REPUBLIC OF ZAMBIA

REPORT

OF THE

BUDGET COMMITTEE

FOR THE

FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

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PART II

REPORT OF THE BUDGET COMMITTEE FOR THE FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

1. COMPOSITION OF THE COMMITTEE

The Committee consisted of Mr M Simfukwe, MP (Chairperson); Ms M Subulwa, MP (Vice Chairperson); Mr L A Lufuma, MP; Mr S K Kakubo, MP; Mr P Phiri, MP; Mr F C Chaatila, MP; Mr D Mumba, MP; Mr J Siwale, MP; Mrs S S Mulyata, MP and Mr R M Nakacinda.

The composition of the Committee changed following the appointment of Mr R M Nakacinda as Minister. He was subsequently replaced on the Committee by Dr C Chilufya, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

The Committee has the honour to present its Report for the Fifth Session of the Twelfth National Assembly.

2. FUNCTIONS OF THE COMMITTEE

The functions of the Committee are set out in Standing Order 156 (2) of the National Assembly Standing Orders, 2016.

3. MEETINGS OF THE COMMITTEE

The Committee held ten meetings during the period under review to consider the topical issue.

4. PROGRAMME OF WORK

At the commencement of the Fifth Session of the Twelfth National Assembly, the Committee adopted its Programme of Work, a summary of which is outlined below.

a) Consideration of the Action-Taken Report on the Committee's Report for the Fourth Session of the Twelfth National Assembly.
b) Consideration of the topical issue, namely: *The Impact of Trade and Other Partnership Agreements on the National Budget.*
c) Local and Foreign Tours.
c) Consideration and adoption of the Committee's draft report for the Fifth Session of the Twelfth National Assembly.

5. ARRANGEMENT OF THE REPORT

The Committee's Report is organised in two parts: Part I presents the findings from the Committee's deliberations on the topical issue while part II outlines the Committee's consideration of the Action-Taken Report on the Report of the Committee for the Fourth Session of the Twelfth National Assembly.

6. PROCEDURE ADOPTED BY THE COMMITTEE

The Committee requested detailed memoranda on the topic under consideration from various stakeholders. In order to fully interrogate the topical issue, the Committee invited stakeholders to provide oral submissions and clarifications on issues contained in their written memoranda. The list of stakeholders who made submissions to the Committee is at Appendix II.

PART I

7.0 CONSIDERATION OF TOPICAL ISSUE

THE IMPACT OF TRADE AND OTHER PARTNERSHIP AGREEMENTS ON THE NATIONAL BUDGET

Background

According to the Seventh National Development Plan (7NDP), regional and international markets provided Zambia with an opportunity to not only diversify the production and export base, but also to have access to a wider market. The country had access to a total of 390 million people under the Common Market for Eastern and Southern Africa (COMESA), 277 million people under the Southern African Development Community (SADC) and 600 million people under the tripartite community (COMESA-Eastern African Community (EAC)-SADC). The tripartite region had a combined GDP of US$1.3 trillion and about 60 per cent of total intra-Africa trade. As at 2016, Zambia's share in intra-regional trade under COMESA stood at 22 per cent for imports and 11.7 per cent for exports. Under SADC, the market share for imports was 13.6 per cent and 4.9 per cent for exports.

Zambia also relies on overseas markets to earn a substantial proportion of its export revenue, mainly accessed through preferential trading arrangements, such as Everything But Arms, African Growth and Opportunity Act (AGOA), Japanese, Chinese, Indian and Canadian initiatives. To preserve the European market from dynamic changes in the global trading reforms of exports occurring under duty and quota free basis, Zambia was further negotiating the economic partnership agreements with the European Union under the Eastern and Southern Africa configuration.

Under the strategy to promote economic diplomacy as espoused under the 7NDP, the Government aimed at identifying and utilising strategic Zambian Missions Abroad as the front end for advancing economic diplomacy. This was to be supported by maintaining presence in countries of strategic trade and investment importance for the country. The Government also aimed at instituting appropriate structures to comprehensively undertake economic intelligence with a view to help Zambia's repositioning in the global market. This agenda was expected to

further establish effective linkages between Zambia's key institutions that supported the economic diversification and foreign private investment.

However, stakeholders expressed concern that the country had not fully utilised these opportunities, especially given the limited fiscal space and narrowing tax revenue, thereby exerting pressure on the Treasury.

Objectives of the study

The objectives of the study were to:

a. appreciate the policy and legal framework governing trade agreements;
b. learn the existing trade agreements and their impact on the national budget during the 7NDP (2017-2021);
c. understand measures put in place to enhance strategic trade partnerships that promoted the competiveness of Zambia's industries;
d. appreciate the net revenue gain or loss arising from trade agreements during the period 7NDP (2017-2021);
e. understand the challenges faced by Zambian industries in accessing the regional markets despite existing key partnership agreements.
f. recommend the way forward.

8.0 STAKEHOLDERS

The stakeholders who rendered both written and oral submissions are listed under Appendix I of the Report.

9.0 SUMMARY OF SUBMISSIONS BY STAKEHOLDERS

Submissions by stakeholders are as outlined below.

9.1 POLICY AND LEGAL FRAMEWORK GOVERNING TRADE AGREEMENTS

The Committee was informed that the main domestic policy, planning and strategy documents that defined the policy framework for trade and other partnerships in Zambia were as summarised in Table1.

Table 1: Broad policy framework for trade and other partnerships

	Macro/National Level	*Micro/Sectoral Level*
Short-term (1 year)	▪ National budgets (2017, 2018, 2021)	▪ None
Medium-term (2-3 years)	▪ Medium Term Expenditure Framework (2017-2019 & 2018-2020)	▪ National Trade Policy (2018) ▪ National Industrial Policy (2018) ▪ National Export Strategy (2018-2021) ▪ National Local Content Strategy (2018-2022) ▪ National Investment Promotional Strategy (2018-2022)

		▪ Strategy paper on Industrialization (2013-2017)
Long-term (5 years)	▪ 7NDP (2017-2021)	▪ None

Stakeholders submitted that a selective review and rapid content analysis of some of the long-term and medium-term policy, planning and strategy documents revealed the following broad observations about their adequacy for fostering the operationalisation of international agreements on trade in Zambia:

i. Article 92 (2) (c) of the Constitution of Zambia

This Article empowered the President to sign international agreements and pass them on to the National Assembly for approval. This article provided that the President "*Without limiting the other provisions of this Constitution, the President shall negotiate and sign international agreements and treaties and, subject to the approval of the National Assembly, ratify or accede to international agreements and treaties.*"

ii. 7NDP (2017-2021): The 7NDP was designed with a particular focus on trade development. In relation to the thematic area on economic diversification and job creation, the Plan articulated ten development outcomes. Development outcome No.5 of the 7NDP anticipated improved access to domestic, regional and international markets, through six strategies, namely to: improve trade facilitation; secure access to export markets; enhance the competitiveness of Zambian products; improve logistics management; promote international cooperation; and promote economic diplomacy.

iii. National Trade Policy (2018): The 2018 National Trade Policy (NTP) articulated the specific objectives and policy measures for multilateral, regional and bilateral trade arrangements, among others, albeit in a relatively generic manner, as might be expected in a policy document. The NTP stipulated the following trade policy tools:

a) **Tariff Measures**: Import and export taxes were important. Export taxes were used to encourage domestic value addition, whereas import taxes were used for combating aggressive trade policies and environmental reasons as well as supporting domestic production and employment.
b) **Non-Tariff Measures**: These constituted instruments such as quantitative restrictions, administrative, standards and quality requirements necessary for the safety of human, animal and plant life and fair trading.
c) **Trade Defence Mechanisms**: Trade remedies may be used to protect domestic industry from injury as a result of unfair trading practices and included: safeguard measures; countervailing duties; and anti-dumping duties.
d) **Trade in Services**: The services sector was a key sector for promoting sustainable growth and development in Zambia. Improving quality and lowering the cost of services could greatly enhance the competitiveness of the local industry.
e) **Bilateral Trade Arrangements**: An agreement signed between two countries and played an important role in the enhancement of trade beyond regional and multilateral agreements.

iv. **Unilateral trade arrangements:** These constituted market access preferences such as the AGOA preferences which allowed for duty-free and quota-free access for Zambian products.

v. **Other negotiated arrangements**: These included the Economic Partnership Agreements (EPA) with the European Union which replaced the market access arrangement under the Cotonou Agreement.

vi. **Regional Trade arrangements**: Negotiated amongst a block of countries such as COMESA, SADC and the Tripartite Free Trade Area and had the potential to expand market access for the mutual benefit of participating countries in a regional economic community. Zambia was member of the Free Trade Area.

vii. **Multilateral Trade agreements:** Basically at the World Trade Organisation (WTO) level whereby members agreed to reduce tariffs and make it easier for businesses to import and export.

viii. **National Export Strategy (2018-2021)**: In the pretext Working Definitions section, the National Export Strategy noted that Zambia's regional trade arrangements were within the framework of COMESA and SADC. It also defined the multilateral and bilateral trade understanding and variously highlights some of the key challenges and constraints facing Zambia in the bilateral, multilateral and regional contexts. Specific strategic objectives that aim to operationalise and harness the aforementioned multilateral, regional and bilateral trade arrangements (agreements and treaties) were various articulated across the ten priority trade in goods sectors and five priority trade in services sectors. However, the specific bilateral, regional or multilateral perspective of the strategic objectives appeared to be somewhat inconsistently articulated, appearing strongly in some places and not in others.

9.2 EXISTING TRADE AGREEMENTS AND THEIR IMPACT ON THE NATIONAL BUDGET DURING THE 7NDP (2017-2021)

The Committee was informed that trade agreements pursued by Zambia were at three main levels, namely, multilateral, regional and bilateral levels.

9.2.1 Multilateral trade agreements

At multilateral level, the Committee learnt that these trade agreements fell under the auspices of the World Trade Organisation (WTO). Zambia was among the countries that signed and ratified the Marrakesh Agreement that established the WTO in January, 1995. The WTO was the only multilateral organisation tasked with setting rules to govern global trade. The rules were established through a process of consultation among Member States. The Organisationcurrently had 165 members. In terms of benefits, Zambia benefited through technical and financial support including capacity building. Additionally, the country benefitted from special and differential treatment granted by developed Member States to developing or less developed countries. Zambia was, therefore, eligible for duty free quota and free market access under various initiatives. The United Nations Conference on Trade and Development (UNCTAD) and

the International Trade Centre (ITC) were also among the organisations that provided technical support at multilateral level.

9.2.2 Regional Trade Agreements

At regional level, Zambia was a member of the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC). Zambia was also a signatory to the COMESA-EAC-SADC Tripartite Initiative as well as the framework agreement establishing the African Continental Free Trade Area (AfCFTA) under the auspices of the African Union (AU).

9.2.2.1 The Common Market for Eastern and Southern Africa (COMESA)

The Common Market for Eastern and Southern Africa (COMESA) established in 1994, was a regional economic grouping made up of twenty-one member states, with an estimated population of over 500 million and a combined GDP of over USD 345 billion. The cost to Government by Zambia being a member of COMESA was approximately US$1.8 million per annum in subscription fees. Notwithstanding this cost, Zambia benefitted from this organisation through employment of both professional and general service staff in the organisation, technical and financial support, capacity building and project support. In terms of trade benefits, COMESA was an important market for Zambia's non traditional exports (NTEs). Further, there was great potential for the private sector to fully exploit the current market access opportunities. The major exports by value to the COMESA region included maize, electricity, sulphuric acid, raw cane sugar and tobacco. In terms of imports, the top five included light and medium oils, copper ores, cobalt oxide and hydroxide and cobalt ores and concentrates.

9.2.2.2 Zambia's Trade Balance Performance with COMESA, 2015-2020

The Committee was informed that during the period under review, Zambia was a net importer from COMESA with the lowest trade deficit valued at K4,088.9 million in 2016 and the highest trade deficit in 2018 valued at K5,981.6 million. However, in 2019 and 2020, Zambia recorded trade surpluses valued at K6,851.0 million and K10,715.4 million mainly attributed to reduced exports of mining products such as sulphiric acid. Figure 1 below shows the specific details.

Figure 1: Trade balance with COMESA, 2015 - Sept. 2020

***Source**: ZamStats*

9.2.2.3 Performance of Traditional and Non-Traditional Exports to COMESA 2015 to 2020

The Committee was informed that the Traditional Export (TE) earnings had an increasing trend during the period under review. However, declines of 1.2 per cent and 96.5 per cent in earnings were observed in 2018 and 2019, respectively. During the period under review, NTEearnings exhibited an increasing trend with a minor decline of 2.4 per cent in 2017. Zambia's leading NTE product to COMESA during the period 2015 to September 2020 has been sulphuric acid, oleum in bulk, which accounted for a period share of 9.5 per cent and a total earnings of K6,620.0 million. Portland cement (exclude. white) was the second leading NTE product, accounting for a period share of 5.5 per cent and a total earnings of K3,808.1 million. Other notable NTEs were maize (excl. seed) and electrical energy.

During the period under review, Zambia's traditional exports to COMESA accounted for 0.1 per cent while the non-traditional exports accounted for 99.9 per cent of total exports.

Table 1: TE's and NTE's in COMESA, 2015 - Sept. 2020 (K'Million)

Year	**2015**	**2016**	**2017**	**2018**	**2019**
TEs	2.4	12.3	26.3	25.9	0.9
NTEs	8,413.8	8,914.2	8,704.0	12,584.1	15,908.5
Total Exports	**8,416.2**	**8,926.5**	**8,730.3**	**12,610.0**	**15,909.4**

***Source**: ZamStats*

9.2.2.4 Zambia's Imports from COMESA by major product category, 2015- 2020

Generally, Zambia mainly imported raw materials from the COMESA bloc during the period under review, with the highest import bill amounting to K13,599.3 million in 2018. Consumer goods were the second main import products with the highest import bill amounting to K7,918.8 million in 2015. Intermediate goods and capital goods were the third and fourth import products from the COMESA regional grouping during this period (see Table 2).

Table 2: Imports from COMESA by Major Product Category, 2015 - Sept. 2020 (K'Million)

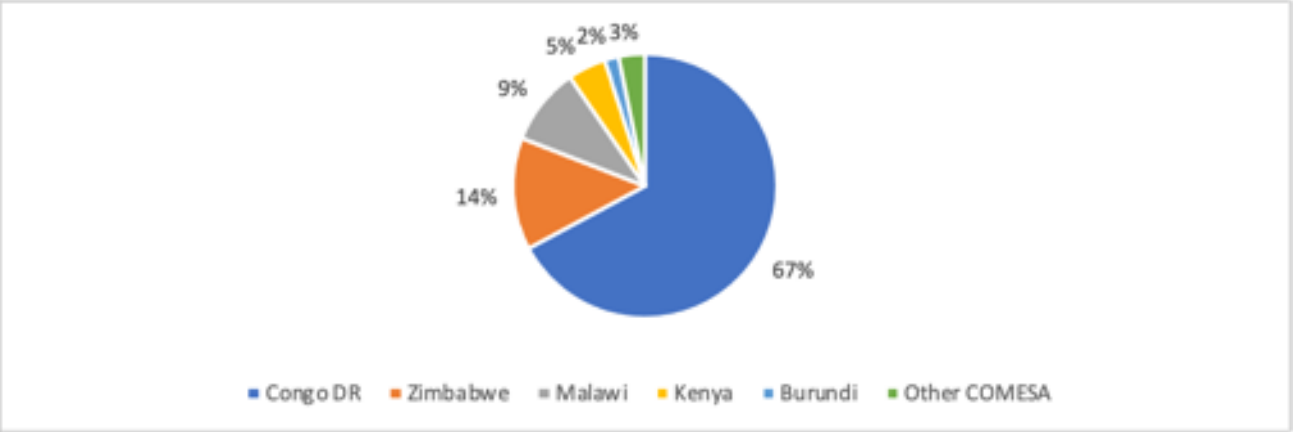
Year	2015	2016	2017	2018	2019	2020
Consumer goods	7,918.8	3,892.1	2,317.2	2,542.3	3,807.8	2,356.5
Raw materials	3,663.9	7,121.3	9,292.0	13,599.3	2,379.1	1,337.2
Intermediate goods	1,012.4	1,242.8	1,008.1	1,691.6	1,427.8	647.8
Capital goods	684.0	759.2	660.4	758.4	1,443.6	1,455.4
Total Imports from COMESA	**13,279.1**	**13,015.4**	**13,278.7**	**18,592.7**	**9,058.3**	**5,797.8**

Source: *ZamStats*

9.2.2.5 Zambia's Major Export Destinations within COMESA

The Committee was informed that the top five export destinations in COMESA accounted for a share of 97 per cent with Democratic Republic of Congo (Congo DR) as the leading country of destination during the period under review with a share of 67.2 per cent. This was followed by Zimbabwe, with a share of 13.7 per cent. Other notable markets for Zambia's exports within COMESA were Malawi, Kenya and Burundi (see Figure 3).

Figure 2..: Top 5 Country of Destination for Zambia's Exports, 2015 - Sept. 2020 (%)



Source: *ZamStats*

9.2.3 The Southern African Development Community (SADC)

The Southern African Development Community (SADC) was established as a development coordinating conference (SADCC) in 1980 and transformed into a development community in 1992. It was an inter-governmental organisation whose goal was to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper co-operation and integration, good governance and durable peace and security among fifteen Southern African Member States. The cost to Government of Zambia's membership to SADC was about US$2.8 million per annum in subscription fees. With regard to benefits, Zambia was implementing the SADC Free Trade Area and benefiting from increased

intra-regional trade. Other benefits included technical and financial assistance on various projects and programmes.

9.2.3.1 Zambia's Trade Balance Performance with SADC, 2015 - September 2020

The Committee learnt that during the period under review, Zambia had been a net importer with the lowest trade deficit valued at K9,763.9 million in 2020. The highest trade deficit between Zambia and SADC was recorded in 2018, valued at K33,385.8 million as shown under Figure 2 below.

Figure 2: Trade balance with SADC , 2015 - Sept. 2020 (K'Million)

Source: *ZamStats*

9.2.3.2 Performance of Zambia's Traditional and Non-Traditional Exports to SADC, 2015 to 2020

The Committee was informed that the Traditional Exports (TE's) earnings from SADC had had a decreasing trend during the period under review. However, increases of 128.7 per cent in earnings were observed in 2018. NTEs earnings exhibited an increasing trend during the period under review, though a decline of 7.3 per cent was observed in 2017. Zambia's leading NTE product from 2015 to September 2020 had been sulphuric acid, oleum in bulk, which accounted for a period share of 9.5 per cent and a total earning of K6,620.0 million. Portland cement (excluding white) was the second leading NTE product, accounting for a period share of 5.5 per cent and a total earnings of K3,808.1 million. Other notable NTE's were maize (excluding seed) and electrical energy. During the period under review, Zambia's traditional exports to SADC accounted for 7.3 per cent while the non-traditional exports to SADC accounted for 92.7 per cent out of total exports.

Table 3: TE's and NTE's to SADC, 2015 - Sept. 2020 (K'million)

Year	**2015**	**2016**	**2017**	**2018**	**2019**
Traditional Exports	1,666.5	788.5	780.2	1,784.6	629.0
Non-Traditional Exports	11,642.7	12,886.5	11,940.7	15,948.1	19,775.2
Total Exports	**13,309.2**	**13,675.0**	**12,720.9**	**17,732.7**	**20,404.2**

Source: *ZamStats*

9.2.3.3 Zambia's Imports from SADC by major product category, 2015-2020

Generally, Zambia was an importer of capital goods from the SADC regional block during the period under review with the highest import bill amounting to K14,271.4 million in 2018. Consumer goods were the second import products with the highest import bill amounting to K14,616.2 million in 2019. Intermediate goods and raw materials were the third and fourth import products from the SADC regional grouping during the period under review (see Table 4).

Table 4: Imports from SADC by Major Product Category 2015 - September 2020 (K'Million)

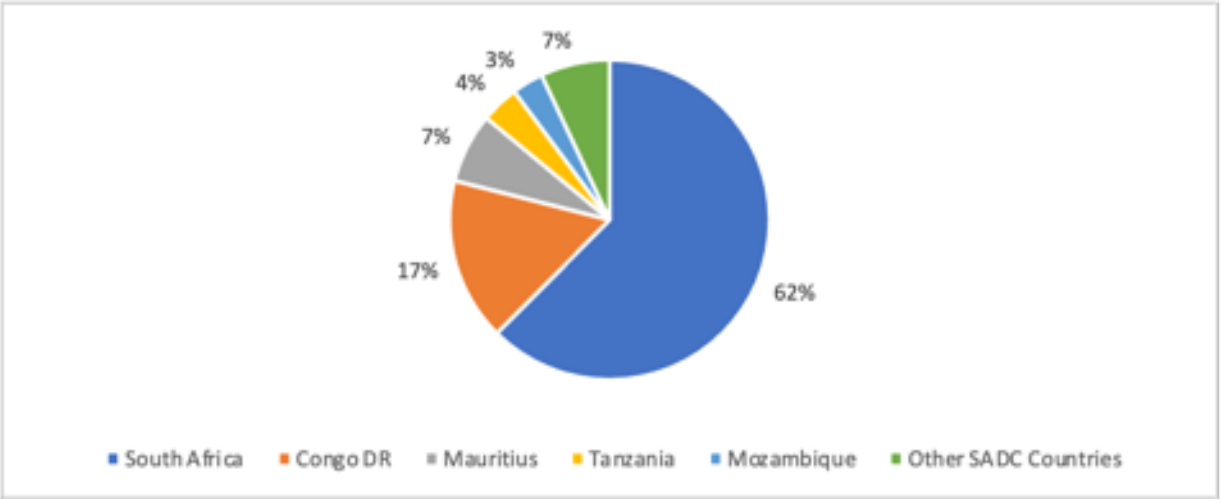
Year	2015	2016	2017	2018	2019	2020
Consumer goods	11,911.8	12,220.9	10,724.2	11,788.6	14,616.2	9,538.5
Raw materials	4,724.8	8,267.4	10,585.2	15,690.9	4,938.2	3,191.6
Intermediate goods	7,257.0	8,729.7	7,483.7	9,367.6	9,488.7	6,721.5
Capital goods	10,890.7	12,625.8	12,077.3	14,271.4	13,107.3	10,663.2
Total Imports from SADC	**34,784.3**	**41,843.8**	**40,870.3**	**51,118.5**	**42,150.4**	**30,114.9**

Source: ZamStats

9.2.3.4 Zambia's Major Country of Destination in SADC, 2015- 2020

The Committee learnt that the top five countries of destination collectively accounted for 93 per cent of Zambia's exports with South Africa accounting for the highest percentage share of 62.5 per cent during the period under review. Congo DR was second with 16.5 per cent. Other notable markets for Zambia's exports were Mauritius, Tanzania and Mozambique as shown in Figure 5.

Figure 1: Top 5 Country of Destination for Zambia's Exports, 2015 - Sept. 2020 (%)



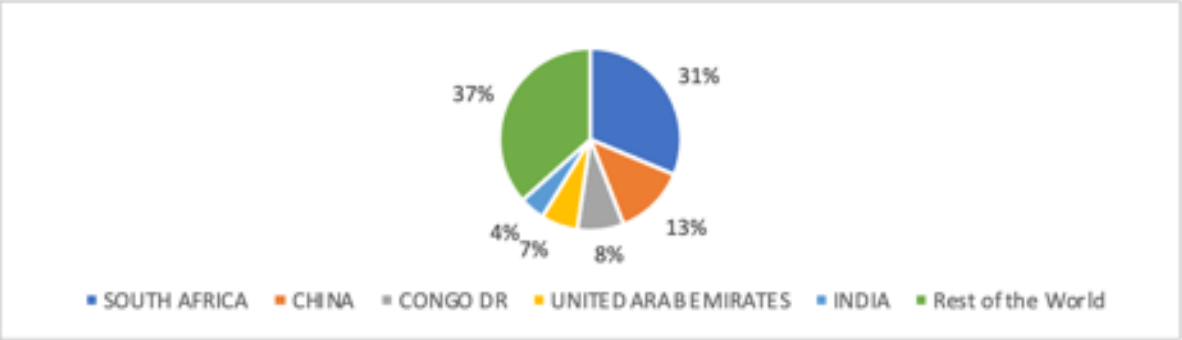
Source: *ZamStats*

9.2.4 Bilateral Trade

With regard to bilateral agreements during the period under review, (2015 to September 2020), Zambia's major bilateral trading partners included South Africa, China, Congo DR, United Arab Emirates and India. The top five sources of Zambia's imports accounted for 63 per cent of the imports with South Africa accounting for a share of 31.0 per cent, China (13 per cent) and Congo DR (8 per cent) as shown in Figure 6. The top five export destinations between 2015 and 2020 accounted for 83 per cent of Zambia's exports with Switzerland accounting for a

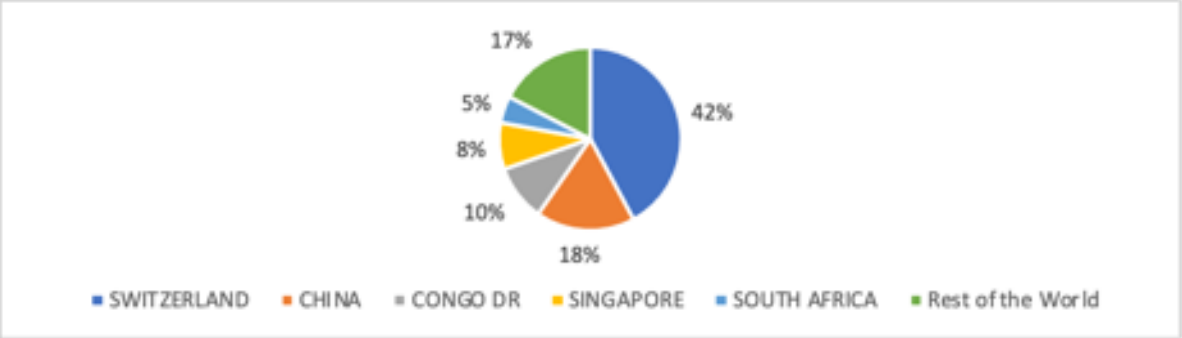
share of 42 per cent, China (18 per cent) and Congo DR (10 per cent) as shown under Figure 7. To further enhance bilateral agreements particularly in the region, Zambia sought to operationalise the bilateral trade agreement entered into with Angola and the Congo DR.

Figure 2: Top 5 Import Sources, 2015 to Sep 2020 (%)



***Source**: ZamStats*

Figure 3: Major Export destinations, 2015 to Sept. 2020(%)



***Source**: ZamStats*

9.2.5 Other Trade Arrangements

The Committee was informed that other trade arrangements included preferential trade arrangements with the United States of America (Africa Growth and Opportunity Act), China (Chinese Initiative), Canada (Canadian Initiative) and the European Union (Everything But Arms Initiative).

In general, stakeholders submitted that Zambia had been a very active participant in international, regional and bilateral trade, investment and other partnership treaties and agreements. Like many other developing countries, Zambia was yet to establish a one-stop online platform for trade and investment information where, among other things, trade and other partnership agreements could be deposited or at least reported on.

9.3 MEASURES PUT IN PLACE TO ENHANCE STRATEGIC TRADE PARTNERSHIPS THAT PROMOTE THE COMPETIVENESS OF ZAMBIA'S INDUSTRIES

The Committee was informed that trade agreements were an opportunity for developing countries to expand their export capacities. In addition, trade agreements were intended to

encourage firms to be more competitive internationally, to bolster economic growth, reduce unemployment, and help alleviate poverty. However, Zambia was yet to maximise the benefits from these trade agreements. It was further stated that the country's trade deficit in COMESA and SADC pointed to the fact that beyond the progressive elimination of tariffs, there were other factors that needed to be addressed.

In addition, it was reported more recently that the country had put in place other measures to enhance strategic trade partnerships that promoted the competitiveness of Zambia's industries which had been enshrined in various policy documents. The following policies highlighted the measures which were all anchored on the Vision 2030 aimed at transforming Zambia into a prosperous middle income country by 2030:

i. The National Trade Policy (NTP): This policy placed emphasis on export promotion, market access and international competitiveness. The vision of the NTP was to "make Zambia a net exporter of value added goods and services through competitiveness at the domestic, regional and global level". The NTP highlighted the country's approach to trade development by providing the private sector with a business environment suitable for them to thrive and produce internationally competitive goods and services in a reliable and sustainable manner. It also aimed to selectively engage and support regional and multilateral level programmes aimed at promoting industrial sector growth and development, while taking into account commitments undertaken within the regional and multilateral context.

ii. The National Export Strategy (NEST): Set out a strategic vision to structurally transform and diversify Zambia's export base and enhance the export sector's competitiveness at both regional and multilateral level, while creating opportunities for expansion of the productive base. The NEST intends to achieve this by identifying challenges affecting export competitiveness and addressing these bottlenecks using a multi-pronged approach that sought to address: (i) border-in issues to increase exporters' competitiveness, capacities and competencies; (ii) border issues to reduce transaction costs; (iii) border out issues to increase market penetration, and (iv) development issues to increase employment and reduce the levels of poverty and tackle income-related concerns. The policy belaboured on the need to improve international competitiveness and allow the exploitation of regional and global export markets where Zambia was enjoying preferential access.

iii. The National Industrial Policy (NIP): It set out guidelines that would inform the implementation of Government's industrial development agenda, with particular reference to the growth, diversification, upgrading and competitiveness of Zambia's manufacturing sector. The Policy advocated for strong partnerships that promoted domestic innovation through research and development of an industrial sector. It was expected that the NIP would stimulate and encourage value addition activities on primary commodities as a means of increasing national export earnings and creating employment opportunities and ultimately transforming the Zambian economy into a diversified and competitive industrialised economy which was well integrated into the international trading system.

iv. National Local Content Strategy 2018 -2022: This National Local Content Strategy aimed to foster business linkages in growth sectors as well as promote linkages between MSMEs

and large enterprises, both local and/or foreign. The strategy also aimed to ensure that linkages between local and foreign enterprises enhanced the competitiveness of local firms and spurred the much needed industrialisation and diversification.

v. Seventh National Development Plan (7NDP) 2017- 2021: The 7NDP aimed to bring about inclusive development without leaving anyone behind and achieving more with less resources, through integration and coordination of developmental efforts. The plan intended to achieve this by taking into account regional and global development agendas, such as the Regional Indicative Strategic Development Plan (RISDP), which was a comprehensive development and implementation framework guiding the regional integration agenda of SADC over a period of fifteen years (2005-2020), African Union Agenda 2063, Sustainable Development Goals (SDGs) and COMESA protocols. The plan used an approach to promote partnerships in a transformative manner.

9.4 NET REVENUE GAIN OR LOSS ARISING FROM TRADE AGREEMENTS DURING THE PERIOD 7NDP (2017-2021)

The Committee learnt that generally, the net revenue contribution from the trade agreements during the period under review was minimal compared to the high subscriptions that were being paid to the different bodies. However, other stakeholders noted that the impact of the trade agreements on the national budget was positive during 7NDP (2017 – 2021) in the following ways:

i. *Quality of Products*: Being a member to these agreements had provided market exposure to Zambia's domestic industries, which enabled local businesses to learn from the bigger market community. The local businesses learnt from their peers on the latest innovations, trends and practices, which improved the quality of goods and services they offered both domestically and internationally.

ii. *Access to foreign goods and services*: The trade agreements had made it easy for local consumers and producers to have access to foreign goods and services, thereby improving their standards of living and business profiles.

iii. *New Markets*: The access to a bigger market community helped the local businesses to expand both their structures and capacity in order to meet the market demand and create jobs .

iv. *Trade facilitation*: The trade agreements had facilitated trade for member countries by eliminating some trade barriers and restrictive practices that some countries previously had. This had made it easy for local businesses to import and export goods and services to other players in member countries.

v. *Competition*: Trade agreements brought about competition among players dealing in homogenous products and goods, thereby leading to a competitive price in the market. This competition was healthy in the economy for it brought about innovation in the production of goods and services, and consequently improved the economy and people's welfare.

vi. *Revenue Base*: As more businesses and individuals entered the Zambian market, the revenue base would increase and thereby enable the collection of more revenue. It had been noticed that trade volumes had been increasing from 2017 to 2020.

Table 7 Distribution of Zambia's Imports by Region, 2018 - 2020 (Jan - Sept)

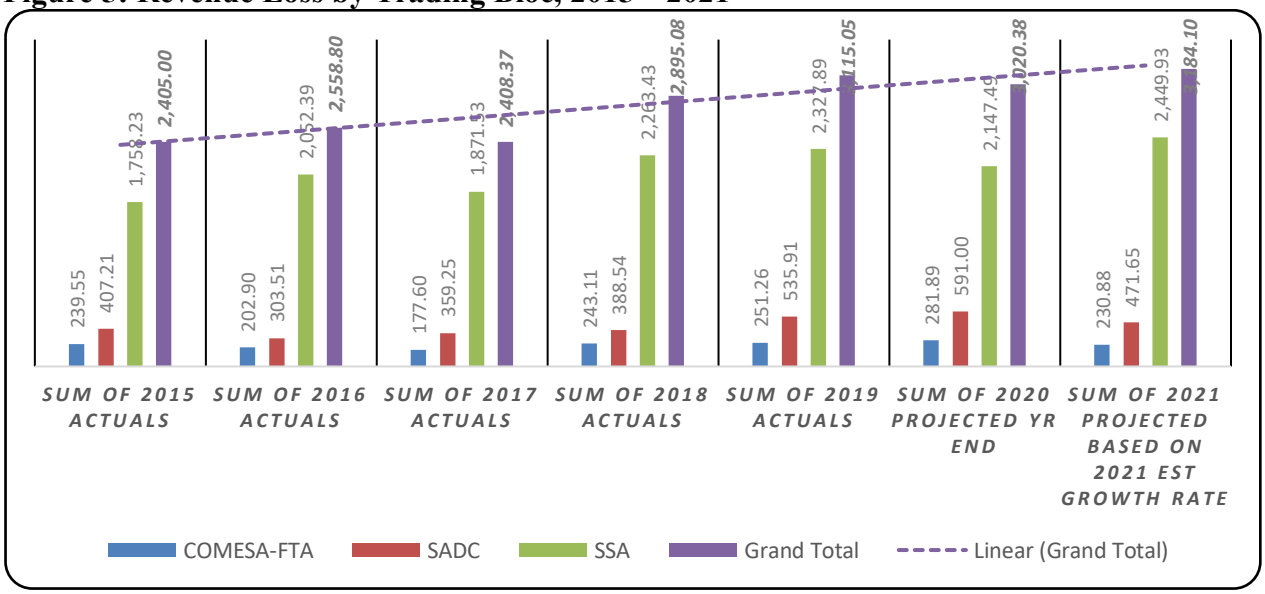
	Import Value in millions of Kwacha			Share of trade		
Economic Region	**2018**	**2019**	**2020(Jan - Sept)**	**2018**	**2019**	**2020**
COMESA	21,640.6	11,756.1	13,245.9	22.2%	10.8%	15.0%
SADC	49,610.5	40,286.6	38,269.6	50.9%	36.9%	43.4%
EAC	2,502.6	2,554.5	1,826.6	2.6%	2.3%	2.1%
Rest of Africa	2,770.6	105.7	364.8	2.8%	0.1%	0.4%
Rest of the World	44,308.9	67,918.7	48,448.7	45.5%	62.1%	54.9%
Total	**97,445.0**	**109,287.5**	**88,232.4**			

Source: *Zambia Revenue Authority*

The table above shows the revenue loss by trading bloc during the period 2015 to 2021. The values from 2015 to 2019 were actual, while the values from 2020 to 2021 were projections based on growth rates**.**

i. The overall total revenue loss between 2015 and 2021 is expected to grow by 32.4 per cent to K3,184.1 million in 2021 from K2,405.0 million in 2015.
ii. Revenue loss was expected to grow by 39.3 per cent between 2015 and 2021 with the Sub-Sahara Africa.
iii. COMESA-FTA, revenue loss was expected to decline by 3.6 per cent between 2015 and 2021
iv. Revenue loss was expected to grow by 15.8 per cent between 2015 and 2021 from the SADC Bloc.

Figure 5: Revenue Loss by Trading Bloc, 2015 – 2021*



Source: *Zambia Revenue Authority*

Table 9 shows Zambia's customs duty taxes by regional bodies from 2015 to 2020. Generally, Asia was the main source of Zambia's customs taxes with a 41.8 per cent annual average share, followed by Africa (34.9 per cent) and the European Union (13.0 per cent). Within Africa, the

SADC Exclusive Regional grouping had been the leading source for Zambia's duty taxes with a 92.3 per cent annual share during the period under review.

Table 9: Customs Duty Taxes Collected from different Trade Bodies, 2015-2020 (K'Million)

PARTNER \ YEAR	2015		2016		2017		2018		2019		2020(Sep)	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
AFRICA	662.0	37.4	734.1	36.4	966.5	38.7	1,004.0	34.1	962.3	31.3	624.5	31.4
SADC Exclusive	623.3	94.2	682.7	93.0	930.2	96.2	934.1	93.0	823.6	85.6	572.9	91.7
COMESA Exclusive	10.3	1.6	23.0	3.1	4.7	0.5	5.0	0.5	6.8	0.7	12.6	2.0
DUAL SADC & COMESA	26.4	4.0	26.2	3.6	29.1	3.0	52.5	5.2	127.2	13.2	33.3	5.3
Other Africa	1.9	0.3	2.3	0.3	2.5	0.3	12.4	1.2	4.7	0.5	5.7	0.9
European Union	214.9	12.1	236.6	11.7	302.2	12.1	363.4	12.3	445.6	14.5	298.6	15.0
Asia	736.7	41.6	865.6	42.9	935.6	37.5	1,287.1	43.7	1,431.2	46.6	887.7	44.6
Rest of World	156.1	8.8	182.0	9.0	294.0	11.8	291.7	9.9	230.4	7.5	179.6	9.0
Total World	**1,769.7**	**100.0**	**2,018.3**	**100.0**	**2,498.3**	**100.0**	**2,946.1**	**100.0**	**3,069.5**	**100.0**	**1,990.4**	**100.0**

Source: *ZamStats*

9.5 CHALLENGES FACED BY ZAMBIAN INDUSTRIES IN ACCESSING THE REGIONAL MARKETS

The Committee was informed that despite the country having ratified thirty-one trade agreements, Zambia's export base remained narrow due to several challenges being faced by industries in accessing the regional markets. The constraint to accessing regional markets could be traced within the economy and the general challenges included those listed hereunder.

i. ***Supply side constraints:*** Zambia's export base was limited to copper exports to extra-regional markets and few processed foodstuffs. The country's manufacturing remained underdeveloped with food processing accounting for over 63 per cent (of the total manufacturing production) and a few textiles and leather industries. The limited supply capacity was the major constraint to accessing regional markets. The supply side constraints led firms to operate sporadically in either the export or import markets, which made re-entry difficult. Thus, there was need to develop a strong industrial base which could ensure sustainable supply of exports.

ii. ***High trade costs:*** The country faced high trade costs that included infrastructural constraints, transport costs, time delays and transit times reduced trade volumes by existing firms and discouraged the entry of new ones. The costs were compounded by the high cost and unreliable energy supply and in some sectors (such as agriculture) uncertainties in taxation and tradability of the products. Further, traders faced complex clearance

procedures, cumbersome documentation requirements, poor trade logistics and high security risk. Further trade costs could be traced to transport costs and trade facilitation constraints outside Zambian borders especially in transit countries such as Zimbabwe, South Africa and others. The implication was that although developing infrastructure (internal roads and border facilities and infrastructure) was expensive, it was very important.

iii. **Non-tariff barriers** – While the Preferential Trade Area had phased out tariffs, many countries had resorted to the use of non-tariff barriers (NTBs) to restrict trade flows. The supply side constraints were compounded by the sanitary and phytosanitary requirements, complex rules of origin, especially within SADC, that technically served as technical barriers to trade. These controls were implemented in many ways. For example, the excessive use of sanitary phytosanitary requirements. Some countries had disguised health requirements on exports to use them as barriers to trade. For example, Zambian honey could not be exported to some SADC member states on the disguise that it was not healthy. Further, rules of origin had a huge impact on intra-regional trade.

iv. **Weak services sector:** Services, mainly finance, tourism, transport, and communication continued to be the backbone of the Zambian economy making approximatly 64 per cent of GDP in 2019 (approximately two-thirds of GDP). Services were essential for export as well as facilitating trade. Several factors had affected the expansion trade in services resulting in the country remaining a net importer. The constraints included limited services supply capacity; poor implementation of the regulatory framework; absence and difficulties in translating regulatory and policy frameworks into opportunities.

Other challenges included the following:

i. Research and development: there was a lack of adequate research and development activity to support the creation of new products and processing techniques. Most companies viewed research and development as a cost, rather than an investment with a view to future improvements.
ii. Trade information: there was limited knowledge about trade opportunities to be realised in trade agreements with regional partners. This was linked to research and development, Lack of research in possible gains from trade agreements prevented the seeking of access to regional markets;
iii. lack of diversification of the manufacturing base and products;
iv. limited value addition and undeveloped value chains;
v. limited market information;
vi. absence of Joint and integrated approach with other member states to easily penetrate the regional markets;
vii. restrictions in services sectors, thereby constraining growth and development of businesses;

viii. weak national and regional human and institutional capacities to promote sustainable industrialisation;
ix. undeveloped Micro, Small and Medium Enterprises/Industries (MSMEs/MSMIs);
x. Illicit trade and counterfeiting;
xi. Lack of capacity by national and industries to meet international/regional standards and technical regulatory requirements;
xii. visa restrictions, thereby constraining remittance inflows; and
xiii. corruption at border posts.

10.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

After having carefully reviewed the submissions from various stakeholders, the Committee makes the observations and recommendations below.

10.1 Policy and Legal Framework

The Committee notes with regret that whereas the policy and legal framework governing trade and other partnership agreements is adequate, the majority of these have not been fully implemented. This may explain why the there has been limited contribution towards revenue collection and employment creation despite the country having ratified thirty-one trade partnerships.

The Committee urges the Executive to ensure that all legal and policy provisions on trade partnerships are fully implemented without any further delay. In addition, specific time frames should be given in which the different legal and policy documents will be implemented.

10.2 Poor Competitiveness by the Manufacturing sector

The Committee observes that because Zambia is a net importer in the region, the country's manufacturing sector is exposed to cheaper products from bigger, more efficient competitive economies among the member states. If no immediate interventions are made, the loss of market by Zambian products may further lead to loss of employment and reduced revenue collection from trade agreements.

In light of this, the Committee strongly urges the Executive to robustly implement safeguard measures stipulated in the various trade agreements in key sectors were the country has a competitive advantage such as the leather subsector, textiles subsector, the plastics and plastic packaging subsector, fertiliser manufacture subsector, and other sectors . Further, the Committee recommends that the Executive should take steps to aid the manufacturing sector with an enabling policy environment that supports local manufacturers to compete favourably. This should include favourable tax incentives, sufficient energy for production, and access to affordable credit from financial institutions and protection of infant industries.

10.3 Due diligence before ratifying trade agreements

The Committee observes that despite a fairly extensive and robust array of partnerships founded in international, regional and bilateral agreements and treaties, the country still faces challenges in regional and global markets. It is unacceptable that despite the country being one of the founders of both COMESA and SADC, the impact of the trade agreements under the auspices of these two agreements on the national budget still remains minimal.

The Committee urges the Executive to ensure that there is due diligence and a cost benefit analysis before the ratification of any international, regional and bilateral agreements and treaties. A thorough assessment should be done of key areas such as industrialisation and value addition. Further, the Executive should also undertake a comprehensive cost-benefit analysis of the thirty-one trade agreements in order to determine which of these agreements are relevant and beneficial to the country.

10.4 Export maximization and value addition

The Committee observes that most Zambian exports are characterised by unprocessed commodities or raw materials. The process of value addition mainly takes place outside the country. This has largely contributed to returns on Zambian trade being predominantly low. Further, the Committee finds it unacceptable that the country has remained a mono economy for a long time with over 70% of its exports being copper with less than 30% being the non traditional exports.

In order to fully benefit from the trade agreements, the Committee recommends that the Executive should, as a matter of extreme urgency, expand the industrial base and accelerate the diversification agenda as espoused in the Seventh National Development Plan. The Executive should further review the high cost of production in order to increase export volumes for finished products with corresponding acceptable standards. In addition, the Executive should identify and support other key manufacturing players that can penetrate member states as is the case with Trade Kings and Zambeef group of companies.

10.5 Strategic Bilateral Partnerships

The Committee observes that the limited benefits from trade partnerships may be attributed to the absence of strategic joint and integrated bilateral partnerships with other member states to easily penetrate the regional markets. The Committee further applauds the Executive for the bilateral agreements made with Congo DR and Angola which have the potential to maximise exports to the two countries.

The Committee, therefore, recommends that the Executive should identify and partner with other countries in the region in implementing joint industrial strategies so as to penetrate the regional market.

10.6 Manipulation of Rules of Origin

The Committee observes that the country currently faces significant capacity challenges in detecting the origin of products using the Rules of Origin. This is on account of some importers and member countries re-classifying products to qualify them for tax waivers, and ultimately having giving market access to other member states. The Committee notes that this challenge will continue to exist in the absence of effective local verification and monitoring mechanisms.

The Committee, therefore, recommends that the Government should put in place robust monitoring mechanisms that will enforce the Rules of Origin, and effectively detect whether the products originate from the respective Member States or not.

10.7 Revenue leakages and contributions to Treasury

While noting that the trade agreements have, inter alia, an objective to eliminate tariff and non-tariff barriers and other restrictions on commerce, the Committee observes that the main unintended consequence of these partnership agreement is its effect on tax revenue through the elimination or substantial reduction of taxes on trade. In addition, the issue of illicit trade and counterfeiting has been identified as one of the factors that are impeding collection of revenue by the Treasury, resulting in the low contribution to the national budget.

In light of this, the Committee strongly recommends that the Executive should mitigate this challenge by protecting sensitive industries by taking advantage of the provisions stipulated in the various trade agreements which provide for conditions under which a member state can apply safeguard measures in order to maximize revenue. The Committee further recommends that the Executive should expeditiously institute measures to address the high influx of illicit trade and counterfeiting which have had a negative impact on revenue collection.

10.8 Lack of incentives for local manufactures and predictable and transparent trade policies

The Committee observes with great concern that local investors and manufacturers are disadvantaged due to inadequate incentives as is the case with other member states. The Committee expresses concern that most of the incentives that were introduced through the Multi-Facility Economic Zones (MFEZs) have been withdrawn. Therefore, in the absence of incentives, there is limited capacity to increase production and fully benefit from the regional market. The Committee is, however, cognisant that the Government, in consultation with relevant stakeholders, is in a process of reviewing the entire incentives structure in order to make the MFEZs more attractive.

In this regard, the Committee strongly recommends that the Government should, as a matter of extreme urgency, re-instate MFEZ incentives and foster predictable and transparent trade policies without delay. Further, the *Zambia Development Act No 11 of 2006* should be revised without any further delay.

10.9 *Weak monitoring and evaluation*

The Committee is perturbed that there are no deliberate monitoring mechanisms on the impact of the trade agreements by the Executive. Not only does this explain why the country has not benefitted much despite having ratified thirty-one of them but also the poor revenue contribution to the national budget from trade agreements.

The Committee strongly recommends that the Executive should take immediate steps in ensuring that a well structured monitoring and evaluation framework is put in place to periodically assess the impact of the trade agreements on the economy in general and the national budget in particular. This monitoring framework should be benchmarked as a best practice with global competitiveness frameworks that have been developed over the past decade such as the World Economic Forum Global Competitiveness Index and Enabling Trade Index, the World Bank Doing Business Report and the UNCTAD World Investment Report in order to assess the domestic competitiveness.

10.10 Landlocked amidst poor road infrastructure

The Committee notes with concern the poor road infrastructure in the country, especially on key economic roads as promulgated in the Link Zambia 8,000 Project. While noting the progress made on the Lusaka Decongestion Project, the Committee wonders why the Executive did not prioritise key economic roads that would link the country to member states in order to facilitate trade.

The Committee strongly recommends that the Executive should, as a matter of urgency, prioritise the construction of key economic roads under the Link Zambia 8,000 Project in order to maximise trade with other strategic member states. Further, the Executive should support regional integration initiatives to influence neighbouring countries' policies on infrastructure development and trade facilitation such as the Kazungula one stop border post.

10.11 ***Poor ICTs and Research and Development***

The Committee observes that there is limited investment in information technology to improve on sharing of market information with other member states coupled with the lack of incentives to Research and Development within national innovation systems. It is unbelievable that all key economic ministries have no multilateral, regional or bilateral trade and other partnership perspectives. It is, therefore, difficult to determine which international agreements and treaties were in force at any given time. Building local capacities in key Government ministries and agencies in the use of global and regional trade information portals and platforms is a worthwhile consideration for Zambia.

The Committee strongly recommends, as a matter of extreme urgency, that the Executive must ensure that investment in ICTs is enhanced in key economic ministries so as to foster the sharing of market information with other member states. Further investments in Research and Development should be enhanced.

10.12 ***Engagement with the private sector by key economic ministries***

The Committee observes with concern the poor co-ordination between the key economic ministries and the private sector. The limited sensitisation of the private sector on the existence of export markets in various economic blocs to which Zambia is a signatory in order for them to adopt regional/international standards of goods and services has immensely contributed to the limited penetration of regional and international markets by the local private sector.

The Committee urges the Executive to step up the interaction between the key economic ministries and the private sector who are the enablers of commerce, trade and industry by institutionalising a consultative process with the private sector. Further, a Cabinet Ministerial Committee on trade should be established to deal with the various trade issues that arise both at policy formulation and implementation.

11.0 CONCLUSION

Trade and other partnership agreements present many opportunities to Zambia by way of enhancing market access, access to cheaper imports, productivity improvements, enhancing inflows of Foreign Direct Investment (FDI), access to improved technologies, and enabling

participation in global/regional value chains. However, the country's membership to various trade agreements also presents a strain on the national budget in many respects. It has been established that trade agreements directly impact the national budget vis-à-vis revenues forgone, subscription and operational costs, the fiscal deficit as well as indirectly through increased industry competition and the impact thereof, which could be compensated for by increased industrial production, exports and employment creation.

Going forward, it is imperative for Zambia to strengthen its industrial capability in order to maximise the benefits from the COMESA, SADC and other trade agreements, and to justify these initiatives. In doing so, the country will be able to compensate for the costs associated with trade agreements that have an impact on the national budget. The country should also undertake a comprehensive cost-benefit analysis of the various trade agreements to determine which of these agreements are relevant and beneficial to the country.

PART II

1. CONSIDERATION OF THE ACTION-TAKEN REPORT OF THE BUDGET COMMITTEE FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. Policy and Legal Framework

The Committee noted that whereas the policy and legal framework to address unemployment was generally adequate, the weak implementation of the policies and poor enforcement of the legal regime had resulted in the sluggish creation of decent employment in the country. Though key policies existed such as the Industrialisation and Job Creation Strategy, which had identified four key sectors, namely agriculture, tourism manufacturing and construction sectors to stimulate decent employment creation, the Committee was concerned that the implementation of the policies and legal framework had not been satisfactory. In this vein, the Committee urged the Government to enhance the implementation of the employment creation programmes that had been identified as key towards creation of decent jobs over planned periods before introduction of new programmes.

Executive's response

It was reported in the Action Taken Report that Government had taken note of the Committee's recommendation and would continue to work towards enhancing the implementation of the employment programmes before introduction of new ones through the national budget and resources from other cooperating partners.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the implementation of the employment creation programmes with specific number of jobs created in the various sectors.

ii. Strengthening enforcement for decent job creation

In addition, the Committee noted that there was also urgent need to strengthen the enforcement and administration of the legal framework on decent jobs, including the restrictions on foreign labour where local knowledge and skills were readily available. Furthermore, the Government

should conduct a regulatory impact assessment to establish the impact that certain business laws and regulations had had on employment creation in the country.

Executive's response

It was stated in the Action Taken Report that Government had remained committed to creating conducive policy and legal frameworks that supported the creation of more and better jobs in the economy. Through a multi-sectoral approach, Government was in this regard implementing various programmes and activities aimed at creating decent jobs in the country as outlined in the Seventh National Development and other existing policies and laws on job creation. Furthermore, Government had continued to enforce the *Employment Code Act, No. 3* of 2019 as one of the major pieces of legislation promoting the decent work agenda. In line with the Zambianisation policy, Government ensured that priority was given to Zambians for jobs that could be performed by the locals. The *Employment Code Act* had provided safeguards on regulating foreign labour in the country. To this end, these efforts had been cemented by putting in place the Skills Advisory Committee which had a primary responsibility of taking stock of existing skill sets in the country and thereby facilitating the creation of decent jobs for the majority of Zambians. Government further supported the recommendation by the Committee and would act decisively by ensuring that any business laws and regulations that constituted an impediment on job creation were reviewed. However, the Committee was informed that in formulating national policies and laws, extensive consultations were undertaken. In accordance with Section 6 of *the Business Regulatory Act, No. 3 of 2014*, such laws and policies were further subjected to the regulatory impact assessment to ascertain their impact on the business environment.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the full enforcement of the various pieces of legislation that relate to jobs for locals.

iii. Budget Allocations to Match Priority areas for Decent Employment Creation

The Committee was of the view that annual budgets and medium-term expenditure frameworks remained critical tools for the Government to both directly and indirectly influence the creation of decent jobs and employment opportunities in the country. The Committee, therefore, urged the Government to fully fund programmes aimed at creating decent employment in order to achieve the policy intentions of the budget. In addition, monitoring of budget implementation, performance and impact must be enhanced, especially for programmes aimed at creating decent jobs and employment opportunities.

Executive's response

It was reported in the Action Taken Report that the Treasury acknowledged the important role that annual budgets and medium-term frameworks played in the creation of decent jobs. However, the funding of programmes aimed at creating decent employment had been constrained due to limited resources. The Committee was assured that the Government remained committed to actualising this important resolve and the cause would be prioritised in the 2021-2023 medium term.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter and the specific prioritisation of the programmes in the 2021-2023 medium term.

iv. Status of Decent Employment in the Formal Sector
The Committee expressed concern with the statistics that only 28 per cent of the working population was in decent employment in the formal sector. This effectively entailed that over 70 per cent of the population was not in decent employment. This explained why the extreme poverty levels had remained high at 54 per cent and opportunities for decent employment remained low. In this vein, the Committee urged the Government to have yearly targets on decent employment creation and strengthen monitoring mechanisms on the implementation of the targets. Further, the interactions between the Government and the private sector should be enhanced so as to achieve the set targets.

Executive's response
It was reported in the Action Taken Report that the Government had taken note of the recommendation by the Committee to have consistent yearly targets on job creation. Some of these targets in selected sectors of the economy were already outlined in the National Development Plans, Medium Term Expenditure Frameworks, policy pronouncements and existing national strategic documents. Government would work on modalities to ensure that the number of jobs created in various sectors against the set targets were regularly monitored and documented. In this regard, Government would continue to strengthen the monitoring and evaluation systems within ministries and institutions responsible for job creation.

In terms of enhancing private sector participation, it was reported that Government was cognisant of the fact that the private sector played a key role to the development of the country. As recommended, Government would continue to prioritise the involvement of the private sector in its development processes. This was in order to attract accelerated inclusive growth and development through investment, productivity growth, business expansion and consequently employment promotion.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter regarding the specific programmes that have been implemented with the private sector regarding job creation.

v. Performance Contracts for Civil Servants
The Committee observed with concern the poor performance by key ministries expected to steer the creation of decent employment in the country. Despite the available human resource in the civil service, the expected outcomes over decent employment creation were way below the satisfaction of the general public. While noting some limitations on decent employment creation such as the low economic growth, the interactions between the key ministries and the private sector had been minimal, thereby worsening the situation. The Committee, therefore, urged the Government to extend the performance contracts to all senior civil servants in order to invigorate a sense of responsibility in achieving the set targets and the much needed outcomes on decent employment creation.

Executive's response
It was stated in the Action Taken Report that Government noted the Committee's observations and reported that performance contracts were being rolled out in a phased manner to ultimately cover the entire Public Service in the long-run. To this end, in the mainstream Civil Service, performance contracts had since been extended to all Directors and Assistant Directors in addition to Permanent Secretaries. It was further reported that performance contracts had been implemented in some Government agencies in two line ministries. Plans to roll-out performance contracts to local authorities were underway. However, sensitisation meetings were negatively affected by the outbreak of COVID-19.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the full roll out of performance contracts to line ministries as well the sensitisation meetings that were affected by the outbreak of COVID 19.

vi. Exploitation of the Key Sectors for Decent Employment Creation as outlined in National Policies

The Committee expressed concern over the lack of periodic updates on the creation of decent employment despite the Government initiating the Strategy Paper on Industrialisation and Job Creation (2013), in which four key sectors, namely agriculture, tourism, construction and manufacturing were earmarked to be prioritised so as to create the 1,000,000 jobs in five years. Further, the Committee noted that, save for the construction sector, the other three key sectors had not seen corresponding budgetary allocations to actualise the target. In this regard, the Committee urged the Government to take steps to ensure that the identified sectors in the Industrialisation and Job Creation Strategy were fully supported and financed in order for the country to take full advantage of these labour intensive sectors of the economy to create decent jobs. In addition, policies relating to decent work should be re-aligned in order to provide for more realistic targets and timeframes in light of the challenges experienced in their implementation.

Executive's response
It was indicated in the Action Taken Report that the need for the creation of gainful and decent employment had in the recent past gained prominence, especially with the rising levels of unemployment, especially among the youth. As per the Committee's recommendation, the Government would focus its energies on fully supporting sectors that had high potential to spur increased job creation. These sectors included agriculture, manufacturing, mining and construction. It was important to mention that, to avoid duplication of efforts, the Government was now implementing its programmes in an integrated manner. Government would consider realigning the targets on job creation, especially after having witnessed a slowdown in economic growth due to a number of factors including the outbreak of the Coronavirus (COVID-19) pandemic which had negatively affected key sectors of the economy to a larger extent.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the realignment of programmes to spur job creation.

vii. The Textile industry in Zambia

The Committee noted that one of the key manufacturing sectors that had the potential to create decent employment within a short period of time if adequately exploited was the textile industry. The demand for clothing and other textile products as evidenced by the huge influx of second hand clothes and cheap low quality textile products from Asia showed the extent of the demand. The Committee strongly recommended that Government should put in place immediate measures to phase out the high influx of second hand clothes and low quality textile products from Asia in order to promote the local textile industry. This should be preceded by the establishment of a well-structured cotton value chain with specific time frames on the implementation of the measures.

Executive's response

It was indicated in the Action Taken Report that at the moment, the Government was imposing tax as a measure to deter the influx of second hand clothes. Further, the textile sector had been identified as one of the priority sectors in the National Industrial Policy because of its numerous backward and forward linkages. In that regard, the Government had been strengthening collaboration between the different stakeholders in the cotton value chain including respective line ministries, the cotton board and cotton associations. Through the Citizens Economic Empowerment Commission, support was provided to Mumbwa Farmers' Ginning and Pressing Company to expand their operations. The Ministry of Commerce, Trade and Industry, working with cooperating partners had conducted capacity building and provided equipment such as handlooms to players along the cotton to textile value chain. Capacity building activities had included trainings and international exposure for selected beneficiaries.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the phasing out of second hand clothes and low quality textile products from Asia. The Committee further seeks an update on the specific measures taken by the Government to firmly establish a well-structured cotton value chain with specific time frames for the implementation of the said measures.

viii. High Cost of doing Business and Crowding out of the Private Sector

The Committee noted with concern the high cost of doing business in the country, as well as the limited financing and high interest rates mainly attributed to persistent borrowing from the domestic market by the Government. This had hampered the creation of decent employment in line with the Government's aspiration of creating the 1,000,000 decent jobs by 2021. Not only did this crowd out the private sector, but it also limited productivity by the private sector, and consequently severely constrained the creation of decent jobs. Subsequently, this had hampered the growth trajectory of entrepreneurship, and had stagnated business expansion, and employment creation. This factor had impacted negatively on capital allocation for entrepreneurial activity. The Committee contended that the creation of sustainable decent jobs could only be achieved by a flourishing private sector. The Committee, therefore, recommended that as a matter of extreme urgency, the Government should initiate and implement both short term and long term measures to address the high cost of doing business and high interest rates in order for the private sector to expand its productivity and contribute significantly to the creation of decent employment. In addition, the Government should consider establishing a Fund to facilitate long term borrowing, financing.

Executive's response

It was indicated in the Action Taken Report that the Executive agreed that the cost of doing business in Zambia must be competitive within the region and internationally in order to attract the necessary investments and private sector capital flows. This was why Government over the years had undertaken various measures aimed at continuously reducing the cost of doing business within the country to promote productivity such as the establishment of the Business Regulatory Service Centres (One Stop Shops) through the Ministry of Commerce, Trade and Industry. The Government had established business regulatory centres where all the regulatory agencies responsible for business sat under one roof. This meant that a business person or investors processed all the business documentation and other requisites under one roof without necessarily to having to move from one agency to another. This had reduced the cost of doing business significantly. The Government continued to monitor and to strengthen the operationalisation of the existing Business Regulatory Service Centres (RSCs) through the Business Regulatory review agency (BRRA) aimed at providing for an efficient regulatory clearance system and single licensing system. The RSCs had so far been established in Chipata, Kitwe, Livingstone and Lusaka. It was further reported that the Government had developed policies that were business friendly, which aim at creating a conducive business environment for the private sector to thrive. Some of these policies included: the National Trade Policy, the National Investment Policy and the National Industrial Policy, the National Competition and Consumer Protection Policy, the National Quality Infrastructure Policy and Micro, Small and Medium Enterprises Development Policy. Furthermore, the Committee was informed that the Government had created platforms where the private sector engaged Government on matters that related to businesses and these were Cluster Advisory Groups and through the Zambia International Business Forum where Government provided a platform to listen to the challenges being faced by the private sector and implement some of their suggestions. An e-Commerce strategy had been developed in order to keep abreast with recent trends of conducting business through electronic means. The strategy provided a framework for the development of e-Commerce in Zambia over the next five years (2020-2024). E-commerce plays a critical role in the economy as it facilitated for the creation of new channels for trade, jobs and the improvement of efficiency in trade by lowering transaction costs and reducing transaction time. E-Commerce enabled both goods and service providers to participate in regional and global value chains by connecting and enabling transactions among businesses and consumers.

The Government was also promoting the development of Multi Facility Economic Zones (MFEZs) and Industrial Parks. The implementation of Multi Facility Economic Zones (MFEZs) and Industrial Parks in Zambia was designed to make Zambia competitive through increased activities in value addition to the local raw materials that the country was endowed with. The main focus of Multi Facility Economic Zones and Industrial Parks was manufacturing and value addition. The zones offered investment supporting infrastructure such as good roads, power and water, among others, in order to attract and facilitate the establishment of manufacturing industries. The MFEZs were an important vehicle for promoting private sector investment as all the infrastructure requisites for a company to commence operations were already in place. This promoted productivity and at the same time reduced the cost of doing business on the part of the investor or business person.

According to the World Bank Cost of Doing Business Report 2020, a steady improvement had been realised as Zambia is ranked 85th out of 190 economies, 5th in Sub-Saharan Africa, 5th was

COMESA and 3rd in SADC compared to the Doing Business Report of 2019 where the country was ranked as 87th. This notwithstanding, it was reported that Government continued to pursue further means of reducing the cost of doing business, including addressing the high interest rates and limited affordable financing. The Committee also heard that the unprecedented COVID-19 pandemic which impacted negatively on the availability of financing in the economy, had made it necessary for Government to put in place short-term measures to inject liquidity into the economy in support of the private sector. Measures to inject liquidity into the economy had included the COVID-19 Bond. The measures were aimed at supporting private sector businesses during this tough period of the pandemic.

In the medium to long-term, Government had formulated an Economic Recovery Programme (ERP) to reinvigorate economic activity and growth. Measures contained in the ERP included those to address high interest rates and lack of affordable financing for the private sector. In supporting the private sector to reinvigorate growth, much more than adjustments to tax policy and administration was required. Therefore, to support the private sector, the following measures would be employed to enhance borrowing and financing:-

- **Continued fiscal support**: Government in 2020 acted swiftly through issuance of the K8 billion COVID-19 Bond. Without placing ability to re-pay the bonds at maturity at risk through staggering the maturity, provision of fiscal support would remain an important financing source to support the private sector, including through continued clearance of domestic arrears.

- **Refinancing Facility**: The Bank of Zambia issued a K10 billion Medium Term Refinancing Facility in 2020. Consideration would be made for similar facilities in the medium term to the tune of K20 billion.

- **Private sector windows at various Multilateral Organisations**: Various multilateral organisations such as the African Development Bank and the World Bank had private sector windows. The uptake by the Zambian private sector had, however, been weak, with only US $750 million of the total allocated under the AfDB accessed.

- **Resources had also been provided using the proceeds from the COVID-19 bond to dismantle domestic arrears to ease the liquidity challenges of SMEs.**

The Committee was furthermore informed that the Zambia Revenue Authority (ZRA) introduced an electronic system for tax registration called e-Tax-Online Registration. The system allowed taxpayers to undertake registration and to file returns electronically for all tax categories without physically going to the ZRA offices. The reform had resulted in reduction of time taken to register a business and pay taxes.

Committee's Observations and Recommendations

The Committee notes the detailed response and resolves to await a progress report on the implementation of the highlighted interventions, including the Economic Recovery programme.

ix. Low Contribution for Decent Employment Creation by the Construction Sector

The Committee was dismayed over the low contribution to decent employment creation by the construction sector despite huge investments through both local and foreign financing. This was mainly attributed to the low participation of local contractors as most of the contractors were foreigners who, in most instances, externalised their finances, thereby limiting decent employment creation in the country. In this vein, the Committee strongly recommended that Government should legislate the 20 per cent policy pronouncement for allocating Government contracts to local contractors in the construction sector in order to enhance the participation of local contractors so as to enhance the creation of decent employment in the country.

Executive's response

It was reported in the Action Taken Report that the 20 per cent subcontracting had been provided for in the National Council for Construction Bill N.A.B No 5 of 2020. The provisions included the requirement for foreign contractors to partner with a local contractor when bidding for works and also the requirements for foreign contractors awarded contracts of a prescribed value to sub contract a prescribed portion of their works to local contractors.

Committee's Observations and Recommendations

The Committee notes the response and resolves to close the matter but urges the Executive to ensure the piece of legislation is fully implemented.

x. Standalone Investments Act

The Committee noted that the absence of an Investment Act had, to some extent, hampered the creation of decent employment in the country. It contended that the ZDA Act was more development oriented than investment oriented, thereby limiting the creation of decent employment, unlike the situation in other jurisdictions. Not only would a standalone investment policy strengthen the capabilities of Government institutions to analyse and design sectoral and trade policies and programmes that would promote the creation of decent employment in terms of quantity and quality, but it would also entail that every policy and programme was assessed to determine its employment creation potential. Focus should be on policies and programmes with maximum employment creation potential. In this vein, the Committee strongly recommended that the Government should initiate the development of a standalone Investment Act to foster the creation of decent employment in the country.

Executive's response

It was indicated in the Action Taken Report that Government was already implementing the Committee's recommendation. In this regard, Government had reached an advanced stage in revising the *Zambia Development Agency Act of 2006* in order to split it into two independent Acts, namely, the ZDA Act which would focus on the administrative issues of the Agency and the Investment, Trade and Enterprise Development Act which would focus on the mandate of the three main Directorates of the Agency. Therefore the committee's recommendation was taken care of under the proposed Investment, Trade and Enterprise Development Bill. Further, Government had developed a National Investment Promotion Strategy to promote investment in the country. The National Investment Promotion Strategy (NIPS) was aimed at accelerating the growth of investments in all sectors of the Zambian economy and also addressed the existing inadequacies in monitoring investment flows and fragmented investment promotion activities. The Strategy put forward an overarching programme for the country to become a prosperous,

competitive and dynamic world-class investment destination by 2026. The Strategy further focused on Zambia becoming an industrialised nation with a diversified, innovative and globally competitive industrial base, which contributed to sustainable growth and employment creation.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress reported on the revision of the ZDA Act.

xi. Weak Monitoring of Decent Employment Creation
The Committee noted with concern the weak monitoring of decent employment creation in the country which had exacerbated the situation, especially that there were no specific mechanisms for periodic update of employment figures in key sectors of the economy. This was despite the Government having the means of capturing decent employment creation through social schemes, among others. One practical way was the inclusion of decent employment creation as a key macro-economic target in the same way as was the case with GDP and inflation, among others, in the framework of the national budget in order to facilitate monitoring of progress on decent job creation both in quantitative and financial terms. The Committee, therefore, recommended that the Government should strengthen mechanisms and capacity to monitor and analyse statistics on the labour force and use of such information to effectively inform policy interventions and strategies for jobs and employment creation by creating a robust monitoring system of tracking decent employment creation in both the public and private sectors. Further, decent employment creation should be included as one of the key macro-economic indicators in the national budget. In the same vein, a robust framework for monitoring progress on decent job creation both in quantitative terms and financial terms should be developed and implemented.

Executive's response
It was stated in the Action Taken Report that the Government appreciated the timely recommendation by the Budget Committee. Efforts to improve the collection and analysis of labour market statistics were being made and this had resulted into undertaking the labour force survey more consistently (on a quarterly basis) since 2017 compared to the previous years where such surveys could only be carried out every after two years.

To ensure effective harmonisation of statistics in the country, the *Zambia Statistics Act, No. 13 of 2018* was enacted. The Act, currently under implementation, had provided for the establishment of the Zambia Statistics Agency. Once the structure of the Agency was fully operationalised, competent staff would be recruited to properly monitor, analyse and disseminate different types of statistical information. As an independent body, the Agency would become more efficient and this would help in addressing the concerns raised by the Committee progressively.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress reported on the inclusion of decent employment creation as a key macro-economic target.

xii. Industrialisation of the Economy and Value Addition
The Committee noted that as a factor of production, labour was market driven. This entailed that decent employment could only be created if there was demand for it by the market. In this regard, industrialisation of the economy remained central in actualising the demand for labour by

the private sector, as well as value addition for local materials. The Committee urged the Government to ensure that the re-launched National Local Content Strategy aimed at promoting linkages between micro, small, medium and large enterprises that foster business linkages in the growth sectors was implemented within specified time frames so as to create the needed decent jobs.

Executive's response

It was reported in the Action Taken Report that Government had taken note of the committee's recommendation and would work to ensure that the Local Content Strategy was implemented within the times frames specified.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the matter.

xiii Skills Development

The Committee was generally satisfied with the establishment of the Skills Development Fund as it had the capacity to contribute significantly to the creation of decent employment in the country if the objectives were executed as envisaged. However, the Committee expresses worry on the absence of deliberate measures to capacitate the youth with skills that were market oriented. The Committee, therefore, urged the Government to roll-out capacity enhancement programmes in order to support the youth with demand oriented technological skill sets for the market. Further, continuous curriculum review should be conducted in order to provide appropriate training that matched the needs of the industry. In addition, the Government should implement a nationwide apprenticeship programme to provide a better transition from school to work.

Executive response

It was reported in the Action Taken Report that Government noted of the Committee's recommendation and reported that Technical Education, Vocational and Entrepreneurship Training Authority, with financing from the Skills Development Fund, had been financing the provision of Small and Micro Enterprises (SME) and Informal Sector Training to youths countrywide. The training being provided was responsive to the needs of the labour market. The training being provided was responsive to the needs of the labour market. All the training programmes being financed were laced with entreneurship and were aimed at encouraging skills upgrading, employment creation and poverty reduction among the youth. TEVET was identified as a critical player in the realisation of the aspirations of Seventh National Development Plan. Therefore, TEVET must be seen to play the role of supporting the development of a labour force with requisite functional skills required to effectively support economic growth and diversification. In this regard, TEVETA would continue to undertake review of TEVET curricula in line with the priority sectors identified in the 7NDP, in order to ensure that they remain current, relevant and responsive to the needs of industry. The Ministry of Higher Education, in collaboration with Ministry of Labour and Social Security, TEVETA and the International Labour Organisation (ILO), and other stakeholders drafted and launched a National Work Based Learning (WBL) Framework and the National Internship Guidelines which provide direction on the implementation of WBL and Internship programmes. They were also currently working to repeal and replace the *Apprenticeship Act* in order to ensure the formulation of apprenticeship framework which would guide the operation of the apprenticeship activities and programmes. In addition, TEVETA was implementing Employer Based Training (EBT) programmes in

collaboration with industry with financing from the SDF. This initiative had increased industry participation in skills training which had provided learners with opportunities to acquire the much-needed industrial exposure to aid their transition from school to work.

Committee's Observations and Recommendations

The Committee noted the response and resolved to await a progress report.

xiv Investment in Research and Development

The Committee was concerned with the low investment in research and development in the country. It contended that huge investments in programmes that support technological transfer and absorption such as ICTs had the potential to create decent jobs for the youthful population within a relatively short time. The Committee urged the Government to consider partnering with the private sector on job creation programmes for youths through technology transfer and absorption. Further, deliberate efforts should be made to invest in research and development which underpins employment creation in general and decent employment in particular.

Executive response

It was reported in the Action Taken Report that the Ministry of Higher Education through the National Science and Technology Council (NSTC), one of the Ministry's statutory bodies, implements the Strategic Research Fund (SRF). The SRF provided financing for research and development whose findings had the capacity to contribute to addressing emerging issues. In 2020, the SRF had an approved budgetary allocation of Seven Million Kwacha (K7, 000,000.00). To this effect, the Ministry had in 2020 awarded five (5) projects valued at K500, 000.00 with these funds. Due to the outbreak of the COVID-19 pandemic, priority was given to projects that would lead to findings that would alleviate the effects of the pandemic. In this regard, projects awarded with the SRF were under the following topic:

i. Development of a rapid method for detection of COVID 19 diseases;
ii. Rapid Screening of Current Conventional Drugs and Plants as Anti-COVID-19 Therapeutic Agents;
iii. Environmental Risk Factors Contributing to the Transmission of COVID-19; and
iv. Development of a Mobile Application for Covid-19 Contact Tracing.

In addition, the Ministry of Higher Education implements the Science, Technology and Innovation Youth Fund (STIYF). This Fund was also implemented through NSTC. The STIYF was aimed at creating opportunities resulting in employment and wealth creation, through science and technology innovations by the youths. This Fund was available for youths drawn from primary and secondary schools through the Junior Engineers, Technicians and Scientists (JETS), colleges, universities and the informal sector. In 2020, the STYIF had an approved budgetary allocation of Two Million Kwacha (K2, 000,000.00). Successful innovations that were commercially viable from both the SRF and STIYF are submitted to the National Technology Business Centre (NTBC), which facilitates for their commercialisation using the Technology Business Development Fund (TBDF). In the 2020 budget, the TBDF was allocated Four Million, Seven Hundred Thirty-Five Thousand, Four Hundred Fourteen Kwacha (K4,735,414.00) Recently the TBDF supported the Local Medical Ventilator prototype or model at a cost of K100,000.00. The Local Medical Ventilator has been tested and functional. The NTBC is currently identifying private sector organisations that could support its production and marketing.

This innovation has potential to create for employment the youths, once the manufacturing plant was established. The three funds described above give a total allocated amount of K13, 735,414.00 in the 2020 budget. In order to produce desired results, however, the allocation for research and development needs to be increased to attain the one percent (1%) of Gross Domestic Product (GDP) expenditure on research and development as had been guided by the 2008 Southern African Development Community (SADC) Protocol on Science, Technology and Innovation under Article 4 of 2010. In order to enhance the contribution of Research and Development to employment and wealth creation, the Ministry of Higher Education, recently developed the National Science, Technology and Innovation Policy which was approved by Cabinet in May, 2020. The Policy would introduce measures that would strengthen private sector participation in the implementation of the SRF, STIYF and TBDF and their contribution to financing research and innovation. This would not only upscale the R&D activities in the country but also increase the sources of financing to complement Government.

Committee's Observations and Recommendations
The Committee noted the response and resolved to await a progress report on the matter.

2. CONSIDERATION OF THE ACTION-TAKEN REPORT OF THE BUDGET COMMITTEE FOR THE THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. Membership to International Trade Groupings and Protectionism

The Committee urged the Government to ensure that periodic engagements were undertaken with the various stakeholders so as to take timely measures to safeguard the interests of selected local products that could immensely contribute to the manufacturing sector. The Committee resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that the Ministry undertook engagements with various stakeholders to get information on what was obtaining on the production and supply chains in the fruits and vegetables sector in order to assess the current requirements set by the supermarkets, challenges and make policy recommendations that were based on evidence. Engagements were held with key stakeholders such as Freshmark, IAPRI, COMACO, Roseblooms, Pick N Pay and Musika. Further, the Ministry formulated a Task Force to look into the policy issues around market access for local products and strengthening of local value chains.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

ii. Heavy Dependency on Copper and Untapped Opportunities in Agriculture

The Committee noted the measures and programmes put in place by the Government to foster agriculture diversification but regretted that there were no tangible outcomes from the programmes through increased contribution to GDP by the agriculture sector. The Committee, therefore, resolves to await a progress report on the implementation of the programmes to achieve increased contribution to GDP of the agriculture sector through diversification.

Executive's Response

It was reported in the Action Taken Report that the Ministry of Agriculture had continued to implement programmes and projects aimed at fostering agriculture diversification. This was in effort to achieve enhanced agriculture productivity and production and thus increase agriculture sector contribution to Gross Domestic Product (GDP). The following were some of the programmes that the Ministry was undertaking:-

1.1. Productivity-enhancing technology development

The Government remains committed to fully implementing agricultural interventions to build the resilience of farmers and the agricultural sector to climate change. In doing so, Government has partnered with cooperating partners, non-governmental organisation and civil society organisations to implement these interventions.

The following had been achieved so far:

- A Climate Smart Agriculture Investment Plan and a Climate Smart Strategic Framework for Zambia to leverage resources for implementation of climate smart interventions had been developed;

- The Ministry of Agriculture had trained about 90 per cent of the Extension Officers in Conservation Agriculture/Climate Smart Agriculture and intended to carry out nationwide trainings and refresher trainings in 2020;
- Continuous training of small scale farmers in conservation agriculture/climate smart agricultural practices and currently the adoption rate is estimated between 20 and 25 per cent;
- Developed a Climate Smart Agriculture Extension Training Manual;
- Government was implementing the Strengthening Climate Resilience of Agricultural Livelihoods in Agro-Ecological Regions I and II (SCRALA) Project to support implementation of the Climate Smart Agriculture interventions;
- Formed and officially launched the Climate Smart Agriculture Alliance for Zambia which aimed to improve the coordination in climate smart agriculture implementation in the country. The Alliance consisted of government and local and international non-governmental organisations; and
- The Ministry of Agriculture had developed curriculum on conservation agriculture at both diploma and certificate levels to be used in its training institutions.

1.2. Farm Block Development

The Government of the Republic of Zambia has identified agriculture as one of the engines to economic development, hence the commitment to develop

agriculture as the mainstay of the economy and to this effect every province was proposed to have at least one productive farm block.

Some progress had been made in some farm blocks in terms of infrastructure development. However, much progress could not be achieved due to inadequate financing. Nevertheless, investment packages to attract private investment in Luswishi Farm Block were concluded with support from the African Development Bank through the Youth in Agribusiness and Agricultural Commodity Corridors Programme (Feed Africa).

1.3. Irrigation Development

Irrigation was an essential to increase agriculture production and productivity for sustainability of country's economy. Climate change has raised the concern on the need to promote irrigation. The Ministry of Agriculture was thus promoting irrigation so as to improve productivity and production. The construction of Mwomboshi Irrigation Scheme in Chisamba was one of the schemes the Ministry was promoting. Other schemes included Lusitu Irrigation Scheme in Chirundu andwas at 75 per cent completion. Others were Musakashi South Irrigation Scheme in Mufulira and Chiansi Irrigation Scheme in Kafue which was at 80 per cent completion.

1.4. Agriculture Input Supply Management

The Ministry had continued to subsidise farmers through the Farmer Input Support Programme. The overall objective of the programme was to improve the supply of agricultural inputs to small scale farmers through sustainable private sector participation at affordable cost, in order to increase household food security and incomes.

1.5. Research and Development Promotion (crops)

The Zambia Agriculture Research Institute (ZARI) had continued to conduct research and development in the agriculture sector. For instance, a total of four varieties (1 wheat and 3 Irish potatoes) that had completed two seasons of official evaluation under irrigated winter trials were released for commercialisation in February, 2020.

As at February, 2020, the total of protected plant varieties in the register was 116.

1.6. Extension service delivery enhancement

The Ministry had continued its role of providing extension services to farmers. Further, extension services were now delivered to farmers through the Zambia Agriculture Management Information System (ZIAMIS).

1.7. Agricultural Finance Product Development

The Ministry of Agriculture had been facilitating access to finance through promotion of matching grants. For instance as at February, 2020, a total of ZMW3, 601,675 was disbursed to fifty five projects under the Cashew Infrastructure Development Project matching grant facility.

1.8. Farm Power and Mechanisation enhancement

The Ministry of Agriculture had been promoting farm power and mechanisation through a number of interventions, ranging from provision of an enabling environment, trainings and provision of matching grants.

1.9. Crop and product diversification

The Ministry of Agriculture had also continued promoting crop and product diversification to contribute to agricultural diversification

1.10. The Ministry was also constructing new infrastructure and rehabilitation at Agricultural Training Institutions. This would lead to improved infrastructure and training environment of agriculture colleges in Zambia.

1.11. Research and Extension Infrastructure Development

Rehabilitation of infrastructure at Research stations and institutes had continued. For example, rehabilitation of one staff house and construction of a greenhouse at Mt. Makulu Research Station are at 85 per cent and 50 per cent completion respectively. Construction of two low cost staff houses and rehabilitation of three low cost staff houses, 1 x 3 block of Flats, three roomed flat administration block, dormitory and warehouse at Namushakende Farm Institute in Mongu district were at over 90 per cent completion. Rehabilitation of four low cost staff houses at Nangweshi Farm Institute in Sioma District was at 50 percent completion. Construction of two low cost staff houses at Kalabo Farmers' Training Centre and two low cost staff houses at Lukulu Farmers Training Centre in Lukulu district was at 47 per cent and 80 per cent respectively.

1.12. Rural Infrastructure Development

Rural infrastructure, like other public investments, raised agriculture productivity, which in turn induced growth in the rural areas, bringing about higher agricultural incomes and improved livelihoods. Electricity and roads were significant determinants of agricultural productivity.

The Ministry of Agriculture had prioritised infrastructure in agriculture. In Western Province, construction of a cashew bulk storage shed in Mongu and Kalabo was at 88 per cent completion. In Sioma and Senanga districts, construction of cashew bulk storage sheds was at 78 per cent while in Lukulu it was at 40 per cent completion.

Construct on of the 30-tonne cassava plant in Chitambo district was at 85 per cent completion. The structure had been completed and the shipment of all equipment had been undertaken. In addition, two (flour and starch) of the three lines of the plant were ready for testing while the stock feed line was at 80 per cent completion.

All the above measures were aimed at fostering agriculture diversification and thus achieve agriculture productivity and production. This in turn would increase the agriculture sector's contribution to Gross Domestic Product (GDP).

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

iii. **Phasing out of second hand clothes**

The Committee noted the response and resolves to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that the textile sector had been identified as one of the priority sectors in the National Industrial Policy because of its numerous backward and forward linkages. In that regard, the Ministry had been strengthening collaboration between the different stakeholders in the cotton value chain including respective line ministries, the cotton board and cotton associations. Through the Citizens Economic Empowerment Commission, support was provided to Mumbwa Farmers' Ginning and Pressing Company to expand their operations. The Ministry working with cooperating partners had conducted capacity building and provided equipment such as handlooms to players along the cotton to textile value chain. Capacity building activities had included trainings and international exposure for selected beneficiaries.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter regarding the phasing out of second hand clothes.

iv. **Import substitution strategies**

The Committee noted the response and resolves to await a progress report on the implementation of the recommendation that all uniformed public employees and security wings be dressed in uniforms made from Zambian grown cotton.

Executive's Response
It was reported in the Action Taken Report that the Ministry of Commerce was in the process of engaging the stakeholders, security institutions and other uniformed public employees to see how best the committee's recommendation could be implemented. The Committee was informed that its recommendation was in line with the Ministry of Commerce's Local Content Strategy which advocated for utilisation of local materials in manufacturing products, including uniforms for security wings and the other uniformed public employees.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the implementation of the recommendation.

v. **Constraints in agriculture and textiles industry**

The Committee was disappointed that there were no measures being implemented to address the recommendation. The Committee found this response unacceptable and requested a detailed response, outlining the measures taken to address the challenges identified.

Executive's Response
It was reported in the Action Taken Report that cotton was one of the crops in Zambia with the potential to increase rural smallholder incomes, improve household food security for farmers and contribute to the country's textile industry. A lot of products were produced from cotton such as lint, yarn, poly/cotton yarn, cotton fabrics and feed stock for animals. Cotton production faced a lot of challenges, such as the following:

- Low productivity due to a number of factors, including poor agronomic practices, quality of inputs and climate change;
- Uncoordinated extension messages;
- Lack of price setting mechanisms leading to low pricing of seed cotton; and
- Climate change.

However, the Ministry of Agriculture had been taking measures to address the challenges in the cotton sub-sector. Through the Farmer Input Support Programme, farmers under the e-voucher had access to a wide choice of crops. The system provided beneficiary farmers with a wide option of agriculture, livestock and fisheries inputs to choose from. This was very important for pushing the agriculture diversification agenda. Therefore, cotton farmers were benefitting from the e-voucher system. The Ministry of Agriculture, through the Cotton Board of Zambia, was supporting research and development in the cotton sub-sector. Research would help to come up with eco-friendly and sustainable technologies, development of climate smart seed varieties in the wake of climate change and the development of monitoring controlling and testing instruments in the cotton sub-sector. The Ministry of Agriculture was promoting the use of climate smart agricultural practices amongst small scale farmers, including those in the cotton sub-sector. These practices included conservation agriculture, sustainable soil and water management and agro-forestry. The Ministry was also strengthening extension services and agricultural training institutions in order to effectively disseminate information on climate change and climate smart agriculture practices through recruitment of extension officers. In addition, the Ministry had revised curricula in its agricultural training institutions to incorporate climate change.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the implementation of the highlighted interventions.

vi. **Fiscal Indiscipline and Instability**

The Committee noted the response and resolved to await a progress report on the actual expenditure cuts arising from the austerity measures being implemented.

Executive's Response
It was reported in the Action Taken Report that the austerity measures were introduced in the 2017-2020 medium term. In this regard, the formulation of the respective budgets was anchored on these measures. Therefore, the 2020 budget had already incorporated the austerity measures as reflected by the prioritisation of dismantling of arrears and the cancelling/ postponement of contracted but not disbursed loans.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the actual amounts that have been included on the budgets arising from the austerity measures.

vii. **Quarterly reports on austerity measures**

The Committee notes the response and resolves to await a progress report on the actual funds saved quarterly arising from the austerity measures being implemented.

Executive's Response
It was stated in the Action Taken Report that the Executive remained committed to implementing austerity measures of which the key components included cancellation, postponement and re-scoping of projects. The Committee was further informed that the Government as at September, 2020 had saved US$1.1 billion through the cancellation of pipeline loans and US$280.0 million had been saved from the re-scoping of projects.

Committee's Observations and Recommendations
The Committee notes the response and resolves await a progress report on the actual amounts that have been saved from the various programmes arising from the austerity measures.

viii. **Uncontrolled Contraction of Loans**

The Committee noted the response and resolved to await a progress report on the presentation of the amendments to the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* to Parliament for enactment.

Executive's Response
It was reported in the Action Taken Report that the amendment of the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* had been delayed to pave way for the conclusion of the Constitution Review Process whose outcomes had a bearing on the provisions of the subsidiary legislation, *the Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia.* However, it was reported that the Executive had since made progress on the review of the *Loans and Guarantees (Authorisation) Act* in preparation for its presentation to Parliament. Notably, a Cabinet Memorandum was being prepared for the submission of the draft Loans and Guarantees (Authorisation) Bill to Cabinet for clearance, after which the Bill would be submitted to the Ministry of Justice for legal clearance. Once these processes were concluded, the Bill would be tabled before Parliament for approval.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the presentation of the Loans and Guarantees (Authorisation) (Amendment) Bill to Parliament, especially that consideration of the constitutional changes referred to had been concluded by the National Assembly.

xii. **Exchange Rate Instability and Foreign Reserve Sustainability**

The Committee noted the response but resolved to await a progress report on the exchange rate stability and foreign reserve sustainability.

Executive's Response
It was reported in the Action Taken Report that as of the second quarter of 2020, the Kwacha traded at K18.20/US$. The Government would impose key measures that involved expanding the export base and building up Gross International Reserves. This would be achieved through ensuring that fiscal and monetary policy coordinated as payments related to fuel procurement, fertilizer importation and debt service for any amount above US $1 million were undertaken. The Committee was further imformed that the bilateral currency swap arrangements with the Central Banks in the region and beyond would be explored. In addition, Government would explore regional arrangements with Central Banks to exchange gold for hard currency. The Committee was also informed that as of end June 2020, Gross International Reserves increased to US$1.43 billion thus equivalent to 2.3 months of import cover from US$1.40 billion equivalent to 2.0 months of import cover at end March, 2020. Mining tax receipts (including mineral royalty tax) and net foreign exchange purchases from the market mainly accounted for the increase in reserves. Furthermore, the in order to ensure foreign reserve sustainability, Government would reduce debt service to moderate call on reserves through debt restructuring. Further Government would establish trade centers at Zambia's main boarders including the DRC and Angola to formalise trade and increase foreign exchange earnings by end 2021.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the stabilisation and sustainability of the exchange rate and international reserved especially that as of the first quarter of 2021, the exchange rate was at $1: K21.46.

xiv. TOPIC 2: MAXIMISING REVENUE COLLECTION FROM MINES IN ZAMBIA – A CASE OF MINERAL ROYALTY

i. Taxes from mining companies in Zambia

The Committee noted the measures taken by the Government but resolved to await a progress report from the multinational co-operations arising from the highlighted interventions.

Executive's Response
It was reported in the Action Taken Report that that Government was cognisant of the resolve by the Committee to await progress report from the multinational co-operations arising from the highlighted interventions. It is our considered view that the multinational corporations would send their progress report directly to the Committee.

Committee's Observations and Recommendations
The Committee notes the response but resolves to await a progress report on the matter. The Committee further guides that the progress reports should be presented through the Action Taken Report and not directly to the Committee.

ii. Tax Regime in the mining sector

The Committee noted the measures taken but resolved to await a progress report on the implementation of the highlighted interventions in order to avoid ambiguity in the tax system.
Executive's Response
It was reported in the Action Taken Report that the mining taxation regime had been maintained in the 2021 budget. The Tax Policy Review Committee (TPRC) that had been constituted by the

Ministry of Finance to consider tax proposals for the 2021 budget presents an opportunity to resolve any ambiguity in the tax system of the Mining Sector. The Zambia Revenue Authority would recommend to the Ministry of Finance appropriate measures to ensure that such noted ambiguities were brought to the attention of the TPRC for resolution.

Committee's Observations and Recommendations
The Committee notes the response but resolves to await a progress report on the matter regarding the comprehensive review of mining taxation.

iii. **Optimal tax rates**

The Committee noted the response and resolved to await a progress report on the actual optimal; tax rates that has been submitted.

Executive Response
It was reported in the Action Taken Report that there were no other optimal tax rates that were introduced beyond what was reported.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

iv. **Deductibility of mineral royalty**

The Committee noted the response and resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that the recommendation to come up with optimal tax rates that do not discourage investment and exploration in the mining sector was welcome. The Government would continue to diversify the mining sector from the copper to other gold minerals. In this regard, the Zambia Gold Company Limited had been established to spearhead gold mining and trading activities in the country. Additionally, government would continue to enhance the regulatory framework in order to optimize returns from our mineral wealth. Tax Policy Review Committee that had been constituted by the Ministry of Finance to consider tax proposals for the 2021 budget presents an opportunity to begin to begin the adjustment process towards coming up with an appropriate tax regime that would ensure that optimal tax rates do not discourage investments and exploration in the Mining sector. The Committee may further wish to note that there would be a removal of import duty on copper ores and concentrates to encourage local processing.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the comprehensive review of mining taxation.

v. **ICT enhancement by ZRA**

The Committee noted the response but resolved to await a progress report on the full implementation of the measures.

Executive's Response
It was reported in the Action Taken Report that Government intended to hold a mining tax conference to bring together the Government, mining companies and mining tax experts to discuss and propose a mining regime that can meet the short, medium and long-term objectives.

Committee's Observations and Recommendations
The Committee notes the response but resolved to await a progress report on the mining conference to resolve the matters.

vi. **Lack of Value Addition in the Cotton Industry**

The Committee awaited further update on progress made in reviving the textile sector.

Executive's Response
It was reported in the Action Taken Report the Government had been implementing measures to reduce the cost of doing business in the country in order to promote productivity. Some of the measures include the following below:

(i) **Establishment of Business Regulatory Service Centres (One Stop Shops)**

Government had established Business Regulatory Centers where all the regulatory agencies responsible for business sat under one roof. This meant that a business person or investor processed all the business documentations and other requisites under one roof without necessarily having to move from one regulatory agency to another. This had reduced the cost of doing business significantly.

The Ministry continued to monitor and strengthen the operationalisation of the existing Business Regulatory Service Centres (RSCs) aimed at providing for an efficient regulatory clearance system and single licensing system. The RSCs had been established in Chipata, Kitwe, Livingstone and Lusaka.

(ii) **Establishment of the Business Regulatory Review Agency (BRRA)**

The Agency was a specialized Government body that ensured the quality of regulation is improved. It sought to ensure that businesses were regulated in a fair, equitable, and transparent manner and for specific and legitimate reasons. This is done in an effort to reduce the cost of doing business.

(iii) **Infrastructure Development**

Infrastructure was important in the promotion of business activities in the country. In this regard, Government had prioritised infrastructure development as a key strategy for reducing the cost of doing business and promoting the development. The main thrust under infrastructure development had been road construction and rehabilitation; expansion and construction of hydro-power stations, rehabilitation of railway line construction and modernization of airports and development of soft infrastructure (ICTs).

The putting in place of adequate, reliable and quality infrastructure would greatly accelerate the growth of the business sector. Further, the Government has been facilitating for investment in infrastructure development through Public Private

Partnerships. This involved provision of infrastructure such as roads, bridges, hospitals, clinics, railways, lodges, telecommunications, buildings and many more. Through such arrangements, the businesses are expected to grow and increase the revenue for Government creation of employment opportunities for the Zambian people thereby reducing the cost of doing business in Zambia and improving their productivity.

(iv) **Establishment of One Stop Border Posts (OSBP)**

Government had continued facilitating for the establishment of One Stop Border Posts in major border posts as a way of reducing the cost of doing business. The OSBP concept aims at reducing clearance time especially for Commercial cargo and increases traffic turnaround time by having the people, trucks and vehicles stop on one side of the border where all formalities of the two countries are performed by the officers from the two respective countries or by officers of one country with authority to perform the functions of the other country. Some of these One Stop Border Posts include Chirundu and Kasumbalesa. Other prospect border posts earmarked for development included Kasumbalesa, Kazungula, Jimbe, Kipushi, Mokambo and Katimamulo border posts.

Government through the Ministry has continued to establish Trade Information Desks (TIDs) for the Small-Scale Cross Border Traders at across border posts. In this regard, the construction of Trade Information Desks at Jimbe and Kipushi Border Posts has made progress.

(v) **Establishment of collateral Registry**

The background to the enactment of the Movable Property (Security Interest) Act is that lenders have generally been reluctant to accept movable property as collateral, partly because, unlike immovable or real property (houses and land) whose records are kept at the Lands and Deeds Registry, no equivalent registry existed in relation to movable property. Therefore, with the establishment of a Collateral Registry under the *Movable Property* (Security Interest) *Act*, the Ministry will continue to facilitate access to credit by business by making it attractive for lenders to accept movable property as security. The Act provides for a comprehensive legal framework intended to facilitate lenders' acceptance of movable property as collateral and thereby increase access to credit. Specific aims of the Movable Property (Security Interest) Act are to: -

- Provide a mechanism for determining that an asset being pledged as collateral is not encumbered;
- Ensure certainty as to priority vis-à-vis competing claims over collateral; and
- Ease enforcement in case of default.

(vi) **Enactment of Companies Act number 10 of 2017**:

Government had facilitated for the enactment of the new Companies Act of 2017 to align it with modern business practices and make it much more responsive to the challenges of businesses. The Act seeks to provide for a business rescue mechanism aimed at salvaging financially troubled business. In the absence of mechanisms to protect ailing businesses, companies falling into financial difficulties have generally ended up being wound up. Further, the Ministry has since introduced full electronic (on-line) business registration to ease registration of businesses. This contributes to reducing the cost of doing business and attracts investment in the country.

The revised Act had increased protection of minority shareholders. Further, small companies can now enjoy benefits of being exempted from appointing auditors to audit their books. It is now cheaper for majority of SMEs to conduct business since high services rendered by auditors and qualified company secretaries have been removed. This is contributing to reducing the cost of doing business.

(vii) **Enactment of Border Management and Trade Facilitation Act**

The purpose of the Act is to streamline, harmonize and rationalize operations at ports of entry in order to facilitate the clearance of goods and travelers in order to reduce the cost of doing business. With this Act in place, all Zambian Border Agencies will be well coordinated to serve the customers under a single window. The Act further provides for the streamlining of border operations to improve trade facilitation and enhance cross border trading activities between Zambia and her neighbours with a view of attaining efficiency and reducing the cost of doing business at the border.

(viii) **Establishment of an online- Trade Portal Information Desk**

Government had developed an online trade information portal which provides information on trade in Zambia and other information. The Zambia Trade Information Portal (ZTIP) provide all necessary Trade information for the 23 Government agencies aimed at reducing time and cost of doing business. The portal enables traders to describe a product they want to trade and provide all necessary information such as duty rate, export and import permit requirements. This portal has been vital in reducing the cost of doing business to investors. The portal is expected to enhance trade through easy provision of information to traders and allow them to comply with import, export and transit requirements for Zambia.

This portal had been useful during the Covid -19 period as the portal is essential in reducing physical contact by availing a single authoritative trade regulatory information in one place and make it available at national, regional and International level. This initiative is of great assistance to the Zambian business men and women and also the foreign investors who wish to invest in Zambia.

(ix) **Creation of conducive business environment for Private Sector to thrive**

Government through the Ministry of Commerce, Trade and Industry is implementing policies that are business friendly which aim at creating a conducive business environment for the private sector to thrive. Some of these policies include: National Trade Policy, National Investment Policy and National Industrial Policy, National Competition and Consumer Protection Policy, National Quality Infrastructure Policy and Micro, Small and Medium Enterprises Development Policy. Further, the Committee may wish to note that Government has created platforms where the Private Sector engages Government on matters that relates to businesses. These are Cluster Advisory Groups and through the Zambia International Business Forum where Government provides a platform to address to the challenges being faced by the private sector and implement some of their recommendations and observations.

In order to continue creating a conducive business environment for the business community, the Ministry has developed an e-Commerce strategy in order to keep abreast with recent trends of conducting business through electronic means. The strategy provides a framework for the development of e-Commerce in Zambia over the next five years (2020-2024). E-commerce plays a critical role in the economy as it facilitates for the creation of new channels for trade, jobs and the improvement of efficiency in trade by lowering transaction costs and reducing transaction time. E-Commerce enables both goods and services providers to participate in regional and global value chains by connecting and enabling transactions among businesses and consumers.

Government launched the upgraded e-*Registry and Notice and Comments web portals* aimed at facilitating easy access to business licensing information as well as enhancing transparency in the policy and lawmaking processes as it will enable citizens and businesses to participate and provide inputs.

Further, Government was promoting the development of Multi Facility Economic Zones (MFEZs) and Industrial Parks. The implementation of Multi Facility Economic Zones (MFEZs) and Industrial Parks in Zambia is designed to make Zambia competitive through increased activities in value addition to the local raw materials that the country is endowed with. The main focus of Multi Facility Economic Zones and Industrial Parks is manufacturing and value addition. The zones offer investment supporting infrastructure such as good roads, power and water, among others, in order to attract and facilitate the establishment of manufacturing industries. The MFEZs were an important vehicle for promoting private sector investment as all the infrastructure requisites for a company wishing to commence operations are already in place. This promotes productivity and at the same time reduces the cost of doing business on the part of the investor or business person.

(x) **Online Registration System:**

Government has established an on-line registration systemto allow clients from anywhere in the world to register a business in Zambia without necessary having to travel to Zambia. The system allows clients access to name clearance, reservation of name, printouts, registration of business names, registration of local companies, registration of foreign companies, annual return submissions, request for certificate of status, amending of business details such as address, financial year end, directors, partners and other details, change of name of a business, change of company type, alteration of the capital of a company, file articles and file resolutions. All this is done in the spirit of reducing the cost of doing business.

(xi) **Online Tax Registration:** Government through the Zambia Revenue Authority (ZRA) introduced an electronic system for tax registration called e-Tax-Online Registration. The system allows Taxpayers to undertake registration and to file returns electronically for all tax categories without physically going to the ZRA offices. The reform has resulted in reduction of time taken to register a business.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a response on the matter regarding the reviving the textile sector.

vii. **Mumbwa Ginnery**
The Committee resolved to await a progress report on the matter**.**

Executive's Response
It was reported in the Action Taken Report that at the time of this report, Government had not yet disbursed resources for applicants to apply for the funds. It was hoped that once the Commission is funded, Mumbwa Ginnery may consider applying for funding in order to recapitalize the company.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter**.**

viii. **Gemstone sector tax contribution**
The Committee noted the response and resolved to await the funding of the sector in line with the priorities as espoused in the 7NDP.

Executive's Response
It was reported in the Action Taken Report that that Government intended to hold a mining tax conference to bring together the Government, mining companies and mining tax experts to discuss and propose a mining regime that can meet the short, medium and long-term objectives of both Government and mining investors. The Purpose of this event was to provide a consultative platform for undertaking a comprehensive review of the mining tax regime in Zambia and further discuss other pertinent issues affecting the mining sector in Zambia such as energy, activating the local content thereby reviewing the ease of doing business and mining

regulatory policy framework among other issues. The Committee was also informed that the event was scheduled to be held in March 2020 however, could not take place due to the COVID19 Pandemic. The institutions which would be part of the implementation of a sustainable and predictable mining tax regime in Zambia include the following-

- Ministry of Finance
- Ministry of National Planning and Development
- Ministry of Mines and Mineral Development
- Ministry of Commerce, Trade and Industry
- Ministry of Energy
- Securities and Exchange Commission
- Copperbelt Energy Corporation Plc
- Zambia Electricity Supply Cooperation
- Zambia Revenue Authority
- Chamber of Mines Zambia
- Mining Companies
- Mining Associations from Zambia
- Mining Tax Experts
- Mining Industry Experts
- Academia
- Selected Civil Society working in the Extractive Industry
- Financing Houses
- Zambia Institute for Chartered Accountants Tax Committee
- Mining Unions
- Suppliers to Mining Companies

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the holding of a mining conference so as to address the issue of gemstone mining.

ix. **Gemstone mining licensing**

The Committee noted the response and resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that Government had made progress after Cabinet approved its proposal to amend the *Mines and Minerals Development Act No.11* of 2015. The amendment would allow for various provisions and other gaps in the Act. Among the proposal being considered is that of Government taking a 25% stake in every gemstone mine. The amendment of the Act was in process and consultations were being done among the stakeholders to get their views on the proposal by the Committee.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the revision of the *Mines and Minerals Development Act No.11* of 2015 to address the issue of gemstone mining among other objectives.

x. **Trade Agreements and Smart Protectionism**

The Committee noted the response but resolved to await a progress report on the full implementation of smart protectionist strategies.

Executive's Response

It was reported in the Action Taken Report that Zambia is a member of World Trade Organisation and Regional groupings such as COMESA and SADC as such it is party to these Trade Agreements. Therefore protectionist strategies were not allowed. However, the following were some of the smart protectionism strategies that were used to protect the domestic industry:

(i) Restriction on the issuance of import permits. This works very well for agro-products;

(ii) Introduction of standards for instance the sugar case, where any sugar that is to be imported into Zambia needs to have vitamin A; and

(i) Imposition of surtax on selected goods.

Committee's Observations and Recommendations

The Committee notes the response but resolves to await a progress report on the full implementation of the highlighted measures.

3 CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE BUDGET COMMITTEE FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. ***Introduction of Digital Stamps***

The Committee noted the response and resolved to await a progress report on the full implementation of the digital tax stamps.

Executive's Response

In response to the Committee, the Executive stated that the Committee may wish to note that the implementation status of this project was that a due diligence exercise was awaiting to be undertaken on the shortlisted bidders for the provision of the Digital Tax Stamps Solution. The Ministry of Finance has guided that the Public Private Partnership Act requires that the evaluation report for the shortlisted companies should state clearly that a satisfactory due diligence has been completed on the shortlisted bidders to confirm their capabilities and competencies. In order to comply with this requirement, the Ministry further guided that ZRA should undertake a due diligence on all the five shortlisted bidders.

The Committee may also wish to note that the due diligence would require visiting the countries where the short-listed bidders have undertaken projects of similar nature in order to determine their respective technical capacities and competences. The visits are also intended to enquire on the user experience from the countries that have implemented similar solutions. The proposed countries for benchmarking are Tanzania and Rwanda. The due diligence visit to the selected countries was supposed to take place in the first quarter of 2020 but because of COVID-19 pandemic, the team has been unable to travel. However, possibilities of undertaking the due

diligence exercise virtually are being explored and the Public Private Partnership (PPP) unit has since been engaged on the matter. A response from the PPP unit on way forward is being awaited. The idea was to determine whether some parameters in the due diligence checklist could be verified virtually while those which cannot be physically confirmed would be done once the Covid-19 pandemic situation improves or when travel restrictions are eased.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

ii. ***Reduce the fiscal deficit***
The Committee noted the response but resolved to await a comprehensive report on the actual figures relating to fiscal deficit as well as the quantified amounts that had been saved arising from the austerity measures.

Executive's Response
It was noted in the Action Taken Report that the fiscal deficit had steadily been rising, from 5.8 percent in 2016 to the projected 2020 outturn of 11.7 percent. This was on account of the macro-economic downturns experienced in the current medium term. The key factors explaining the unfavourable performance include; the adverse climatic conditions that led to low agricultural production and constrained hydo-power generation, exchange rate depreciation, rising inflation and the containment measures for the COVID-19 pandemic that resulted in dampened economic activity. The negative effects of the COVID-19 pandemic had consequently resulted in reduced domestic revenue collections. An additional amount of K8 billion was accessed as domestic financing for COVID-19 related interventions. Notwithstanding the above challenges, in the long term, the austerity measures were envisaged to reduce the pace of debt accumulation, positively impact on fiscal consolidation and consequently reduce the fiscal deficit.

Committee's Observations and Recommendations
The Committee notes the response but resolves to await a comprehensive report on the actual figures relating to austerity measures.

iii. ***Public Finance Management Reforms***
The Committee noted the response and resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that it was reported in the Action Taken Report that the amendment of the *Loans and Guarantees (Authorisation) Act, Chapter 366* of the Laws of Zambia had been delayed to pave way for the conclusion of the Constitution Review Process whose outcomes had a bearing on the provisions of the subsidiary legislation, the Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia.

However, the Committee may also wish to note that the Executive has since made progress on the review of the Loans and Guarantees (Authorization) Act in preparation for its presentation to Parliament. Notably, a Cabinet Memorandum is being prepared for the submission of the draft Loans and Guarantees (Authorisation) Bill to Cabinet for clearance, after which the Bill will be submitted to the Ministry of Justice for legal clearance. Once these processes are concluded, the Loans and Guarantees (Authorisation) Bill will be tabled before Parliament for approval.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter especially that the issue of constitutional review has been resolved by the National Assembly.

iv. ***Engagement in the Agriculture Sector***

The Committee noted the response and resolved to await a progress report on the matter. In addition, the Committee requested the Executive to indicate a specific timeframe in which the equipment would be procured.

Executive's Response
It was reported in the Action Taken Report that the situation was same due to the negative impact of the COVID 19 Pandemic on the treasury and general movement of Goods and services across international borders. Therefore the time frame for procurement of the new equipment would only be determined subject to availability of resources and the easing of COVID 19 restrictions.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

v. ***Social Cash Transfer Electronic Single Registry***

The Committee noted the response and resolved to await a progress report on the implementation of the Zambia Integrated Social Protection Management Information System (ZISPIS) and the piloting of the system in the selected districts.

Executive's Response
It was reported in the Action Taken Report that the Ministry of Community Development and Social Services (MCDSS) had with the support of Smart Zambia Initiative (SZI) developed a Social Cash Transfer (SCT) disbursement application called The Zambia Integrated Social Protection Information System (ZISPIS). The ZISPIS is an on-line or web-based information system that was role based, providing hierarchical access to the correct stakeholders based on the requirements of their interactions with the system.

The MCDSS during this year, 2020 endeavoured to carry out a live test of the ZISPIS application in 2 districts in Zambia namely Chililabombwe and Nyimba. The purpose of the test was to reduce the risk of software failure in the event of systems deployment to the rest of the country (Currently, only 17 Districts in Zambia are on pilot phase of the ZISPIS. MCDSS desires to expand this test parameter to an additional 55 districts so as to incorporate Covid19 and KGS (Keeping-Girls-in-School) affected areas).

Project implementation Status:
17 test area districts have fully implemented the ZISPIS. All the test areas have technological requirements fully installed. These include: mobile phones for PPMs, Desktop and Laptop devices. The project test areas are: Chililabombwe, Nyimba, Petauke, Lusangazi, Mpulungu, Nsama, Namwala, Sinazongwe, Ikelenge, Kasempa, Zambezi, Chavuma, Kaputa, Mulobezi, Shangombo, Kitwe and Kalulushi. It was envisaged that 99 Districts would have full implementation by end of 2020.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await an update on the matter.

vi. ***Implementation of the Decentralisation Policy***
The Committee noted the response and resolved to await a progress report on the rolling out of the decentralization programme to other districts.

Executive's Response
It was reported in the Action Taken Report that the implementation of the Human Resource Management Reform was on course. So far, the Civil Service Commission had established Human Resource Management Committees at provincial level in five provinces namely: Luapula, Southern, Central, Northern and North Western. The remaining five provinces would be concluded in the first quarter of 2021. The other Service Commissions were also implementing the human resources management reforms that will ensure delegation of some of their functions to the lower levels. However, the Service Commission Regulations, which would guide the operations of the said Committees were yet to be approved as they were still being refined by various stakeholders through the Ministry of Justice. With regard to implementation of the devolution of functions, the Committee may wish to note that the pace of implementation had been slow due to disparities that exists between Republican Constitution and the National Decentralisation Policy. In this regard, progress had been made to address the disparities through proposals contained in the Constitution of Zambia (Amendment) Bill No. 10 of 2019 (referred to as "Bill 10") which would have resulted in subsequent amendments to other pieces of legislation to facilitate devolution process. It was evident from the foregoing, that the process for rectifying and harmonizing the legal and policy framework depended on the outcome of Bill 10.

Consequently, the Executive would expedite the review of several pieces of legislation that are not harmonized to facilitate the process of devolution of functions already prescribed in the Constitution. The Executive will also continue to strengthen the capacities of the local authorities to ensure efficient service delivery on the local authority exclusive functions already being performed by the local authorities in readiness for the devolution of functions.

Committee Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the rolling out of the decentralization programme to other districts.

vii. ***Growth of local firms***
The Committee noted the response and resolved to await a progress report on the review of the MSME Development Policy.

Executive's Response
It was noted in the Action Taken Report that Government had reached an advanced stage and had developed a draft MSME Development Policy and was currently working in finalising the implementation plan of the said policy. The finalisation and launch of the policy was scheduled to take place in the first quarter of 2021.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

viii. ***Planning and Budgeting Bill and the amendments to the Loans and Guarantees (Authorisation) Act***

The Committee noted the response and resolved to await a progress report on the matter.

Executive's Response

It was reported in the Action Taken Report that that the amendment of the *Loans and Guarantees (Authorization) Act, Chapter 366* of the Laws of Zambia had been delayed to pave way for the conclusion of the Constitution Review Process whose outcomes had a bearing on the provisions of the subsidiary legislation, the Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia. However, the Committee may also wish to note that the Executive has since made progress on the review of the Loans and Guarantees (Authorization) Act in preparation for its presentation to Parliament. Notably, a Cabinet Memorandum is being prepared for the submission of the draft Loans and Guarantees (Authorization) Bill to Cabinet for clearance, after which the Bill will be submitted to the Ministry of Justice for legal clearance. Once these processes are concluded, the Loans and Guarantees (Authorization) Bill would be tabled before Parliament for approval."

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the matter especially that the issue of constitutional amendment have been resolved by the National Assembly.

4 CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE BUDGET COMMITTEE FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i. ***Improve Debt Management***

The Committee noted the response and resolved to await a progress report on the amendment of the Constitution and subsequently to the Loans and Guarantees(Authorisation) Act.

Executive's Response

In response to the Committee, the Executive stated that the amendment of *the Loans and Guarantees (Authorisation) Act, Chapter 366* of the Laws of Zambia had been delayed to pave way for the conclusion of the Constitution Review Process whose outcomes had a bearing on the provisions of the subsidiary legislation, *the Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia.*

However, it was note that the Executive had since made progress on the review of the Loans and Guarantees (Authorization) Act in preparation for its presentation to Parliament. Notably, a Cabinet Memorandum was being prepared for the submission of the draft Loans and Guarantees (Authorisation) Bill to Cabinet for clearance, after which the Bill will be submitted to the Ministry of Justice for legal clearance. Once these processes are concluded, the Loans and Guarantees (Authorisation) Bill will be tabled before Parliament for approval.

Committee Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the amendment of the *Loans and Guarantees (Authorisation) Act, Chapter 366* of the laws of Zambia, given that the National Assembly has concluded on the Constitution Amendment.

ii. ***Enhance Transparency in National Fuel Procurement***
The Committee notes the response and resolves to await a progress report on the repeal of the *Petroleum (Exploration and Production) Act, 2008.*

Executive's Response
It was reported in the Action Taken Report that the Ministry was collaboration with the Ministry of Justice currently undertaking stakeholder consultative meetings with key stakeholders. Once consultations were completed, the Ministry would consolidate the comments from stakeholders and also hold a validation meeting of the Petroleum Development and Management (PDM) Bill of 2020.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the presentation of the Petroleum Development and Management (PDM) Bill to the National Assembly.

iii. ***Expedite the Process of the Cost of Service Study***
The Committee noted the progress made on the matter and resolves to await a further status report.

Executive's Response
In response to the Action Taken Report (ATR), the Executive stated that the Ministry through the Energy Regulation Board (ERB) entered into a contract with Energy Market and Regulatory Consultants (EMRC) on 31st October, 2019. The twelve month study was officially launched in December, 2019 and was expected to be completed by end of November, 2020. However, due to COVID-19 the study had been extended to be completed in March, 2021.

Committee's Observations and Recommendations
The Committee notes the progress made on the matter and resolves to await an update on the matter.

i. ***Clearing the Arrears for Both the Farmer Input Support Programme and Food Reserve Agency***
The Committee noted the response and requested a progress report on the clearing of the remaining balance of K101, 993,520.02 being owed to agro-dealers.

Executive's Response
It was reported in the Action Taken Report that the Ministry of Agriculture had been working hard to ensure that the arrears owed to agro-dealers were cleared. As at 12th August, 2019, the Ministry owed the agro-dealers about K101, 993,520.02. However, invoices continued to come to the Ministry from agro-dealers for the 2018-2019 and the 2019-2020 farming seasons, which then brought the total owed to agro-dealers to K1, 282,519,352.91 as at 18th August, 2020.

As at 18th August, 2020, the Ministry had paid out a total of K945, 460,734.24 to agro-dealers leaving a balance K649, 800.903.36

The Ministry of Agriculture had continued to engage with the Ministry of Finance on the release of the funds to pay the outstanding arrears.

Committee's Observations and Recommendations
The Committee notes the progress made in offsetting the arrears but resolves to await an update on the clearance of the remaining balance of K649, 800.903.36 being owed to agro-dealers.

ii. ***Expedite the Implementation of Fiscal Decentralisation***
The Committee noted the response and resolved to await the implementation of the highlighted measures by actualising fiscal decentralisation.

Executive's Response
It was reported in the Action Taken Report that the Zambian Government had in the recent past made significant changes at the Ministry of Finance as a way of repositioning itself to address and actualise fiscal decentralisation. This was done by the creation of a department responsible for Local Government Finance under the Office of the Accountant General, a unit under the Office of the Controller Internal Audit and the Intergovernmental Fiscal Relations Unit under the Office of the Permanent Secretary Budget and Economic Affairs. These structures had been coordinating with other stakeholders such as the Ministry of Local Government, Decentralisation Secretariat under Cabinet Office and the Office of the Auditor General. Some of the progress recorded in fiscal decentralisation included:

a) designing an intergovernmental transfer system for devolved functions using a sector-wide approach;
b) finalising the Debt Management Strategy for local authorities which would provide a framework for local level borrowing and debt management;
c) developing measures and action plans to enhance their revenue mobilisation efforts in local authorities; and
d) enhancing collections from property rates following the repeal of the Rating Act in 2018 which expanded the base for collection of property rates. In this regard, Local Authorities are being supported and encouraged to update their valuation rolls.

Committee's Observations and Recommendations
The Committee notes the positive strides made in actualising fiscal decentralization, but resolves to await a progress report on the full implementation.

5 CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON ESTIMATES FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

i. ***Performance Management Bill***
The Committee noted the response and resolved to await a progress report on the finalisation of the Performance Management Bill.

Executive's Response
It was reported in the Action Taken Report that Government noted the Committee's observations and reported that the Performance Management Bill was still undergoing further Stakeholder consultations.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the presentation of the Performance Management Bill to the National Assembly.

ii. ***Performance Based Management***

The Committee noted the response and resolved to await a progress report on the finalisation of the Performance Management Bill, to facilitate the implementation of performance contracts in local authorities.

Executive's Response
It was reported in the Action Taken Report that Government noted the Committee's observations and reported that the Performance Management Bill was still undergoing further stakeholder consultations.

Committee Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter.

M Simfukwe, MP April, 2021
CHAIRPERSON **LUSAKA**

APPENDIX I - List of National Assembly Officials-

Ms C Musonda, Principal Clerk of Committees
Mr H Mulenga, Deputy Principal Clerk of Committees (FC)
Mrs C K Mumba, Senior Committee Clerk (FC)
Mr S C Samuwika, Committee Clerk
Ms L Chilala, Typist
Mr D Lupiya, Committee Assistant
Mr M Kantumoya, Parliamentary Messenger

APPENDIX II – List of Witnesses

1. Ministry of Finance (MOF)
2. Ministry of Foreign Affairs (MOFA)
3. Ministry of National Development Planning;
4. Ministry of Commerce, Trade and Industry
5. Ministry of Agriculture
6. Ministry of Home Affairs
7. Bank of Zambia (BOZ)
8. Zambia Revenue Authority (ZRA)
9. Economics Association of Zambia (EAZ)
10. Centre for Trade Policy and Development (CTPD)
11. Zambia Association of Chamber of Commerce and Industry (ZACCI)
12. The University of Zambia – Department of Economics
13. Zambia Institute for Policy Analysis and Research (ZIPAR)
14. COMESA Secretariat
15. Zambia Association of Manufacturers (ZAM)
16. Indaba Agricultural Policy Research Institute
17. Zambia Statistics Agency
18. Metal Fabricators of Zambia Plc (ZAMEFA)
19. Policy Monitoring and Research Centre (PMRC)
20. Members of the Public
21. National Economic Advisory Council

Appendix III: Status of Bilateral Investment Treaties in Zambia

Status of BITs in Zambia

	COUNTRY/ PARTNERS	*DATE SIGNED*	*DATE RATIFIED*	*STATUS*
1.	Germany	1966	1972	Ratified
2.	Switzerland	1994	1995	Ratified
3.	Belgo-Luxemburg	2001		Signed
4.	China	1996		Signed
5.	Croatia	2000		Signed
6.	Cuba	2000		Signed
7.	Egypt	2000		Signed
8.	Finland	2005		Signed
9.	France	2002		Signed
10.	Italy	2003		Signed
11.	Mauritius	2015		Signed
12.	Morocco*	2017		Signed
13.	Netherlands	2003		Signed
14.	Turkey**	2018		Signed
15.	United Kingdom and Northern Island	2009		Signed
16.	Algeria			Draft
17.	Angola			Draft
18.	Botswana			Draft
19.	Canada			Draft
20.	Denmark			Draft
21.	India			Draft
22.	Kuwait			Draft
23.	Malaysia			Draft
24.	Mozambique			Draft
25.	Namibia			Draft
26.	Nigeria			Draft
27.	North Korea			Draft
28.	South Africa			Draft
29.	Tanzania			Draft
30.	Ukraine			Draft
31.	United Arabs Emirates			Draft
32.	Zimbabwe			Draft

Notes:
*Signature status change to "singed" in 2018, thus updated;
**Signature status change to "singed" in 2017, thus updated

Source: adopted with medications from Simumba (2017)

Appendix IV: International organisations with allocations of subscriptions and contributions

1. Africa Technical and Capacity Building (afritac)
2. African Capacity Building Foundation
3. African Caribbean Pacific - European Union (ACP -EU)
4. African Development Bank
5. African Institute for Economic Development and Planning
6. African Peer Review Mechanism
7. African Union
8. Alliance for financial Inclusion
9. Bank of Tokyo - Mitsubishi - Bank Charges
10. Common Market for Eastern and Southern Africa (COMESA)
11. Commonwealth Fund for Technical Co-operation
12. Commonwealth Partnership for Management Technology
13. Commonwealth Secretariat
14. Commonwealth Youth Programmed/Foundation
15. Eastern and Southern African Anti - Money Laundering Group
16. Global Funds
17. Great Lakes Region
18. International Fund for Agriculture Development (IFAD)
19. International Impartial and Independent Mechanism (IIIM)
20. International Maritime Organisation (IMO)
21. Macro-Economic and Financial Management Institute (MEFMI)
22. Organisation for the Prohibition of Weapons (OPEC)
23. Regional Tourism of Southern Africa (RETOSA)
24. Southern African Development Community (SADC)
25. Southern African Development Community Accreditation Services
26. Trade Development Bank (TDB) (capital Stock)
27. United Nations
28. United Nations Children Fund (UNICEF)
29. United Nations Development Programme (GLOC)
30. United Nations Population Fund (UNFPA)
31. World Bank-Purchase of Shares and Maintenance