REPORT OF THE COMMITTEE ON ECONOMIC AFFAIRS AND LABOUR FOR THE FIRST SESSION OF THE TENTH NATIONAL ASSEMBLY APPOINTED ON 8TH NOVEMBER 2006

Consisting of:

Mr G Lubinda, MP (Chairperson); Mr B E Chimbaka, MP; Mr E M Hachipuka, MP; Mr G Nassim-ul-Hamir, MP; Mr H H Hamududu, MP; Mr M M Mabenga, MP; Ms M M Masiye, MP; and Mr B M Ntundu, MP.

The composition of your Committee reduced following the appointment of Mr G Nassim-ul-Hamir, MP to a ministerial position.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

Your Committee have the honour to present their Report for 2007.

Functions of the Committee

2. In addition to any other duties conferred upon them by the Hon. Mr Speaker, or any other order of the House, the functions of your Committee are as follows:

(i) to study, report and make recommendations to Government through the House on the mandate, management and operations of Government ministries, departments and/or agencies under their portfolio;
(ii) to carry out detailed scrutiny of certain activities being undertaken by Government ministries, departments and/or agencies under their portfolio and make appropriate recommendations to the House for ultimate consideration by Government;
(iii) to make, if considered necessary, recommendations to the Government on the need to review certain policies and/or certain existing legislation; and
(iv) to consider any Bills that may be referred to them by the House.

Meetings of the Committee

3. Your Committee held fourteen (14) meetings to consider submissions on Zambia's Investment Policy and Legal Framework; the Economic Partnership Agreements (EPA's) and the Food Security Pack (FSP) Programme.

Report of the Committee

4. Your Committee's Report is in four parts: Part I highlights the study on Zambia's Policy and Legal Framework on Investment, including findings arising from the tour of Konkola Copper Mine. It then outlines observations and recommendations. Part II outlines the Brief on the Economic Partnership Agreements (EPA's) including observations and recommendations. In Part III the report deals with the Study on the Food Security Pack (FSP) Programme and the subsequent findings of the study tour of Chiawa in Kafue District and the observations and recommendations. Part IV gives the conclusion.

PART I

THE ADEQUACY OF ZAMBIA'S INVESTMENT POLICY AND LEGAL FRAMEWORK

5. In order to ensure that adequate information was obtained, your Committee requested written memoranda and oral submissions from Government through the Ministries of Commerce, Trade and Industry; Mines and Minerals Development; and Labour and Social Security.

Your Committee also received submissions from the private sector represented by the Zambia Business Forum (ZBF). ZBF is an umbrella body of various business associations, namely, the Zambia Association of Manufacturers (ZAM); the Zambia Chambers of Commerce and Industry (ZACCI); the Zambia National Farmers Union (ZNFU); the Chambers of Mines (CAM); and the Tourism Council of Zambia (TCZ).

In order to examine the adequacy of Zambia's Investment Policy and Legal Framework, your Committee undertook a study tour of Konkola Copper mines.

GOVERNMENT'S SUBMISSION

Your Committee were informed that Government embarked on a process of restructuring the economy in order to make it competitive and to be able to attract Foreign Direct Investment (FDI). Some of the specific measures that were instituted are:

- abolition of foreign exchange controls;
- liberalisation of trade, including the removal of price controls;
- removal of consumer subsidies; and
- divestiture of public enterprises through privatization.

In addition to the policy measures highlighted above, Government explained that it had put in place various pieces of legislation and programmes to govern investment in Zambia. Some of these laws and programmes are set out below:

a) The Zambia Development Agency (ZDA) Act

The Zambia Development Agency Act No. 11 of 2006 is the main piece of legislation governing investment in Zambia. It is the legal instrument for the operationalisation of the Zambia Development Agency (ZDA). The ZDA was formed by merging five statutory bodies under the Ministry of Commerce, Trade and Industry, namely, the Zambia Investment Centre (ZIC); Export Board of Zambia (EBZ); Small Enterprises Development Board (SEDB); Zambia Privatisation Agency (ZPA); and Zambia Export Processing Zones Authority (ZEPZA).

The Board of the Zambia Development Agency is now operational and has started implementing the functions of the ZDA. The main areas of focus of the ZDA include the following:

(i) facilitation of trade and industrial development strategies;
(ii) Small and Medium Enterprises (SME's) development;
(iii) privatisation and commercialisation;
(iv) administration of incentives in line with the ZDA Act; and
(v) granting of licenses, permits and certificates of registration.

b) The Customs and Excise Act Cap 322, as amended

The Customs and Excise Act Cap 322 of the Laws of Zambia, as amended, is another important piece of legislation aimed at facilitating trade, among others. It is used to regulate goods and services entering the country. Apart from contributing to Government revenue, the Customs and Excise Act may be used to protect local industries from cheap imported products. The Act provides for import or customs duty on Cost Insurance and Freight value of imported goods.

c) The Value Added Tax (VAT) Act CAP 331 as amended

The Value Added Tax (VAT) Act Cap 331 of the Laws of Zambia, as amended, regulates the VAT rates for all products that are registered for VAT.

d) The Income Tax Act Cap 323 as amended

The Income Tax Act Cap 323 of the Laws of Zambia, as amended, regulates corporate taxes and other direct taxes that are applicable to all investors. The Act provides for taxation of income arising from Zambia and requires deduction of tax at source on making payments, inter alia, such as dividends; management and consultancy fees; interest; royalties and rent.

e) The Companies Act Cap 388 as amended

The Companies Act Cap 388 of the Laws of Zambia, as amended regulates company formation, registration, management and winding up.

f) The Mines and Minerals Act Cap 213 as amended

The Mines and Minerals Act Cap 213 of the Laws of Zambia, as amended regulates the issuance of mining licenses and mining operations. It compels investors to pay mineral royalties to Government.

g) Competition and Fair Trading Act Cap 397 as amended

The Competition and Fair Trading Act Cap 397 of the Laws of Zambia, as amended ensures a fair and equitable business environment.

h) Trades Licensing Act Cap 393 as amended

The Trades Licensing Act Cap 393 of the Laws of Zambia, as amended provides a regulatory system in which domestic firms obtain appropriate trading licences for their operations. It also gives powers to the Minister to reserve certain trades licences for, and the provision of certain services to, Zambians.

i) Private Sector Development (PSD) Reform Programme

Government, in 2004, adopted the Private Sector Development (PSD) Reform Programme as a framework for creating an enabling environment for a vibrant private sector and a favourable investment climate in Zambia.

j) Triangle of Hope Initiative

The Government of Zambia, with the help of the Japanese Government, is implementing the Triangle of Hope Initiative, which mainly promotes investment in all sectors of the economy. Under the initiative, Zambia will establish Multi-Facility Economic Zones (MFEZ's) provided for in the ZDA Act.

The MFEZs are special industrial zones for both export-oriented and domestic-oriented industries. The Zones will have infrastructure needed for manufacturing and export activities.

Investors under the Multi-Facility Economic Zones will enjoy attractive fiscal incentives. They will also receive assistance when obtaining relevant licences and permits. Investors in the Multi Facility Economic Zones are thus assured of lower operational costs and smoother operations.

NATIONAL INVESTMENT OBJECTIVES

Your Committee were informed that the following were the guiding principles observed by Government when drawing up investment priorities:

(i) creation of wealth necessary for addressing economic and social infrastructure;
(ii) creation of jobs;
(iii) attainment of balanced regional development with provinces achieving their potential;
(iv) ensuring environmentally sustainable investment; and
(v) promotion of human resource development.

GOVERNMENT RESPONSIBILITIES TO FOREIGN INVESTORS

Your Committee heard that Government had a deliberate policy of encouraging foreign investors to invest in all sectors of the economy. The role of Government was to promote, facilitate, regulate and coordinate investment, including provision of incentives.

GOVERNMENT RESPONSIBILITIES TO LOCAL INVESTORS

With regard to Government's responsibilities to local investors, your Committee were informed that Government was encouraging the private sector to invest in Zambia. Government did not discriminate between foreign and domestic investors. Therefore, all national investors were eligible to the measures Government provided to foreign investors.

Government was encouraging national investments by promoting and facilitating the development of the Small and Medium Enterprises (SME's), through a number of measures. One such measure was the Citizens Economic Empowerment Commission established in 2007 under the Citizens Economic Empowerment Act of 2006. The Commission's objective is to promote the empowerment of targeted citizens with limited access to economic resources.

INVESTORS' RESPONSIBILITIES TO THE COMMUNITY

Investors had the following responsibilities to the communities within which they operated:

- provision and facilitation support to business enterprises;
- procurement of supply materials, equipment and services from local enterprises; and
- provision of corporate social responsibility programmes.

INVESTORS' RESPONSIBILITIES TO THE ECONOMY

Investors have the following responsibilities to the economy at large:

- contribution to production output of the economy;
- supporting other sectors by providing forward and backward linkages;
- provision of job opportunities to the local people; and
- contribution to tax revenue.

GOVERNMENT'S RESPONSIBILITY TO WORKERS

Your Committee were informed that the responsibility of Government to the workers was to ensure security of their jobs and protection of their rights. In Zambia, there are a number of pieces of legislation that govern labour relations, namely, the Employment Act, Cap 268; the

Industrial and Labour Relations Act, Cap 269; and the Minimum Wages and Conditions of Employment Act, Cap 276.

Government explained that, in collaboration with workers' and employers' representative organisations, it recently finalised consultations on the review of the current labour laws. The approved National Employment and Labour Market Policy was another instrument Government was administering in fulfilling its obligations to the workers. The policy's main objective was to create adequate and quality jobs which provide enough income and protect workers' basic human rights.

SUBMISSION BY THE PRIVATE SECTOR

The private sector confined their submission to the role of investors, the examination of Foreign Direct Investment, the Investment Policy and Legal Framework, the National Investment Policy, and responsibilities by various players.

a) Role of Investors

Your Committee were informed that both local and foreign investors play an important role in economic development, including job creation and poverty reduction. In this respect, both local and foreign investors should be treated equally. Apart from the fact that the playing field for local and foreign investors was not even, local investors faced other challenges. Some of the challenges facing local entrepreneurs were limited access to, and high cost of, finance. This led to their failure to effectively contribute to economic development and subsequent job creation.

b) Foreign Direct Investment (FDI)

Your Committee were informed that global Foreign Direct Investment in 2005 totalled US$916 billion, with Europe accounting for 47 percent, Asia 22 percent and North America 15 percent. Africa, on the contrary, accounted for only 3 percent. The bulk of FDI in Africa was directed towards resource seeking, covering primary commodities, mainly minerals and increasingly the service sector, especially telecommunication. The reasons for Africa's poor performance were attributed to policy uncertainty, macro-economic instability, poor tax structure and rampant corruption. It was explained that, geographically, FDI had concentrated in North Africa and the Republic of South Africa.
Regarding FDIs to Zambia, your Committee were informed that in 2005, the total investment inflow amounted to US$250 million. This represented only one percent of the total investment to Africa and was one of the lowest in Southern and Eastern Africa. The largest share of Zambia's investment was attributable to the mining sector.

c) Investment Policy and Legal Framework

The Zambia Business Forum explained that one of the key features in attracting FDIs was a good and transparent policy and legal framework. A favourable investment policy and legal framework ought to cover investment promotion and facilitation, trade promotion and facilitation, fair competition, favourable tax system, corporate governance, policies for promoting responsible business conduct, human resources development, infrastructure and financial services development, and public governance, among others.

d) National Investment objectives

Your Committee were informed that the main objective of the investment policy and legal framework should be to promote and provide a sound and sustainable investment climate, for both local and foreign investment, so as to accelerate economic growth and poverty reduction.

e) Government responsibilities to Local and Foreign Investors

The main responsibility of the Government was to provide an enabling environment for business activities. Government should ensure that:

(i) there is a clear and transparent investment policy, and a legal and regulatory framework that ensures predictability and security to investment;

(ii) there is a favourable tax structure that maintains a balance between the needs of the treasury and investors;

(iii) it settles its liabilities in accordance with agreed contract terms for the supply of goods and services and urgently clears outstanding domestic debt;

(iv) there is a clear national policy of developing and maintaining a skilled labour force;

(v) there is a well developed infrastructure that supports and facilitates doing business in the country, especially transport and telecommunication system and energy supply; and

(vi) best practices in public governance are adhered to thereby reducing uncertainty and improving business conditions for all investors.

f) Investors' responsibilities to workers

The Forum explained that investors should comply with domestic labour and industrial laws and adhere to international best practices relating to labour and industrial matters.

g) Investors' responsibilities to the Community

Regarding investor's responsibilities to the Community, your Committee were informed that investors had a responsibility of fostering the wellbeing of the community through corporate social responsibility programmes. This could either be through protection of the environment or safeguarding the interests of consumers through quality products and provision of social services.

h) Investors' responsibilities to the Economy

The role of investors in the economy as a whole is:

(i) ensuring that timely, reliable and relevant information is disclosed regarding their activities, structure, financial position and performance. They should work against all forms of corruption and comply with local and international laws;

(ii) conducting their activities within the framework of applicable laws and regulations. They should refrain from entering into or carrying out anti-competitive agreements such as price fixing, collusive tenders, restricting output and dividing markets;

(iii) promoting the transfer of technology into the country and encouraging forward and backward linkages with local enterprises; and

(iv) contributing to Government revenue by meeting their tax obligations.

Asked whether Government had instituted measures to ensure that mining companies kept part of their earnings in Zambia, the private sector explained that mining companies were expected to reinvest in the mines. In this regard, the mines could not be said to be externalising funds since they had not started making profits. It was further explained that companies kept their earnings outside any given country because of uncertainties in the economy. It was, therefore, important for the Government of Zambia to ensure stability in the economy.

Following the passing of the Zambia Development Agency Act, your Committee noted that its application had been poor. Your Committee wanted to know what could be done in order to ensure that the implementation of the Act yielded desired results.

Your Committee were informed that the Act needed strengthening by amending the section that provided for the composition of the Board. It was argued that the composition of the Board was skewed towards Government.

Your Committee disagreed with the idea of mining companies banking their earnings in offshore accounts, because this had the impact of depriving the local financial market with loanable funds. However, Your Committee were informed that people resorted to saving their earnings outside the country because of instability in the economy.

Your Committee were reminded that Zambia had not attracted the world's biggest mines yet. As such, there was need to improve the environment so that the country could attract more investors. Further, countries that continued to show positive economic growth rates were those that were highly liberalised. In this regard, Zambia would be taking itself backwards if it instituted controls in various sectors of the economy, including the financial sector.

TOUR OF KONKOLA COPPERMINE (KCM)

The tour of KCM provided an opportunity for your Committee to compare the information received from submissions with what was obtaining on the ground on the adequacy of Zambia's Policy and Legal Framework on Investment. Your Committee were guided through the various operations and projects being undertaken by the company.

FINDINGS OF THE STUDY TOUR

Your Committee were informed that KCM comprised of Konkola Underground Mine with 8900 thousand tonnes of copper reserves, the Nchanga Underground Mine with 280 thousand tonnes copper reserves, Nchanga open pit Mine with copper reserves of 867 thousand tonnes and Nampundwe Underground mine with reserves of 417 thousand tonnes of Iron pyrite ore. The company had also been recovering copper from the tailings through the Tailing Leach Plant with an operation capacity of 100,000 tonnes per annum of refined copper. It was running the Nkana smelter, the refinery and acid plant with an operation capacity of 150,000 tonnes per annum of refined copper. The company employed about 23,000 people, including more than 4,000 professionals.

a) Nchanga

At Nchanga, the company has set up a new Sulphuric acid plant to reduce dependence on imports and opened up a new Greenfield Oxide ore mine (Fitwaola).

b) Nkana

At Nkana, the company has replaced its cranes and converter blower at a cost of $4.5 Million and revamped the Acid plant at a cost of $2Million.

c) Konkola Deep Mining Project (KDMP)

The Konkola Deep Mining Project (KDMP) involved the following:

(i) expanding the production of copper ore from 2 million tonnes per annum to 6 million tonnes per annum;
(ii) sinking of a new mine shaft to the depth of 1490 metres; the deepest new shaft sinking in Africa;
(iii) building of a new 6 million tonnes per annum concentrator;
(iv) deepening of existing shafts;
(v) sinking three (3) new vent shafts;
(vi) extending the life span of the mine to 2035; and
(vii) securing an investment of $400 million.

d) Nchanga Smelter Project

The Nchanga Smelter was the largest Copper Smelter in Africa with a total investment of $300 million. It was expected to commence operating by mid 2008 and currently it employed more than 650 personnel.

e) Human Resource Development

Your Committee were informed that KCM was recruiting technical experts from across the globe in critical areas like hydrology, exploration, open pit mining and projects development. In addition, it had recruited more than 1500 local school leavers, 15 accountants and 200 graduates and engineers across Zambia since 2005.
KCM had sent about 64 employees to various Vedanta Companies overseas for exposure, training and experience in their operations. The company also provided scholarships to deserving employees and their dependants to undertake higher education at the University of Zambia and the Copperbelt University.

f) Corporate Social Responsibility Programmes

Your Committee were informed that KCM was involved in various activities meant to uplift the wellbeing of the Community. The company signed a Memorandum of Understanding (MoU) with local authorities in Chingola to refurbish roads and street lights at a cost of US$800 000.

In addition, KCM had been involved in sinking boreholes for local communities. It had also been actively involved in the rollback Malaria programmes through spraying of over 36,000 houses. The Company has been carrying out awareness programmes on HIV/AIDS at places of work and communities. It had created a Corpus Fund for provision of free antiretroviral therapy and currently there were about 752 individuals already on ARVs. It was running two hospitals and seven clinics providing primary and secondary health care.

In the area of education, the company was running two Trust Schools, one in Chililabombwe and another in Chingola. It was also sponsoring three football clubs, the Chingola Schools Sports Tournament and the Under-seventeen Cricket Tournament in Chingola. One of the important programmes was the company's sponsorship of the KCM Premier National Football League.

g) Vendor Development

Your Committee were informed that the purpose of vendor development was to develop a local manufacturing base and to support the economic growth of the country. This was a programme where the mines deliberately procured goods and services from local suppliers. This had led to the creation of employment and wealth generation in the informal sector. It was also meant to revive the dormant local manufacturing base and empower the local supplier base to compete successfully with imported products. The sectors being covered were manufacturing and services.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

Having received various submissions, both oral and written, on the adequacy of Zambia's Investment Policy and Legal Framework and having toured one of the major mining companies, your Committee make the following observations and recommendations:

(i) there is an apparent lack of understanding among the private sector on the incentives provided in the ZDA Act. Your Committee recommend the need for Government to clarify the provisions in the Act to ensure that its implementation and enforcement are clear and transparent;

(ii) some investors are not honest. They come to Zambia under the pretext that they are starting a manufacturing industry, but later change to trading. This is mainly because there is no system to monitor their activities. Your Committee recommend that a system be put in place to monitor and evaluate investment in Zambia;

(iii) Zambian entrepreneurs are facing a lot of challenges which include the cost of production, limited access to, and high cost of, finance. As a result of this situation, most of the companies are closing down because they can not compete favourably with the foreign companies. Your Committee, therefore, recommend that Government, in conjunction with the private sector, should put in place a mechanism for promoting backward and forward linkages between foreign and local enterprises and address constraints of starting and/or expanding local enterprises. Government should also address the problem of the cost of finance;

(iv) some of the investors, such as the KCM, negotiated Development Agreements with Government giving them an advantage over other investors. These agreements covered aspects of taxation. Not withstanding the prices of copper on the London Metal Exchange (LME) being at their highest level ever, Zambia is not benefiting, because of such agreements. Your Committee recommend that Government initiates the re-negotiation of the Mine Agreements, particularly that the Mines were willing to engage Government in fresh negotiations;

(v) some of the skills needed in mining can not be sourced locally and as such investors were getting them from outside. Your Committee appreciate the need to acquire certain specialised skills from outside. They urge Government to ensure a system that compels the transfer of specialised skills to locals over a stipulated period of time; and

(vi) it was argued that the ZDA Board was skewed towards Government; your Committee recommend that the Act be amended to increase representation by the private sector.

PART II

BRIEF ON THE ECONOMIC PARTNERSHIP AGREEMENTS

6. Your Committee, mindful of the implications of signing the Economic Partnership Agreements (EPAs), sought to get a brief on Zambia's position from the Ministry of Commerce, Trade and Industry.

Overview of Zambia's Foreign Trade Policy

Zambia's foreign trade policy aimed at strengthening bilateral, regional and multilateral trade relations through active participation in, and initiation of negotiations on, issues deemed beneficial to Zambia's economic growth and development, with a view to:

(i) stimulating and encouraging value-addition activities on primary exports as a means of increasing national export earnings and creating employment opportunities;

(ii) transforming the Zambian economy into a diversified and competitive economy which is well integrated into the international trading environment;

(iii) stimulating investment flows into export-oriented areas in which Zambia has comparative advantages as a strategy for inducing innovation and technology transfer in the national economy; and

(iv) assisting domestic firms in increasing their levels of efficiency and competitiveness and, therefore, withstand increasing competition in domestic and international markets.

At the multilateral level, Zambia was a member of the World Trade Organisation (WTO) and, currently, was part of the Least Developed Countries (LDCs). Zambia was also a signatory to the EU/ACP Cotonou Agreement and a beneficiary to the Everything-But-Arms (EBA) Initiative for LDCs from the European Union.

At the regional level, Zambia actively participated in the Common Market for Eastern and Southern Africa (COMESA) free trade area, and was also a signatory to the Trade Protocol of the Southern African Development Community (SADC).

Economic Partnership Agreements

Your Committee were informed that the Cotonou Agreement, which was signed between the European Union and ACP countries, envisaged the establishment of new economic partnership agreements to replace the previously existing non-reciprocal preferential market access under the Lome Convention and the subsequent Cotonou Agreement.

These EPAs were being negotiated between ACP countries, which had been configured in a specific regional context and the European Commission on behalf of the EU Member states. They were called partnership agreements because the expectation was that the cooperation resulting from EPAs, as a matter of principle, would be based on true, strengthened and strategic partnership and would aim at building on the strengths and achievements of previous arrangements.

These EPAs introduced a new element that demanded ACP participating countries and the European Union to open their markets in order to facilitate trade in goods and services. It was on this premise that Zambia was engaged in these negotiations under the Eastern and Southern African (ESA) configuration.

Challenges of negotiating for EPA's

There were several challenges that had emerged in the course of negotiations, including the following:

(i) limited institutional and human capacities to effectively coordinate negotiating positions;

(ii) the poor economic state of most ACP countries had made it difficult to expect EPAs to finance in full all adjustment and capacity requirements of ACP states;

(iii) lack of readily available human and financial resources to conduct timely impact assessment studies; this had prompted many ACP countries to fall back on the European Commission to assist with undertaking impact assessment studies;

(iv) the fast approaching deadline for concluding EPA negotiations with limited commitment on finance development cooperation to support implementation of EPAs; and

(v) the poor state of infrastructure, institutions and limited human resource capacity to implement EPAs in a manner that would contribute to sustained development and economic growth was another challenge that participating countries would have to grapple with.

The future of ACP trade relations with the EU

Your Committee were informed that the future ACP/EU trade relations would be governed by the New Economic Partnership Agreements once established. Additionally, the European Union would continue to grant duty free and quota free market access to LDCs under the EU's Everything But Arms (EBA) initiative.

COMMITTEES' OBSERVATIONS AND RECOMMENDATIONS

Your Committee wish to make the following observations and recommendations:

i) there is inadequate information on Zambia's position on Economic Partnership Agreements. Though the signing of EPAs has a direct consequence on the welfare of the people, Government has done little to inform Members of Parliament on the same. In view of this, your Committee recommend that Government should come up with a robust sensitisation programme regarding its position on the EPAs before they are signed; and

ii) the signing of the EPA's would entail opening up Zambia's markets to the European Union. With an inherent weak industrial base, Zambia's industries would not be able to compete favourably. Since Zambia would still enjoy duty and quota free access to the European market under Everything But Arms (EBA) initiative, your Committee urge Government not to sign the EPA's.

PART III

THE FOOD SECURITY PACK PROGRAMME

7. Through written memoranda and oral submission from the Ministry of Community Development and Social Welfare and its implementing agency, the Programme Against Malnutrition (PAM), your Committee were informed that the Food Security Pack was a Government Programme which was part of the Social Protection Strategy that the Government had adopted through the Ministry of Community Development and Social Services. The programme was initiated in November, 2000 and had been implemented since then. The programme was designed to assist the vulnerable but viable small-scale farmers with agricultural inputs so as to improve their household food security. Prior to the design of the Programme, most small-scale farmers suffered loss of productive assets due to recurrent adverse weather conditions and reduced access to productive inputs and markets. About 700,000 households (4.2 million people), out of the 1,000,000 farming households (6 million people), became destitute and were perpetually dependant on relief food.

Government, through the Ministry of Community Development and Social Services (MCDSS), in collaboration with the Ministries of Agriculture and Cooperatives (MACO), and Finance and National Planning (MOFNP), and the Office of the Vice President (OVP) contracted the Programme Against Malnutrition (PAM) to implement the Programme.

OBJECTIVES OF THE PROGRAMME

Your Committee heard that the purpose of the programme was to assist the vulnerable but viable small-scale farmers with agricultural inputs in order to improve their household food security. The overall objective of the Programme was "to empower vulnerable but viable farming households to be self sustaining through improved productivity and household food security, thereby contributing to poverty reduction."

In addressing the food security and productive capacity needs of the vulnerable but viable farming households, the Programme pursued the following complementary programme components:

(i) crop diversification and conservation farming;
(ii) market, entrepreneurship and seed bank development;
(iii) alternative livelihoods; and
(iv) management and co-ordination.

BENEFITS OF THE PROGRAMME

The benefits of the programme are set out below.

a) Improved productivity

The Programme had improved productivity for its beneficiaries by increasing crop yields from an average of less than 5x50kg bags of maize per Lima to 18x50Kg bags per Lima. Further, the Programme had successfully introduced improved varieties of traditional crops, such as cassava, sorghum and millet, which were high yielding and early maturing. Farmers could yield an average of 12 metric tonnes of cassava per hectare, 2 metric tonnes of sorghum per hectare and 1 metric tonne of millet per hectare which was more than double what they would obtain without improved seeds. For improved varieties of cassava, the maturity period had been reduced from 3 years to about 6 months.

b) Sustenance of improved productivity

In order to sustain the productivity levels for farmers, graduated farmers were encouraged to join cooperatives where continued access to these improved varieties was possible. About 70,000 graduated beneficiaries had been linked to cooperatives since the inception of the Programme. For legumes and tubers, recycling of the seed was encouraged as there was no loss of crop yield from successive generations of the seed. Further, cultivation of legumes improved and maintained soil fertility for sustained crop production.

c) Improved household food security

Your Committee were informed that because of cultivating a range of crops, beneficiaries of the Programme attained improved household food security. Further, the situation improved with use of high yielding crops.

COST EFFECTIVENESS OF THE PROGRAMME

Your Committee were informed that the cost of an Input Pack over the years varied from about K170 000 to K600 000 and averaged K385 000 per beneficiary. On the other hand, the average value of the output per beneficiary over the years ranged from about K460 000 to K1 900 000 and averaged K1 180 000 giving an output/input ratio of 3, which was quite cost-effective.

ADEQUACY AND CONSISTENCY OF GOVERNMENT FUNDING

Your Committee were informed that funding from Government had not been consistent over the years in terms of both the amounts and the timing. The Programme was intended to target 200,000 beneficiaries per year. However, the actual funding of the Programme never reached corresponding budgeted amounts resulting in funding gaps as shown in the table below:

Year	Budgeted Amount (ZMK'Bn)	Actual Funding (ZMK'Bn)	Variance (%)
2000	32.0	32.0	0
2001	32.0	3.9	87.81
2002	58.0	26.0	55.17
2003	89.0	43.0	51.69
2004	32.0	9.0	71.88
2005	112.0	21.1	81.16

In view of the funding gaps, the programme disbursed incomplete Packs to beneficiaries and was partially implemented leaving out some initial components of Alternative Livelihood and Market Development.

CONSTRAINTS FACED BY THE PROGRAMME

The constraints faced in the implementation of the Programme are set out below.

(i) inadequate and untimely release of funds;

(ii) inadequate staffing levels in the Ministries of Community Development and Social Services (MCDSS) and Agriculture and Cooperatives (MACO).

This fell much lower than the recommended ratio of 1 extension staff to 500 beneficiaries, leading to inadequate monitoring of farmers and thereby reducing the adoption rate of conservation farming;

(iii) bad weather conditions such as droughts and floods which adversely affected the performance of the programme; and

(iv) poor communication infrastructure and bad terrain, combined with unreliable motorized transport, increased the costs of distribution and implementation of the Programme.

TOUR OF KAFUE DISTRICT

In order to examine the Food Security Pack Programme, your Committee undertook a tour of Chiawa in Kafue District where the Programme was being administered.

Findings of the Study Tour

The following were the findings of the study tour:

(i) the main source of the livelihood of the people was subsistence farming, which included growing of crops such as cereals, legumes, roots and tubers (maize, sorghum, finger millet, cowpeas, cotton, roots and cassava). They also kept animals such as goats and cattle, while others were involved in bee-keeping and owned small portions of banana plantation along the Zambezi River. Others worked in nearby lodges;

(ii) low rainfall in the area was the main cause of food shortage. Wild animals also destroyed their crops in the fields and storage shades. However, lack of inputs, both from the Fertiliser Support Programme and non existence of convenient selling points, added to the problem of food shortage;

(iii) among those that benefited from the programme, the food security status improved. However, this was only for a period of April to July, with their stress period being August to March;

(iv) since 2002, the whole area had not had a Community Extension Worker. Beneficiaries explained that they did not know the use of any new farming techniques like conservation farming methods and the appropriate use of pesticides;

(v) Chiawa is located in a Game Management Area (GMA) and, as such, animals were a nuisance to the Community because they destroyed the crops;

(vi) inadequate inputs from Government or any private provider;

(vii) weak systems of monitoring and evaluation by programme implementers;

(viii) poor wildlife management and control by the Zambia Wild Life Authority (ZAWA);

(ix) there was occasional non-adherence to selection criteria. Some families were given inputs even when they did not qualify to be beneficiaries;

(x) there was no other agricultural support in Chiawa, such as the Fertilizer Support Programme, to which graduates of the FSP could apply for assistance;

(xi) the programme had introduced some hybrid varieties which had improved both the germination and the yield;

(xii) food security had generally improved for some of the participants in Chiawa area;

(xiii) communities explained that they would rather continue with the growing of crops instead of the rearing of animals such as goats and cattle despite the hostile environment;

(xiv) the policy of the Food Security Pack did not take into consideration the dynamics in Chiawa; i.e. the fact that the place is in a Game Management Area (GMA) and that the area is prone to drought;

(xv) there were inconsistencies in the packaging of the Food Security Pack, as it did not always contain all the inputs. In some cases, the beneficiaries were only given seed and no fertilizers; and

(xvi) there was no coordination among the various ministries involved in the implementation of the FSP;

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

In view of the submissions received and the subsequent tour of Chiawa, your Committee make the following observations and recommendations:

i) the FSP programme is an effective mechanism for reaching the vulnerable but viable people in the country; your Committee recommend that the programme be scaled up without delay in order to reach as many vulnerable but viable farmers as possible and enhance household food security in the country as a whole;

ii) Government concentrated only on one component of the programme at the expense of other equally important components. Your Committee recommend a holistic implementation of all programme components in order to maximise the benefits, namely, Crop Diversification and Conservation Farming, Alternative Livelihoods, Market and Entrepreneurship Development and Seed Bank Development;

iii) there were inadequate agricultural extension officers to provide relevant information to the beneficiaries. In areas where extension officers were available, they lacked simple means of transport to allow them conduct regular visits to the beneficiaries. In view of this, your Committee urge Government to engage more agricultural extension officers and provide them with simple means of transport, such as motor bikes, to enable them conduct regular field visits and other extension activities and meetings;

iv) there is inconsistent and poor funding to the Programme by Government; your Committee recommend that funding to the programme should be improved and that releases should be timely;

v) inputs were not delivered on time, with seeds being received way after the planting time had ended; your Committee recommend that the Pack be delivered in good time before the start of the planting season so that farmers are able to take full advantage of the rainy season;

vi) most of the beneficiaries had become perpetual dependants on the FSP. Government did not have a proper monitoring mechanism to ascertain how the beneficiaries utilised the input; your Committee recommend that Government should undertake regular monitoring and evaluation of the FSP, not only at implementation level but also in terms of its impact on individual beneficiaries. The weaning off of beneficiaries from the programme should be dependent on the results of such evaluation;

vii) there was poor coordination among the Government ministerial structures at the grassroots; your Committee recommend that Government should enhance capacity of ministerial structures to effectively monitor and evaluate the programme;

viii) there was general misunderstanding among the beneficiaries on the criteria used to select persons to benefit from the programme; your Committee recommend that a selection criteria for persons to benefit under the programme be clearly outlined and all communities sensitised about it, so as to minimise feelings of animosity among those not selected in a particular season. The selection procedure should always involve the members of the community themselves; and

ix) communities visited were not willing to engage in other forms of agriculture because of inadequate knowledge and limited skills; your Committee recommend that beneficiaries be sensitized on the importance of engaging themselves in alternative forms of livelihood such as rearing animals, bee-keeping, fish and livestock farming. This is the only way that the programme can truly promote food security even during periods of poor crop harvests.

CONCLUSION

8. Your Committee, Sir, concluded their deliberations within their terms of reference. They had invited a number of stakeholders from whom they gathered valuable information on the topical issues.

Your Committee are grateful to the stakeholders who appeared before them and acknowledge their full co-operation and support. Your Committee wish to record their indebtedness and gratitude to you, Mr Speaker, for affording them the opportunity to serve on this important Committee.

They are hopeful that the observations and recommendations contained in this report will go a long way in improving matters relating to the economy of Zambia.

August, 2007	Mr G Lubinda, MP
LUSAKA	**CHAIRPERSON**