured in the project analysis.

Conclusion

An analysis of the SAP and the PRSPs and their progress reports have shown a gradual shift from growth oriented policy framework to a nuanced framework to a pro-poor biased policy framework. Policies implemented in collaboration between Zambia and the IMF and the World Bank has gone from focusing on liberalization, competition and economic growth to reducing poverty, creating equality and creating stability. This is shown through not only a change in the rhetorics of the formulated strategies, but also clearly seen in the active government interventions in the agricultural sector.

Zambia had a big deficit on their balance of payments (too much import spending in 'proportion to exports earnings), due to falling copper prices and a highly mono-economic structure, which lacked to produce adequate amounts of consumer goods for the domestic market. The main concerns of the IMF and World Bank regarding stabilization of Zambia's economy was therefore reducing public budget deficit, reducing the negative trend of balance of external payments (debt) through export stimulating and import restrictions, in form of kwacha devaluation, was therefore the, and lastly and most important safeguard Zambia's economy from external shocks through diversification of its sectors.

Massive kwacha devaluation from 1980 - 1986 as shock therapy had following results: It served as disincentive for any form of imports since foreign goods increased in price following the kwacha devaluation and by this initiating and promoting the import-substituting industries, which in terms of agriculture were highly underdeveloped at this time. On the other hand, exporting sectors were promoted since Zambian exports became cheaper on the international markets.

The results for the agricultural sector were that production incentives were taken away from the input-sensitive crop maize, since fertilizer which are used in huge amounts for maize farming became more expensive and incentives shifted towards cash-crops and less input dependent crops like sunflowers, cotton and soybeans, for example. This was particularly apparent for the farmers engaged in the large-scale segment of the farming sector. Due to high dependency on machinery, modern technology and fertilizer, these were affected the most of increasing import and thus input costs compared to the small-scale farmers, who are not using machinery or technology that needs to be imported, and fertilizer are not applied in the same amounts. On the other hand, large-scale farmers are the group with the best chances for raising funds in order to cope with higher input prices or finance a shift in crop pattern. This effect were strengthened by the prospect of higher export demand when shifted to exporting cash crops.

In order to prevent farmers to opt out of farming for good because of high input costs, the government decided to fix producer prices at a higher level matching the increased costs for import. Since this happened on the base of large-scale farmers' production costs, small-scale farmers could continue producing with an adequate rate of revenue. Despite of massive de-subsidization, uniform transport and handling subsidies remained, strengthening the small-scale segment through the maintenance of an artificial comparative advantage for many small farmers in the remote and peripheral areas of Zambia.

The PRSP clearly shows a much more pro-poor orientation. It is though still constrained by the financial aid being a loan. Therefore poverty has to be reduced by creating growth, and continuing debt servicing. The shift can be seen in the language in the PRSP, whereas poverty was not mentioned at all in the SAP it is here a commonly used term and factor in the policies. In policy actions poverty is also much more of a priority.

With the PRSP, a number of programs were initiated through the shift in strategy. In regards to the agricultural sector out-grower schemes were encouraged by the implementation of financial and development aid for small scale farmers, and a fertilizer support program were initiated. These were made in order to enhance the abilities for small-scale farmers to diversify their crops, and enhance their production. In general, the agricultural sector was much more at focus than under the SAP, as the Zambian government recognized that in order to reduce poverty, the macro economic focus had to be diversified instead of only being dependent on a declining industry, as seen in the example of the failing copper mining sector. The PRSP intended to reduce poverty in a more holistic manner and by this intention, a new measure of poverty was undertaken, to show a broader focus on the subject. Neoclassical elements of growth through competition is still visible, as the export market is still in focus, but the PRSP clearly recognizes that the issue of a lack of competitiveness, has to be addressed by introducing both export enhancing and protective policies in the agricultural sector. The PRSP in itself was very vague, so the shift cannot entirely be detected by examining it. Therefore the analysis of the progress reports and the later policy papers give a more precise picture of how much the shift has happened in the policy actions.

The progress report analysis shows several programs being initiated combining growth and pro-poor measures. The support for different crops, the funding of outgrower schemes to small scale farmers along with technological training and assistance are all examples of interventions by the state for the purpose of creating growth and equity in distribution. Although the strategy in itself is observed as having adjusted to the institutional approach, several issues still impeding development has been found through the analysis. The role of the state has clearly been enhanced, but several issues indicate that its capacity is still inadequate. Significant instability in the macroeconomic conditions, observed by the budget deficit, continues to pose a threat to development. Lack of funding has resulted in several of the intended programs not being implemented, and the analysis of government expenditure shows a large amount of domestic revenue funneled towards the payments of external loans. This points to the debt overhang as being a major factor in the lack of development which is backed up by secondary research. Furthermore, large amounts of allocated funding is never released, which is attributed to inefficient institutions both in terms of the public sector and the banking sector. This shows that internal issues is in need of being remedied to properly implement poverty reducing strategies. Overall the strategy for development in Zambia has shifted, but by this shift, further issues arises within the new strategy. The project highlights these issues, the debt overhang and the inefficiency of institutions, but further examination of these problems goes beyond the scope of this project.

The latest major policy-paper that has been analysed in this project shows a continuing move towards more and more pro-poor orientation. The pro-poor strategy is shown in the language, but especially through the intended programs and institutions. The continuing problem of the small-scale farmers inaccessibility to the credit market is being further addressed by establishing the FSDP, which shall also secure a stable capital market in Zambia. The policy paper shows that the outgrower schemes have been quite successful in diversifying the crops in the agricultural sector, although the sector in itself has not grown sufficiently.

There is an general problematic with reducing poverty in developing countries. The economic growth in Zambia is insufficient in creating income to the government, and since poverty reduction does cost money, a constant government deficit is constraining the process of poverty reduction. Even though Zambia received a major debt relief in 2006, they had to keep on borrowing in order to finance the FNDP, and thereby had to continue to spend money on debt servicing. This has during the timeframe that we have examined been a significant issue. The huge parts of the annual money allocated to debt servicing has constrained them from sufficiently investing in education, health, infrastructure and agriculture. This reduces the growth and the reduction of poverty. Lack of funding, and the mismanagement of the funding actually utilized are still major issues in the development of the Global South.

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Appendixes

Appendix 1

Table 2.1: Trends in selected Key Macroeconomic Indicators 2000-2003

Indicator	2000	2001	2002	2003 est
Real GDP Growth	3.6	4.9	3.3	5.1
CPI Inflation end Year	30.1	18.7	26.7	17.2
CPI Inflation annual average	26.1	21.7	22.2	21.5
Domestic Fiscal Deficit (percent of GDP)	-3.3	-4.7	-4.2	-3.2
Domestic Revenues (percent of GDP)	19.4	19.1	18.0	18.4
Expenditures (percent of GDP)	-	-	31.9	30.6
Domestic Financed Capital Expenditure percent of GDP	2.3	3.8	2.6	2.5
Poverty Reduction Programmes (percent of GDP)	-	1.4	0.7	1.4*
Money Supply Growth (percent Change)	74.1	10.8	31.4	13.8
Government Borrowing from BoZ (in K Billion)	1,517.9	1,900.1	1,700.8	---
Government Borrowing from BoZ (annual percent Change)	80.5	25	-10.5	---
Government Borrowing from Commercial Banks (In K'billion)	357.1	777.3	916.3	---
Government Borrowing from Commercial Banks (annual percent change)	54	117.7	17.9	---
Nominal Weighted Commercial Bank lending rates	45.9-	54.6-	50.0-	44.8
Nominal Exchange Rate Depreciation end period	58.0	-7.9	13.2	25.3
Exports c.i.f (US$ Million)	746	884	916	1,134
Metal Exports (US$ Million)	497	590	560	729
Non-Metal Exports	249	295	357	405
Of which agriculture (US$ Million)	102.3	115.1	134.2	---
Gross International Reserves (Months of Import Cover)	2.8	1.4	2.2	1.3
Balance of Payments Support (US $ Millions)	186.0	74.6	137.3	55
Current Account Balance (including grants) (percent of GDP)	(11.4)	(10.8)	(6.5)	(5.6)
Foreign Direct Investment (US Millions US Dollars	278	301	178	233
External Debt Stock (US $)	6,253.1	7,270.4	7,140.4	6,495.1
Stock of Domestic Debt (in K, Billion)	---	3,971	3,077	3,695
Stock of Domestic Arrears (In K Billion)	-	-	433.6	635.5

Source: Ministry of Finance and National Planning and Bank of Zambia
* Under HIPC Initiative

Appendix 2

Table 9. Smallholder Agricultural Households and Maize Area Planted, Quantity Harvested, and Yields, 2000/01-2011/12

Agricultural year	Total # of agricultural Households (HH)	Maize area planted (ha)		Maize quantity harvested		National maize yield (kg/ha planted)
		Total	Mean HH	Total (MT)	Mean HH (kg)	
2000/01	1,127,109	748,314	0.66	957,437	849	1,279
2001/02	1,169,525	785,183	0.67	673,673	576	858
2002/03	1,212,079	745,670	0.62	970,317	801	1,301
2003/04	1,275,428	780,768	0.61	1,364,841	1,070	1,748
2004/05	1,326,631	801,976	0.60	652,414	492	814
2005/06	1,373,537	864,970	0.63	1,339,479	975	1,549
2006/07	1,439,086	1,039,350	0.72	1,419,545	986	1,367
2007/08	1,497,045	1,176,221	0.79	1,392,180	930	1,184
2008/09	1,459,694	1,078,192	0.74	1,657,674	1,136	1,537
2009/10	1,483,439	1,182,217	0.80	2,463,523	1,661	2,084
2010/11	1,505,885	1,311,295	0.87	2,786,896	1,851	2,125
2011/12	1,414,536	1,253,664	0.89	2,731,843	1,931	2,163

Source: Crop Forecast Survey, MAL and CSO, 2000-2011.

Abstract

This project critically assesses the shift from Structural Adjustment Programmes (SAP) to Poverty Reduction Strategy Papers (PRSP) by the World Bank and IMF in Zambia. The project is a case study of the agricultural sector in Zambia, which has been chosen on the basis that a vast majority of poor people are situated in rural areas and employed by the agricultural sector. The data on which the project is constituted is therefore the relevant policy-papers and secondary literature. The analytical model, on which the project is based, is framed by a critique of the neoclassical development theory. The critique is grounded in an institutional approach, which together with a framework of theoretical linkages between poverty and agriculture creates the analytical framework. By analysing policy-papers from periods of development assistance loans, the project examines how the strategy-shift can be seen in the policies. The policies that Zambia implements under the SAP and the PRSP are analysed in order to show whether the poor are taken into consideration or not. The analysis of the policies implemented under SAP show that growth, liberalization/privatization and competition was the main focus. Thereby that period of development in Zambia happened very much under the influence of the neoclassical development theory, which entails that market forces and global capital market shall develop a stable and growing economy. The analysis of the PRSP from 2002 shows a shift towards a more nuanced approach. Poverty reduction is in focus, although it is supposed to happen combined with neoclassical ideas of growth and competition. The following progress reports shows that there were constraints to

the reduction of poverty. One of these were the institutional inability to effectively allocate and disburse the allocated funds, which made a large part of the capital stay in domestic banks. Another central issue is shown to be the continuing government borrowing from domestic banks, a problem which is argued to be related to the substantial debt servicing. This kept the interest rate at a very high level, impeding investment opportunities for small scale farmers. The latest major policy-paper shows a continuing of the pro-poor tendency, and although it is as vague as the first PRSP it shows a number of pro-poor initiatives and programs. The project concludes that the focus on poverty reduction has increased with the implementation of the PRSP, although there are some constraints to reducing poverty. These include institutional incapacities to effectively invest in poverty reduction programs and debt servicing.