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Statement by Michael Marek
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Zambia: Country Assistance Strategy

1. The current CAS is premised on an optimistic scenario of the government privatizing ZCCM by end-of-year 1999. On September 3, four Executive Directors, including the U.S., asked for a deferral of this CAS discussion because the recent failed ZCCM sale had made this optimistic scenario highly unlikely. We continue to believe that it would have been more productive to have the Board consider a revised CAS when definitive progress has been made on the sale of ZCCM. The U.S. supports satisfactory resolution of this long-standing issue as central to a sustainable development and economic reform strategy for Zambia which builds on the country's own best efforts to reform.
2. Based on the Updating Note provided by staff, we do not see tangible progress on the status of the ZCCM deal. Although another offer to buy ZCCM was put on the table on September 23, the government has not acted. This is an issue that this institution has been discussing in one form or another for perhaps two decades.
3. As stated in paragraphs 7 and 8 in the update, if the sale of ZCCM goes through, the GOZ and its development partners will have to reformulate its external financing program. If the sale does not go through, the Bank will have to reformulate the CAS. No matter what the outcome, the Bank's program would need to be reworked.
4. There are three very brief but essential points which we expect to be included in the final public CAS:
5. One, the information contained in the technical update should be incorporated into the Executive Summary and the main body of the CAS.
6. Two, the CAS should be revised to state clearly that Zambia is now operating in the

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low case scenario because of the delay in the sale of ZCCM, with a lending level of \$90 million over a three-year period. We agree that the Bank should operate in the low case until more is known about the conditions, schedule and exact terms of ZCCM's privatization. This also should be reflected in the CAS.

7. Three, the CAS states that if the GOZ is unable to sell ZCCM, the low case lending scenario is not sustainable for long and the Bank may have to proceed with an emergency response. Specific details about what type of lending the Bank envisions under this "lower than low-case" scenario should be outlined more explicitly in the CAS.

8. We would like to flag two further issues:

- We cannot let this opportunity pass without saying something about our disappointment with the postponement of initial investments for HIV/AIDS until the year 2002. During our recent discussion of the education credit for Zambia, we were under the impression that an operation would be brought to the Board this fiscal year given the urgency of the situation. We strongly encourage staff to work closely with the newly created HIV/AIDS unit within the Africa region to quickly address this serious development issue in Zambia.
- We appreciate the CAS' reference to the country's governance program, including core labor standards.