



REPUBLIC OF ZAMBIA

REPORT

OF THE

**COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON
FISCAL DECENTRALISATION IN ZAMBIA AND IT'S IMPACT ON THE
ECONOMY**

FOR THE

THIRD SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

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FOREWORD

The Committee on National Economy, Trade and Labour Matters has the honour to present its Report for the Third Session of the Thirteenth National Assembly on the topical issue the Committee was interrogating namely: *Fiscal Decentralisation in Zambia and its Impact on the Economy*. The Committee undertook its functions as set out in Standing Orders 209 (j) and 210 of the National Assembly of Zambia Standing Orders, 2024.

In order to fully interrogate the topical issue, the Committee requested detailed memoranda from various stakeholders, who were later invited to speak to their written submissions and made clarifications on issues arising there from. The list of stakeholders who made submissions to the Committee is at Appendix II. The Committee held twelve meetings during the period under review to consider the topical issue.

The Committee's Report is organised in two parts: Part I presents the findings from the Committee's deliberations on the topical issue, including the findings from the local tour; while Part II outlines the Committee's consideration of the Action-Taken Report on the Report of the Committee for the Second Session of the Thirteenth National Assembly.

The Committee is grateful to all stakeholders who tendered both written and oral submissions. The Committee further wishes to thank you, Madam Speaker, for affording it an opportunity to carry out its work. It also appreciates the services rendered by the Office of the Clerk of the National Assembly and his staff throughout the Committee's deliberations.



Sibeso K Sefulo, MP
CHAIRPERSON

June, 2024
LUSAKA

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1.0 MEMBERSHIP OF THE COMMITTEE

The Committee consisted of Ms Sibeso K Sefulo, MP (Chairperson); Mr Joel Chibuye, MP (Vice-Chairperson); Mr Gift S Sialubalo, MP; Mr Kabwe T Chewe, MP; Mr Davison Mungandu, MP; Mr Derricky Chilundika, MP; Dr Simon Mwale, MP; Mr Ronald Chitotela, MP; Mr Walusa Mulaliki, MP; and Mr Wesley Kolala, MP.

PART I

2.0 CONSIDERATION OF TOPICAL ISSUE

2.1. FISCAL DECENTRALISATION IN ZAMBIA AND ITS IMPACT ON THE ECONOMY

2.1.1 Background

Zambia is a unitary state with two systems of government, the central and local government. From 1964 to 1972, Zambia had a stable fiscal resource from high copper prices and local authorities generated revenue from electricity, water, housing and motor vehicle licensing among others. However, between 1992 and 2010, the Government made a number of policy pronouncements and changes that eroded the local authorities' revenue base.

Some of the policy decisions involved increased functions for the councils but with little or no matching resources. For example, in 1992, the city and municipal councils lost the grants from Central Government. The measure resulted in severe loss of finances for the councils, and consequently led to poor service delivery.

The National Decentralisation Policy of 2023 defined decentralisation as the transfer of responsibilities, authority, functions as well as power and appropriate resources to provincial, district and sub-district levels. Fiscal decentralisation was defined as the transfer of some authority on expenditure responsibilities and financing from national to sub-national government units. It entailed a shift of expenditure responsibility, revenue mobilisation, and resources from Central Government to lower levels of Government through the shifting the responsibilities of revenue collection and expenditure execution from the central to sub-national authorities.

Therefore, bringing the decision-making processes closer to the people was expected to enhance citizen participation, increase government responsiveness to local needs, and enhance service delivery.

Notwithstanding the above, there were concerns bordering on capacity and resource endowment disparities among local authorities. The disparities related to infrastructure and financial resources, among others. Therefore, the Committee resolved to undertake a study on *Fiscal Decentralisation in Zambia and its Impact on the Economy* to appreciate the challenges and opportunities surrounding Fiscal Decentralisation.

2.1.2 Objectives of the Study

The specific objectives of the study were to:

- a) ascertain the adequacy of the policy and legal framework governing fiscal decentralisation;
- b) appreciate Zambia's proposed model of fiscal decentralisation;
- c) appreciate the interaction of different levels of government, the central and local governments in the implementation of fiscal decentralisation;
- d) ascertain the challenges faced, if any, in the implementation of fiscal decentralisation; and;
- e) make recommendations on the way forward.

2.2 SUMMARY OF SUBMISSIONS BY STAKEHOLDERS

A summary of the submissions by the stakeholders who appeared before the Committee is presented below.

2.2.1 The Adequacy of the Policy and Legal Framework Governing Fiscal Decentralisation

Stakeholders submitted that Zambia had a progressive policy and legal landscape for fiscal decentralisation. The Committee learnt that at national level, the following pieces of legislation governed fiscal decentralisation.

2.2.2 Legal Framework

The Constitution of Zambia

The Committee learnt that the *Constitution of Zambia (Amendment) Act, No. 2 of 2016* was the legal foundation upon which fiscal decentralisation was enshrined. The Constitution provided for the implementation of decentralisation through devolution. Article 148 provided for the transfer of exclusive local government rights from the Central Government and assigning concurrent national and provincial functions to the district level. Article 147, recognised two government levels ó national and local, each with specific functions. The local government system was autonomous and empowered to create and enforce by-laws. Article 152 designated the local authority for District Administration, while the Provincial Administration, an extension of the national government, oversaw provincial policies.

The Local Government Act, No. 2 of 2019

Stakeholders submitted that the *Local Government Act, No. 2 of 2019* played a pivotal role in the legal framework governing decentralisation in Zambia. The legislation operationalised fiscal decentralisation at various levels of local governance. It also emphasised democratic participation and local control in decision-making processes, aligning with the principles of the National Decentralisation Policy (NDP). In addressing fiscal decentralisation, the Act provided for the allocation of responsibilities, mechanisms for reviewing financial parameters, and procedural guidelines for transparent council proceedings in the allocation of the Local Government Equalisation Fund (LGEF).

The Committee was informed that the Act also recognised the role of traditional leadership in contributing to democratic governance, underscoring the multifaceted nature of this legal framework in shaping local governance and fiscal autonomy in Zambia.

The Public Finance Management Act, No. 1 of 2018

The Committee heard that the *Public Finance Management Act, No. 1 of 2018* played an important role in the implementation of fiscal decentralisation in Zambia by providing a comprehensive institutional and regulatory framework for the management of public funds. As local authorities increasingly took on the expanded responsibility of managing public funds, the Act played a pivotal role in addressing crucial elements within the broader framework of public financial management. The Act focused on enhancing accountability, oversight, and control mechanisms of public funds at local government level.

Additionally, the Committee was informed that the Act placed emphasis on enhancing cash management systems to ensure that there is efficient and effective utilisation of funds at the local government level. In line with fiscal decentralisation goals, the Act outlined processes for the efficient production of the financial reports.

The Constituency Development Fund Act, No. 11 of 2018

The Committee was informed that the *Constituency Development Fund (CDF) Act, No. 11 of 2018* aimed to effectively govern the CDF, ensuring transparency and fiscal responsibility. The Act provided for the formation and composition of CDF committees in each constituency.

The Committee was further informed that CDF was a significant aspect of fiscal decentralisation in Zambia as it played a crucial role in empowering local authorities and constituencies by providing them with financial resources to implement development projects and initiatives that contributed to grassroots development and local governance.

Stakeholders submitted that the proper utilisation and management of CDF was essential in achieving the goals of fiscal decentralisation and promoting equitable and sustainable development at the local level through the identification and prioritisation of local development projects.

However, they expressed concern regarding the selection procedures and approvals of CDF projects, and the competence of implementing agents. They stated that bureaucratic bottlenecks had marred the CDF with low uptake in a number of constituencies, with an average absorption rate of 19 percent in 2022. This was primarily due to limited sensitisation, protracted approval processes and understaffing in local authorities.

National Planning and Budgeting Act, No. 1 of 2020

The Committee was informed that the *National Planning and Budgeting Act, No. 1 of 2020* provided for an integrated national planning and budgeting process; strengthened accountability, oversight and participation mechanisms in the national planning and budgeting process. It also provided for principles and modalities for formulation, approval, implementation, monitoring and evaluation of long and medium term national, provincial and district development plans and budgets; coordination of national development plans with the National Planning Framework. Further, the Act provided for a participatory and decentralised national planning and budgeting

process, which promoted the participation of state and non-state actors in the planning and budgeting process.

The Public Procurement Act, No. 8 of 2020

The Committee learnt that the *Public Procurement Act, No. 8 of 2020* was the principal legislation governing public procurement in Zambia, and it established the Zambia Public Procurement Authority (ZPPA). The Public Procurement Act provided for enhanced transparency, efficiency, effectiveness and accountability in public procurement. *Section 22 of the Public Procurement Act, of 2020* outlined the procurement approvals with respect to works and services. By strengthening procurement systems, the Act helped to ensure that there was effective implementation of the development projects at local government level.

Stakeholders submitted that the recent strides made in the amendment of the legal framework governing public procurement, and the drive to digitise the procurement process had been progressive. Nonetheless, an analysis of the application of the Public Procurement Act revealed the existence of deficiencies in areas such as bureaucratic complexities in contract approvals, anti-competitive bidding, and capacity constraints of local contractors among others.

2.2.3 Policy Framework

The National Decentralisation Policy 2023

Stakeholders submitted that the National Decentralisation Policy (NDP) 2023 was the overarching policy framework governing fiscal decentralisation in the country. The policy was designed to enhance governance and administrative efficiency, and sought to devolve responsibilities, functions, and fiscal authority from the Central Government to Local Government. It aimed to empower local authorities, and promote more responsive decision-making tailored to the specific needs of communities.

The policy outlined the distribution of fiscal resources, ensuring that local governments have the autonomy to formulate and implement budgets, allocate funds, and undertake development initiatives independently. Additionally, it established mechanisms for accountability, transparency, and the effective coordination of finances between the central and local levels. Stakeholder stated that the policy was elaborate in defining the decentralisation agenda, though, lacking in terms of clearly defining guidelines for the devolution of central government departments to the local authorities.

The Decentralisation Implementation Plan 2023-2027

The Committee was informed that the Decentralisation Implementation Plan 2023-2027 was designed to provide the strategic framework for the implementation of the National Development Plan (NDP) over the standard five-year period from 2023-2027. The Plan was all encompassing, covering respective components required to functionally facilitate local government policy objectives under governance, administration, and the treasury.

Stakeholders submitted that the Decentralisation Implementation Plan 2023-2027 had a specific focus on fiscal decentralisation. This alignment was particularly evident in the implementation of fiscal objectives five and six, as outlined in the 2023 NDP report.

2.2.4 Zambia's Proposed Model of Fiscal Decentralisation

The Committee was informed that the decentralisation model in existence was largely decentralisation and delegation, which was essentially, a process where a central organisation transferred some of its responsibilities to lower-level units within its jurisdiction. This effectively meant that the power to raise and spend resources was largely still in the hands of the central Government.

Stakeholders further explained that devolution was generally the most favoured form of decentralisation because it fostered accountability directly to the locals. It facilitated fast and easy establishment of local needs. In addition, devolution involved the transfer of responsibility for services to municipalities that elected their own mayors and councils, raised their own revenues and had independent authority to make investment decisions and ultimately, these authorities operated as semi-autonomous institutions.

Stakeholders submitted that devolution of functions consisted of fiscal and technical decentralisation. Fiscal decentralisation was the process of shifting the responsibilities of revenue collection and expenditure execution from the central to sub national authorities whereas technical decentralisation was the transfer of technical responsibilities from central to subnational authorities.

The Committee was informed that the Zambian Government had so far devolved eight functions from Central Government to the local authorities in accordance with Cabinet Circular No. 2 of 2023 on the Devolution of Functions from National Government to Local Authorities. The functions were pontoons, ferries, jetties and piers, harbours, community sport, vehicle licensing, cultural matters, district archives, district health services including ambulance services, and veterinary services. The staff under these functions were to be transferred to local authorities but would be maintained under Central Government payroll and would continue to enjoy their existing terms and conditions of service.

2.2.5 The Interaction Between Different Levels of Administration: Central, Provincial, District and Local Administration in the Implementation of Fiscal Decentralisation

The Committee was informed that Zambia had four administrative levels namely the National, Provincial, District, and Local administration levels for providing Government services, although having two levels of Government namely the Central and Local Government.

Stakeholders submitted that the role of the District Administration was to undertake the development and review of district plans and budgets in order to facilitate coordinated development and resource mobilisation.

The Cabinet Office, which operated at the national level, was in charge of overseeing and coordinating the Public Service while the coordination of provincial Government activities was carried out by the Provincial Administration located at each provincial headquarters. The Committee heard that Article 151 of the *Constitution of Zambia (Amendment) Act No. 2 of 2016* provided for the establishment of a local government system where functions, responsibilities and resources from the national Government were transferred to the local authorities in a co-ordinated manner. In this vein, the interaction between different levels of governments in the

implementation of fiscal decentralisation was supported and enhanced as resources are transferred from Central to Local Government.

Stakeholders stated that local authorities, therefore, were responsible for providing certain services at the local level. However, Central Government maintained offices at that level to offer additional services. In terms of local governance, there was a one-tier structure that consisted of three different types of councils namely: district, municipal and city, councils, which were charged with the responsibility of providing services.

However, stakeholders informed the Committee that challenges existed in coordinating these different levels in the implementation of fiscal decentralisation. For example, some district administrations and local authorities experienced challenges to collaborate with other stakeholders as functions and duties to be performed by bearers of offices were not clearly stated with the devolved functions.

The District Development Coordinating Committee (DDCC) was also ineffective because no legal framework backed its operations. Furthermore, there were no sanctions for not achieving set targets in the Cluster Advisory Groups (CAG).

Overall, stakeholders stated that the interaction was mostly administrative. Some stakeholders also submitted that there was need to legislate the interaction, with clear deliverables and accountabilities.

2.2.6 Challenges Faced in the Implementation of Fiscal Decentralisation

The Committee learnt that the implementation of fiscal decentralisation had some challenges.

Stakeholders submitted that although *Cabinet Circular No.2 of 2023 on the devolution of functions from the National Government to the local authorities* provided some timelines of implementation, some of the devolved activities were not accompanied with financial resources as ministries devolving did not budget for the activities. Therefore, the transfer of functions would only be actualised once matching resources were provided.

The Committee was further informed that in order to enhance the operations of the Provincial Administration, the Government, through circulars established the Provincial Development Coordinating Committee (PDCC) as a forum for coordinating the planning, implementation and monitoring of development activities at the provincial level.

The PDCC was, however, ineffective because its creation, and existence was not backed by any legal framework. Equally, the Provincial Permanent Secretaries who were the chairpersons of the PDCC, had no legal powers, apart from administrative responsibilities for personnel under their charge.

2.3 TOURS

2.3.1 Local Tours

In order to consolidate its findings on *“Fiscal Decentralisation in Zambia and Its Impact on the Economy,”* the Committee toured Western and Southern provinces, from 15th to 24th April, 2024.

During the tours, the Committee interacted with various stakeholders. In Western Province, the Committee had meetings with the Provincial Administration and various local authorities. In Southern Province, the Committee had meetings with the District Administration as well as various local authorities.

Key Findings of the Committee During Its Tour

(a) *Rationale for Fiscal Decentralisation*

During its tours, the Committee heard that one of the reasons governments implement decentralisation was to provide services at the lowest level of government. The Committee was informed that in order for decentralisation to be effective, sub-national levels needed to be provided with adequate resources and mechanisms for raising or generating revenue to be applied to sub-national priority areas.

Without adequate resources, sub-national governments could not provide the services. Considering that regions within the country differed in endowment of resources, a clear mechanism ought to be crafted for equalisation of sub-national governments within the country.

Stakeholders submitted that it was essential for the Government to develop the tools needed to develop and implement the Decentralisation Policy reforms to improve local public financial management and stimulate efficient and accountable economic and social development

(b) *Constituency Development Fund (CDF)*

Some stakeholders stated that the Government increased the Constituency Development Fund (CDF) from K1.6 million in 2021 to an unprecedented K25.7 million in 2022, K28.5 million in 2023 and K30.6 million in 2024 in order to provide the much-needed finances to support council service provision and decentralisation. The increased CDF was specifically meant to support community development projects, youth and women empowerment, skills development and the provision of bursaries, and employment creation at the local level. Following the increase in the CDF in 2021, local councils and local communities had reported positive effects such as local employment creation, increase in entrepreneurial activities, and improvements in council finances. However, the implementation of the CDF initiative had been riddled with various teething problems.

The Committee was informed that some local communities did not have the technical capacity to initiate projects effectively. Additionally, some local authorities lacked adequate human resources and systems to effectively support the implementation of CDF.

Stakeholders further submitted that the centralised nature of CDF project approvals had created a backlog of applications and significant delays in starting projects, which led to a CDF uptake rate of less than 10 percent in some local authorities.

(c) *Decentralisation based on the four pillars*

A number of stakeholders submitted that Fiscal decentralisation in Zambia was implemented through four distinct pillars, as set out hereunder

i) Expenditure Assignments

The Constitution provided for specific functions to be performed at national, provincial and local level. It also prescribed exclusive functions to be performed by the Local Authorities. In addition, the Constitution stipulated that adequate resources needed to be allocated to the assigned functions at every level. This is in line with the principle of 'finance follows function'. However, actualization of this principle had been slow due to delayed devolution of selected functions to the Local Authorities.

ii) Revenue Assignments

Revenue assignments related to the attachment of revenue sources needed to fund expenditure functions. Stakeholders stated that sources of funding included user fees and charges, local taxes and levies, inter-governmental transfers and capital borrowing.

iii) Inter-governmental Transfers

The Committee was informed that Government had been implementing a transfer system which involved three grants to the Local Authorities, namely the Local Government Equalisation Fund, Grants in Lieu of Rates and Matching Grants. In addition, the Government had also provided for the Constituency Development Fund to be channeled through the Local Authorities for Constituencies. However, the system did not fully follow the universal principles of inter-governmental transfers which included 'vertical and horizontal equity'. Vertical equity sharing mechanism of national resources between central and local Government was yet to be fully realised. Horizontally, grants had been distributed to Local Authorities without consideration of operating conditions and performance.

iv) Borrowing and Debt Management

The Committee heard that national and local governments borrowed for short-term cash management and to fund long-term capital investments. Government had made important strides in the area of local-level borrowing and debt management. The enactment of the *Local Government Act No. 2 of 2019*, provided prescriptions on sources of borrowing and instruments to be used by Local Authorities. Further, a Local Authority Debt Management Strategy was adopted in 2021 to address the rising debt levels. Despite these developments, the level of indebtedness remains high and unsustainable. The debt for all Local Authorities was estimated at K3.7 Billion as at 31st March, 2022. Statutory obligations accounted for the largest share at 84.4 per cent, while personnel-related debt was at 10.5 per cent, with the balance being explained by debt to suppliers of goods and services and other debtors. The high debt level had been attributed to inadequate capacities of the Local Authorities to raise their own-source revenue and weak financial management controls. Other issues related to the unplanned recruitment and high turnover of employees in the Local Authorities as well as the stiff penalties Local Authorities had to pay to the National Pension Scheme Authority (NAPSA) and Zambia Revenue Authority (ZRA).

2.3.1.1 Challenges Faced in the Implementation of Fiscal Decentralisation

During the tour, stakeholders submitted that fiscal decentralisation was being hampered by structural and human resource rigidities. For instance, although local authorities had the mandate to form Ward Development Committees (WDCs), there was no corresponding or matching resources to enable them become fully functional and effective.

The Committee heard that the Constitution provided that the local authority shall collect toll fees in their jurisdiction but the Central Government was still holding on to the fees denying the local authorities the much-needed revenue.

Some local authorities submitted that the monthly Local Government Equalisation Fund (LGEF) had been stagnant for close to ten years while the wage bill had gone up without corresponding increase of the LGEF based on the priority needs.

The Committee was informed that some revenue sources of the local authorities had been stripped off such as the mandates of provision of water supply and sanitation services, which had been taken away from authorities and transferred to the commercial utility companies. In the same vein, handling of vehicle licenses was transferred to the Road Transport and Safety Agency (RATSA).

The Committee was also informed that the *Local Government Act No 2 of 2019* provides for the formation of Ward Development Committees and their function without explicitly stating how these Committees would be given financial resources for them to effectively execute their legal mandates.

Some stakeholders submitted that fiscal decentralisation was hampered by the erosion of the local authorities revenue base, including inadequacies in legislation related to property rating, weak local authority capacities and the slow pace of digitisation.

2.3.1.2 Recommendations on the Way Forward

Stakeholders made several proposals with regard to the best course of action for fiscal decentralisation in Zambia and its impact on the economy. The recommendations were as outlined below.

(a) Conducive Policy Environment

There was need for a conducive policy environment which sub divided mandates for sub national authorities clearly establishing tasks and roles. This would prevent the overlap of roles in different officers such as the District Commissioners, Council Chairpersons and Council Secretaries/Town Clerks.

(b) Phased Approach

Stakeholders stated that fiscal decentralization was a long term process that needed to be planned for and undertaken in stages where certain councils were picked as pilot projects.

(c) Proactive and Practicality of Implementation

The Government was urged to show political will and commitment to ensure that it provided a conducive environment to ensure that it honoured its financial obligations to the local authorities in a timely manner.

(d) Matching Plans to Resources

Resource allocation and mobilisation needed to take into account the developmental plans of the local authorities to ensure that the resources that were made available were in line with the developmental agenda of particular jurisdictions.

(e) Implementation and Enforcement of Legal Provisions of Fiscal Decentralisation.

There was need for the Government to ensure that all provisions in the Constitution such as transferring funds to sub national and community structures such as WDCs, collection of toll fees by local authorities and all other provisions of decentralising functions with corresponding financial resources were fully implemented.

(f) Local Revenue Incentives

Some stakeholders recommended that the Government needed to introduce incentives for enhancement of local revenue collection efficiency such as increased funding and promotions to local authorities that were performing exceptionally well.

(g) Exclusive Policy Framework and Statute for Fiscal Decentralisation

There was need for the Government to develop a specific policy and law for fiscal decentralisation like other successful countries such as South Africa, Kenya and Uganda to give it weight and priority so that funds were mandatorily made available to sub national level structures.

2.4 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

The Committee makes the observations and recommendations set out below.

(i) Power to Raise and Spend Resources.

The Committee observes that although the law provides for local authorities to raise funds and to receive funding from the Central Government, the current decentralisation model is largely, deconcentration and delegation. This effectively means the power to raise and spend resources is still in the hands of the Central Government.

The Committee, therefore, recommends that Government should consider reversing its decision in areas where the revenue sources were transferred to other Central Government institutions. Revenue sources such as housing, water and sanitation, toll fees and motor vehicle licensing should be under the jurisdiction of local authorities.

(ii) Capacity Disparities among Local Authorities

The Committee observes with concern that capacity disparities among local authorities result in varying degrees of effectiveness in managing devolved functions, potentially leading to disparities in service delivery among different regions.

In this regard, the Committee recommends that the Government should establish transparent and equitable mechanisms for resource allocation to ensure that financial autonomy is granted to local authorities. This may involve the development of clear criteria for resource distribution, considering the specific needs and capacities of each region.

(iii) Failure to meet Statutory and other Obligations

The Committee observes that most local authorities are highly indebted especially with regards to statutory obligations. As a result, they are unable to provide services in their jurisdictions as most resources raised are channelled towards servicing their historical debts. In this regard, the Committee recommends that the Government should strengthen local government institutions by

enhancing their administrative and financial capacities, to ensure that they can manage resources effectively and fulfill their statutory obligations. Additionally, the local authorities should involve key stakeholders, including local communities, businesses, and civil society organisations, in discussions about how to address financial challenges and improve local governance. Finally, government is urged to consider debt cancellation initiatives as well as penalty waivers on historical debts owed to statutory bodies such as the Zambia Revenue Authority and National Pensions Scheme Authority.

(iv) Low levels of Local Government Equalisation Fund

The Committee observes that the funds given to Local Authorities through the Local Government Equalisation Fund (LGEF) has remained unchanged over a long period. In this regard, the Committee recommends that the Government consider an upward adjustment in the LGEF to meet the current needs of the local authorities.

(v) Increased Workload for Local Authorities' staff

The Committee observes with concern that upward adjustment in the amount allocated under the constituency development fund has resulted in an increase in the volume of work for local authorities. The Committee, therefore recommends that Government should consider creating incentives such as extra duty allowances for principal officers and other officers directly involved in the implementation of CDF activities so that they are matched with extra responsibilities. Additionally, the Government should develop a remuneration strategy for members of the Ward Development Committees as they play in critical role in fiscal decentralisation.

(vi) Outdated Valuation Rolls

The Committee observes that most local authorities lack updated valuation rolls largely due to the high cost of conducting valuations, and the lengthy process of appointing valuation surveyors. Lack of updated valuation rolls imply that councils cannot collect as much property tax as they should due to outdated property values and the fact that some new developments are not captured on the valuation rolls. The Committee further observes that only a valuation surveyor employed by the Survey Department can be appointed as a valuation surveyor.

The Committee recommends that the Government should consider providing technical and material support to local authorities to update their valuation rolls. The high cost of producing valuation rolls can be reduced significantly by encouraging competition and participation of private registered surveyors.

(vii) Grant in lieu of rates

The Committee observes that Government properties are exempt from paying property rates. Instead, local authorities receive a grant in lieu of rates. However, this is only a tiny fraction of the ratable value of government properties, and is rarely paid on time. In this regard, the Committee, recommends that the Central government should revise the grant in lieu of rates to make it more reflective of the market value of government properties in local authorities.

(viii) Personal Levy

The Committee observes that the Personal Levy has been K15 per annum since 1997 when it was revised under the *Personal Levy Act Chapter 329 of the laws of Zambia*. The Committee is of the

view that the value of personal Levy has diminished due to inflation and depreciation of the kwacha. The Committee, therefore, recommends that Personal Levy should be adjusted upwards in order to increase the revenue raised by the local authorities.

(ix) Regional Economic Disparities

The Committee observes that economic disparities between regions hinder fiscal decentralisation as regions with weaker economic foundations struggle to generate local revenue, affecting their ability to finance and manage devolved functions effectively.

The Committee recommends that the Government should invest in improving local infrastructure and resource development. This includes allocating adequate funds for essential services, upgrading facilities, and addressing skill gaps within particular local jurisdictions.

(x) Manual Payment Systems

The Committee observes that some of the local authorities still rely on manual payment systems, which are easily manipulated resulting in loss of income and that sometimes clients are reluctant to go and line up or travel long distances to pay their rates. In this regard, the Committee recommends that all local authorities should digitize the payment systems by using systems such as online or mobile banking.

(xi) Equal Allocation of CDF Across all Constituencies

The Committee notes with concern that the Constituency Development Fund (CDF) is administered across constituencies equally, without taking into consideration the size of a constituency, population, infrastructure development and other factors. In view of this, the Committee recommends that the Government should review this approach, and adopt an equitable mechanism for the allocation of CDF. Additionally, the Committee recommends that Line Ministries should provide additional funds to support different sectors of the economy and not solely rely on CDF.

PART II

3.0 CONSIDERATION OF THE ACTION-TAKEN REPORT ON THE REPORT OF THE COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS FOR THE SECOND SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

3.1 PUBLIC PROCUREMENT IN ZAMBIA

(i) Legal Impediments

The Committee in the previous Session had strongly recommended that there was need for an amendment to the legal framework dealing with public procurement for purposes of promoting more citizen-owned companies to participate in public procurement.

Executive Response

It was reported in the Action-Taken Report that section 39(2) of the *Public Procurement Act, No. 8 of 2020* adequately provided for enhanced participation of citizen-owned companies in Open National Bidding. Additionally, section 91 of the Act provided for mandatory preference and

reservation schemes that targeted citizens bidders among other target groups. In addition, the Zambia Public Procurement Authority (ZPPA) was in the process of developing guidelines on the utilisation of preference and reservation schemes.

Committee's Observations and Recommendations

In noting the submission, the Committee resolves to await a progress report on the process of developing guidelines on the utilisation of preference and reservation schemes.

(ii) Full Roll Out of the E-GP System

The Committee in the previous Session had recommended that the Government, through the ZPPA needed to show commitment to the E-GP implementation by ensuring that procurement entities within the country had the capacity to keep the system fed with relevant data so as to promote open contracting.

Executive Response

It was reported in the Action-Taken Report that the Zambia Public Procurement Authority had continued training procuring entities in the usage of the e-GP system. In addition, the Executive stated that, in line with section 113 (7) of the *Public Procurement Act*, the transition period for mandatory usage of the e-GP system ended in April, 2024.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the full roll out of the e-GP system by April 2024.

iii) Infrastructure Development

The Committee in the previous Session had recommended that broadband infrastructure including fibre-optic networks needed to be developed in order to improve internet connectivity across the country.

Executive Response

It was reported in the Action-Taken Report that following an assessment of the state of digital infrastructure in the country, precisely, broadband availability, internet penetration and mobile connectivity, the Ministry of Science and Technology had plans to expand and improve the digital infrastructure to support greater adoption. Similarly, the Ministry had also licenced three more infrastructure providers who would provide fibre optic development across the country and infrastructure services to increase connectivity in rural areas. The increase in more players in the sector, signified fast paced development of fibre in various parts of the country. Furthermore, it was stated that this would add significant milestones to the rate of development of fibre optic infrastructure which would increase connectivity. The connectivity mix the Ministry was leveraging to enhance coverage was as set out below.

1. Fibre Presence Countrywide

Optical fibre network was present in eighty-four districts and hence plans to expand to the remaining 32 districts prioritising tourism areas where optical fibre was viable.

2. Upgrading and Optimisation of 2G sites

Mobile communication towers, which were 2G Voice only were planned to be upgraded to 4G and higher. In this case, MTN and Airtel had already commenced upgrading all the 2G sites whereas Zamtel, which had the majority 2G sites was being considered for upgrade in a phased approach by PDU support.

3. Use of Alternative and Appropriate Technologies

In view of the vastness of the country and need for internet broadband services and to bridge the digital divide, Government commenced exploring alternative technologies such as Low orbit satellite technologies. The low orbit satellite covered the whole Zambia with easy to deploy and affordable broadband. In this regard, the Government conducted a proof of concept for star link Low orbit internet services and had subsequently issued a license to operate in June 2023. The Government had also continued to explore alternative technologies in the internet and mobile voice and had signed up with AST low orbit satellite test and proof of concept through ZICTA and Zamtel. Lastly, the Government had auctioned high demand quality spectrum to four operators, which was good for high speed 5G and 2G operators MTN and Airtel commenced in 2023 to implement in selected areas.

4. Cross Border Connectivity Initiative

Zambia together with her neighbouring countries was implementing the non-stop border and digital trade corridors project, which was dependent on availability of digital infrastructure. In this regard, infrastructure development would also be prioritised in border areas.

Additionally, the Government would provide a conducive environment for reducing the costs of internet service through interventions in taxation and provision of incentives especially in rural areas where there was a proliferation of tourism.

Committee's Observations and Recommendations

The Committee notes the submission and resolves to await a progress report on the upgrading of 2G sites for Zamtel; the progress regarding the procurement of ICT equipment by procuring entities in readiness for full implementation of the e-GP system; and the expansion of the optical fibre network to the thirty-two districts that did not have it.

iv) Monitoring Mechanisms

The Committee in the previous Session had strongly recommended that the ZPPA in collaboration with Zambia Institute of Purchasing and Supply (ZIPS) and other law enforcement agencies needed to ensure that they curb mal practices in public procurement. In the same vain, the Committee added that, ZIPS needed to play a greater role in regulating the professional conduct of procurement professionals and revoke licenses/memberships where gross misconduct was detected.

Executive Response

It was reported in the Action-Taken Report that Section 25 provided that, procurement and stores management functions were to be carried out by a person who was a member of ZIPS. Furthermore, the Committee was also informed that Zambia Public procurement Authority undertook capacity building programmes for all procuring entities. In the same vain, the Authority had prioritised trainings for local authorities with the increased CDF allocation. In

light of this, the Authority had conducted trainings on a monthly basis in public procurement to procuring entities. The trainings covered public procurement topics and included ethics and integrity.

Furthermore, ZPPA was in the process of revising the standard solicitation documents in order to align them with the Public Procurement Act and Public Procurement Regulations. The Committee was also informed that the Authority engaged various stakeholders in the review process and the draft solicitation documents had been submitted to the Ministry of Justice for review before finalisation.

Committees Observations and Recommendations

The Committee requests for a progress report on the revision of the standard solicitation documents in order to align them with the *Public Procurement Act* and Public Procurement Regulations.

v) Contract Approval by the Attorney General

The Committee in the previous Session had recommended that contract approval by the Attorney General should not exceed ten working days from the date of submission to the Attorney General's Office.

Executive Response

It was reported in the Action-Taken Report that International Law and Agreements Department, in the Ministry of Justice had nine desk officers that took care of the legal needs of 351 procuring entities, which included line ministries, local authorities, statutory bodies and institutions. That represented a ratio of 1 layer to 39 procuring entities. Therefore, under the current circumstances, it would not be practical for contract approvals to be done within 10 days. However, to ensure the efficiency of the department, a request for approval to hire additional staff had been submitted to the Treasury and once that approval is granted, there would be an improvement in the turnaround time of contract approval.

Additionally, the Ministry was waiting for funds to implement the automation and digitalisation of the contract management system. The automation and digitalisation of the contract management system would also contribute to the improvement of the turnaround time of the contract approval.

Furthermore, the Public Procurement (Amend) Bill No. 17 of 2023 had been submitted to the National Assembly, and among the objects of that Bill was the simplification of the procurement process by removing the requirement to obtain approval of the Attorney General prior to the award of contracts of a prescribed threshold. Once enacted, the need to get prior approval of the Attorney-General would be limited to the award of contracts that are above the prescribed threshold.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the shortening of turnaround time for the contract approval process by the Attorney General's Chambers.

vi) Establishment of the Office of Directorate of Procurement

The Committee in the previous Session had strongly recommended the need for reforms in Government human resource structures on procurement to provide for a directorate of procurement in various Ministries and agencies, in addition to an overall figurehead equivalent to the Accountant General. This would ensure that procurement staff were not completely under controlling officers.

Executive Response

It was reported in the Action-Taken Report that with regard to an overall figurehead equivalent to the Accountant General, the position could not be created under the *Public Procurement Act*. The position (if established) would have had distinct functions from those that were being performed by the Authority under the *Public Procurement Act*.

Overall, the ZPPA had taken significant steps to enhance transparency, fairness, accountability, value for money and efficiency in public procurement by implementing a robust legal framework, enhancing technology, promoting capacity building and strengthening monitoring and auditing mechanisms. In addition to this, continued efforts to improve transparency, fairness and accountability would contribute to achieving value for money and the efficient delivery of public goods and services.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the creation of directorates of procurement in Ministries and agencies.

3.2 ECONOMIC DIVERSIFICATION: THE CASE OF THE ZAMBIAN MINING SECTOR

i) Mining Sector Development Plans

The Committee in the previous Session had requested for a progress report on the formulation of the mining sector development plans to guide the development of the mining sector and in which the non-copper mining subsector should be given prominence.

Executive Response

It was reported in the Action-Taken Report that the Ministry of Mines and Mineral Development was in the process of finalising the 2022-2026 Strategic Plans in line with the Eighth National Development Plan. The document had since been submitted to Cabinet Office for final approval before it could be launched.

Committee's Observations and Recommendations

The Committee will await a progress report on the finalisation and launch of the 2022-2026 Strategic Plan.

ii) Geological Exploration and Mapping

The Committee in the previous Session had requested for a progress report on its recommendation to ensure that the rest of the country was surveyed.

Executive Response

It was reported in the Action-Taken Report that the Geological Survey Department had mapped an additional 0.8 percent coverage during the period under review, thereby having a total of 55.2 percent of the country mapped.

Committee's Observations and Recommendations

The Committee requests a progress report on its recommendation to have the rest of country surveyed.

iii) Incentives for Artisanal and Small-Scale Miners

The Committee in the previous Session had requested for a progress report on the provision of incentives to the non-copper mining subsector.

Executive Response

It was reported in the Action-Taken Report that the Government through the Ministry of Mines and Minerals Development was in the process of formalising the Artisanal and Small-Scale Miners (ASM) subsector, which would enable Government to build capacity among the ASM through the provision of information relating to investment opportunities. Further, a tailored tax regime for the ASM was being studied in comparison with other countries in the region.

Committee's Observations and Recommendations

In noting the submission, the Committee requests for a progress report on the formalisation of the Artisanal and Small-Scale Miners (ASM).

iv) Employment in the Non-Copper Mining Subsector

The Committee in the previous Session had requested for a progress report on the Committee's recommendation on the need to formalise the activities of the non-copper-mining subsector and provide training opportunities that would result in more formal employment opportunities.

Executive Response

It was reported in the Action-Taken Report that the Ministry of Labour and Social Security and the Zambia Statistical Agency was developing a concept note for submission to the International Labour Organisation for technical support to develop a module that was internationally comparative for inclusion in future labour force surveys.

Committee's Observations and Recommendations

The Committee requests a progress report on the development of the concept note, which will aid the development of a module that will be internationally comparative for inclusion in future labour force surveys.

v) Working Conditions in the Non-Copper Mining Subsector

The Committee in the previous Session had recommended that the Government needed to amend the *Occupational Health and Safety Act No 0f 2010* for full implementation of occupational health and safety in all formal and informal sectors and improve the health and safety in all workplaces.

Executive Response

It was reported in the Action-Taken Report that the *Occupational Health and Safety Act No 36 of 2010* was undergoing review to harmonise it with the *Factories Act, No. 24 of 1975*. Furthermore, the Government had begun the process of reviewing the *Occupational Health and Safety Institute Act, No. 36 of 2010*. In addition, Cabinet advised the Ministry of Labour and Social Security to undertake a comprehensive review of the Act to take into consideration the change in related legal frameworks that had a bearing on occupational safety and health. The Ministry of Labour and Social Security was expecting to have a draft lay person's Bill by December, 2023.

Committee's Observations and Recommendations

The Committee requests for a progress report on the review of the *Occupational Health and Safety Act*.

x) Gold Exploration and Mining

The Committee in the previous Session had recommended the implementation of a framework that would help to develop the gold subsector from its current nascent state to a level worthy of a mineral rich country like Zambia.

Executive Response

It was reported in the Action-Taken Report that the Government through the Ministry of Mines and Minerals Development was in the process of formalising the Artisanal and Small-Scale Miners subsector by creating gold marketing centres in identified districts of Rufunsa, Vubwi, Lusanganzi, Mumbwa, Chisamba, Luano and Mpika Districts. This would allow the gold aggregator to buy the gold in a formalised manner to create a win-win situation between the Small-Scale Miners and the Government.

Committee's Observations and Recommendations

The Committee requests for a progress report on the creation of gold marketing centres in Rufunsa, Vubwi, Lusanganzi, Mumbwa, Chisamba, Luano and Mpika Districts.

vii) Observing Labour Laws

The Committee requested for a progress report the adherence to labour laws in the mining sector.

Executive Response

It was reported in the Action-Taken Report that the Executive through the Ministry of Labour and Social Security had undertaken the measures set out below to enhance compliance to the labour laws.

- i. In 2022, the Ministry of Labour and Social Security employed twenty-five additional officers to enhance staff capacity in the Ministry. In addition, it was stated that more officers would be employed to enhance compliance to labour laws;
- ii. To enhance efficiency, the Ministry of Labour and Social Security had developed a Programme consisting of joint inspections with statutory bodies in the Labour and Employment Sector, namely; National Pension Scheme Authority (NAPSA), National

Health Insurance Management Authority (NHIMA) and the Workers Compensation Fund Control Board (WCFCB); and

- iii. The Executive had begun rolling out the Labour Market Information System (LMIS) to all the districts in which the Ministry of Labour and Social Security had a presence. The Executive had distributed sixty computers, fifty-five routers, and fifty-eight printers to the districts for implementation of the LMIS. The LMIS was expected to enhance monitoring of inspections and contribute to increased compliance. It was reported that the development and roll out of the LMIS was still on-going.

Committee's Observations and Recommendations

The Committee requests for a progress report on the roll out of the Labour Market Information System (LMIS) and the employment of more officers.

viii) Corporate Social Responsibility

The Committee in the previous Session had requested a progress report on the actual implementation of the Local Content Statutory Instrument to address matters of local participation.

Executive Response

It was reported in the Action-Taken Report that the Government was in the process of formulating the Local Content Statutory Instrument (SI) which would address matters of local participation in the mining sector.

It was also reported that Government had made a submission on local content to the ZPPA, which would be included in the Statutory Instrument for preferential procurement being developed.

Committee's Observations and Recommendations

The Committee requests for a progress report on the promulgation of the Statutory Instrument on Local Content that will address matters pertaining to local participation in the mining sector.

3.3 THE IMPACT OF THE COVID 19 PANDEMIC ON ZAMBIA'S ECONOMY

i) Economic Recovery Programme

The Committee in the previous Session had requested for a progress report on the economic recovery programme implementation through the 8NDP.

Executive Response

It was reported in the Action-Taken Report that the Economic Recovery Programme (ERP) was the successor to the Economic Stabilisation and Growth Programme (ESGP) that was implemented over the period 2017-2019. Furthermore, it was reported that the ERP was formulated to address the various dimensions of the country's economic challenges from 2020-2023. It provided a clear road map of strategic policy actions required to revive the economy and place it on a path of sustainable growth and development.

The ERP outlined five areas that formed the pillars of the Programme namely:

- i) Restoring Macroeconomic Stability;
- ii) Attaining Fiscal and Debt Sustainability;
- iii) Restoring Growth and Economic Diversification;
- iv) Dismantling of Arrears and
- v) Safeguarding Social Protection Programmes.

Objectives of the Economic Recovery Programme (ERP):

The objectives of the ERP were to restore macroeconomic stability, attain fiscal and debt sustainability, restore growth, dismantle domestic arrears and safeguard social sector spending. The specific targets for ERP were to:

- a. Attain real GDP growth rate of above 3 percent by 2022;
- b. Reduce the fiscal deficit to no more than 9 percent in 2021, no more than 6.1 percent in 2022 and no more than 4.9 percent of GDP in 2023;
- c. Increase domestic revenue to not less than an average of 18 percent of GDP over the period 2021 to 2023;
- d. Reduce and sustain inflation within single digit by end 2022;
- e. Raise international reserves to at least 3 months of import cover by 2023;
- f. Significantly dismantle domestic arrears and curtail their accumulation; and
- g. Reduce the pace of debt accumulation and ensure sustainability in the next 3 to 5 years.

Progress Achieved in the Implementation of the Program

The following was the progress achieved in the implementation of the Program;

i) Restoring Macroeconomic Stability

It was reported that there was a pick up in Real Gross Domestic Product (GDP) to 4.6 percent of GDP in 2021 from a contraction of 2.8 percent in 2020. The sectors that drove growth were mainly the information and communication technology and construction sectors. In 2022, it further grew to 5.2 percent.

However, due to various economic challenges the economy was projected to grow by 2.7 percent in 2023. Consequently, the slowdown was mainly attributed to reduced production in the mining sector on account of operational challenges and flooding in some of the major mines. Notwithstanding the slowdown in growth, prospects in the medium-term were positive with the resolution of challenges in the mining sector. Growth was, therefore, expected to pick-up in 2024 and over the medium-term.

Other achievements included good progress made on implementation of fiscal consolidation and structural reform measures as well as the IMF approval of US\$1.3 billion, Extended Credit Facility secured to help restore macroeconomic stability. In addition, the reserves had increased to US\$2.9 billion (equivalent to 3.2 months of import cover) at end of September 2023 from US\$2.7 billion (2.9 months of import cover) at end of June. This had been made possible by the second disbursement under the IMF Extended Credit Facility, project inflows, mining tax receipts, and some market purchases.

ii) Attaining Fiscal and Debt Sustainability

It was reported that the share of total revenue and grants to Gross Domestic Product (GDP) increased from 20.6 percent in 2020 to 21.6 percent in 2022. With regards to public spending, total expenditure decreased from 37.1 percent of GDP in 2020 to 30.2 percent of GDP in 2022. Furthermore, the Executive stated that this was a clear indication of Government's commitment to increasing revenue mobilisation whilst reducing on Government expenditure. In the same vein, the Government reached an agreement on a comprehensive debt treatment with its Official Creditors under the G20 Common Framework. This landmark achievement was a significant step towards restoring Zambia's long-term debt sustainability. It was also stated that the postponement of payments through extended maturities would generate about US\$5.8 billion in debt service savings over the period 2023-2031. Finally, in October, 2023 Government released K1.9 billion for payment of both domestic and external debt obligations.

iii) Restoring Growth and Economic Diversification

It was reported that the main growth drivers had been in the non-mining and non-agricultural sectors, driven by the Information Communication Technology due to increased demand for ICT in service delivery, tourism and transport sectors. For instance, Zambia recorded approximately 1,060,788 international tourist arrivals in 2022 compared to 554,200 in 2021, an increase of 91.4percent. The increase was attributed to the COVID-19 Vaccination programme, clear information regarding health protocols and entry requirements as well as relaxed travel restrictions, including increased hosting of international conferences.

iv) Dismantling of Arrears

The following had been undertaken with regards to dismantling arrears:

- The Treasury released K268 million towards dismantling of arrears owed to suppliers of goods & services.
- K1 billion was disbursed for the Farmer Input Support Program. (FISP).
- K2.4 billion to clear invoices related to the procurement of inputs for the 2022/2023 farming season under the Farmer Input Support Program.
- K569.1 million for the nationwide Social Cash Transfer Program.

v) Safeguarding Social Protection Programmes

It was reported that in October, 2023, that K513.7 million was released for the Constituency Development Fund (CDF), and of the amount, K217.9 million was for secondary schools and skills development bursaries, and K295.8 million was for youth and women empowerment. In line with prioritising social sector spending, K160.8 million had been released for the Food Security Pack Programme in line with the Government's commitment to continue on the path of lowering the cost maize production.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the attainment of debt sustainability.

iv) Facilitation of Trade for Small Scale Cross Border Traders

The Committee in the previous Session had recommended developing and implementing the automated customer clearance processes on the commercial side and the automation of all non-standard features, which anchored passenger clearance processes.

Executive Response

It was reported in the Action-Taken Report that the Zambia Revenue Authority had developed the user requirements for the automation of passenger processing. However, the actual automation would be implemented in the financial year 2024.

Committee's Observations and Recommendations

The Committee requests a progress report on the automation of passenger processing.

vi) Reduce Public Debt Obligations to Sustainable Levels

The Committee in the previous Session had requested an update on the reduction of the country's debt to sustainable levels.

Executive Response

It was reported in the Action-Taken Report that Government had been undertaking a debt restructuring exercise with Official Creditors under the G20 common Framework. The structuring exercise was anchored by the International Monetary Fund (IMF) program where USD 1.3 billion had been provided through an Extended Credit Facility. The Executive also stated that in April, 2023, Government reached a Staff Level Agreement with the International Monetary Fund (IMF) following completion of the first programme review, which revealed that Zambia had met all the structural benchmarks and quantitative performance criteria for the first review. The Executive further stated that on 22nd June, 2023, Government reached an agreement with the Official Creditor Committee on comprehensive debt treatment which brought about a reduction in interest rates and extension of maturities. The debt treatment would be implemented through bilateral agreements and an agreement had been reached with Huawei Technologies.

The Executive further stated that restructuring of the debt would reduce the country's debt service burden in the medium term and free up resources for investment in critical areas such as healthcare provision, education and infrastructure development. Additionally, the restructuring deal would also bring about an improvement in Zambia's credit standing and create positive momentum for foreign investment.

However, the Executive stated that Central Government external debt stock as at end of March 2023 amounted to US\$ 14.09 billion, which represented a 0.96 percent increase from the end of December 2022 position of US\$13.95 billion. Furthermore, the increase was on account of continued disbursements on existing project loans largely from multilateral institutions. In the first quarter, the stock of Government guaranteed (SOE) external debt reduced by 1.39 percent, to US\$ 1.43 percent. The reduction was mainly attributed to principal repayments amounting to US\$ 18.13 million. Additionally, the total external debt service in the first quarter of 2023 amounted to US\$ 22.09 million compared to US\$ 130.77 million as at end December 2022. Payments to multilateral creditors accounted for 70.25 percent of total debt service while plurilateral and bilateral creditors received 16.31 percent and 13.44 percent, respectively.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the reduction of the country's debt to sustainable levels.

vii) Increase Allocation for Dismantling of Domestic Debt and Arrears

The Committee in the previous Session had requested an update on the increasing of the budgetary allocation for the dismantling of domestic debt and arrears.

Executive Response

It was reported in the Action-Taken Report that the Government allocated resources amounting to K6.8 billion towards dismantling domestic arrears in the approved 2023 budget against which K6.3 billion had been funded. Additionally, the Treasury had made efforts to ensure that institutions were current on their arrears beyond the scope of the Domestic Debt and Arrears (DDAS).

Committee's Observations and Recommendations

The Committee requests a progress report on the dismantling of the remaining domestic debt and arrears.

3.4 FINANCIAL INCLUSION VIZ A VIZ THE USE OF DIGITAL PAYMENT PLATFORMS IN ZAMBIA

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

The Committee in the previous Session had awaited a progress report on the submission of the draft Bill to the Ministry of Finance and National Planning, and subsequently to the Ministry of Justice.

Executive Response

It was reported in the Action-Taken Report that the Bank of Zambia had submitted the draft national Payment Systems Bill to the Ministry of Finance and National Planning in January 2023. Following the submission of the draft Bill, the Ministry of Finance and National Planning in conjunction with the Bank, in May 2023, prepared a Cabinet Memorandum for the submission of the Bill to Cabinet.

Committee's Observations and Recommendations

The Committee will await a progress report on the amendment of *National Payment Systems Act*.

ii) Absence of a Centralised Know Your Customer Data Base

The Committee in the previous Session had requested for a progress report on the implementation of a centralised Know Your Customer (KYC) database.

Executive Response

It was reported in the Action-Taken Report that the Bill that would facilitate the implementation of a centralized KYC database was yet to be considered by Cabinet. Furthermore, the Bank of Zambia completed the preliminary work on the centralised Know Your Customer (KYC) database.

Committees' Observations and Recommendations

The Committee requests a progress report on the implementation of a centralized KYC database.

iii) National Social Protection Bill

The Committee in the previous Session had resolved to await a progress report on Cabinet's decision on the proposed recommendations on social protection.

Executive Response

It was reported in the Action-Taken Report that following the progress made by the Ministry of Labour and Social Security to rationalise and harmonise social security laws, the Ministry of Community Development and Social Services was in the process of reviewing the National Social Protection Policy. Additionally, it was stated that Government would domesticate social protection-related international protocols and conventions to further strengthen legislation.

Committees' Observations and Recommendations

The Committee resolves to await a progress report on the review of the National Social Protection Policy and the domestication of social-protection-related international protocols and conventions.

3.5 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) Standard Consent Form

The Committee in the previous Session had requested for a progress report regarding the consultations that the Government had with various stakeholders on the development of a standard form to be signed by all chiefs when giving consent for any mining activities in their respective chiefdoms.

Executive Response

It was reported in the Action-Taken Report that the Ministry of Mines and Mineral Development was still in the process of consultations with various stakeholders on developing a Standard Consent Form.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the development of a Standard Consent Form.

ii) Inspections and Monitoring to Ensure Compliance by Mining Rights Holders: Non-Submission of Quarterly Reports

The Committee in the previous Session had recommended that the *Mines and Minerals Development Act, No. 11 of 2015* should be amended in order to revise the penalties for non-compliant mining rights holders who failed to submit quarterly reports.

Executive Response

In the Action-Taken Report, the Executive stated that the *Mines and Minerals Development Act No. 11 of 2015*, which addressed the revision of the penalties for non-compliant mining rights holders was under review.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the review of the *Mines and Minerals Development Act, No. 11 of 2015*.

iii) No Fine Paid for Operating a Mineral Processing Plant Without a License

The Committee in the previous Session had requested a progress report on the fine owed by Mineral Junction and Transport Limited.

Executive Response

It was reported in the Action-Taken Report that the matter was still under consideration by the Ministry of Justice and the Ministry of Mines and Minerals Development would be guided on what action should be taken once the matter was concluded.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on what guidance has been given by the Ministry of Justice regarding the fine owed by Mineral Junction and Transport Limited.

3.6 CHINA-ZAMBIA RELATIONS VIZ A VIZ TRADE AND INVESTMENT

i) Citizens Economic Empowerment Act No 5 of 2021

The Committee in the previous Session had requested for a progress report on the review of the *Citizens Economic Empowerment Act No 5 of 2021*

Executive Response

It was reported in the Action-Taken Report that a draft amendment of the *Citizens Economic Empowerment Act No 5 of 2021* was done by the Law Development Commission in 2020. However, the amendments done by the Law Development Commission only focused on amending the definitions of the words "Citizens Empowered Companies", "Citizen Influenced Companies" and "Citizen Owned Companies", among others.

In 2022, the Ministry of Small and Medium Enterprise Development reviewed the proposed amendment by the Law Development Commission and noted that the amendments done did not adequately address the challenges faced by different stakeholders that the Act impacted. The challenges included, among others, the lack of reservation schemes under business and commerce that targeted and benefitted Zambian Micro Small Medium Enterprises (MSMEs)

Committee's Observations and Recommendations

The Committee requests a progress report on the review and presentation to Parliament, of the Citizens Economic Empowerment (Amendment) Bill.

3.7 THE ROLE OF MICRO, SMALL, AND MEDIUM ENTERPRISES IN NATIONAL DEVELOPMENT IN ZAMBIA

i) Poor Road Network

The Committee in the previous Session had requested a progress report on the status of works on the Matebele to Shangombo Road.

Executive Response

It was reported in the Action-Taken Report that 71Km of the 135Km Road from Matebele to Shangombo had been done and the remaining 64Km would be done once funds were secured.

Committees' Observations and Recommendations

The Committee resolves to await a progress report on the completion of the road works on the remaining 64 km of the Matebeke to Shangombo Road.

3.8 REPORT OF THE AUDITOR GENERAL ON THE PERFORMANCE AUDIT OF THE GOVERNMENT INTERVENTIONS ON MICRO, SMALL AND MEDIUM ENTERPRISES IN ZAMBIA 2015-2020 FOR THE FIRST SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

i) Streamline Regulation on Entry of MSME Business and Schemes

The Committee in the previous Session had requested a progress report on the strategies, measures and programmes undertaken to ensure that the cost of doing business was reduced.

Executive Response

It was reported in the Action-Taken Report that the Government through the Ministry of Small and Medium Enterprises was scheduled to launch its Strategic Plan and the Micro, Small and Medium Policy following wide consultations with stakeholders around the country in all sectors.

Both the Strategic Plan and the Micro Small Medium Enterprise (MSME) Policy articulated the objectives, measures and strategies, some of which addressed the cost of doing business. The implementation of the strategies and measures would involve streamlining the multiplicity of regulations and legislation whose net effect exacerbated the cost of doing business.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the launch of the Strategic Plan and the Micro Small Medium Enterprise (MSME) Policy.

ii) Value Chain Development Support

The Committee in the previous Session had recommended the operationalisation of the remaining industrial yards.

Executive Response

It was reported in the Action-Taken Report that out of the eight industrial yards under construction in Chipata, Lusaka, Kitwe, Ndola, Solwezi, Mongu, Mansa and Kasama, seven had been fully constructed out of which four had been commissioned and were operational. The yards in Mansa and Kasama were commissioned in April, 2023 and the yard in Mongu was commissioned in December, 2022. The yards in Lusaka, Kitwe and Ndola would be commissioned during the 4th Quarter of 2023. However, the yard in Solwezi would require rehabilitation as most underground electrical cables, ZESCO substation and electrical fittings were vandalised. The estimated cost of carrying out the rehabilitation works was around K3.8 million.

Committee's observations and recommendations

The Committee requests a progress report on the commissioning of the three remaining yards and the construction of the industrial yard in Solwezi.

MINISTRY OF INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT

i) Implementation of the 20 Percent Sub- Contracting Policy

The Committee in the previous Session had requested a progress report on the Implementation of the 20 Percent Sub- Contracting Policy.

Executive Response

It was reported in the Action-Taken Report that the final draft Statutory Instrument (Regulations) on Subcontracting and Joint Ventures was submitted to the Ministry of Justice and the response was being awaited. Furthermore, active follow-ups would continue to be made on the matter to ensure that it was expeditiously finalised.

Committees' Observations and Recommendations

The Committee resolves to await a progress report on the implementation of the Statutory Instrument (Regulations) on Subcontracting and Joint Ventures.

4.0 CONCLUSION

Zambia's journey towards fiscal decentralisation is marked by commendable policy and legal efforts, providing a diversified framework for local governance. The establishment of Ward Development Committees and Constituency Development Fund Committees reflects a positive commitment to community engagement and targeted project financing.

However, challenges persist, notably in financial autonomy, intergovernmental transfers, and capacity disparities among local authorities among others. To enhance the effectiveness of fiscal decentralisation, it is crucial to clarify financial autonomy guidelines, ensuring local authorities can independently manage budgets and raise revenue. The model should prioritise transparent resource allocation mechanisms and robust coordination between central, provincial, and local governments

Recommendations include but not limited to equitable resource allocation mechanisms, strengthened collaboration, and a focus on capacity-building, monitoring and evaluation, and regular policy reviews that will further contribute to the sustained success of fiscal decentralisation.

The Committee is hopeful that the observations and recommendations contained in this Report will go a long way in ensuring that fiscal decentralisation is fully implemented and impacts the economy positively.

Once again, the Committee wishes to express its gratitude to the Honourable Madam Speaker and the Clerk of the National Assembly for the guidance and support rendered to it throughout its deliberations. The Committee is also indebted to the all the stakeholders who appeared before it for their cooperation in providing the necessary memoranda, and for appearing before it to clarify any matters arising from their written submissions.



Ms Sibeso K Sefulo, MP
CHAIRPERSON

June, 2024
LUSAKA

APPENDIX I ó List of National Assembly Officials

Mr Stephen Chiwota, Director ó Financial Committees

Mrs Angela M Banda, Deputy Director ó Financial Committees

Ms Chitalu R Mulenga, Senior Committee Clerk (FC 2)

Mr Emmanuel Bwalya, Committee Clerk

Ms Inutu Mwiya, Acting Administrative Assistant II

Mr Daniel Lupiya, Acting Senior Committee Assistant

Mr Muyembi Kantumoya, Acting Committee Assistant

APPENDIX II ó List of Witnesses

Parliamentary Budget Office (PBO);
Ministry of Finance and National Planning;
Ministry of Local Government and Rural Development;
Ministry of Education;
Ministry of Health;
Ministry of Agriculture;
Ministry of Livestock and Fisheries;
Ministry of Lands and Natural Resources;
Ministry of Energy;
Zambia Revenue Authority;
Zambia Statistics Agency;
The Zambia Institute for Policy Analysis and Research;
Policy Monitoring and Research Centre;
Jesuit Centre for Theological Reflections;
Local Government Association;
Planning Institute of Zambia; and
Centre for Trade Policy and Development;