REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON THE IMPACT OF THE COVID-19 PANDEMIC ON ZAMBIA'S ECONOMY

FOR THE

FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

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REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE FIFTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

1.0 Membership of the Committee

The Committee consisted of Dr S Musokotwane, MP (Chairperson); Ms M Miti, MP (Vice Chairperson); Mr G G Nkombo, MP; Mr D Livune, MP; Mr E M Mwila, MP; Dr S C Kopulande, MP; Mr C Chali, MP; Mr E Kamondo, MP; Mr D Chisopa, MP; and Mr M Mubika 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.

2.0 Functions of the Committee

The Committee on National Economy, Trade and Labour Matters is a portfolio Committee and is mandated to provide oversight over a number of ministries, namely: Ministry of Finance; Ministry of Mines and Minerals Development; Ministry of Labour and Social Security; Ministry of Commerce, Trade and Industry; and Ministry of National Development Planning. The functions of the Committee are as set out in Standing Order No. 157(2) of the National Assembly Standing Orders , 2016.

3.0 Meetings of the Committee

The Committee held fourteen meetings to discuss the topical issue during the year under review.

4.0 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 topical issue 'the Impact of the COVID-19 Pandemic on Zambia's Economy'.

b) Consideration of the Action-Taken Report on the Committee's Report for the Fourth Session of the Twelfth National Assembly.

5.0 Arrangement of the Report

The Report is organised in two parts: Part I presents the findings from the Committee's deliberations on the "Impact of the COVID-19 Pandemic on Zambia's Economy"and the Committee's observations and recommendations thereon; and Part II deals with the Committee's consideration of Action-Taken Report on the Committee's Report for the Fourth Session of the Twelfth National Assembly.

6.0 Procedure Adopted by the Committee

During the period under review, the Committee considered one topical issue in line with its Programme of Work. The Committee requested detailed memoranda from relevant stakeholders, and in order to fully appreciate the topical issue under its consideration, the Committee invited the identified the stakeholders to provide oral submissions and clarifications on issues contained in their written memoranda.

PART I

CONSIDERATION OF THE TOPICAL ISSUE: THE IMPACT OF THE COVID-19 PANDEMIC ON ZAMBIA'S ECONOMY

7.0 Background

The COVID-19 Pandemic, although being a health crisis, posed serious economic challenges. This was mainly on account of the negative effects arising from the public health measures that were adopted to contain the spread of this novel virus. Measures such as restrictions on the movement of goods and individuals, among many others, had adverse implications for businesses, livelihoods and other socio-economic activities globally. Zambia was no exception. Consequently, the Zambian Government was faced with a challenge of combating the spread of the Corona Virus, while at the same time ensuring that the remedial measures taken allowed economic activities to thrive.

As a result of the duration and magnitude of the pandemic, the Government found it necessary to revise some of its economic targets, such as Gross Domestic Product (GDP) growth rate and expected revenue collection. In the 2020 national budget, GDP growth rate was projected at 3.2 per cent. However, this was revised downwards in March, 2020 to below 2 per cent. Further interventions included establishment of an economic stimulus package that would be financed through the issuance of a COVID-19 bond.

While the fight against the pandemic may be won as a result of the development of vaccines, the economic effects posed by the virus on Zambia's economy were anticipated to exist for a considerable period of time. What made the response to this pandemic particularly limiting for Zambia were the pre-existing conditions that had been exacerbated by the pandemic such as the debt burden, high poverty levels and Illicit Financial Flows (IFFs), among others.

Within this context, the Committee undertook a study on the impact of the Covid-19 Pandemic on the economy of Zambia with the specific objectives as outlined hereunder.

Objectives

The objectives of the study were to:

i. appreciate the policy framework governing the response to the pandemic;

ii. ascertain the effects of the COVID-19 Pandemic on the macroeconomic variables and key economic sectors;

iii. ascertain Government's response to the economic effects of the Pandemic;

iv. assess the effectiveness of Government's response to the economic effects of the pandemic;

v. appreciate the constraints, if any, limiting Zambia's response to the economic effects of COVID-19; and

vi. recommend the possible way forward.

8.0 Summary of Submissions by Stakeholders

The Committee interacted with various stakeholders in the quest to gather more information in relation to the topic under consideration. The list of stakeholders who appeared before the Committee is at Appendix II and the submissions made by these stakeholders are summarised below.

8.1 The Policy Framework Governing the Response to the Pandemic

The Committee was informed that following the unprecedented outbreak of the COVID-19 Pandemic in Zambia, the Government instituted a strategic multi-pronged policy framework to deal with the threat of the virus on people's lives, livelihoods and overall economic activity. This framework involved a multi-sectoral approach that interlinked ministries, Government agencies and other stakeholders in responding to the crisis.

The Committee was further informed that the Government's response to the COVID-19 pandemic was guided by the *Public Health Act, Chapter 295 of the Laws of Zambia*, which provided for the prevention and suppression of diseases. The Act made provisions with respect to matters affecting public health in Zambia, including prevention and suppression of infectious diseases. Particularly, Part IV of the Act provided for the prevention and suppression of infectious diseases, while Part V made a special provision regarding formidable epidemic diseases.

Under the provisions in Part V, whenever any part of Zambia appeared to be threatened by any formidable epidemic, endemic or infectious disease, the Minister may declare it an infected area and may, by Statutory Instrument (SI), make regulations. Accordingly, the Government invoked the provisions of the Act, and issued three statutory instruments, namely SI No. 21 of 2020; the Public Health (Notifiable Disease) (Notice), 2020 which designated COVID-19 as a notifiable disease SI No. 22 of 2020; the Public Health (Infected Areas) (Coronavirus Disease 2019), Regulations, 2020, which provided additional regulations to facilitate management and control of COVID-19; and SI No. 62 of 2020; the Public Health (Infected Areas) (Coronavirus Disease 2019) (Amendment) Regulations, 2020.

The promulgation of SI No. 21 and No. 22 of 2020 provided the main legal framework for measures to be implemented to manage the pandemic in Zambia**.** This framework allowed for the progressive tightening of the containment measures, including the introduction of screening at ports of entry and temporary closure of some ports of entry, mandatory quarantine for infected and high risk persons, as well as closure of some public places, such as bars, restaurants and places of worship, for gatherings.

The Committee was also informed that international organisations such as the World Health Organisation (WHO), Africa Centres for Disease Control and Prevention (Africa CDC), Southern Africa Development Community (SADC), among others, had also provided guidance through various documents, which the Ministry of Health adopted in order to inform its response strategies. Some of the documents included those listed below.

i. WHO: Country & Technical Guidance - Coronavirus disease (COVID-19).
ii. Africa CDC: Africa Joint Continental Strategy for COVID-19 Outbreak.
iii. Southern African Development Community (SADC)/Common Market for Eastern and Southern African (COMESA)/ East African Community(EAC): Tripartite Guidelines on Trade and Transport facilitation for the Movement of Persons, Goods and Services across the Tripartite Region during COVID-19 Pandemic.

8.2 The Effects of the Covid-19 Pandemic on Macroeconomic Variables and Key Economic Sectors

8.2.1 The Effects of the Covid-19 Pandemic on selected macroeconomic variables

i. Gross Domestic Product Growth

The Committee was informed that real GDP growth had been faltering in Zambia over the last decade. The real GDP growth rate declined from an average of 6.6 per cent during the period 2010 to 2014 to 3.1 per cent during the period 2015 to 2019. This growth path suggested that even before the advent of the COVID-19 pandemic, key variables on which GDP growth was predicated, particularly private sector productive capacities and the overall potential output of the economy were already starting to contract.

The Committee heard that the COVID-19 pandemic, therefore, only exacerbated Zambia's macroeconomic situation. In 2020, Zambia's economy was expected to contract by about 4.2 per cent, largely due to the pandemic, representing the lowest growth outcome since 1998. With regard to the growth per capita, the country's GDP per capita was also declining steadily over the years, and ultimately shrank by 1.5 per cent in 2019, signifying a deterioration in productive capacities over time. Despite the expected 2020 GDP contraction, however, the Government projected growth to rebound to 1.8 per cent in 2021. While noting that the Government's priority sectors identified in the 2021 Budget and targeted to stimulate growth offered an important lifeline for moving the economy towards a positive growth trajectory, stakeholders noted that the budgetary commitments would need to be fulfilled for this positive movement to be realised.

ii. Exchange Rate

The Committee heard that the depreciation pressures in the foreign exchange market had increased considerably in 2020, partly reflecting the fallout from the COVID-19 pandemic. In September 2020, the Kwacha-US Dollar exchange rate breached the K20/USD mark and continued to steadily increase. Over the course of 2019, the kwacha depreciated by 18 per cent from the start of January to the end of December, 2019. In 2020, however, the kwacha depreciated by a massive 44 per cent against the US Dollar, from K14.05 at end-December 2019, to K20.25 as at 21st October, 2020. The kwacha further weakened against the US Dollar by 9.4 per cent to an average of K20.71/ USD in the fourth quarter compared with 3.3 per cent depreciation in the third quarter. While it was tempting to attribute the precipitous depreciation of the kwacha in 2020 to the COVID-19 pandemic, it was worth noting that the kwacha began to fall well before the pandemic hit, as the macroeconomic fundamentals began to slip.

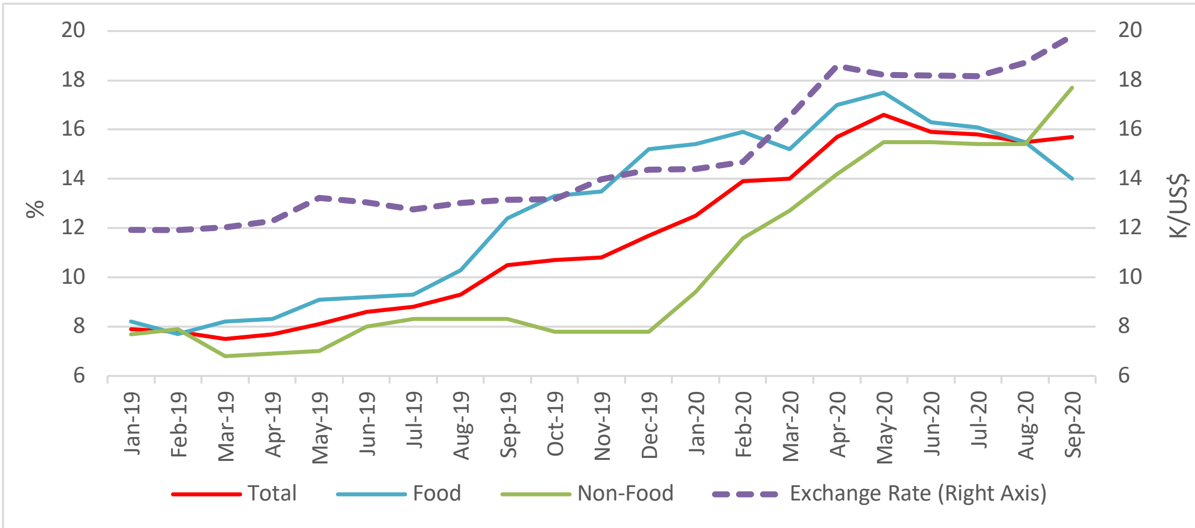
The Committee was informed that much of the depreciation of the kwacha was down to a structural imbalance, given Zambia's high import dependency and the limited range of exports for earning foreign currency. In this regard, the COVID-19 Pandemic and the ensuing effect of exacerbating the cost of maintaining this import dependency had caused some of the perceived acceleration in the depreciation of the kwacha.

iii. Inflation

With regard to inflation, stakeholders submitted that the annual overall inflation had continued on an upward trend, rising to 16.6 per cent in May, 2020 from 11.7 per cent in December, 2019. The underlying driver of the rise in inflation was the sharp depreciation of the Kwacha against the US dollar. Rising food prices, attributed to the effects of the drought in the 2018/19 farmimg season, and the upward adjustment in energy prices (fuel and electricity tariffs) also contributed to the observed increase in inflation. As of September 2020, inflation stood at 15.7 per cent, partly moderated by improved supply of maize and related products. However, the sustained depreciation of the Kwacha continued to exert inflationary pressures. Inflation increased further to 21.5 per cent in January, 2021 from 19.2 per cent in December, 2020.

In February, 2020, the international and local effects of COVID-19 on inflation began to set in. the transport services component of inflation rose rapidly between February and April, 2020, as a direct reaction to the travel restrictions imposed by the response to the COVID-19 Pandemic and the ensuing increase in the cost of transportation and travel. Other contributors to inflation such as the health component also began to increase in April, 2020.

Figure 1: Inflation and Exchange Rate Trends, Jan 2019 - Sept 2020



Source: Source: Zambia Institute for Policy Analysis and Research

iv. Public Debt

The Committee was informed that as at end of June, 2020, the stock of external debt was US$11.97 billion translating to 66 per cent of GDP, an increase of 7.0 per cent compared to the figures for December, 2019 (US$11.2 billion). In addition, domestic debt increased to K114.3 billion which translated to 31.2 per cent of GDP from K80.2 billion (26.7 per cent of GDP) for the same period. The rise in the stock of debt was attributed to the persistent widening fiscal deficit.

The Committee was further informed that over the years, the rise in the debt stock led to a subsequent increase in debt servicing costs. For the first half of 2020, debt servicing costs took as much as 45 per cent of domestic revenues. From 2019, debt servicing was taking up an even greater proportion of domestic revenues than the public sector wage bill. For example, the planned total debt service for 2019 was projected at K23.6 billion as shown in Table 1. However, the authorities spent K27.8 billion translating to 18 per cent more than what was planned. Meanwhile, external debt service came to K15.7 billion in 2019, which represented a variance of 5 per cent from the planned amount. The external debt amortisation was under spent by 23 per cent, which was an early sign that Government was having difficulties in servicing its debt. With the effects of the COVID-19 Pandemic tightening the fiscal space even further, the Government's ability to meet its debt servicing obligations was even more uncertain.

Table 1: Debt Servicing Costs in billions

	2019			2020:H1		
	Approved	**Outturn**	**Variance**	**Approved**	**Outturn**	**Variance**
Total Debt Servicing	23,573	27,779	18%	16,215.90	14,293.51	-12%
Domestic Debt Servicing	8,626	12,041	40%	6,936.39	7,998.74	15%
Interest payments on domestic debt	7,964	9,025	13%	6,920.53	6,134.45	-11%
Domestic amortisation	661	3,016	356%	15.86	1,864.29	11,655%
External Debt Servicing	14,947	15,737	5%	9,279.51	6,294.77	-32%
Interest payment on external debt	6,218	9,006	45%	3,308.28	2,990.32	-10%
External amortisation	8,728	6,731	-23%	5971.229	3,304.45	-45%

Source: Source: Zambia Institute for Policy Analysis and Research

v. Gross International Reserves

The Committee was informed that after Zambia attained the Highly Indebted Poor Countries (HIPC) Initiative in 2005, its Gross International Reserves (GIR) started rising steadily and reached an all-time high of US$3.1 billion. However, over the years, the rise in fiscal deficits resulted in a significant increase in Zambia's debt levels. This led to higher external debt service payments, and ultimately a decline in the country's GIR. As at end July 2020, Zambia's GIR declined to US$1.38 billion from US$1.45 billion at end-December 2019, representing 2.3 months of import cover. The Covid-19 Pandemic was expected to further adversely impact Zambia's GIR through a number of channels such as reduced remittances, fall in copper prices and general decline in the balance of payments.

The 2021 budget set a target of GIR to at least 2.5 months of import cover. This meant that as a country, the pressure was on raising foreign currency and maintaining the targeted level of 2.5 months of import cover amid a recession. However, the persisting fiscal instability, including the high debt service payment obligations and the COVID-19 Pandemic effects posed a significant challenge on any meaningful rebound in reserves accumulation in the short to medium term.

vi. Fiscal Deficit

The Committee was informed that since 2017, the fiscal deficit had been widening, with the Government maintaining an expansionary fiscal path and budgetary outturns continually outstripping the approved budgets. This path also led to the continued rise in the debt stock. For instance, in 2017 the projected fiscal deficit on a cash basis was set at -6.6 per cent of GDP but the outturn was -7.6 per cent of GDP. This pattern continued in the subsequent years. Notwithstanding this widening deficit on a cash basis, the fiscal deficit on a commitment basis had been widening even further due to the fast pace of accumulation in domestic arrears. In 2019, for example, the deficit on a commitment basis was 17.7 per cent of GDP, compared to the recorded cash deficit of 8.6 per cent of GDP.

The effects of the COVID-19 Pandemic on the fiscal deficit, however, would largely be manifested through reduced revenue collections which translated into a constraint on financing. In 2020, revenues were expected to decline by 17.8 per cent of the planned amount on account of the anticipated loss of revenue from the COVID-19 pandemic. With this information, the Government stated that the fiscal deficit on a cash basis for 2020 was projected to be at 11.7 per cent of GDP. This was likely to be even higher on commitment basis as the Government accumulated even more domestic arrears, given the constrained fiscal space.

8.2.2 The Effects of the Covid-19 Pandemic on Key Economic Sectors

The Committee was informed that the economy was projected to decline by 4.2 per cent in 2020, with most sectors expected to record negative growth mainly due to the effects of the COVID-19 Pandemic. The exceptions were the agriculture, health, and information and communications technology sectors which projected to register positive growth. Growth in 2021 was projected to rebound to positive levels at 1.8 per cent, driven by a recovery and subsequent expected good performance in mining, wholesale and trade, and electricity generation. Table 2 presents the detailed growth forecast for 2020 and 2021 for the various sectors of the economy.

Table 2: Growth forecast by sector, 2020-2021 (per cent change)

INDUSTRY	2020F	2021F
Primary Sector	5.6	0.2
Agriculture, forestry, and fishing	20.1	-0.1

Mining and quarrying	-3.4	0.5
Secondary Sector	-12.1	1.2
Manufacturing	-4.2	1.1
Electricity generation and supply	-13.3	26.0
Water supply; sewerage	4.0	5.0
Construction	-18.5	-3.0
Tertiary Sector	-3.8	2.6
Wholesale and retail trade;	-8.0	0.5
Transportation and storage	-2.0	2.5
Accommodation and food service (Tourism)	-70.0	3.1
Information and communication	20.0	8.0
Financial and Insurance	-0.6	1.9
Real estate activities	-2.0	1.7
Professional, scientific and technical	-3.5	3.7
Administrative and support service	-8.0	6.3
Public administration and defence;	0.0	5.0
Education	0.0	2.0
Human health and social work	6.1	3.0
Arts, entertainment and recreation	-3.9	7.4
Other service activities	-2.0	1.7
Total for the Economy	-3.9	1.9
Taxes less subsidies on products	-8.0	0.5
Overall Growth in GDP	-4.2	1.8

Source: Ministry of Finance

The performance of selected key sectors is as outlined below

i. Agriculture

With regard to the impact on the agriculture sector, the Committee was informed that, initially, there had been fears that the health crisis would turn into a food crisis. However, indications showed that the agriculture sector exhibited resilience to the effects of the pandemic since it began. Strong growth performance was recorded in the first and second quarters of 2020 relative to the same period in 2019. Whereas agricultural output contracted in the first half of 2019, agricultural output rebounded in 2020 and remained resilient during the height of the COVID-19 restrictions. Specifically, in the first quarter of 2020, the sector expanded rapidly at 24.6 per cent and in the second quarter, it expanded at a slower albeit fast rate of 22.9 per cent. This resilience was partly attributed to a good 2019/2020 harvest given that the onset of the pandemic coincided with the 2019/20 harvest period.

ii. Manufacturing

Broadly, manufacturing output growth shrank by 0.3 per cent in the first quarter of 2020 compared to a positive growth of 1.4 per cent that was recorded in the first quarter of 2019. This indicated the earliest negative effects of COVID-19 on the industry which later became exacerbated in the second quarter. By the second quarter, manufacturing output had resulted in a growth rate of negative 4.6 per cent. In contrast, over the same period in 2019, the industry had expanded by 4.6 per cent.

Table 3: Quarterly Performance of the Manufacturing Sub-Sector

	2019					2020		
	Q1	Q2	Q3	Q4	Average	Q1	Q2	Average
Manufacturing	1.4	4.6	2.8	0.6	2.4	0.3	-4.6	-2.2
Food, Beverages & Tobacco	-1.4	0.9	-1.5	1	- 0.3	0.2	0.7	0.5
Textile, Clothing & Leather	83.2	-51.9	19.8	-49	- 1.2	-73	-6.7	-39.9
Wood & Wood Products	1.2	2.8	-0.4	1.5	1.3	-0.2	-3.3	-1.8
Paper & Paper Products	-0.3	1.2	-1.2	11.6	2.8	-0.2	-0.2	-0.2
Chemicals, Rubbers & Plastics	2.1	1	18.6	5	6.7	1	-12.3	-5.7
Non-metallic Mineral Products	6.3	8.3	-3.9	-0.2	2.6	-7.7	-28.1	-17.9
Basic Metal Industries	1.9	11.1	3.1	0.6	4.2	6.7	1.1	3.9
Fabricated Metal Products	-7.1	-5.3	14.4	1.8	3.8	3.7	-4.7	-0.5

iii. Tourism

The Committee was informed that the tourism sector was one of the most affected by the COVID-19 Pandemic. This was evidenced by restricted domestic and international travel, including all forms of socialisation. This led to the loss of jobs and revenue for most industries in the sector. The effects of COVID-19 manifested in all areas of tourism, ranging from reduced inflow of international and domestic tourists, reduced room occupancy rate for lodges and hotels, as well as reduced public events of entertainment and artistic nature.

The Committee was also informed that during the first half of 2020, Zambia recorded 290,244 international tourist arrivals compared to 634,757 during the same period in 2019, representing a decline of 56.3 per cent. In addition, as a result of restricted movements by both international and domestic tourists, the visits in the national parks drastically reduced from 70,155 tourists by the third quarter of 2019 to 29,354 tourists in 2020 during the same period. A survey undertaken by the Ministry of Commerce, Trade and Industry in July, 2020 showed that during the first quarter of 2019, the sector had an average of 19,541 workers. Subsequently, the second quarter of 2020 recorded a reduction in the number of workers to 12,328. The transporters, particularly tour operators, suffered the greatest with losses of over 1,200 jobs. The study also indicated that 44.3 per cent of enterprises interviewed had laid off workers temporarily.

iv. Mining

The Committee heard that mining remained an important sector in Zambia's economy as the country was heavily reliant on copper exports. However, COVID-19 initially hit hard on the sector, with copper prices facing a dip between January and May of 2020. Remarkably, copper prices began to rebound in June, 2020 largely due to recovery posted in the Chinese economy, the world's largest importer of copper, and this had a positive impact on mining sector growth. In the first quarter of 2020, the mining sector contracted by 2.4 per cent compared to a growth of 3.9 per cent recorded in the first quarter of 2019. In the second quarter of 2020, the sector grew by an impressive 16.4 per cent compared to a contraction of 9.7 per cent recorded in the second quarter of 2019. This was on account of easing of restrictions both domestically and internationally.

Overall, revenue collections from the mining and quarrying sector marginally increased by 3.65 per cent in the period January to September, 2020, relative to 2019 during the same period. Similarly, the non-mining sector recorded increases of 5.2 per cent and 10.67 per cent in inland and trade taxes respectively, thereby registering a 6.9 percent surplus over the 2019 January to September collections, as shown in Table 4.

With regard to the effects of COVID-19 on mining operations, the Committee was informed that the pandemic brought about various challenges and complexities to the mining sector such as delayed delivery of inputs arising from implementation of lockdown measures in some countries, reduced production in some mines as a result of prioritising safety of the workforce. This eventually triggered high production costs due to a reduction of the labour force at a given time. The increased turnaround time for export of minerals also reduced revenues for both the companies and the Government, among others.

Table 4: Gross Sector Collections: Jan - Sept 2020 vs Jan - Sept 2019 Collections, K 'Millions

Sector	**Inland Tax Collections**			**Customs Tax Collections**			**Total Tax Collections**		
	2020	**2019**	**% Var**	**2020**	**2019**	**% Var**	**2020**	**2019**	**% Var**
Mining & quarrying	16,628.40	14,976.93	**11.03%**	1,776.40	2,780.31	**-36.1%**	18,404.80	17,757.24	**3.65%**
Non – Mining	21,654.20	20,582.97	**5.20%**	10,302.11	9,308.59	**10.67%**	31,956.31	29,891.56	**6.91%**
Total	**38,282.60**	**35,559.90**	**7.66%**	**12,078.51**	**12,088.90**	**-0.09%**	**50,361.11**	**47,648.80**	**5.69%**

Source: Zambia Revenue Authority

v. Wholesale and Retail Trade

Wholesale and retail trade was largely an import-dependent sector that accounted for the largest share of GDP estimated at 20 per cent in 2019. In the first quarter of 2020, the sector contracted by 9.6 per cent compared to the positive growth rate of 4.4 per cent recorded over the same period in 2019. Output shrunk further in the second quarter by -18.3 per cent compared to the positive growth rate of 4.6 per cent recorded in the second quarter of the preceding year. Wholesale and retail trade was, therefore, one of the economic sectors most adversely impacted by the Covid-19 Pandemic.

vi. Information and Communications Technologies (ICT)

The Committee was informed that Information and Communications Technologies (ICT) was undoubtedly one of very few industries that managed to ride over the COVID-19 wave and even profit from it. In the first quarter of 2020, the industry grew rapidly at 20.7 per cent although slightly slower than the growth rate for the same period in 2019 (30.1 per cent). In the second quarter, the industry's growth picked up to 29.3 per cent compared to the 25 per cent growth rate recorded over the same period in the preceding year. This growth rate was quite phenomenal and by far exceeded the industry's average growth rate of 18.5 per cent over the period 2011-2018. Growth was bolstered by measures aimed at limiting person-to-person contact such as working from home, virtual meetings, e-learning and other e-services (including electronic financial intermediary services – mobile money) that increased the demand for broadband and other ICT services.

vii. Construction

The Committee was informed that the construction sector contracted by 8.5 per cent in the first quarter of 2020 compared to a 5.6 per cent contraction in the first quarter of 2019. This represented a further decline of 2.9 percentage points, which in part could be attributed to COVID-19. In the second quarter of 2020, the sector contracted further by 16.8 per cent compared to 1.6 per cent in the second quarter of 2019. This represented an overall decline of 15.2 percentage points.

While the contraction of the sector could be attributable to a general reduction in construction activity, the Government's expenditure in the sector, particularly road construction which had driven the growth of the sector, had not reduced. This showed that, on average, actual expenditure continued to exceed approved expenditure in the roads subsector during the period January to August, 2020.

8.2.3 Effects of the Pandemic on other economic factors

a) Government Revenues

The Committee was informed that revenues and grants amounted to K42.8 billion during the period January to August 2020 which was 7.7 per cent below the target of K46.4 billion. The underperformance was on account of both the general reduction in economic activity due to the COVID-19 Pandemic and related tax relief measures. Projecting to the end of 2020, total revenues and grants were projected at K65.9 billion and expected to be 12 per cent below the initial target of K75.0 billion. The COVID-19 Pandemic also affected general collections under various tax categories, including Customs and Excise Duties and Value Added Tax (VAT). This was due to partial closure of key border posts by Zambia's trading partners and general slowdown in economic activity during much of the second quarter of 2020.

b) Government expenditures

The Committee was informed that the COVID-19 Pandemic had indirect and direct effects on Government expenditures. The notable direct effect was the significant increase in health-related expenditure to support mitigation measures put in place to combat Covid-19.

Notwithstanding the above and in line with the significant decrease in revenues highlighted above, total expenditure including amortisation amounted to K72.1 billion and was 27.2 percent below the target of K99.0 billion. This outturn was on account of the underperformance of revenues due to the COVID-19 Pandemic and lower disbursements on foreign financed projects. However, total expenditure was projected to be 5.6 per cent above the target of K106.0 billion standing at K111.9 billion by end of 2020. The higher than programmed expenditure was mainly attributed to COVID-19 mitigating measures and agricultural related expenditures.

c) Merchandise Trade

The Committee was informed that trade had been significantly impacted in the COVID-19 period. Imports declined by about 30 per cent while exports declined by about 15 per cent in 2020 relative to 2019. The significant depreciation of the kwacha against the dollar between December, 2019 and September, 2020 also played a part in the observed trade patterns. With regard to exports, the weakening kwacha partly spurred demand for local products in external markets. Relative to 2019, the value of exports had been on a rise from an average of K12, 064.1 million in January to September, 2019 to K17, 149.9 million in 2020. This represented a 42.2 percent increase in the value of exports over the two years.

Table 6: Comparisons of Export and Import Values between January – September 2020

Month	Exports			Imports		
	2019	**2020**	**Var '19 vs '20**	**2019**	**2020**	**Var '19 vs '20**
January	12,322.2	13,679.2	**11.0%**	7,548.9	7,447.3	**-1.3%**
February	10,427.8	12,734.3	**22.1%**	7,465.7	8,759.4	**17.3%**
March	11,998.7	12,144.1	**1.2%**	7,276.6	9,626.7	**32.3%**

April	11,915.4	18,990.4	**59.4%**	8,578.9	7,696.3	**-10.3%**
May	12,970.5	15,650.8	**20.7%**	10,985.1	8,829.5	**-19.6%**
June	14,325.0	16,237.3	**13.3%**	8,846.3	9,671.1	**9.3%**
July	10,826.6	18,905.6	**74.6%**	16,522.1	12,365.6	**-25.2%**
August	12,469.1	21,633.6	**73.5%**	8,521.4	11,302.1	**32.6%**
September	11,321.2	24,373.9	**115.3%**	7,833.0	10,765.6	**37.4%**
Total	**108,576.5**	**154,349.2**	**42.2%**	**83,578.0**	**86,463.6**	**3.5%**

Source: Zambia Revenue Authority

d) Banking Sector

The Committee was informed that the onset of COVID-19 affected the banking sector's performance as its condition started to weaken in the first quarter of 2020. This was despite the sector remaining adequately capitalised with sufficient capital to absorb unexpected losses. The ratio of Non-Performing Loans (NPLs) to total gross loans increased to 12.6 per cent at end-August, 2020 from 8.9 per cent at end-December, 2019, breaching the 10 per cent prudential threshold. The ratio deteriorated due to an increase in NPLs that increased by 59.6 per cent as subdued economic activity in the wake of COVID-19 affected borrowers' ability to service loans. As at end-August, 2020, total exposure to Government and related entities stood at K10.2 billion and accounted for 25.4 per cent of the total banking sector loans. Of this, 9.7 per cent or K994.9 million was non-performing and accounted for 19.7 per cent of the banking sector's total NPLs. Nonetheless, the sector benefited from the relief in loan loss provisioning as part of the measures taken by the Bank of Zambia to mitigate the effects of the COVID-19 Pandemic.

e) Impact on Investment

The Committee was informed that since the outbreak of the Pandemic, there had been an observed drop in both local and Foreign Direct Investment (FDI) as projected by the reduction in actualised FDI from US$ 229.7 million in the first quarter of 2019, to a disinvestment level of – US$ 189 million in the second quarter of 2020.

The measures that countries had undertaken to reduce travel had an impact on FDI. For instance, a substantial portion of Zambia's FDI inflows came from China (fourth ranked FDI investor), and since the virus emerged in China and the travel restrictions were implemented globally, Zambia's FDI was expected to diminish.

8.3 Government's Response to the Economic Effects of the Pandemic

In order to contain the effects of the Pandemic on livelihoods and the economy, the Government implemented a number of responses. Some of the key responses included the ones outlined below.

i. As an initial response, the Government allocated K57 million to the Epidemic Preparedness Fund under the Ministry of Health.
ii. Another K659 million was allocated to support the Cabinet-approved COVID-19 Contingency and Response Plan under the Disaster Management and Mitigation Unit (DMMU).
iii. The Government established a K10 billion three to five years Targeted Medium-Term Refinancing Facility (TMTRF) to eligible financial service providers for on-lending to priority sectors at attractive rates. As at September, 2020, eleven banks and seventeen non-bank financial institutions applied for financing worth a total value of K10.2 Billion of which K5.4 Billion had since been approved, representing approximately 53 percent of total applications.
iv. To alleviate economic pressures associated with the Covid-19 induced liquidity challenges, the Government issued the K8 billion COVID-19 Mitigation Bond for economic stimulus packages aimed at dismantling arrears, VAT refunds and outstanding arrears owed to retirees, among others. The resources mobilised from the Covid-19 Bond were allocated as follows.

SN	Area of Allocation	Amount	Specific Areas of Spending
1	Presidential COVID-19 Economic recovery Fund	K3.185 Billion	• Dismantling some outstanding payments owed to suppliers of goods and services. • To make VAT refunds to SMEs that are still owed monies in form of VAT Refunds by the Zambia Revenue Authority. • Allocated to NATSAVE as equity injection to enable them lend to SMEs. • To provide for entrepreneurship opportunities and income to improve living standards of the youths
2	Payment to Third-Parties (Micro Finance Institutions)	K1.315 Billion	• To be provided to dismantle outstanding third-party obligations to Micro-Finance Institutions.
3	Drugs Debts and Equipment Procurement	K1.0 Billion	• Earmarked for expenditure in the Health Sector to combat COVID-19 through the purchase of equipment and target local suppliers of drugs that were owed funds by the Ministry of Health to avoid exchange rate movements in the short run.
4	Grain Purchases	K1.7 Billion	• Earmarked for grain purchases for National Food Reserves.
5	Other Applications	K 800 Million	• Earmarked for Constituency Development Fund as a way of ensuring that community projects were implemented.

			• For settling arrear payments under the Local Authority Superannuation Fund. • To cater for gratuities and compensation and awards arrears

Source: Ministry of Finance

v. The Government in collaboration with the Bank of Zambia, lowered the Bank of Zambia Rate, first in May, 2020 by 225 basis points to 9.25 per cent, and again in August, 2020 by a further 125 basis points to 8 per cent.

vi. The Government directed chain stores to stock locally produced commodities following a reduction in imports as a result of disruptions in the supply chain. This measure was aimed at increasing productivity in the economy.

vii. The Government also introduced measures to encourage the use of digital financial services. These measures were aimed at preventing the spread of the Corona Virus Disease by minimising person-to- person contact while conducting financial transactions, decongesting banks and reducing the use of cash. These measures included removal of transaction and balance limits on agents and corporate wallets, reduction of processing fees for Real Time Gross Settlement (RTGS) System, upward revision of transactions and balance limits for individuals, small scale farmers and enterprises, and waiving of charges for person to person electronic money transfers of up to K150, among others.

viii. The Government also implemented measures to improve domestic revenue mobilisation in view of the underperformance. The measures included enforcement of the mandatory use of electronic fiscal devices from accredited suppliers, digitising more public services to run on the Government Service Bus (GSB) and the Payment Gateway to provide efficiency, accountability and monitoring of revenues and improvement of compliance levels of tax payers in identified risk areas by developing centralised data analysis and segmentation, among others.

ix. The Government was committed to restoring public debt sustainability and put forward policy measures in the 2021 Budget to achieve this objective. Firstly, Government in 2020 commenced the process of debt cancellation, postponement and re-scoping of projects. This resulted in a cancelation of US$1.1 billion pipeline debt and a saving of US$280 million from re-scoping of projects. This showed that through these measures, the stock of external debt as at end-June, 2020, assuming the cancelled pipeline debt was due for disbursement, would have been more than US$13 billion rather than the reported US$11.97 billion.

x. The Government also implemented a number of tax measures to mitigate the impact of COVID-19 on businesses and the population at large. The tax measures are as summarised in Table 5 below.

Table 5: Government's Tax response measures to mitigate the impact of the COVID-19 pandemic

Type of tax	**Type of measure**	**Objective of the measure**
Excise Duty	Suspension of excise duty on ethanol for use in alcohol-based sanitisers and other medical related commodities	To enhance local production of sanitisers and medicine
VAT	Suspension of provisions of SI 90 relating to claim of VAT on imported spare parts, lubricants and stationery	To ease pressure on companies
Export Duty	Suspension of export duties on the export of concentrates in the mining sector	To ease pressure on the mining sector
Export Duty	Suspension of export duty on precious metals and crocodile skin	To ease pressure on companies
All Tax types	Waive on Tax Penalties and Interest	To support company cash flows affected by COVID-19, inter alia
VAT and Customs Duty	Suspension of customs duties and VAT on additional medical supplies used in the fight against COVID-19	Measure to support the health system

Source: Zambia Revenue Authority

8.4 Effectiveness of Government's response to the economic effects of the pandemic

The Committee was informed that Zambia responded to the outbreak of COVID-19 in the context of pre-existing macroeconomic challenges. The country avoided a full countrywide lockdown but progressively tightened containment measures as guided by health authorities. These measures helped to limit the human and economic impact of COVID-19 as the country had so far avoided a worst crisis during the global peak of the pandemic.

The Committee was further informed that the suspension of import duty on concentrates, suspension of export duty on precious metals and crocodile skin and the removal of the SI No. 90 of 2019; the Value Added Tax (General) (Amendment) Regulations relating to claim of VAT on imported spare parts, lubricants and stationery resulted in improved cash flows to sustain mining operations and made the precious metals competitive on the international market. The suspension of duty on concentrates would guarantee availability of feedstock for optimum utilisation of the available smelters in the country.

In the wake of COVID-19, the Bank of Zambia announced measures aimed at reducing cash transactions and increasing the use of mobile money transactions such as the increase of transaction and balance limits for tier one individuals from K 10,000 to K20,000 and tier two from K20,000 to K 100,000, removal of transaction and balance limits for agents and corporate wallets, removal of charges for person to person transaction up to K150 to run up to April 30, 2020. These measures, among others, were effective and they eased liquidity in the economy.

Other stakeholders were of the view that the provision of the K10 billion by the Government through the Bank of Zambia intended to provide finance for Micro, Small and Medium Enterprises (MSMEs) was marked with numerous challenges. Notably, the failure by the Bank to disburse the facility due to stringent qualification criteria contributed to limited access by intended beneficiaries. They proposed that considering the heavy toll that the pandemic levied on business enterprises and the fact that 88 per cent of companies in Zambia were MSMEs, an additional stimulus package must be provided including measures aimed at ensuring that banks lent out the money as intended.

The Committee was also informed that Cabinet approved in principle the establishment of an K8 billion economic stimulus package. However, only about K5 billion had been raised as at

October, 2020. Stakeholders noted that Zambian bonds were currently undersubscribed, forcing high yields.

8.5 The Constraints Limiting the Response to the Economic Effects of the Pandemic

i. Competing needs between health response and economic response to the pandemic

The Committee was informed that the health sector was predominantly characterised by inadequate infrastructure, medical equipment and supplies, including ventilators and test kits. This was because the Government had limited financial resources to build enough health infrastructure, and buy the required medical equipment and supplies. The limited funds disrupted timely procurement of the necessary supplies and commodities that were required for mitigating the Pandemic, and for the continuation of essential health services. The increased demand for health care as a result of increased number of cases limited the response to the economic effects of the Pandemic. Further, restrictions imposed on the movements and gatherings of persons in an attempt to curb the spread of the Pandemic inevitably shrunk economic activity.

ii. High public debt

The Committee was informed that high public debt continued to constrain the ability of the Government to effectively respond to the adverse effects of COVID-19. High external debt service obligations exerted pressure on international reserves, and in addition to other factors, contributed to depreciation of the Kwacha. A weaker exchange rate in turn led to higher than programmed debt service payments in Kwacha terms. This inevitably constrained the ability of Government to provide social safety nets which were critical to save people’s lives and livelihoods.

The high stock of debt led the Government to request for debt relief through different channels. However, the Government needed to take specific actions, given the ongoing negotiations for debt relief in order to convince creditors to grant the debt relief. In this regard, stakeholders proposed that the Government should undertake the measures listed below.

a) **Simultaneously engage with all creditors** - This was in view of the concerns by creditors about the apparent discriminatory treatment amongst different creditors. Further, the recent request for a six months interest payment suspension on the Eurobond debt had only heightened this view of discrimination. This was because other classes of creditors, such as the Chinese creditors who accounted for over 30 per cent of the total external debt stock had not been openly engaged for a similar suspension. With this, the different creditors were opting to hold back on granting Zambia debt relief as they were concerned that the freed resources would be channelled to servicing other debt portfolios and not for COVID-19 related expenditures. Therefore, the Government needed to simultaneously engage all its creditors when negotiating for debt relief and treat them equally with transparency and accountability.

b) **Transparency and Accountability:** In order to demystify the narrative around Zambia's debt levels, the apparent risk of debt default, and to provide creditors and policymakers with regular and reliable debt information, it was emphasised that the Government must be transparent and accountable in disseminating debt information. Reliable debt information was necessary to assess a nation's creditworthiness, and also price debt instruments appropriately. However, there were concerns by numerous stakeholders on the correct debt position of Zambia.

iii. Limited fiscal space

Zambia's main constraint limiting the response to the economic effect of the COVID-19 was the limited fiscal space from which Government could tap resources to support the economy and the health sector. This negatively affected the response to the economic effects of the pandemic on livelihoods and business activities.

iv. Uncoordinated measures with neighbouring countries

Stakeholders acknowledged that Zambia's response was not completely endogenous. Similarly, measures adopted by other countries such as closure of borders disrupted supply of medical commodities, manufacturing inputs and essential commodities in general. Therefore, collective, coordinated responses to pandemics and future crises were absolutely essential to minimise disruptions in the supply chains, especially of essential commodities.

v.High dependency on Imports

The Committee was informed that Zambia was predominantly import dependent for health commodities, consumption goods and production inputs. The closure of borders by other countries disrupted the supply chain of inputs and limited manufacturing processes, including productive activities in the mining sector. As such, local manufacturing could not sufficiently meet consumer demands.

vi. Inadequate linkages among various institutions

The Committee was informed that the Government's response to COVID-19 was hampered by the weak information systems that failed to provide accurate evidence-based data on the effects of the pandemic on employment and other factors countrywide, which could have enabled effective and more accurate measures. This was partly due to the fact that there were inadequate linkages among various institutions such as the tax authority, pension houses and the company registration institution in the area of data integration.

vii. Stringent Criteria to access the Targeted Medium-Term Refinancing Facility

Stakeholders noted that while the provision of the K10 billion Targeted Medium-Term Refinancing Facility (TMTRF) by the Government through the Bank of Zambia intended to provide finance for Micro, Small and Medium Enterprises (MSMEs) was appropriate, the criteria of accessing the funds excluded many intended beneficiaries due to strict requirements. Further, the informal nature of most MSMEs made disbursement of credit facility more difficult.

viii. Low uptake of Digital Financial Services

The Committee was informed that although the Government encouraged the use of digital financial services in order to prevent the spread of the Corona Virus disease, a low uptake of e-commerce and digital financial facilities was noted. This was largely due to high financial illiteracy levels, especially in rural areas.

ix. Limited telecommunication services

The Committee was informed that in order to prevent an education gap in the future generation and at the same time prevent loss of employment in the education sector, especially in private institutions, the Government directed learning institutions to provide e-learning services. While the measure was well intended, it was ineffective due to inadequate telecommunication coverage, lack of internet services and computer illiteracy among learners, especially in rural areas.

x. Large Informal Sector

The Committee was informed that in Zambia, it was estimated that 90 per cent of the workforce was in the informal sector, with the majority in subsistence agriculture. Therefore, for the majority of Zambians working in the informal sector, most of their income was earned on a daily basis. This made partial lockdowns and restrictions on movements difficult to comply with.

10.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

After having carefully reviewed the submissions from various stakeholders, the Committee notes that COVID-19 Pandemic emerged at the time when the Zambian economy was grappling with a number of pre-existing challenges such as rising debt obligations, continued depletion of foreign reserves, weak performing currency and inflation, among others. The advent of the Pandemic, therefore, exacerbated the existing challenges and presented new challenges in the health, economic and social sectors. In light of this, the Committee makes its observations and recommendations as presented below.

i. Economic Recovery Programme

The Committee notes that although the economy has been weakening over the years, the COVID-19 Pandemic has exacerbated the weak economic performance and economic growth is estimated to have contracted by about 4.2 per cent in 2020. The Committee is of the view that due to the prevailing economic situation, more efforts need to be directed towards ensuring that the Zambian economy rebounds.

Therefore, the Committee strongly recommends that the Government, in collaboration with other stakeholders, should effectively implement the Economic Recovery Programme 2020-2023 in order to achieve economic resilience and realise economic stabilisation as envisaged through the pillars in the programme.

ii. Revise the Requirements of the Targeted Medium-term Refinancing Facility

The Committee observes with extreme concern the slow pace of disbursing the K10 billion TMTRF by the Bank of Zambia to financial service providers amidst serious liquidity challenges and other economic effects brought by the COVID-19 Pandemic. Notably, the low uptake of this facility is as a result of the stringent qualification requirements.

In light of this, the Committee strongly recommends that the Bank of Zambia should review the criteria for qualification in order to, inter alia, broaden the scope of the facility, improve accessibility by loosening the qualification criteria while at the same time managing the financial risk.

iii. Extend Economic Relief to the Informal Sector

The Committee is dismayed that financial relief mechanisms, while meaningful to businesses operating in the formal sector, have excluded many informal micro businesses and informal cross border traders, when most economic activities take place in the informal sector. The Committee notes that micro businesses and informal cross border trade are a large source of income for many households and thus, their exclusion from relief measures is likely to result in increased poverty levels in the country.

Therefore, the Committee strongly urges the Government to devise mechanisms to ensure that the informal sector, including informal cross boarder traders, also benefit from economic stimulus packages as they are key enablers of transformative economic growth. Further, the Committee urges the Zambia Revenue Authority to facilitate trade for small scale cross border traders so as to prevent them from incurring additional cost as a result of delayed customs procedures and other border formalities.

iv. Expansion of Fiscal Space

The Committee notes that the COVID-19 Pandemic has largely distorted the Government's expenditure pattern. Subsequently, the response to the health, economic and social effects of the COVID-19 Pandemic has been largely affected by the limited financial resources.

In this regard, the Committee urges the Government to guard against misapplication of public resources in order to be able to support critical sectors during and post the COVID-19 Pandemic. The Committee further urges the Government to invoke the provisions of the *Public and Financial Management Act, No. 1 of 2018* against individuals found wanting in this regard. In order to safeguard potential revenue, the Committee strongly recommends that the Government should devise stringent measures against Illicit Financial Flows (IFFs) largely driven by manipulated trade invoices through deliberate mis-reporting of values of commercial transaction ,tax evasion and tax avoidance among others, which are usually prominent in times of pandemics. This will help expand the revenue base.

v. Need for Investment in Information, Communication and Technology Equipment in the Education Sector

The Committee notes that some measures to contain the Corona Virus such as the Government directive to close all institutions of learning largely disrupted the education system and affected employment of lecturers and teachers, especially those from private institutions, including auxiliary support services such as suppliers of stationary, books, school uniforms, and transporters. To avoid an education gap in the future generation, the Government introduced and promoted e-learning services for all learners. The Committee observes that this measure exposed the vulnerability of the education sector with regard to ICT equipment, computer illiteracy levels among learners and teachers and lack of reliable internet connectivity. In addition, the Committee notes that the Pandemic amplified the digital gap between rural and urban areas.

In this regard, the Committee strongly recommends that in addition to the provision of traditional education services, the Government should prioritise the education sector through appropriate sector budget allocation which should be targeted towards procurement of ICT equipment in learning institutions.

vi.Reduce Public Debt Obligations to Sustainable Levels

The Committee observes that COVID-19 arrived in Zambia amidst multiple existing economic challenges, prominent among which was the public debt burden. In addition, the rising exchange rate as a result of supply shocks, among other factors, has increased the debt service obligation which has ultimately limited the response to the effects of the pandemic.

The Committee further notes that the high stock of debt has led the Government to request for debt relief through different channels. Subsequently, concerns by creditors about the apparent discriminatory treatment of different creditors by the Zambian Government have arisen, leading to creditors opting to hold back on granting Zambia debt relief as they are concerned that the freed resources would be channelled to servicing other debt portfolios and not for COVID-19 related expenditures.

The Committee acknowledges the fact that the Government has enacted key fiscal legislation such as the *Public and Financial Management Act, No. 1 of 2018*, *the Planning and Budgeting Act, No. 1 of 2020* and *the Public Procurement Act, No. 8 of 2020*. However, the Committee expresses great concern that relevant amendments to the piece of legislation which is envisaged to govern debt contraction, the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* have still not been presented to the National Assembly for enactment.

In this regard, the Committee strongly urges the Government to undertake the following:

a) critically examine the current debt situation and devise realistic measures that will restore debt sustainability and ultimately reduce the debt burden;

b) simultaneously engage all its creditors when negotiating for debt relief and treat them equally, with transparency and accountability in order to avoid the appearance of discrimination in the treatment of creditors;

c) As a matter of urgency, present relevant amendments to the *Loans and Guarantees (Authorisation), Chapter 366 of the Laws of Zambia* Bill for enactment in order to provide for transparency in debt accumulation and accountability in debt management; and

d) be transparent and accountable in disseminating debt information. This would help to demystify the narrative around Zambia's debt levels, the apparent risk of further debt default, and to provide creditors and policymakers with regular and reliable debt information.

vii.Fast Track the Diversification Agenda

The Committee notes that the mining sector is Zambia's major contributor to foreign exchange earnings. However, the Committee expresses concern on the over dependency on the sector for foreign exchange earnings considering the risky nature of the sector due to high susceptibility to fluctuations in commodity prices and other external market factors.

In this regard, the Committee recommends that the Government should fully implement the industrialisation agenda and value addition measures that have been pronounced in the past in order to reduce the over reliance on the mining sector for revenue and foreign exchange earnings, and to expand the revenue base.

viii. Increase Allocation for Dismantling of Domestic Debt and Arrears

The Committee notes that the severity of the impact of COVID-19 is more pronounced on businesses and household incomes. While acknowledging the measures that the Government has implemented to unlock liquidity, the Committee is still concerned about the level of debt owed to businesses that have supplied goods and provided services to the Government, as well as outstanding VAT refunds.

The Committee, therefore, strongly urges the Government to prioritise the payment of arrears in all sectors, especially key sectors, as this will support the survival of firms, safeguard employment, support the recovery and growth of these sectors and ensure that the aspirations for economic diversification and inclusive sustainable growth are met.

ix. Revamp the Manufacturing Sector

The Committee observes that the COVID-19 Pandemic has provided important lessons relating to the manufacturing sector such as import substitution of many foreign products, and also provided an opportunity for domestic manufacturers to increase production in order to meet the local demand following the decline in imports as a result of lockdown measures implemented by some countries. The Pandemic, therefore, revealed the great potential that the Zambian manufacturing sector has both for the domestic and foreign markets.

In order to promote full economic recovery and realise the full potential of manufacturing and enable the sector stimulate and reinforce growth and employment creation, the Committee recommends that the Government should undertake the measures listed below.

a) Consider implementing temporary COVID-19 recovery subsidies on electricity to MSMEs that face higher production costs due to smaller economies of scale in comparison to bigger business firms.
b) Expedite the finalisation of the draft Investment, Trade and Enterprise Development Bill, and draft Local Content Bill in order to help rationalise incentives to encourage increased investments and to protect local industries, respectively.
c) Strengthen and broaden the operations of the Zambia Export Development Fund (ZEDEF) to support export-oriented firms. This will enhance the country's export base and help to increase non-traditional exports.
d) Provide incentives to the industry to support local manufacturing of production inputs in order to reduce the importation of inputs that can readily be produced locally.
e) Put in place measures to improve supply and also reduce the cost of energy to ensure reduced business costs among manufacturers and in the economy at large.
f) Streamline licenses and business processes by implementing the single licensing system.
g) Reduce customs duty to zero on imports of key inputs with no suitable domestic substitutes.
h) Ease border controls and other constraints in key supply chains for inputs and exports.

x. Revamp the Tourism sector

The Committee observes with concern that the tourism sector is one of the sectors that has been severely affected by the pandemic as a result of travel bans at the global level and other local measures as a way of mitigating the spread of COVID-19. While the Committee appreciates that the sector has largely benefited from the 2021 national budget measures, the Committee contends that the impact of the Covid-19 outbreak has set an immediate decline in business activities which require a review of measures in order to preserve employment and prevent the sector from total collapse.

In this regard, the Committee strongly recommends that the Government, through the Zambia Tourism Agency, should develop aggressive marketing strategies, including attractive tourism packages to encourage more tourists to visit Zambia. The Committee further recommends that the Government should enhance tourism marketing on the domestic market and provide incentives for local tourists through a two-tier tourism product pricing system. This is in line with the Seventh National Development Plan targets by having lower rates for domestic tourists in order to stimulate domestic tourism.

In addition, in order to make the tourism sector more competitive, the Committee recommends that the Government should reduce or suspend tourism levy to stimulate demand for tourism services, as well as to align visa costs with competitive countries in the region to attract more foreign tourists.

xi. Sell of local products by Chain Stores

The Committee notes that in order to meet the local demand and increase productivity following a shortage of imported commodities, the Government directed chain stores to stock locally produced products. While the Committee commends the Government for this measure, it contends that such measures should not only be instituted and reinforced in times of crises or pandemics.

In this regard, the Committee recommends that the Government must ensure that chain stores prioritise local products at all times, and should as much as possible only allow importation of foreign commodities by chain stores in circumstances where the local market is unable to meet the demand or where commodities are completely not being produced in the country. This measure will stimulate local production capacities and create employment due to increased demand for local products.

xii. Provide incentives to the ICT Sector

The Committee notes that the ICT sector is one of the sectors that positively benefited from the Pandemic due to measures aimed at reducing contact between individuals such as encouraging people to work from home, virtual meetings, e-learning and use of digital financial services, which have ultimately increased demand for internet services and ICT equipment. The Committee, however, notes that these measures were not practical in areas with limited or no telecommunication and internet services.

In light of this, the Committee strongly recommends that the Government should provide fiscal incentives to telecommunication service providers in order for them to provide affordable internet services to all users. The Committee further urges the Government to expedite expansion of ICT infrastructure to all the parts of the country to increase access and use of telecommunication services by all Zambians, and to eliminate the existing digital gap between the rural and urban areas which is posing a challenge in accelerating ICT education and use of digital financial services, among others.

xiii. Adequately Support the Health Sector

The Committee notes that the COVID-19 Pandemic revealed the many inadequacies, ranging from financial and human resources to inadequate equipment and health commodities, in the health sector. The Committee observes that these challenges largely negatively affected the effective and timely response to the Pandemic.

The Committee strongly recommends that the Government should provide adequate financial and human resources and adequate transport for operations to the sector. This will enable the health sector to respond adequately to various challenges such as epidemics and pandemics that may arise, while at the same time continuing to provide routine health care services.

xiv.Harmonise Responses to the Pandemic

The Committee observes that SADC nations and African countries in general are interconnected and, therefore, measures adopted by one nation ultimately affect other countries. Specifically, border closure by one member state effectively cuts out trade in the neighbouring countries.

In light of this, the Committee strongly recommends that Zambia should champion collective, coordinated and harmonised responses by all SADC member states in order to support the collective interest of the SADC region in future crises and pandemics.

PART II

11.0 CONSIDERATION OF THE ACTION-TAKEN REPORT

The Committee considered the Action-Taken Report (ATR) on the Committee's Report for the Fourth Session of the Twelfth National Assembly. The Committee also considered the ATR on the Report of the Committee on National Economy, Trade and Labour Matters on The Report of the Auditor General on the Compliance Audit on the Awarding and Monitoring of the Mining Rights for 2017 Accounts for the Fourth Session of the Twelfth National Assembly

1. ACTION TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i) Amendment of the National Payment Systems Act, No. 1 of 2007

The Committee observed that the *National Payment Systems Act, No. 1 of 2007* which was one of the main pieces of legislation that governed DFS was outdated and did not adequately provide for financial security, safety and efficiency of the financial sector, among other factors.

In light of this, the Committee strongly recommended that the Act should be amended in order to provide an enabling environment for financial innovation and efficiency of DFS, and ultimately financial inclusion.

Executive Response

The Executive responded that the Government through the Bank of Zambia has developed a draft Bill to amend the *National Payment Systems Act No. 1 of 2007.* This was in order to enable the Digital Financial Services (DFS) Legislation to adequately provide for financial security, safety and efficiency of the financial sector. The Bill was undergoing final review after which it would be submitted to the Ministry of Justice. The amendments were aimed at ensuring that the current regulatory regime promoted financial innovation/technology and financial inclusion while at the same time maintaining safety and efficiency of DFS.

Committee's Observation and Recommendation

The Committee requests a status update on the amendment of the *National Payment Systems Act.*

ii) Enactment of Data Protection Bill, Cyber Security Bill, the Electronic Transactions and Communications Bill and the Deposit Protection Bill

The Committee observed that one of the challenges in scaling up financial inclusion was inadequate supportive legislation.

Therefore, the Committee urged the Government to urgently enact the Electronic Transactions and Communications Bill, Cyber Security Bill, the Data Protection Bill and the Deposit Protection Bill to ensure safety in the use of electronic platforms for financial transactions.

Executive Response

The Executive responded that the Government through the Ministry of Justice and Ministry of Transport and Communications was undertaking stakeholder consultations on the Cyber Security and Cybercrimes Bill, the Data Protection Bill and the Electronic Transactions Bill. Once finalised, the three Bills would be tabled before Parliament for enactment.

In the interim to the enactment of the Cyber Security Bill, the Bank of Zambia through its 2020-2023 Strategic Plan had undertaken to develop a framework that will govern mitigation and facilitate information sharing on cyber risks. The development of the cyber security framework would provide policy guidance for the Bank and financial service providers to enhance their resilience against cyber-attacks. This was contained in the Bank's strategic object number 1 under the financial stability focus area.

Further, the draft Deposit Protection Bill had been finalised and was at the consultative stage. In the same vein, the Bank of Zambia was in the process of establishing a Deposit Protection Unit to administer the Deposit Protection Fund.

Committee's Observation and Recommendation

The Committee requests an update on the Deposit Protection Bill as the other three bills have since been presented to Parliament.

iii) Lack of mobile money specific regulation

The Committee observed that the available legislation in the financial sector was inadequate for the mobile money landscape as most of the regulation being used for mobile money was tailored for traditional banking and non-banking financial services. However, the trajectory of mobile money had presented different operational dynamics and required specific regulations.

In light of this, the Committee urged the Government to formulate regulations on agency banking, and regulations specific to mobile money in order to address the gaps in the digital financial landscape.

Executive Response

The Executive responded that the Government through the Bank of Zambia remained committed to ensuring that agency banking services were conducted within the Bank's regulatory framework. Further, the Bank recognised mobile money services as an opportunity for financial inclusion and would actively support, and where appropriate, participate in formulation of regulatory frameworks specific to mobile money business and services.

Additionally, the Committee was requested to note that the Electronic Transaction Bill once enacted, would complement efforts by other institutions in regulating the financial sector in order to facilitate the safe and secure use of electronic financial transactions, including mobile money transactions.

Further, the Government through the Bank of Zambia (BoZ) and the University of Zambia (UNZA) conducted a baseline survey on agency banking in August 2019 as part of the efforts to enhance guidelines and regulation. The findings of the survey had been compiled and would inform the development of the appropriate regulation to guide agency banking and the mobile money landscape.

Committee's Observation and Recommendation

The Committee will await a progress report on the formulation of regulations on agency banking, and regulations specific to mobile money in order to address the gaps in the digital financial landscape.

iv) Creation of casual jobs

The Committee observed that although mobile money business created employment opportunities for the youth and the general public, most of these jobs were casual jobs and not decent jobs. The Committee noted that the Government had banned casualisation and was advocating for creation of decent jobs. The Committee further noted that in the past, the Government had intervened to prescribe a minimum wage for domestic workers, shop keepers and other similar categories of workers in order to protect this section of the labour force.

In light of this, the Committee urged the Government to intervene and capture mobile money operators in the minimum wage regulations in order to promote decent jobs in line with the aspirations of the Seventh National Development Plan.

Executive Response

The Executive responded that as rightly observed by the Committee, casualisation was banned in Zambia and measures to combat this practice had further been strengthened in the *Employment Code Act, No. 3 of 2019* by providing for certain employment relationships such as part-time, flexi time and hourly arrangements. This was in the quest for Government to promote decent work in the country. The Government had prioritised introducing sector based minimum wages in order to address specific challenges different sectors were facing. So far, the statutory instrument to introduce the minimum wage in the agricultural sector was being finalised by

Ministry of Justice. Furthermore, Government through the Ministry of Labour and Social Security had drafted a similar Statutory Instrument for the Transport Sector which was expected to be presented to the Labour Advisory Committee in line with the provision of the *Employment Code Act.*

With regard to the Committee's recommendation on introduction of the minimum wages for the mobile money operators, the Government would continue to look at different sectors and hold consultations with the stakeholders with a view of creating a specific minimum wage for Information Communication and Technology related sectors which included the mobile money operators.

Committee's Observation and Recommendation

The Committee requests a progress report on the minimum wage for mobile money operators.

v) Cost of digital transactions

The Committee observed that cash transactions were universally acceptable and cheaper than digital payments. Therefore, retailers and merchants were more inclined to cash transactions. The Committee noted that there was a percentage fee charged for every credit card transaction on the retailer and a withdrawal charge for purchases using mobile money, making digital transactions more expensive than cash transactions and undesirable by merchants.

In light of this, the Committee recommended that the Government should consider putting in place measures to make digital financial transactions desirable, especially by retailers, by reducing the cost of digital transactions. This would eventually reduce the volume of cash transactions and ultimately reduce the cost of handling cash by financial service providers and the Central Bank, and it would largely scale up financial inclusion strategies.

Executive Response

The Executive responded that in addition to implementation of Phase I of National Financial Switch (NFS) through which fourteen (14) banks that provided automated teller machines and card services migrated to use of NFS as opposed to the Visa platform, the Government through the Central Bank was in the process of implementing Phase II of the NFS whose completion would enable mobile payments switching which would facilitate interoperability among all mobile payment operators in the country. Prior to the banks migration to the NFS, all domestic card transactions were switched outside the country and treated as international transactions and were priced accordingly, which made undertaking such transactions expensive.

Committee's Observation and Recommendation

The Committee resolves to request for progress report on Phase II of the NFS and whether the measures referred to have resulted into cheaper digital financial transactions.

vi)No interest charged on savings on digital platforms

The Committee observed that following the directive by the Bank of Zambia (BoZ) to prohibit unwarranted charges and fees to all financial service providers, the financial sector had seen most banks closing some branches, especially rural branches, and opting for agency banking. The Committee noted that mobile money services were more available and convenient than traditional banks and customers had opted to use digital wallets and mobile accounts, in the absence of banks, as a store of value as opposed to keeping cash at home. Furthermore, the Committee observed with great concern that mobile network operators were giving credit facilities payable with interest and yet the savings on their platforms did not attract any interest.

In light of this, the Committee strongly recommended that the Government should come up with interventions to ensure that customers saving on digital platforms also benefitted from interest just as was the case for traditional banking account holders. This would also encourage the saving culture, especially in rural areas.

Executive Response

The Executive responded that in accordance with Directive 29 of the National Payment System Directives (PSD) on electronic money issuance, mobile money operators were not allowed to offer loans. The loans that may be perceived as being granted by mobile money service providers were actually granted by other FSPs licensed by the BoZ to provide credit. The mobile money service providers partnered with a financial institution and facilitate the disbursement of loans and collection of the loan repayments via mobile money.

In addition, with regard to ensuring that customers saving on digital platforms benefitted from interest just as was the case for traditional banking account holders, the Government through BoZ had been working with the mobile money service providers to facilitate for this and would be issuing directives to this effect.

Committee's Observation and Recommendation

The Committee requests an update on the directives aimed at ensuring that customers saving on digital platforms begin to benefit from interest.

vii) Limited infrastructure and network coverage

The Committee observed that there was limited infrastructure to accelerate financial inclusion in general and DFS in particular. The Committee noted that DFS largely depended on network coverage, technology development and access to mobile phones and other digital devices. The Committee was of the view that limited infrastructure development with regard to ICT and network was to a large extent impeding acceleration of financial inclusion in the country.

Therefore, the Committee strongly recommended that the Government should invest in robust digital financial infrastructure aimed at bringing about growth of partnerships between fintechs and financial service players in order to facilitate access and usage of affordable DFS.

Executive Response

The Executive requested the Committee to note that the Government remained committed to finalising all ICT infrastructure projects including the finalisation of the Communications Towers Phase II project which would see the construction of 1009 communications towers with a total of 774 being completed while 717 were operational and on air. Further, once the Project was completed, it would enhance network coverage countrywide and consequently would facilitate access and usage of digital financial services especially mobile money.

The Government, through the Central Bank recognised the important role that well-functioning Financial Market Infrastructures (FMIs), played in smoothening transactions in the economy and ensuring financial stability. These FMIs comprised Systemically Important Payment Systems (SIPS), Central Securities Depositories (CSD), Securities Settlement Systems, Central Counterparties and Trade Repositories. The Bank, therefore, prioritised developing and improving the resilience of FMIs. In this regard, the Government would take appropriate measures to ensure that the operators of FMIs and their participants enhanced the resilience of FMIs.

Committee's Observations and Recommendations

The Committee requests a more concrete response on the actual measures that the Government has put in place to invest in robust digital financial infrastructure aimed at bringing about growth of partnerships between fintechs and financial service players in order to facilitate access and usage of affordable DFS.

viii) Paying of salaries for rural civil servants through mobile money

The Committee observed that access to financial services in rural areas was still a challenge due to distance to the nearest ATM, bank or microfinance institution. As such, civil servants such as teachers, and members of the general public, travelled long distances to access money especially when salaries were paid. The Committee was concerned that a lot of learning time for pupils was lost and other public services were disrupted when teachers and other civil servants in rural areas travelled to access financial services.

In this regard, the Committee strongly urged the Government to take advantage of the opportunities presented by DFS and consider paying rural civil servants such as teachers through mobile money accounts, which were more accessible than Automated Teller Machines (ATMs) and banks.

Executive Response

The Executive responded that the Government, through the National Financial Inclusion Strategy (NFIS), was working towards expanding the use of mobile based delivery channels and one of the identified actions to achieve this objective was through encouraging employers to partially disburse wages through mobile based payment platforms. Financial institutions had been encouraged to expand their branch network especially in rural areas and other underserved areas in order to enhance financial inclusion in all population segments.

Committee's Observation and Recommendation

The Committee requests an update on the payment of civil servant salaries through mobile money networks.

ix)Single digit code

The Committee observed that various DFS players had respective digit codes to access mobile money service menus and this was partly a source of human error in digital transactions. The Committee noted that there were numerous players offering mobile services and recalling most of the digit codes may be a challenge, especially for the aged and illiterate.

In light of this, the Committee strongly recommended that the Government should ensure that relevant regulators consider having a common digit code for accessing mobile money services across all networks and other providers like the case was with crediting of airtime and checking airtime balance across all networks.

Executive Response

The Executive responded that the Government was committed to reducing barriers to the uptake of financial products and services as one of the objectives of the National Financial Inclusion Strategy (NFIS). In noting the Committee's recommendation, the Government through the (Zambia Information and Communications Technology Authority) ZICTA would endeavour to engage all mobile money service operators with the view of developing a standardised approach to the use of mobile money services across all networks.

Committee's Observation and Recommendation

The Committee requests an update on the single digit code for mobile money services.

x) Delays in settling disputes

The Committee observed with extreme concern that there was no standard period of settling digital payment disputes in banks and other financial institutions. While other institutions resolved disputes within forty eight hours, other institutions took as long as sixty days. The Committee noted that these delays were contributing to individuals avoiding to use DFS.

In this regard, the Committee strongly recommended that the Government, through the Bank of Zambia, should ensure that the dispute settlement period was harmonised for all financial services and that disputes were settled within the stipulated period to avoid inconveniencing users who found themselves in such situations.

Executive Response

The Executive responded that the Government would engage all the financial regulators to harmonise dispute settlement period and procedure for all financial sector players. This could entail revising some pieces of legislation in order to allow for smooth settlement of disputes in the sector.

In the interim, Government would leverage on the existing tripartite MoU shared by three regulators; and the C*ompetition and Consumer Protection Commission* (CCPC) and ZICTA would continue to assist the Bank of Zambia in settling disputes or consumer complaints expeditiously as well as provide updates on improvements experienced in settlement of DFS related complaints.

Committee's Observation and Recommendation

The Committee requests an update on the harmonisation of the dispute resolution period.

xi)National Financial Switch

The Committee noted that the Government was implementing the NFS in phases and had so far implemented Phase I of the project and is yet to implement Phase II. The Committee observed that once implemented, Phase II of the project was expected to bring about increased usage of digital payment channels and help to reduce the amount of cash circulating outside the banking system.

In light of this, the Committee urged the Government to expedite the implementation of Phase II of the NFS in order to create interoperability among various financial service providers and to provide seamless transactions between mobile money service providers and other financial service providers such as banks and microfinance institutions.

Executive Response

The Executive responded that the Government had taken note of the recommendation to expedite Phase II and would endeavour to operationalise Phase II as soon as possible.

Committee's Observation and Recommendation

The Committee requests an update on the operationalisation of Phase II of the NFS.

xii) Absence of a centralised Know Your Customer

The Committee observed that the absence of a centralised Know-Your-Customer (KYC) database limited access to some information required by stakeholders and contributed to fraud and other financial crimes.

The Committee, therefore, urged the Government to expedite the establishment of a centralised KYC database which could be universally accessible by all industry stakeholders. This would be beneficial in combating financial crimes and standardising registration processes, among others.

Executive Response

The Executive responded that the Government started the development of a centralised electronic KYC database into which all market players could tap in 2018. In this regard, draft regulations were developed awaiting implementation. Further, provisions for relaxed KYC requirements for micro pensions were made in the National Social Protection Bill. This Bill was envisaged to enable participation of informal sector and other excluded categories. However, the implementation of a centralised electronic KYC database was awaiting enactment of the National Social Protection Bill by Parliament.

Furthermore, in its 2020-2023 Strategic Plan, the Bank of Zambia intended to facilitate the development and establishment of a centralised KYC information platform for the financial sector. The platform was meant to be a single source of primary KYC data required to perform due diligence checks on all customers of FSPs.

In addition, this platform was also expected to minimise the operational workload and compliance requirements associated with the collection, maintenance, and storage of KYC data as the information would be centrally held and shared. Also, it would facilitate the smooth process of on-boarding new customers. It was expected that FSPs would benefit from the timely availability of due diligence information, which would facilitate the effective and objective evaluation of customers and mitigate the perceived risk of establishing business relationships with certain segments of clients in the country. Lastly, integrating the centralised KYC platform with the National Biometric Identity System, once operationalised, would be beneficial for customer data collection and financial inclusion.

Committee's Observation and Recommendation

The Committee requests an update on the development of a centralised KYC database.

xiii)Social protection programmes

The Committee noted the low use of digital payment platforms in delivering social programmes such as Social Cash Transfer and Supporting Women's Livelihoods, among others. The Committee further observed with great concern that the Government was incurring costs which could have otherwise been avoided in distributing money through costs incurred in issuance of cheques by district offices and allowances paid to pay-point managers. In addition, the Committee noted that the funds were also subjected to high risk of theft due to the physical movement of money to designated pay-points.

Therefore, the Committee strongly recommended that the Government should take advantage of the opportunities created by the innovations in the financial sector and pay beneficiaries of various social protection programmes using various platforms of mobile money. This would ensure that there was transparency, all beneficiaries were paid on time and the Government would save unnecessary expenses. The Committee further urged the Government to expedite the implementation of the Zambia Integrated Social Protection Information System, so as to scale up the use of digital payment platforms in delivering social protection to beneficiaries.

Executive Response

The Executive responded that the Government would endeavour supporting all efforts aimed at improving service delivery, accountability and reducing expenditure through the use of various ICT platforms. To this effect, the Government through the Ministry of Finance would engage the Ministry of Community Development and Social Services to expedite the implementation of the Zambia Integrated Social Protection Information System.

Committee's Observation and Recommendation

The Committee requests an update on the implementation of the Zambia Integrated Social Protection Information System.

2. ACTION TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON THE REPORT OF THE AUDITOR GENERAL ON THE COMPLIANCE AUDIT ON THE AWARDING AND MONITORING OF THE MINING RIGHTS FOR 2017 ACCOUNTS FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i) Lack of representation by some stakeholders on the Mining Licence Committee

a) Following a review of appointment letters and minutes of the Mining Licence Committee (MLC) sittings for the year 2017, the Report of the Auditor General, revealed that contrary to the criteria provided by law, there was no representative from the Ministry responsible for environment on the committee.

The Committee urged the Minister to send correspondences relating to appointment of members on the MLC from Ministries to the Permanent Secretary and not directly to the officers.

Executive Response

The Government responded that it had taken note of the observation and recommendation by the Committee and would do so in future. The Executive urged the Committee to note that the tenure of appointed officers was three (03) years and would expire in 2022.

Committee's Observations and Recommendations

The Committee urges the Executive to effect the Committee's recommendation at the time of appointing new MLC members in the year 2022. The Committee resolves to keep the matter outstanding until recommendation is implemented.

Standard Consent Form

The Committee recommended that the Ministry of Mines and Minerals Development should generate a standard consent form which should be signed by all chiefs when giving consent for any mining activities in their respective chiefdoms. This consent form should be attached to the Zambia Environmental Management Agency (ZEMA) report to avoid impediment in awarding mining rights.

Executive Response

The Executive responded that According to Section 12(2) of the *Mines and Minerals Development Act of 2015*, a person shall not undertake exploration, mining or mineral processing activities without obtaining prior written approval of the environmental impact assessment relating to the exploration, mining or mineral processing operations by the ZEMA as provided under Section 29 of the *Environmental Management Act of 2011.*

To be able to get the stated clearance, a holder of a mining right was required to get consent from the surface rights holders, both under customary or state tenure. ZEMA required that consent from customary surface rights holders should be in form of a letter from the Chief and on an official letter.

With respect to state tenure, the Executive submitted that the consent should be in form of an access agreement which should be signed by both the surface rights and mining rights holder. In the event that a particular mining right covered several surface rights, access agreements with each of the surface rights holders was required. The stated formats had been accepted by both the Ministry of Mines and Minerals Development and ZEMA.

In view of the recommendations by the Committee the Ministry of Mines and Minerals Development; and ZEMA were scheduled to meet to develop an acceptable format of the consent form by all stakeholders.

Committee's Observations and Recommendations

While noting the response by the Executive and the coordination between the Ministry of Mines and Minerals Development; and ZEMA thereof, the Committee resolves to leave the matter outstanding until a standard format of the consent form is developed.

b) Platform to Facilitate Joint Ventures between Local Mining Rights Holders and Foreign Investors

The Committee recommended that the Government should provide a platform that will facilitate joint ventures between local mining rights holders and foreign investors in mining operations and ensure that local people were not disadvantaged in the partnership.

Executive Response

The Committee responded that the Ministry of *Mines and Minerals Development Act of No. 11 of 2015* provided for joint ventures between artisanal and small scale miners and foreign investors. The Government in collaboration with other stakeholders facilitated opportunities for partnership between local mining rights holders and foreign investors through different ventures such as conferences and exhibitions.

Committee's Observations and Recommendations

The Committee notes the response and the efforts in facilitating opportunities for partnerships through joint ventures. However, the Committee is of the view that some artisan and small scale miners are not aware of the provision on joint ventures and therefore urges the Ministry to scale up awareness to artisanal and small scale miners in order to expedite mining operation upon being awarded with a mining licence.

ii) **Inspections and monitoring to ensure compliance by mining rights holders**

a) Non-submission of quarterly reports

The Committee strongly recommended that the existing penalties for non-compliance must be revised upwards in order to deter non-compliance.

Executive Response

The Executive responded that the Government through the Ministry of Mines and Minerals Development had taken note of the recommendation and would consider amending penalty fees for non-compliance to be revised upwards subject to approval by the Business Regulatory Review Agency.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the upward revision of penalty fees for non-compliance to submission of quarterly reports

Adequate Funding Of the Ministry Of Mines and Minerals Development

The Committee recommended that the Government should adequately fund the Ministry of Mines and Minerals Development to enable it efficiently conduct its mandate without compromise.

Executive Response

The Executive responded that the Government through the Ministry of Finance had taken note of the recommendation. However, the inadequate funding to the Ministry of Mines and Minerals Development was as a result of the current resource constraint. The Treasury would prioritise funding to Ministry of Mines and Minerals Development as the revenue position improved.

Committee's Observations and Recommendations

The Committee notes the response but reiterates that the Government should highly prioritise the activities of the Ministry in order support its mandate.

b) Export of Minerals by Mining Rights Holders with Exploration Licences

The Committee had recommended that the Government should urgently provide for regulation on the limit in terms of quantity and frequency of sample exports to ensure that the country did not continue to lose mineral resources through exports of large volumes of samples purportedly for mineral analysis.

Executive Response

The Executive responded that Zambia Revenue Authority (ZRA) had a provision of US$ 10,000 while the Ministry of Mines had a threshold of US$ 100 for quantities of mineral samples to be removed from an exploration area for the purpose of mineral analysis or conducting tests on the mineral. The Ministry would endeavour to develop the Statutory Instrument in liaison with ZRA to ensure that the pieces of legislation are in harmony.

Committee's Observations and Recommendations

While noting the response, the Committee urges the Ministry, in collaboration with ZRA, to expedite the process of developing a statutory instrument to harmonise the various pieces of legislation involved.

c) Investing and Setting Up Laboratory Equipment and Facilities

The Committee had recommended that the Government must invest and set up laboratory equipment and facilities in the country to determine mineral content in order to limit export of samples for analysis.

Executive Response

The Executive responded that the Government may consider setting up laboratory equipment and facilities in the country subject to availability of resources.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the setting up of laboratory facilities and equipment to assist in determining the mineral content.

d) Establishment of an Independent Body to Govern Mineral Resources and Regulate the Mining Sector

The Committee recommended that, in the long term, the Government should establish an independent body to govern mineral resources and regulate the mining sector in sustainable way in order for the nation to obtain maximum benefit from the mineral resources.

Executive Response

The Executive responded that the Ministry was considering the establishment of a Minerals and Geological Commission to better regulate the mining sector.

Committee's Observations and Recommendations

The Committee notes the response and urges the Government to expedite the process of establishing the Minerals and Geological Commission to better regulate the mining sector. The Committee awaits an update on the matter.

iii) Export of minerals(Elements) not included on the Mineral Valuation Certificate

a) Deployment of Officers and Equipment for Identifying Mineral Content

The Committee recommended that the Ministry of Mines and Minerals Development should, as a matter of urgency, deploy officers and the necessary equipment to identify mineral content at all loading and exit points in order to prevent revenue leakages.

Executive Response

The Ministry of Mines and Minerals Development was granted authority in principle by Cabinet to recruit officers to be stationed at border points and awaits Treasury Authority. However, the Ministry would continue conducting random border checks, subject to availability of resources.

Committee's Observations and Recommendations

While the Committee notes the financial constraints the Country is going through and the random border checks undertaken by the Ministry, the Committee is of the view that deploying permanent officers to border points is the lasting solution to preventing further revenue leakages as a result of under declaration of mineral exports. The Committee shall await a status update on the matter.

b) Strengthening Collaborative Mechanisms among Stakeholders

The Committee recommended that the Government should strengthen collaborative mechanisms between Ministry of Mines and Minerals Development and ZRA and other relevant stakeholders in line with the multisectoral approach as espoused in the Seventh National Development Plan. This would help to combat under declaration of mineral content in exports and ultimately tax evasion.

Executive Response

The Executive responded that the Government was in support of the Committee's observation. Going forward, the Ministry of Mines and Minerals Development (MMMD) would engage all relevant institutions in this undertaking. Part of this collaboration was established during the implementation of the MVCMP, in which ZRA enhanced collaboration with the MMMD in the monitoring of the mining sector.

The Executive further submitted that ZRA had a common system for the issuance of the Mineral Export Permits called the MOSES where both ZRA and the MMMD had access. The system had created a seamless flow of applications between the institutions to avoid possible forgery. This collaboration would continue to grow as ZRA establishes more areas of cooperation.

Committee's Observations and Recommendations

The Committee notes the progress made and awaits an update on the collaboration with other stakeholders in addition to ZRA.

c) Submission of Mineral Analysis Reports

The Committee recommended that the mineral analysis reports for all consignments must be submitted to ZRA for confirmation with reports generated from XRF machine at exit points.

Executive Response

The Executive responded that all mineral analysis certificates were submitted to ZRA in hard copies including the one generated during the period under review. In 2018 (fourth quarter), mineral analysis certificates for all minerals except for some industrial minerals, had been instantly available online to ZRA through the MOSES. However, the sharing of the mineral analysis certificates with exit points only took place through the Kitwe ZRA offices using the Automated System for Customs Data (ASYCUDA), quite often long after a suspicious consignment had already been released and left the country. The Ministry of Mines and Minerals development would endeavour to engage ZRA to be sharing the mineral analysis certificate with all exit point promptly.

Committee's Observations and Recommendations

The Committee appreciates the response and awaits a progress report on the prompt sharing of mineral analysis certificates with all exit points by ZRA.

d) Decentralisation of Mineral Analysis by Geological Survey Department

The Committee recommended that in addition to placing officers from the Ministry of Mines and Minerals Development at exit points, the Committee recommended that the mineral analysis by Geological Survey Department should be decentralised to exit points in order to curb smuggling of minerals.

Executive Response

The Executive responded that the mineral analysis issued by the Geological Survey Department (GSD) was essentially a pre-requisite for the issuance of a mineral export permit. There was need to verify the compliance of the samples submitted for the application of the permit to the minerals that were finally exported. Hence, Government planned to have the GSD officers at strategic points, which may not necessarily be at the exit points, to verify the quality of the final export. However, this was subject to availability of Treasury Authority to employ more officers.

Committee's Observations and Recommendations

While noting the response, the Committee appreciates the financial challenges and competing needs the country is going through. However, the Committee is of the view that revenue leakages through undeclared minerals must be safeguarded. In this regard the Committee awaits a progress report on the deployment of GSD officers at strategic points in order to verify final export of minerals.

iv) **Exercise of punitive powers against non-compliant mining rights holders**

a) No fine paid for operating a mineral processing plant without a licence

The Committee recommended that the Ministry should urgently follow up the matter with the Attorney General and ensure that all outstanding fines were paid without any further delay. The Committee further recommended that the *Mines and Minerals Development Act* should be amended by reviewing the maximum penalty payable so as to deter other would be offenders. Furthermore, the Committee recommended that sanctions for first offenders must be distinguished from second offenders by issuing stiffer sanctions for the latter.

Executive Response

The Executive responded that regarding the non-payment of the fine by Mineral Junction and Transport Limited, the Ministry of Mines and Minerals development, through the office of the Permanent Secretary, had continued engaging the Attorney General's Office, Debt Collection Unit, to have the fine of K1, 500,000 paid by Mineral Junction and Transport Limited. Efforts to recover all other outstanding fines would be stepped up.

In addition, the Ministry would consider cancelling the licences for Mineral Junction and Transport Limited and the company would still be required to pay the penalty even after the cancellation of the licences.

Committee's Observations and Recommendations

The Committee notes the response and urges the Office of the Auditor General to scale up efforts in ensuring that the fine is paid by Mineral Junction and Transport Limited. Failure to which, the licence should be revoked until the fine is paid. The Committee resolves that the matter remains open.

b) Lack of punitive action on exploration mining rights holders discovered to be exporting minerals

The Committee recommended that the Ministry of Mines and Minerals Development and ZRA should take disciplinary action against officers issuing export permits and officers at exit points respectively in order to ensure that only mineral products listed on the valuation certificate and permit were exported. The Committee further recommended that the Ministry and ZRA should scale up supervision in order to avoid revenue leakages. Furthermore, the Committee strongly recommended that the matter should be further investigated by relevant investigative wings and ensure that punitive measures were meted out against parties found wanting.

Executive Response

The Executive responded that no Punitive action had been taken because section 26 (1) of the *Mines and Minerals Development Act No. 11 of 2015* allowed holders of exploration licenses to export mineral samples for analysis or for purposes of conducting tests on the mineral. To prevent the under declaration of the grade for minerals being exported the Ministry still awaited for treasury authority to recruit personnel who would be stationed at the borders whose role would be to ensure that the minerals declared at the Geological Survey Department were the same as the Minerals being exported. This would assist in curbing revenue leakages through under declaration of exports. To this effect, ZRA would implement the guidance to collect taxes accordingly.

Committee's Observations and Recommendations

The Committee notes that the lack of officers from the Ministry stationed at the borders is a serious omission which is being taken advantage of by mineral exporters. The Committee urges the Government to treat this matter with urgency and prioritise recruitment of officers to assist in curbing revenue leakages through under declaration of exports. The matter will remain open until the officers are recruited.

c) Lack of punitive action against Mining rights holders exporting minerals (elements) not included on the Mineral Valuation Certificate

The Committee recommended that the Government should immediately penalise offenders without any further delay. The Committee reiterated that the Ministry should ensure that officers were permanently domiciled at all loading and exit points in order to curb under declaration and smuggling of minerals.

Executive Response

The Executive responded that all exported mineral elements were captured on the Mineral Analysis Report and Minerals Valuation Certificate from Geological Survey Department. The Mineral Export permit did not tabulate mineral elements but only captured the main component of the mineral.

However, in cases where exporters had been found to have under-declared their exports, appropriate penalties had been applied by both the Ministry of Mines and Minerals Development and ZRA. Additionally, once an exporter was found to have under-declared their export, historical exports were also audited and where necessary penalties are charged retrospectively.

To prevent the under declaration of the grade for minerals being exported the Ministry of Mines still awaited treasury authority to recruit personnel who would be stationed at the borders whose role would be to ensure that the minerals declared at the Geological Survey Department were the same as the Minerals being exported. This would assist in curbing revenue leakages through under declaration of exports.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the recruitment of officers from the Ministry of Mines and Minerals Development.

3. **ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE THIRD SESSION OF THE TWELFTH NATIONAL ASSEMBLY**

CHINA-ZAMBIA RELATIONS VIS-À-VIS TRADE AND INVESTMENT

i) Comprehensive Review of the Policy, Legal and Institutional Framework Guiding Foreign Trade and Investment

The Committee noted the response by the Government and the effort made so far. However, the Committee reiterated its previous recommendation and urged the Government to conduct a broad based and comprehensive review of the policy and legal framework in order to ensure that Zambia obtained the maximum benefits from Chinese investment. The Committee further urged the Government to expedite finalisation and presentation of the Investment, Trade and Enterprise Bill to Parliament.

Executive Response

The Government had taken note of the Committee's recommendation regarding conducting a broad based and comprehensive review of the policy and legal framework in order to ensure Zambia obtained the maximum benefit from foreign investments. In this regard, the amendment of the *Zambia Development Act*, *No 11 of 2006* the main legal framework used to implement foreign investment policy had undergone extensive consultations and has reached an advanced stage. Further the Ministry of Commerce, Trade and Industry had continued in its efforts to champion and encourage the promotion of preferential procurement of various local goods and services through various laws so that citizens of the country reap benefits from all sources of foreign investments.

Furthermore, Government had prioritised the finalisation of the amendment of the Investment, Trade and Enterprise Bill and it had been submitted to the Ministry of Justice for legal drafting. The amendments would be finalised in the first quarter of 2021. With regard to the Committee's view that in order to improve monitoring of all foreign investments, it should be mandatory for the Zambia Development Agency (ZDA) to approve all investments from external sources, the Government was of the view that modalities to monitor foreign investors were already in place through the Patents and Companies Registration Agency who had a register of all foreign investments in the country. The Government shared this register with the ZDA for monitoring purposes.

Committee's Observation and Recommendation

The Committee notes the response and urges the Government to expedite finalisation and presentation of the Investment, Trade and Enterprise Bill to Parliament. The Committee will await an update on the matter.

ii) Amendment of the Zambia Development Agency Act

The Committee would await a progress report on the matter.

Executive Response

The Government had prioritised the finalisation of amendment of the *Zambia Development Agency Act* and the bill had been submitted to the Ministry of Justice for legal drafting. The amendments would be finalised in the first quarter of 2021. The Committee may wish to note that the issue of partnership of local and foreign investors was being addressed in the context of joint ventures under the proposed Investment, Trade and Enterprise Development Bill and it also addressed under the *Citizens Economic Empowerment Act* to promote partnership of local and foreign investors.

Committee's Observations and Recommendations

The Committee requests an update on the finalisation of the amendment of the *Zambia Development Agency Act.*

iii) 20 Per Cent Subcontracting to Local Contractors

The Committee expressed concern at the delayed rate of progress made on the revision of the *National Council for Construction Act*. The Committee awaited a progress report on the status of the Bill.

Executive Response

The Government reported that drafting of the Bill was completed, approved by the Legislative Committee of Cabinet and submitted for enactment by Parliament. By the time of reporting, the Bill was at committee stage.

Committee's Observation and Recommendation

The Committee resolves to close the matter as the *National Council for Construction Act No 10 of 2020* has since been enacted.

iv) Citizens Economic Empowerment (Reservation Scheme) Regulations, Statutory Instrument No. 1 of 2017

The Committee expressed disappointed that the Government was not prioritising such an important initiative by not securing funds to undertake this activity. The Committee noted the formulation of the National Compliance and Monitoring Committee and urged the Government to provide funding to facilitate the decentralisation of the enforcement of Statutory Instrument No.1 of 2017 without any further delay. The Committee awaited a progress report on the matter.

Executive Response

The Government responded that it had since prioritised this important initiative and following extensive consultations with various stakeholders, work in the amendment of the *Citizens Economic Empowerment Act, No 9 of 2006* had since commenced. The aim of the amendments would be to address the limitations in enforcement of the Reservation Schemes by introducing enhanced provisions related to monitoring of the reservations schemes as well as introducing provisions to empower companies 100 per cent of equity was owned by citizens. In this regard, the Government had since developed a Cabinet Memorandum to Cabinet to approve proposed amendments.

Committee's Observation and Recommendation

The Committee resolves to await an update on the matter.

v) Stepping up Enforcement of Legislation on Employment of Foreigners

The Committee appreciated the proactive measures taken by the Government. However, the Committee expressed concern that the Government had not explicitly addressed the recommendation by the Committee regarding the formulation of policies to provide for a minimum salary and tax base for any investor or company wishing to hire expatriates. The Committee, therefore, urged the Government to look into the matter and provide a specific response. The Committee awaited a progress report.

Executive Response

In response, the Government took note of the recommendation by the Committee as this would further boost the employment opportunities for Zambians. The Government was committed to formulating and implementing policies and laws in order to, among other things, deter investors from hiring expatriates at the expense of deserving and qualified Zambians.

Committee's Observation and Recommendation

The Committee observes that the Executive's response does not address how enforcement of section 28 of the *Immigration and Deportation Act, No 18 of 2010* and section 14 of the

Employment Code Act, No 3 of 2019 have been stepped up and resolves to keep the matter open until an update is provided.

vi) Stepping up of Value Addition Measures

The Committee noted the response and urged the Government to conduct the study without any further delay and submit a progress report on the development of new investment incentives.

Executive Response

The Executive responded that the Government through the Ministries of Commerce, Trade and Industry and Ministry of Finance would endeavour to mobilise resources to conduct a study and develop a mechanism to inform businesses of investment incentives.

Committee's Observation and Recommendation

The Committee requests an update on the study on the effectiveness of the current incentives to spur value addition to minerals.

vii) Property Rates in Multi Facility Economic Zones

The Committee noted the financial constraints faced by local authorities but urged the Government to raise awareness among investors in the MFEZ and encourage them to take advantage of the specific provision of the *Rating Act* for MFEZ on applying to local authorities for concessionary rates. The Committee further urged the Government to be cognisant that the unfavourable rates were impeding the development of the MFEZs due to the accumulation of the said property rates. The Committee awaited a progress report on the matter.

Executive Response

The Government had begun the process of engaging the Multi-Facility Economic Zones (MFEZ) developers and the respective local authorities in which the Zones were to discuss the possibility of local authorities offering concessionary rates to MFEZs. For example, discussions with the Kafue District Council in relation to Lusaka South MFEZ had reached an advanced stage.

Committee's Observation and Recommendation

The Committee requests an update on the matter.

xiv) Zambia-China Economic and Trade Cooperation Zone

The Committee noted the response and reiterated its previous recommendation that legal action should be taken against the illegal farmers, trespassers and the politicians influencing illegality in the area. The Committee would await a progress report on the matter

Executive Response

The Government took note of the Committee's recommendation.

Committee's Observations and Recommendations

The Committee reiterates its earlier recommendation that legal action should be taken against the illegal farmers, trespassers and the politicians influencing illegality in the area. The Committee may further consider waiting a progress report on the matter.

4. CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE FOR THE SECOND SESSION OF THE TWELFTH NATIONAL ASSEMBLY

a) Review and Operationalisation of the Current Micro, Small and Medium Enterprises Policy and the Investment, Trade and Enterprise Development Bill

The Committee took note of the response and awaited a progress report on the stakeholders' consultations in the remaining seven provinces as well as progress on the Investment, Trade and Enterprise Development Bill.

Executive Response

The Executive responded that the stakeholders' consultation was conducted in the seven provinces. The review of the MSME Policy had reached an advanced stage and would be finalised in the last quarter of 2020. With regard to the Investment, Trade and Enterprise Development Bill, the Government was finalising the Bill for legal drafting in the Ministry of Justice and it would be submitted to Parliament during the Fifth Session of the Twelfth National Assembly.

Committee's Observations and Recommendations

The Committee requests an update on the status of the Micro, Small and Medium Enterprises (MSME) Policy and on the Investment, Trade and Enterprise Development Bill.

ii) Promoting Linkages with the Mining Sector

The Committee commended the Government for formulating the Local Content Strategy. However, the Committee urged the Government to expedite the formulation of the Local Content Bill which was envisaged to create market opportunities for local MSMEs in the mining sector.

Executive Response

The Executive responded that the Local Content Bill had been drafted and would be submitted to Cabinet office for approval before submitting to Parliament for enactment through the Ministry of Justice.

Committee's Observations and Recommendations

The Committee requests an update on the Local Content Bill.

iii) Amendment of the Loans and Guarantees (Authorisation) Act

The Committee noted that the Executive had reported that the Bill had undergone through various stages of Parliament. The Committee placed on record that the Loans and Guarantees (Amendment) Bill had neither been presented to the National Assembly nor gone through any Parliamentary stage. The Committee, in this regard, urged the Government not to mislead the Committee and awaited a progress report on the presentation of the Loans and Guarantees (Amendment) Bill.

Executive Response

The Executive responded that the amendment of the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* had indeed not yet been presented to the National Assembly. The process of amending the Loans and Guarantees (Authorisation) Act had stalled to pave way for the conclusion of the Constitution Review Process whose outcome had a bearing on the provisions of the aforementioned subsidiary legislation.

Further, 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 Loans and Guarantees (Authorisation) Bill would be tabled before Parliament for approval.

Committee's Observations and Recommendations

The Committee requests a progress report on the status of the Loans and Guarantees (Authorisation) Bill.

iv) Poor Road Network

The Committee noted that works on the roads in question had not yet been completed and requested a progress report on the matter.

Executive Response

The Committee was informed that because of the funding challenges, the Government had only undertaken spot improvements of 30 km of the Nangweshi to Sioma road and 50 km of the Nangweshi to Shangombo road. This was an interim measure to allow for flow of traffic as a long term solution of full construction/upgrading was awaited when funding was available.

Committee's Observations and Recommendations

The Committee is dismayed at the failure by the Government to construct the road from Shangombo to Sioma after so many years and resolves to continue awaiting an update on the matter.

5. CONSIDERATION OF THE ACTION-TAKEN REPORT FOR THE FIRST SESSION OF THE TWELFTH NATIONAL ASSEMBLY

i) Cost of Service Study

The Committee expressed its deep disappointment that ZESCO had been increasing tariffs in the absence of the cost of service study and wondered on what basis the increases in tariffs have been made. The Committee resolved to leave the matter outstanding until the study was undertaken and the findings had been communicated to the Committee.

Executive Response

The Ministry through the Energy Regulation Board (ERB) entered into a contract with Energy Market and Regulatory Consultants (EMRC) on the 31st of October, 2019. The twelve months 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 has been extended to be completed in March 2021.

Committee's Observations and Recommendations

The Committee reiterates its dismay at the length of time it has taken for the cost of study to be undertaken and completed, especially in view of the fact that electricity tariffs have been increased a number of times since the Committee started following up on the matter. The Committee will keep the matter open until the study is conducted and results availed to the Committee.

ii) Standardised PPP bidding document and manuals

The Committee requested a progress report on the matter.

Executive Response

The Executive responded that the Government through the Ministry of Finance had planned to procure customised standard bidding documents and manuals in the year 2021. The PPP Department was in the meantime using the SADC standardised bidding document.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the development of PPP customised standardised bidding documents.

iii) PPP Guidelines and Procurement Standards

The Committee urged the Government to expedite the process of formulating guidelines and procurement standards for implementation of PPP projects as well as best practice guidelines by project type as recommended by the Committee. The Committee in this regard awaited a progress report.

Executive Response

The Executive responded that the Government through the Ministry of Finance had planned to procure customised standard bidding documents and manuals in the year 2021. The Department was using the SADC standardised bidding document.

Committee's Observations and Recommendations

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

iv) Meeting with Management of the Kenneth Kaunda International Airport (KKIA)

The Committee took note of the progress made and requested to be kept updated on the matter. The Committee further requested an update on how IDC would repay the US$ 11.5 it intended to borrow.

Executive Response

The Executive responded that the US$11.5 million that was associated with the equity portion of the Industrial Development Corporation (IDC) with respect to the Zambia Airways 2014 Limited operationalisation was to be repaid from the dividends that were due to the IDC from the expected distributable profits of the Airline. Any possible shortfalls arising from deficits between repayment obligations would be mobilised from dividends paid from the dividend income that was derived from other companies within the IDC portfolio.

Committee's Observations and Recommendations

The Committee is of the view that there is no clear plan for the repayment of the US$11.5 million and requests a clearer response on the matter.

6. CONSIDERATION OF THE ACTION-TAKEN REPORT FOR THE FIFTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

i) Land Policy

The Committee was disappointed that development of such an important policy had taken inordinately long. The Committee urged the Government to expedite the finalisation of the Land Policy and ensure that it was implemented without any further delay. The Committee resolved not to close the matter and awaited a progress report.

Executive Response

The Government reported that the concerns that the traditional leaders raised with regards to the administration of land were ironed out and some issues were incorporated in the National Land Policy. The series of meetings with their royal highnesses the Chiefs through the House of Chiefs marked the end of consultations on the draft National Land Policy. The Ministry planned to hold a national validation meeting in the first week of April 2020 but this did not materialise due to Covid-19 outbreak.

The Ministry went further to consult Cabinet Office on the validation of the National Land Policy in view of the epidemic. Cabinet Office advised that the Ministry goes ahead to have the policy validation through written comments and submissions. The Ministry had since received written comments from a number of stakeholders representing an array of sectors which includes but not limited to the academia, private sector, non-governmental organisations and cooperating partners.

The Ministry through its internal technical committee on the National Land Policy had proceeded to consider the submissions received from various stakeholders and was yet to be guided by policy makers whether or not physical validation could take place notwithstanding the epidemic of Covid-19.

Committee's Observations and Recommendations

The Committee reiterates its disappointment that the development of the Land Policy has taken such an inordinate length of time and urges the Government to expedite its finalisation. The Committee will continue to await an update in the matter.

7. CONSIDERATION OF THE ACTION-TAKEN REPORT FOR THE FOURTH SESSION OF THE ELEVENTH NATIONAL ASSEMBLY

i)Unbundling of ZESCO

The Committee noted the response and awaited the outcomes of the road map and how the challenges ZESCO was facing would be addressed by the framework.

Executive Response

The Executive responded that the implementation of the roadmap and any reforms would only commence once the Cost of Service Study was completed. The National Energy Policy of 2019, the *Electricity Act No. 12 of 2019* and the *Energy Regulation Act No. 11 of 2019* encouraged private sector participation in the electricity sub-sector.

Committee's Observations and Recommendations

The Committee will await a progress report on the roadmap and reforms on the matter of unbundling of ZESCO.

ii) National Social Protection Bill

The Committee took note of the response and resolved to await a progress report on the presentation of the National Social Protection Bill to the National Assembly.

Executive Response

The National Social Protection Bill was drafted and submitted to Ministry of Justice for internal legislative processes and finalisation in 2018. The Legislation Committee at Ministry of Justice raised some concerns with regard to the Bill and this led to its deferment.

In 2019, the Attorney General rendered an opinion and indicated that the Social Protection Bill was in conflict with the constitutional provisions and the provisions of the other social security legislation. This state of affairs meant that the Social Protection Bill could not be enacted. It was, therefore, decided that a phased approach be adopted where the first phase entails legal reforms to the standalone pieces of legislation. The second phase would then undertake harmonisation and rationalisation of all the social security law. So far, using the phased approach, the Ministry in collaboration with key stakeholders and partners has made some progress as follows:

a) facilitated actuarial analysis of the leadership contributory pension scheme;
b) drafted the pension rules on the leadership contributory pension scheme;
c) preliminary actuarial analysis conducted on new entrants to Public Service Pension Fund;
d) drafted amendment to the *National Pension Scheme Act* on penalty rate; and
e) amendment to the *Workers' Compensation Act.*

Therefore, the Ministry of Labour and Social Security still awaited Cabinet's decision on the proposed recommendations on social protection.

Committee's Observations and Recommendations

The Committee notes the response and is disappointed by the decision to reverse the decision to enact legislation on social protection. The Committee will await a progress report on the proposed amendments to other pieces of legislation hinging on social protection.

iii) Tour to the Copperbelt Energy Corporation - Kabompo Hydro Electric Power Project

The Committee reiterated its previous recommendation and requested a progress report on the issuance of the Certificate of Title.

Executive Response

The Government responded that the issuance of Certificate of Title for Copperbelt Energy Corporation was progressing well. The Ministry of Lands and Natural Resources wrote to His Excellency the President of the Republic of Zambia on 19th June, 2018, requesting for approval for the land in question. Approval was granted on 30th January, 2020 and the Ministry immediately began the process of numbering the properties and the following were the steps that are underway:

a) confirmation of availability and separation of interests as indicated on the site plan;
b) processing of numbering ;
c) payment of numbering fees by the client after confirmation of availability of land (segregation of interests);
d) processing of Invitation to Treaty (ITTs) for numbered properties by the Commissioner of Lands; and
e) payment for ITTs by the client.

Once the above process was done, an offer letter would be generated by Commissioner of Lands; surveying of properties and signing of leases by the client; and issuance of Certificate of Title by the Registrar.

Committee's Observations and Recommendations

The Committee will await a progress report until the Certificate of Title is issued.

12.0 CONCLUSION

Despite the Covid-19 being a health crisis, its impact has evidently been multi-faceted with far reaching socio and economic consequences. At the centre of the fight against COVID-19 is the preservation of human life, and subsequently the restoration of economic activity to support the improvement of living standards. Given the existing economic challenges such as currency depreciation, inflation and debt obligations, there is mounting pressure on the Government to develop and implement innovative approaches to support livelihoods, businesses and the economy at large. It is hoped that interventions such as the Economic Recovery Programme 2020-2023 will effectively address the various dimensions of the economic challenges that the country is currently facing, including those brought about by the COVID-19 Pandemic.

The Committee wishes to pay tribute to all the stakeholders who appeared before it and tendered both oral and written submissions. The Committee also wishes to thank you, Mr Speaker, for the guidance rendered to it throughout the Session. It also appreciates the services rendered to it by the office of the Clerk of the National Assembly.

Dr Situmbeko Musokotwane, MP — March, 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)

Mrs E K Zgambo, Committee Clerk

Mrs D N C Mukwanka, Committee Clerk

Mrs G Chikwenya, Typist

Mr D Lupiya, Committee Assistant

Mr M Chikome, Committee Assistant

Mr M Kantumoya, Parliamentary Messenger

Appendix II – List of Stakeholders

1. Ministry of Finance
2. Ministry of Health
3. Ministry of Commerce, Trade and Industry
4. Ministry of Tourism
5. Ministry of Agriculture
6. Ministry of Mines and Minerals Development
7. Ministry of Labour and Social Security
8. Bank of Zambia
9. Zambia Revenue Authority
10. Zambia Institute for Policy Analysis and Research
11. Economics Association of Zambia
12. Jesuit Centre for Theological Reflection
13. Centre for Trade Policy and Development
14. Zambia Chamber of Commerce and Industry
15. Chamber of Mines in Zambia
16. Zambia Development Agency
17. Federation of Small Scale Mining Association of Zambia
18. Zambia Association of Manufacturers
19. Bankers Association of Zambia
20. Ministry of Livestock and Fisheries
21. Tourism Council of Zambia
22. Zambia Congress of Trade Unions