REPORT

OF THE

BUDGET COMMITTEE

FOR THE

FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

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PART II

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

1. COMPOSITION OF THE COMMITTEE

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

The HonourableMr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir,

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

2. FUNCTIONS OF THE COMMITTEE

The functions of the Budget Committee are to:

i) examine Estimates of Revenue and Expenditure including the Supplementary Estimates of Revenue and Excess Expenditure;
ii) report on economics, improvement in organisation, efficiency for administration reform, consistent with the policy underlying the Estimates and examine whether the money is well laid out within the limits of policy implied in the Estimates;
iii) study, inquire into and report on matters related to coordination, control and monitoring of the National Budget;
iv) conduct Budget hearings;
v) review Estimates of Revenue and Expenditure and make recommendations to the House;
vi) examine the Medium Term Expenditure Framework and budget policy statements presented to the House;
vii) examine money bills, including Excess and Supplementary Appropriation bills;
viii) examine tax rates and estimates, economic and budgetary policies and programmes with direct budget outlays;
ix) examine public debt before it is contracted; and
x) exercise powers conferred in Article 203 of the Constitution.

3. MEETINGS OF THE COMMITTEE

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

4. PROGRAMME OF WORK

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

a) Consideration of the Action-Taken Report on the Committee's Report for the Third Session of the Twelfth National Assembly.
b) Consideration of the topical issue, namely: *Budget Implementation Vis-A-Vis Creation of Decent Employment in Zambia.*
c) Local and Foreign Tours.
d) Consideration and adoption of the Committee's draft report for the Fourth Session of the Twelfth National Assembly.

5. ARRANGEMENT OF THE REPORT

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

6. PROCEDURE ADOPTED BY THE COMMITTEE

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

PART I

7.0 CONSIDERATION OF TOPICAL ISSUES

BUDGET IMPLEMENTATION VIS-A-VIS CREATION OF DECENT EMPLOYMENT IN ZAMBIA

Background

The Seventh National Development Plan (7NDP) recognises that recent economic growth has been unable to significantly impact on poverty reduction because of low employment levels. The Plan also indicates that in 2014, about 84 per cent of the people employed in Zambia were in the informal sector. However, the sector was characterised by low levels of productivity, capital investments and technology, thereby offering limited prospects to contribute to national development and ultimately improve the standard of living of the majority of the people.

Not only is the national budget a tool for resource allocation, distribution and economic management, it is also a tool through which the medium term plans espoused in the 7NDP, which have been running from 2017 and coming to an end in 2021, are realised. The Committee notes that the 7NDP has clearly articulated strategies for employment, and that

the consecutive national budgets during the plan period have attempted to foster employment creation.

Despite these efforts, unemployment has regrettably continued to be a challenge. Latest data from the Zambia Statistical Agency, formerly Central Statistical Office (CSO), indicates that the unemployment rate was recorded at 11.4 per cent in 2020. The Report further indicates that youth unemployment rate was 17.6 per cent. The working age population (16 years or older) was estimated at 9,056,840 and the employed persons accounted for 2,971,170. The number of formally employed persons was 1,096,832, while that of informally employed persons was 1,874,337.

In light of the above, the Committee resolved to study 'Budget Implementation vis-a-vis the Creation of Decent Employment in Zambia with specific focus on employment that complied with the *Employment Act, No. 3 of 2019* which criminalised casualisation and outlined conditions for decent jobs, among other things. The objectives of the study were to:

a. understand the policy and legal framework to address unemployment;
b. understand the factors leading to high unemployment levels in Zambia;
c. appreciate the extent to which creation of decent employment has taken centre stage in the budget process in Zambia;
d. appreciate the strategies for employment creation in the consecutive national budgets during the plan period (7NDP -2017 to 2021);
e. appreciate how resource allocation through the national budgets relates to employment creation during the plan period (7NDP -2017 to 2021);
f. appreciate the challenges in the creation of employment in Zambia; and
g. recommend the way forward.

8.0 STAKEHOLDERS

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

9.0 SUMMARY OF SUBMISSIONS BY STAKEHOLDERS

Submissions by stakeholders are as outlined below.

9.1 OFFICIAL UNEMPLOYMENT STATISTICS IN ZAMBIA

The Committee was informed that according to the 19th Resolution of the International Conference of Labour Statisticians in 2013 (19th ICLS), a measurement of unemployment may be complemented by other measures of labour under utilisation such as the combined rate of unemployment and potential labour force. A combination of both the potential labour force and unemployed population resonated well for developing countries in explaining the severity of the unemployment situation, since potential labour force was a typical characteristic of developing countries.

Further, the Committee heard that in 2011, International Labour Organisation (ILO) commenced the Decent Work Agenda aimed at bringing sanity in the labour market. Decent work summed up the aspirations of people in their working lives. It involved opportunities for work that was productive and delivered a fair income; security in the workplace and social protection for families; better prospects for personal development and social integration; freedom for people to express their concerns, organise and participate in the decisions that affected their lives, and equality of opportunity and treatment for all women and men. The stated guidelines validated the view that identification of work that qualified to be decent required a specialised assessment that focused on welfare enhancing aspects of employment.

9.1.1 Working age Population

The Committee learnt that an analysis of working-age population was important as it provided the potential human resource that was eligible for employment in a country. However, not all persons of working-age were in the labour force. Some could be currently involved in issues listed hereunder:

a) attending school or training;
b) not seeking work;
c) not available for work; or
d) both seeking and available for work (i.e. the unemployed).

Persons seeking work only, such as students who were about to wind up with training, plus those who were available for work only, such as persons not seeking work, formed the potential labour force. In addition, the working age included the employed and the unemployed population.

Table 1 below shows that the working age population was estimated at 9,056,840 in 2017. Of these, 52.3 per cent were females and 47.7 per cent were males. The table also shows that 4,870, 262 of the working age population were in rural areas.

Table 1. Working-Age Population by sex and Rural/Urban, 2017

	Total		**Rural**		**Urban**	
	Number	**%**	**Number**	**%**	**Number**	**%**
Total	**9,056,840**	**100.0**	**4,870,262**	**100.0**	**4,186,579**	**100.0**
Male	4,315,697	47.7	2,324,039	47.7	1,991,658	47.6
Female	4,741,143	52.3	2,546,222	52.3	2,194,921	52.4

S***ource: Labour Force Survey, 2018***

9.1.2 Labour Force

The Committee was informed that in 2018, the total labour force was estimated at 3.3 million, representing a decline from 3.4 million recorded in 2017. Generally, urban areas had a higher labour force population than in the rural areas hovering around 60 per cent to 62.1 per cent. The urban labour force accounted for around 60 to 61 per cent between 2017 and 2018.

Table 2.Distribution of Total Labour Force by Rural/Urban 2017 and 2018(%)

Rural/Urban	2017		2018	
	Number	Per cent	Number	Per cent
Rural	1,357,382	39.9	1,262,141	37.9
Urban	2,040,912	60.1	2,067,006	62.1
Total	**3,398,294**	**100.0**	**3,329,147**	**100.0**

S***ource: Labour Force Survey, 2018***

Amongst the total labour force reported in 2018, 380,176 persons were unemployed while 2,948,971 persons were in employment. The Committee was also informed that there were officially two types of measures of labour underutilisation (unemployment rates) that were produced using data from the LFS:

a) Unemployment Rate (International Standard), and
b) Combined Rate of Unemployment and Potential Labour Force.

The unemployment rate, often used for international comparison, took into account only jobless people who were actively seeking work and were available for work. In 2018, there was an estimated 380,176 unemployed persons, registering a decline from 427,125 recorded in 2017. Amongst the 380,176, 56.4 per cent were male and 43.6 per cent were female.

Table 3. Unemployed Population by Sex, 2017 and 2018

Sex	2017		2018	
	Number	Percent	Number	Per cent
Total	**427,125**	**100.0**	**380,176**	**100.0**
Male	243,349	57.0	214,323	56.4
Female	183,776	43.0	165,853	43.6

S***ource: Labour Force Survey, 2018***

Based on the 380, 176 unemployed persons, unemployment rate was estimated at 11.4 per cent in 2018, a decline from 12.6 per cent in 2017.

On the other hand, it was stated that the combined rate of unemployment and potential labour force (conveniently referred to as the expanded unemployment rate) took into account both the unemployed and potential labour force. The status of these people may change at any time during the reference period to become either employed, unemployed or outside the labour force.

In 2018, the combined population of the unemployed and potential labour force was 2,064,493, of which 52.2 per cent were female and 47.8 per cent were male.

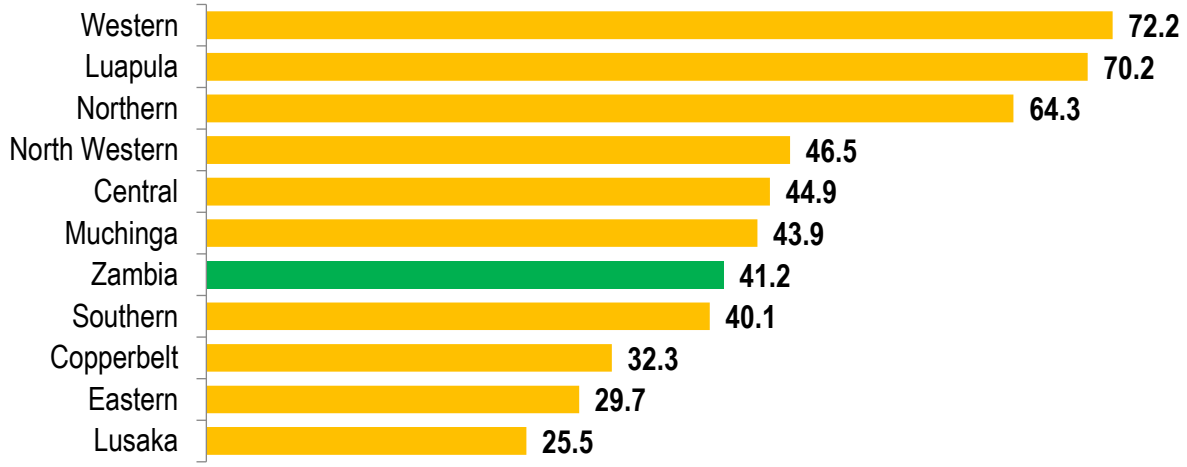
Table 4: Unemployed Population plus Potential Labour Force by Sex, 2017 and 2018

Sex	2017		2018	
	Number	Per cent	Number	Per cent
Total	**2,077,889**	**100.0**	**2,064,493**	**100.0**
Male	961,141	46.3	987,010	47.8
Female	1,116,748	53.7	1,077,483	52.2

S***ource: Labour Force Survey, 2018***

Based on the 2,064,493 unemployed people plus people in the potential labour force, the combined rate of unemployment and potential labour force was 41.2 per cent in 2018.

Figure 1: Combined rate of unemployment rate + Potential Labour Force (per cent) by province, 2018



S***ource: Labour Force Survey, 2018***

9.2POLICY AND LEGAL FRAMEWORK TO ADDRESS UNEMPLOYMENT

The Committee was informed that Zambia's strategy for employment creation was private-sector driven as echoed in all the development policies starting with the overarching development plan the country aspires to – the Vision 2030. Other policies included the Industrialisation and Job Creation Strategy; the 7th National Development Plan; the MSME Policy; Local Content Strategy and other policies.

It was explained that the Government had developed a number of policies and laws to enhance employment creation, including the newly launched National Employment Labour Market Policy (NELMP). This policy was launched in November, 2019. The Government had also embarked on reforming labour regulations with the aim of providing more protection for workers and enhance decent work opportunities. The following was an overview of the key employment creation policies and legal framework.

i. ***Vision 2030*:** The Vision 2030, launched in 2006, aimed at achieving the status of a prosperous middle-income country by 2030. The Vision 2030 set a target of maintaining the unemployment rate below 10 per cent of the total labour force and ensuring that 90 per cent of the labour force operated in an environment where labour laws were respected. The Vision 2030 also recognised the importance of creating a conducive investment climate by improving access to affordable credit, streamlining work permit and licence requirements and procedures, and improving tax and customs administration, among other objectives.

ii. ***Seventh National Development Plan (7NDP)****:* The 7NDP tied industrialisation with job creation as one of the strategies for enhancing decent job opportunities in the economy. Included among its broad strategies were specific strategies such as improving production and productivity, enhancing agriculture value chains, diversification and investment. The 7NDP targeted to increase the share of the formal sector from the current 16 per cent to 39.4 per cent by 2021. The plan also committed to operationalising a labour policy and legal framework. Further, the plan also committed to enhancing social dialogue and creating a comprehensive social security system. The 7NDP also promoted industrialisation and job creation through the implementation of key reforms that would alleviate the constraints to industrialisation. These included streamlining business licensing and regulation, improving trade logistics, supporting micro, small medium sized enterprise (MSME) development, efficient public service delivery and easing the process of carrying out business in Zambia.

iii. ***Industrialisation and Job Creation Strategy (IJCS)****:* The Industrialisation and Job Creation Strategy (IJCS) was launched in 2013 to address the challenge of lack of job creation in the formal sector, despite the country's record of economic growth at the time. The strategy attributed the lack of formal sector jobs to Zambia's growth which had mainly been in capital intensive sectors such as mining. The aim was to create 1,000,000 new formal sector jobs in Zambia over the period 2013 to 2018. Four growth sectors were identified as having the greatest potential to achieve the multiple objectives of promoting growth, employment, value addition, and expansion of Zambia's economic base. These were the agriculture, tourism, construction and manufacturing sectors. To foster these sectors' growth and employment creation, the sectors were to be supported by significant investments in "infrastructure, education and skills development, improved availability of long term finance, transportation logistics and ICT, as well as enhancing reforms in the business environment". To promote decent work, the IJCS committed to undertake labour reforms that would reduce the cost of retirement and redundancy, and implement a sector based minimum wage premised on the ability to pay. These, among other strategies, were aimed at improving labour productivity.

iv. ***Micro, Small, and Medium-sized Enterprises (*MSMEs*) Policy:*** Amongst other goals, the MSME Policy aimed to address unemployment levels and increase participation of citizens in economic development. The Policy identified MSMEs as having great

potential for economic development, equitable wealth redistribution, and poverty alleviation.

v. ***Local Content Strategy:*** The Local content Strategy aimed to foster business linkages in growth sectors as well as promote linkages between MSMEs and large enterprises by ensuring that a minimum of 35 per cent of inputs of both goods and services were locally sourced. In addition to enhancing the competitiveness of local firms, the local content requirement had the potential to create strong domestic linkages within the economy and, consequently drive growth and boost employment opportunities.

vi. ***National Employment Labour Market Policy (NELMP):*** The 2018 NELMP was formulated to facilitate the creation of more and better jobs that offered adequate income and promoted the respect of human rights at work. The policy was also developed to align job creation strategies with the 7NDP. Among other objectives of the strategy was to increase the number of formal jobs in rural areas and transition informal jobs into formal ones. The policy also aimed at increasing work opportunities through the promotion of internships and apprenticeships, and the institutionalisation of pro-employment budgets and sector programming.

vii. ***National Youth Policy 2015*****:** The National Youth Policy was developed under the Ministry of Youth, Sport and Child Development. It was meant to drive focus on youth with a core ambition of promoting their participation and contribution to national development through employment, as well as entrepreneurship. The policy targeted to enhance employment among the youth through enhancing self-employment opportunities, expanding sub-sectors that could enhance the employment multiplier, and promote entrepreneurial education at all levels of the education system.

viii. ***Decent Work Country Programme (DWCP):*** Zambia had continued to develop decent work country programmes under the guidance of the International Labour Organization (ILO). The Committee heard that ILO encouraged member states to develop Decent Work Country Programmes which focused efforts on certain topical areas for improving decent work in the country over a given period. The 2013 to 2016 programme in Zambia prioritised four areas, among which was promotion of rights at work for equitable economic growth, as well as more and better employment opportunities. However, the fact that there were still inadequate decent jobs for the Zambian people meant that the 2013 – 2016 Decent Work Country programme did not address the national unemployment challenges.

ix. **Economic Stabilisation and Growth Programme, (ESGP) 2017 – 2019:** In 2017, Government implemented the ESGP, aimed at restoring fiscal stability (through various reforms) and rejuvenating growth and creation of 200,000 jobs per annum. At the centre of this initiative was the desire to remove the constraints to employment creation and income earning opportunities in Zambia. One aspect of these policies was meant to focus more on imparting life-long skill sets to the population that were oriented towards self-productive employment.

x. ***The Republican Constitution***: The Committee was informed that the supreme law of the land recognised the importance of employment for the people of Zambia in order for the country to achieve prosperity. Part II of the Constitution provided that "the Government shall create an economic environment which encourages individual initiative and self-reliance among the people, so as to promote investment, employment and wealth". Further, it stated that, "the Government shall promote the economic empowerment of citizens so that they contribute to sustainable economic growth and social development". This economic empowerment partly related to providing direct employment, as well as facilitating employment creation by other stakeholders, including the private sector.

xi. ***The Employment Code Act, No.3 of 2019***- *The Employment Code Act, No.3* of 2019 was the principal legislation dealing with all matters pertaining to employment of all persons in Zambia. The Act addressed discrimination in relation to employment and employment opportunities, casualisation, employment for citizens vis-a-vis foreigners, regulation of the employment of children and young persons, the welfare of employees, employment entitlements and establishment of a skills advisory committee, among other provisions.

xii. ***2015 Revision of the Labour Regulations:*** In 2015 the Zambian Government made several amendments to the *Employment Act, Chapter 268 of the Laws of Zambia*. These changes were necessitated by the need to provide further job protection to workers. The aim of these revisions was to encourage employers to have permanent employment as there was preference by employers to offer short term contracts. The regulations included the ban of casualisation of labour, and criminalisation of its practice. It also tightened separation clauses, requiring every employer to give a "valid" reason for terminating employment, among other key provisions.

xiii. ***Minimum Wage:*** Minimum wage legislation in Zambia was first enacted in 1982. The Committee heard that over time, the Act had been revised to reflect key economic changes and trends. In 2011, revisions were made and coverage was extended for the first time to domestic workers. More recent adjustments in 2018 awarded domestic workers and other workers a 100 per cent and 50 per cent increment respectively.

xiv. ***Citizens Economic Empowerment Commission Act***- the Act provided for measures to promote employment and decent work creation for Zambians by Zambians through the provision of increased access to affordable financing opportunities for Zambian micro, small and medium enterprises.

9.3FACTORS LEADING TO HIGH UNEMPLOYMENT LEVELS IN ZAMBIA

The Committee heard that there were several factors leading to the high unemployment levels in the country. These included those discussed below.

i. ***Constrained private sector growth:*** The private sector was facing a myriad of challenges including limited access to finance, constrained revenue streams as the

Government accumulated arrears owed to the private sector. All these conditions resulted in limited scope for private sector expansion, thereby inhibiting the ability to create additional decent employment and in some cases leading to job losses. Additionally, Zambia ranked poorly on indicators such as starting a business, getting connected to the electricity grid, registering property, trading across borders, and enforcing contracts. This poor ranking was indicative of inefficiencies and cumbersome procedures which increased the cost of doing business, and constrained business activity leading to reduced job creation prospects by the private sector.

ii. ***Absence of cheap and affordable long-term finance:*** The limited availability and high cost of long-term finance remained a major constraint to growth and creation of decent employment in Zambia, particularly for the MSMEs. The major form of finance in Zambia was commercial bank loans, which were mainly designed to support cash flow solutions and not long-term capital. According to the Bank of Zambia, average commercial bank lending rates stood at 25.4 percent in June, 2019. Alternative sources of finance such as rural finance, venture capital, and leasing finance that offered targeted finance products to particular business segments remained underdeveloped. Further, the limited financing had hampered the growth trajectory of entrepreneurship, stagnating business expansion and, thereby, depriving decent employment. This was despite Zambia posting record entrepreneurship activity (ranked by the Economist at par with Nigeria on 39.9). This factor had impacted capital allocation for entrepreneurial activity.

iii. ***Burdensome labour regulatory framework:*** The minimum wage had had a mixed impact on the labour market. Larger firms had adjusted to the increments with relative ease compared to smaller ones because the smaller firms had more employees covered by the minimum wage. This had constrained their ability to employ more workers. Furthermore, while the *Employment Code Act, No. 3 of 2019* introduced important clauses that improved the conditions and provided protection for workers, these conditions came at a cost to the employer. The Act further introduced a mandatory gratuity at a rate of 25 per cent which was an added separation cost for firms besides the severance pay. These new separation costs were expected to be met by largely small firms which were also expected by the Government to drive the job creation agenda. It was estimated that the cost of newly introduced gratuity and annual leave pay at any rate of basic pay increased the annual labour cost of each employee by 32 per cent.

iv. ***Fast growing youthful population***: The challenge of job creation in Zambia was compounded by Zambia's fast-growing youthful population. Zambian youths aged 15-35 accounted for 37 per cent of the total population, and accounted for 55 per cent of the country's labour force (CSO, 2018). The youth also had a higher unemployment rate compared to the national average.

v. ***Non-existent Macro-level targeting for job creation:*** Zambia's traditional macroeconomic framework focused on conventional targets such as inflation, and GDP. However, this framework completely omitted a perspective on jobs. As a result,

subsequent national budgets had missing or inconsistent job targets. Preceding budgets did not report on previous pronouncements in the same way as on other macroeconomic target such as inflation or GDP growth. This made it difficult to monitor progress on job creation both in quantitative and financial terms. As a result, very little attention was given to job creation statistics at policy level.

vi. ***Slow uptake of Multi-Facility Economic Zones and industrial yards***(MFEZs)***.*** MFEZs and Industrial yards were one way through which the country could industrialise and create jobs vis-à-vis foreign and local investments. While progress had been made with the development of multi-facility economic zones, the pace at which companies were setting up in these zones was slow and linkages with the domestic economy were weak. MFEZs should also be accompanied by adequate skills and capacity programmes jointly designed by the Government, private sector, academia and civil society groups. The establishment of industrial yards and clusters was also moving at a slow pace, thereby, hindering MSMEs, in particular, from leveraging on the benefits of industrial yards and clusters for growth and job creation.

vii. ***Skills Gap and Mismatch:*** There was an evident gap between the required skill set that industry demanded and skills of learners being churned out of learning institutions. This gap had contributed to the high rate of unemployment. According to the Central Statistical Office, in 2017, 86 per cent of total employed persons were without post-secondary school qualifications, emphasising the need for focus on skills development.

viii. ***TEVET System challenges*****:** The poor funding towards TEVET programmes had resulted in the lack of equitable access to training, outdated curriculum, insufficient information about the evolving labour market requirements, and low priority for training workers in the informal economy.

ix. ***Depressed Growth hampering employment creation:*** One of the challenges Zambia faced was that despite recording high economic growth in the recent past, the growth had not resulted in significant employment growth. This had been attributed to the fact that large capital-intensive industries, such as the manufacturing industry, had not absorbed many workers because of the capital intensity. As a result, the manufacturing industry contributed a paltry 6.7 per cent to employment in 2017(Central Statistical Office, 2017), despite being the top four highest contributors to GDP in 2017(MOF, 2018).

Currently growth was depressed, implying that it would be more difficult to create jobs. The country had found itself in a severely constrained macroeconomic environment. Growth for 2019, initially projected at 4 per cent, was now anticipated to be at 2 per cent, mainly on account of adverse climatic conditions which had negatively affected electricity generation and agricultural production. The debt burden had also reduced Government fiscal space. This situation had led to crowding out of Government spending to other areas, particularly in the economic affairs

function which played an important role in diversifying and growing the economy in order to deliver job creation.

x. ***Inadequate investment in key sectors:*** The inadequate investment in the key sectors with high potential for employment generation had hampered the creation of decent employment in the country. This was despite the intentions to develop sectors such as agriculture, manufacturing, construction and tourism.

xi. **Continued dependence on mining**: The continued dependence on the mining sector which was increasingly more capital intensive and required less labour input had significantly contributed to the unemployment levels. There was, therefore, need to shift focus and economic diversification towards labour intensive sectors such agriculture. The low manufacturing and industrial base, including limited value addition processes, had also contributed to the low employment creation.

xii. ***Construction sector:*** The Government procurement of service contracts on infrastructure development had focused on contracting foreign owned companies against local companies. This had not only robbed the nation of the opportunity for employment creation, but had also led to liquidity challenges in the economy.

9.4 THE EXTENT TO WHICH CREATION OF DECENT EMPLOYMENT HAS TAKEN CENTRE STAGE IN THE BUDGET PROCESS

The Committee was informed that the Government had plans to ensure that the budgeting process was aligned to the national priority areas. Through the cluster reporting system adopted by the Seventh National Development Plan (7NDP), the costing and prioritising of programmes and activities under each cluster of the 7NDP was emphasised in order to improve service delivery.

On the creation of decent employment in the economy, it was explained that plans were underway by Government to consider institutionalising pro-employment budgeting in key sectors of the economy responsible for job creation. This was one of the measures contained in the recently launched National Employment and Labour Market Policy. In addition, the Government was committed to creating decent employment as demonstrated by a number of strategies in consecutive national budgets during the Plan period (7NDP – 2017 to 2021). Some of the strategies highlighted in the national budgets during the reference period included matters as outlined below.

i. ***Access to finance by SMEs*** - The Government in 2017 established an Agricultural and Industrial Credit Guarantee Fund for SMEs to facilitate access to affordable financing. The facility would ensure that SMEs contributed strongly to employment generation and economic growth as industrialisation could not take place without financing to SMEs, which formed the backbone of the economy. To address this, the Government accessed US$50 million for on-lending to SMEs. This was aimed at creating dynamic SMEs that would contribute to economic growth and job creation.

Furthermore, in 2017, the Government set out to implement the Tourism Development Fund as provided for in the *Tourism and Hospitality Act, No. 13 of 2015*. The Fund was meant to support tourism product development, tourism infrastructure, and tourism marketing. This was intended to enhance the sector's contribution to employment and wealth generation. It would also enhance the capacity to safeguard the wildlife resources.

ii. ***Skills development*** - In line with the National Youth Policy and the Action Plan for Youth Empowerment and Employment, Government would focus on equipping the youth with vocational and entrepreneurial skills. The youths would also be provided with affordable start-up capital. This would enable them engage in meaningful economic activities. In addition, youth resettlement schemes would be established through which land and start-up kits would be provided to the youth, to enable them engage in agriculture and agri-business for their livelihood. Government would also expand the use of cooperatives as a business model for many of the peri-urban and rural entrepreneurs to come together, participate in economic activity, and become the new frontier for employment creation.

In addition, Government would also put in place a robust asset management system for all state-owned enterprises to assess their viability and sustainability. A comprehensive monitoring and evaluation framework would be developed to ascertain compliance of state-owned enterprises with corporate governance and operational efficiency. This would ensure that state owned enterprises contributed to domestic revenues, employment creation and economic growth.

iii. ***Economic growth strategies*** - Economic growth during the 7NDP period was expected to continue on a positive trajectory and it was projected to average above 5 per cent. Growth would be supported by policy interventions related to increased investments in growth sectors of agriculture, tourism, manufacturing and energy, supported by mining, public economic infrastructure in transport and communication, especially in the rural areas and continued investment for improved service delivery in education and health. Additionally, industrialisation strategies would underpin the growth prospects in the Plan period. The focus of the Plan on these sectors was expected to result in the creation of decent, productive jobs and increased incomes, climate smart and organic agriculture, sustainable forestry, sustainable construction and small-scale mining sectors, which would be the areas of focus as they were labour intensive. Further, this would culminate in increased foreign exchange earnings from agriculture, tourism, and small-scale mining, thereby increasing the economy's resilience to external shocks and dilution of mining sector contributions to foreign exchange earnings.

It was also reported that the fundamental function of fiscal policy during the Plan period was to ensure financial restoration, prudence and sustainability in the wake of challenges from both domestic and international factors. The Government's focus in the Plan period was, therefore, to restore budget credibility, transparency and

ensure policy consistency. The thrust in the Plan period was to continue with fiscal consolidation both on the revenue and expenditure sides in order to provide a supportive environment to unlock development bottlenecks and stimulate growth.

iv. ***Business reforms* -** A conducive policy, regulatory and business environment was important for businesses to thrive. In order to ensure a favourable environment, Government planned to put in place a legal and institutional framework that would give struggling businesses greater chance of survival. This would be done through the introduction of bankruptcy related protection aligned to international best practice. Government would also expand the use of cooperatives as a business model for many of the peri-urban and rural entrepreneurs to come together, participate in economic activity and become the new frontier for employment creation.

v. ***Government expenditure associated with public service delivery*** - Government being the largest single employer in the country required a large public service covering both the central and local governments. Government was always expanding the civil service as needs to create specialised units, departments or institutions arose. The opening up of new districts and development of infrastructure had increased employment opportunities in the new districts, both from government institutions and private sector institutions taking advantage of the opening up of new districts and new business opportunities.

vi. ***Government expenditure on developmental programmes and projects* -** Government created decent jobs and employment opportunities when it implemented developmental programmes such as construction of infrastructure funded through the budget. Whether implemented by Government itself or by private contractors, both skilled and semi-skilled jobs were created as Government spent appropriated resources to deliver infrastructure.

vii. ***Government procurement of goods and services*** - When government procured goods and services from the private sector through resources appropriated in the budget, it created decent jobs and employment opportunities in the private sector. The private sector was considered the engine of the economy and an important source of decent jobs and employment opportunities. The sustained growth of the private sector was dependent on the business opportunities provided by Government, as the biggest consumer of goods and services in the economy. Therefore, public expenditure was critical in creating jobs, stimulating economic activity, economic growth, poverty reduction and socio-economic development of the country. When Government expenditure slowed down, increased unemployment was a likely outcome.

Governments policy and tax intervention via the budget - The budget was an instrument for stimulating economic activity. Government used the annual budget to set economic policy for the year. When government introduced policy measures to restrict imports of certain consumer items for whatever reason, Government

could indirectly create local jobs as local production was influenced and increased in order to compensate for the shortfall in the restricted item. Similarly, tax measures could be used to stimulate local production of goods and services when high taxes were imposed on imported items, or tax incentives were given to export-oriented local production of certain items or products.

9.5. STRATEGIES FOR DECENT EMPLOYMENT CREATION IN THE CONSECUTIVE NATIONAL BUDGETS DURING THE PLAN PERIOD (7NDP -2017 TO 2021)

The Committee heard that whereas the country was very good at developing policies and laws in almost all areas, including employment creation, implementation was the major challenge. Further, the Committee heard in this regard that implementation of policies by Government was best reflected through the national budgets. The country had espoused its employment creation strategies by identifying the key challenges and strategies to address them. However, what it failed to do in most cases was policy implementation. Some of the policies outlined had expired with very little achieved in their stated time frames. A summary highlighting the key employment strategies in the 7NDP on which the national budgets 2017-2020 were based were as outlined below.

Table 5: Summary of the employment creation strategies in national budgets (2017-2020)

Year	*Macro target/Regulatory Reforms*	Skills Development	Infrastructure Development	Social Protection	Private Sector Development
2017	➢ 100, 000 jobs	➢ Skills Development Fund	➢ Roads Infrastructure ➢ Rural electrification	➢ Public Service pensions Fund	➢ *Agricultural and Industrial Credit Guarantee Fund for SMEs* ➢ *Recapitalization of SOEs*
2018	➢ NoJobCreation Target	➢ Skills Development Fund	➢ Roads Infrastructure ➢ Construction of Airports ➢ Rural electrification	➢ Public Service pensions Fund	➢ *PPP investment in Tractor and Agriculture equipment in MFEZ* ➢ *Obtain $40 million for agricultural mechanisation.* ➢ *Aquaculture Enterprise Development Project* ➢ *Continued development of MFEZ and Industrial parks*
2019	➢ 15,000 Jobs reported as created from the MFEZ ➢ No Job creation Targets ➢ Enactment of the Employment Code	➢ Skills Development Fund	➢ Roads Infrastructure ➢ Energy Power Infrastructure ➢ Rural electrification	➢ Public Service pensions Fund	➢ *Zambia Small Ruminants Value Chain Support* ➢ *Aquaculture Entrepreneurship Development* ➢ *Continued PPP investment in Tractor and Agriculture* ➢ *Local Content Strategy*
2020	➢ 4000 jobs from the completion of the industrial yards ➢ *Labour and Employment Inspections is meant* ➢ *Setting of Sector Based Minimum Wage* ➢ *Operationalisation of the Skills Advisory Committee*	➢ Skills Development Fund ➢ *Youth Skills Development* ➢ *Science and Technology Youth InnovationFund (STIYF)*	➢ Roads Infrastructure ➢ Rural electrification ➢ Energy Power Infrastructure	➢ Public Service pensions Fund	➢ Development of the Northern Tourism Circuit ➢ Irrigation Development Projects

The Committee was informed that from the period 2017 to 2019, the targets set in the respective budgets had not been achieved. It was emphasised that policy implementation, which was key achieving the targets coupled with enhanced monitoring of budget execution and periodic updates on decent job creation in the subsequent budgets was lacking.

9.6 RESOURCE ALLOCATION THROUGH THE NATIONAL BUDGETS AND ITS RELATIONSHIP TO EMPLOYMENT CREATION DURING THE PLAN PERIOD (7NDP -2017 TO 2021)

The Committee was informed that in order to hasten the pace of industrialisation, the Government, through the Bank of Zambia, embarked on a process of de-risking lending to the agriculture sector and put in place measures to provide affordable and long term finance to support SMEs. This was aimed at strengthening the country's resilience to climate change and external shocks. Further, in the 2019 budget, the Government committed itself to diversifying the agriculture sector through the Cashew Nut Infrastructure Support Programme valued at US$55.4 million. The project targeted 600,000 beneficiaries in Western Province. The beneficiaries included 300,000 women and 100,000 youths.

Furthermore, to bridge the funding gap for emerging farmers, Government created a Fund under the Emergent Farmer Support Programme. The target was to support 1,000 emergent farmers. About US$40 million was sourced from cooperating partners for on-lending to small holder farmers to promote mechanisation of crop production systems.

Government was also committed to promote industrialisation as a means of diversifying the economy. This was being done through facilitating value addition in the agriculture, mining, tourism and forestry sectors. In 2017, Government facilitated the development of the Kafue Iron and Steel Economic Facility Zone and the Kalumbila Multi Facility Economic Zone. The private sector invested US$100 million in the Kalumbila Multi Facility Economic Zone. Government was also assisting up-scaling of investment projects at the Lusaka South-Multi Facility Economic Zone.

The Committee also learnt that industrialisation could not take place without financing to the small and medium enterprises (SMEs) which formed the backbone of the economy. To address this, Government in 2017 accessed US$50 million for on-lending to SMEs. This was aimed at creating dynamic SMEs that would contribute to growth and generate jobs. In addition, Government's setting up of Multi Facility Economic Zones, Industrial Parks and other support infrastructure to accelerate industrialisation had gained ground. The actualised investment into the multi facility economic zones was estimated at US$ 3.3 billion, with more than 15,000 jobs created.

9.7 CHALLENGES IN THE CREATION OF DECENT EMPLOYMENT IN ZAMBIA

The Committee was informed that the number of jobs which Government was progressively creating was not adequate to accommodate the growing number of citizens, especially the youth, who were in search of employment. Studies had revealed that the

Zambian economy was only able to generate a limited number of formal jobs per annum, which left the majority out of employment.

Further, the private sector was unable to absorb the unemployed youth due to various economic challenges such as inadequate financing, limited capitalisation, and integration into the global market. In addition, the unemployment challenge was partly due to the fact that the Zambian economy was characterised by low levels of economic diversification. This challenge had implications on economic growth, wealth and job creation. Some of the challenges to the creation of decent employment creation in Zambia are set out below.

9.7.1 Lack of economic growth

The main challenges in creation of employment was the lack of economic growth. If the economy could grow and revive industry, there could be many jobs created in Zambia.

9.7.2 Lack of access to finance

More than 90 per cent of Zambian businesses were small scale. These also employed the majority of Zambian labour. However, due to lack of access to capital, they could not expand and had continued to remain small. This reduced the chances of employing more labour.

9.7.3 Limited access to energy

In recent years, Zambia had faced two energy crises in a space of four years. Limited energy supply had negatively impacted on business activities, especially for the small players who could not find substitutes easily. This had further limited economic activity, reducing the hours of work and income for many. This had ultimately reduced employability. Since 2000, electricity demand had increased by 4 per cent per annum, but electricity generation capacity had not kept up with demand. Zambia's electricity supply was dominated by hydro power generation at about 94 per cent, making it extremely vulnerable to changes in rainfall patterns and climate change. Due to drought and subsequent poor rainfall, hydro-power generation was severely reduced in 2015, and this resulted in a power capacity deficit that stood at over 800MW as of November, 2019.

The Committee also learnt that other challenges which constrained the creation of decent employment in the country included the slow growth of the manufacturing industry; lack of applied research aimed at addressing challenges the country was facing in research and development institutions limited linkages between industry and research found in research and development; inadequate or lack of investment in both basic and applied research by government; lack of business expansion in the mining sector; low levels of economic diversification; lack of an entrepreneurial mindset among citizens that would lead to job creation.

In addition other factors included: lack of interest by the youth to venture in agriculture and agribusiness; lack of a stand-alone investments Act; lack of business incubation facilities to facilitate growth and sustainability of new businesses, especially among the youth; relatively low numbers of youths pursuing vocational training that had the potential for self-employment and job creation; skills mismatch- lack of timely review of the TEVET

curriculum to meet the needs of industry; poor performance by civil servants; poor terms and conditions for finance agreements; limited opportunities for progressing in the vocational pathway; low rates of graduation of enterprises from micro and small enterprises to medium scale enterprises; and inadequate policies and legislation to promote the growth of the micro, small and medium enterprises.

10.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

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

10.1 Policy and Legal Framework

The Committee notes that whereas the policy and legal framework to address unemployment is generally adequate, the weak implementation of the policies and poor enforcement of the legal regime has resulted in the sluggish creation of decent employment in the country. Though key policies exist such as the Industrialisation and Job Creation Strategy, which has identified four key sectors namely, agriculture, tourism manufacturing and construction sectors to stimulate decent employment creation, the Committee is concerned that the implementation of the policies and legal framework has not been satisfactory.

In this vein, the Committee urges the Government to enhance the implementation of the employment creation programmes that have been identified as key towards creation of decent jobs over planned periods before introduction of new programmes. In addition, there is also urgent need to strengthen the enforcement and administration of the legal framework on decent jobs, including the restrictions on foreign labour where local knowledge and skills are readily available. Furthermore, the Government should conduct a regulatory impact assessment to establish the impact that certain business laws and regulations have had on employment creation in the country.

10.2 Official Unemployment Statistics

The Committee notes with concern that while the 19th Resolution of the International Conference of Labour Statisticians (19th ICLS) provides for new standards for measurement of the labour force characteristics and elaborates on measures of work, employment and labour underutilisation in conformity with the general production boundary, this methodology does not reflect the actual position of unemployment in the country. This may explain why there is laxity by the Government to address the high levels of unemployment which, according to this methodology, stands at 11.4 per cent.

The Committee contends that measurement of unemployment should be complemented by other measures of labour underutilisation such as the combined rate of unemployment and potential labour force as a combination of both. The potential labour force and unemployed population resonates well for developing countries in explaining the severity of the unemployment situation in a country, since potential labour force is a typical characteristic of developing countries. From this methodology, the combined unemployment figure of

41.2 per cent is a more realistic figure to consider and should be more pronounced in order for the market to respond positively.

In this vein, the Committee recommends that the Government should use the combined rate of unemployment and potential labour force methodology for official unemployment figures. This will allow the industry to respond effectively to policies and programmes to address the challenge.

10.3 Budget Allocations to Match Priority areas for Decent Employment Creation

The Committee is of the view that annual budgets and medium-term expenditure frameworks remain critical tools for the Government to both directly and indirectly influence the creation of decent jobs and employment opportunities in the country.

The Committee, therefore, urges the Government to fully fund programmes aimed at creating decent employment in order to achieve the policy intention of the budget. In addition, monitoring of budget implementation, performance and impact must be enhanced, especially for programmes aimed at creating decent jobs and employment opportunities.

10.4 Status of Decent Employment in the Formal Sector

The Committee expresses concern with the statistics that only 28 per cent of the working population was in decent employment in the formal sector. This effectively entails that over 70 per cent of the population is not in decent employment. This explains why the extreme poverty levels have remained high at 54 per cent and opportunities for decent employment remain low.

In this vein, the Committee urges the Government to have yearly targets on decent employment creation and strengthen monitoring mechanisms on the implementation of the targets. Further, the interactions between the Government and the private sector should be enhanced so as to achieve the set targets.

10.5 Performance Contracts for Civil Servants

The Committee observes with concern the poor performance by key ministries expected to steer the creation of decent employment in the country. Despite the available human resource in the civil service, the expected outcomes over decent employment creation are way below the satisfaction of the general public. While noting some limitations on decent employment creation such as the low economic growth, the interactions between the key ministries and the private sector have been minimal, thereby worsening the situation.

The Committee, therefore, urges the Government to extend the performance contracts to all senior civil servants in order to invigorate a sense of responsibility in achieving the set targets and the much needed outcomes on decent employment creation.

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

The Committee expresses concern over the lack of periodic updates on the creation of decent employment despite the Government initiating the Strategy Paper on Industrialisation and Job Creation (2013), in which four key sectors, namely, agriculture, tourism, construction and manufacturing were identified to be prioritised so as to create the 1,000,000 jobs in five years. Further, the Committee notes that save for the construction sector, the other three key sectors have not seen corresponding budgetary allocation to actualise the target.

In this regard, the Committee urges the Government to take steps to ensure that the identified sectors in the Industrialisation and Job Creation Strategy are fully supported and financed for the country to take full advantage of these labour intensive sectors of the economy to create decent jobs. In addition, policies relating to decent work should be re-aligned in order to provide for more realistic targets and timeframes in light of the challenges experienced in their implementation.

10.7 The Textile industry in Zambia

The Committee notes that one of the key manufacturing sectors that has the potential to create decent employment within a short period of time if adequately exploited is the textile industry. The demand for clothing and other textile products as evidenced by the huge influx of second hand clothes and cheap low quality textile products from Asia shows the extent of the demand.

The Committee strongly recommends that Government should put in place immediate measures to phase out the high influx of second hand clothes and low quality textile products from Asia in order to promote the local textile industry. This should be preceded by the establishment of a well structured cotton value chain with specific time frames on the implementation of the measures.

10.8 High Cost of doing Business and Crowding out of the Private Sector

The Committee notes with concern the high cost of doing business in the country, as well as the limited financing and high interest rates mainly attributed to persistent borrowing from the domestic market by the Government. This has hampered the creation of decent employment in line with the Government's aspiration of creating the 1,000,000 decent jobs by 2021. Not only does this crowd out the private sector, but it also limits productivity by the private sector, and consequently severely constrains the creation of decent jobs. Subsequently, this has hampered the growth trajectory of entrepreneurship, and has stagnated business expansion, and employment creation. This factor has impacted negatively on capital allocation for entrepreneurial activity. The Committee contends that the creation of sustainable decent jobs can only be achieved by a flourishing private sector.

The Committee, therefore, recommends that as a matter of extreme urgency, the Government should initiate and implement both short term and long term measures to address the high cost of doing business and high interest rates in order for the private sector to expand its productivity and contribute significantly to the creation of decent

employment. In addition, the Government should consider establishing a Fund to facilitate long term borrowing, financing.

10.9 Low Contribution for Decent Employment Creation by the Construction Sector

The Committee is dismayed over the low contribution to decent employment creation by the construction sector despite huge investments through both local and foreign financing. This is mainly attributed to the low participation of local contractors as most of the contractors are foreigners who in most instances externalise their finances, thereby limiting decent employment creation in the country.

In this vein, the Committee strongly recommends that Government should legislate the 20 per cent policy pronouncement for allocating Government contracts to local contractors in the construction sector in order to enhance the participation of local contractors so as to enhance the creation of decent employment in the country.

10.10 Terms and Conditions for Financing Agreements in the Construction Sector

The Committee is extremely dissatisfied with the terms and conditions for some financing agreements in the construction sector, which seem to favour foreign nationals for job opportunities at the expense of local engineers and artisans. This has to a large extent contributed to high unemployment amongst local engineers and artisans in the construction sector despite the huge investments that the Government has made in the sector.

The Committee, therefore, urges the Government to henceforth ensure that the terms and conditions of the financing agreements for huge infrastructure projects should favour local engineers and artisans through appropriate provisions.

10.11 Stand-alone Investments Act

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

In this vein, the Committee strongly recommends that the Government should initiate the development of a stand-alone Investment Act to foster the creation of decent employment in the country.

10.12 Weak Monitoring of Decent Employment Creation

The Committee notes with concern the weak monitoring of decent employment creation in the country which has exacerbated the situation, especially that there are no specific mechanisms for periodic update of employment figures in key sectors of the economy. This

is despite the Government having the means of capturing decent employment creation through social schemes, among others. One practical way includes the inclusion of decent employment creation as a key macro-economic target in the same way as is the case with GDP and inflation, among others, in the framework of the national budget in order to facilitate monitoring of progress on decent job creation both in quantitative and financial terms.

The Committee, therefore, recommends that the Government should strengthen mechanisms and capacity to monitor and analyse statistics on the labour force and use of such information to effectively inform policy interventions and strategies for jobs and employment creation by creating a robust monitoring system of tracking decent employment creation in both the public and private sectors. Further, decent employment creation should be included as one of the key macro-economic indicators in the national budget. In the same vein a robust framework for monitoring progress on decent job creation both in quantitative terms and financial terms should be developed and implemented.

10.13 Skills Development

The Committee is generally satisfied with the establishment of the Skills Development Fund as it has the capacity to contribute significantly to the creation of decent employment in the country if the objectives are executed as envisaged. However, the Committee expresses worry on the absence of deliberate measures to capacitate the youth with skills that are market oriented.

The Committee, therefore, urges the Government to roll-out capacity enhancement programmes in order to support the youth with demand oriented technological skill sets for the market. Further, continuous curriculum review should be conducted in order to provide appropriate training that matches the needs of the industry. In addition, the Government should implement a nationwide apprenticeship programme to provide a better transition from school to work.

10.14 Industrialisation of the Economy and Value Addition

The Committee notes that as a factor of production, labour is market driven. This entails that decent employment can only be created if there is demand for it by the market. In this regard, industrialisation of the economy remains central in actualising the demand for labour by the private sector, as well as value addition for local materials.

The Committee urges the Government to ensure that the re-launched National Local Content Strategy aimed at promoting linkages between micro, small, medium and large enterprises that foster business linkages in the growth sectors is implemented within specified time frames so as to create the needed decent jobs.

10.15 Investment in Research and Development

The Committee is concerned with the low investment in research and development in the country. It contends that huge investments in programmes that support technological

transfer and absorption such as ICTs have the potential to create decent jobs for the youthful population within a relatively short time.

The Committee urges the Government to consider partnering with the private sector on job creation programmes for youths through technology transfer and absorption. Further, deliberate efforts should be made to invest in research and development which underpins employment creation in general and decent employment in particular.

PART IV

11.0 ACTION-TAKEN REPORT

11.1 GUIDELINES ON THE CONSIDERATION OF THE ACTION-TAKEN REPORT OF THE BUDGET COMMITTEE FOR THE FOURTH SESSION OF THE TWELFTH NATIONAL ASSEMBLY

Manufacturing Base

i. The Committee recommended that if Zambia's aspirations of enhancing the industrial base through accelerated growth of the manufacturing sector and increased efficiency in the utilisation of natural resources was to be achieved, the Government should promote growth of the industrial base by ensuring that all programmes under the National Industrial Policy were implemented.

Executive's Response

It was reported in the Action Taken Report that programmes under the National Industrial Policy were being implemented and would continue to be implemented in order to increase the industrial base. It was further stated that the National Industrial Policy had an implementation plan which provided a road map on how the programmes under the National Industrial Policy would be implemented. In terms of efficiency in utilisation of natural resources, Government had developed a National Local Content Strategy which promoted the use of local resources efficiently in the manufacturing sector.

Committee's Observations and Recommendations

The Committee notes the steps taken to implement the National Industrial Policy and the subsequent development of the implementation plan but urges the Executive to provide an update on the contribution of industry to GDP after the implementation of the policy. The Committee will await an update on the matter.

ii. In the quest to increase the industrial base, the Committee had recommended that the Government should propagate the "Buy Zambia" campaign whilst creating a conducive environment for business start-ups which would add to local production and ultimately reduce the trade deficit. At the same time, import substitution industrialisation campaigns should be scaled up in order to ensure that imported products that could be manufactured locally were replaced with locally made products from the Zambian market. In that regard, the Committee recommended

that the Zambian Government should take a lead in buying Zambian products by ensuring that Government departments and spending agencies gave preference to local products in their procurement processes in line with the aspirations of the *Citizens Economic Empowerment Act, 2006.*

Executive's Response

It was reported in the Action Taken Report that Government, through the Ministry of Commerce, Trade and Industry promoted the consumption of Zambian products through the *Proudly Zambian Campaign*. The main objective of this campaign was to stimulate the consumption of quality locally produced goods and services in order to contribute to sustained broad-based economic growth, wealth and employment creation.

Further, it was reported that the Ministry of Commerce, Trade and Industry had delegated the implementation of the *Proudly Zambian Campaign* to the Zambia Association of Manufacturers (ZAM). In this regard, the Ministry had been conducting sensitisation activities on the *Proudly Zambian Campaign* at various fora such as the Zambia International Trade Fair, Zambia Agricultural and Commercial Show, provincial shows among others. In addition, the Zambia Association of Manufacturers had conducted a number of sensitisation activities that included *The Buy Zambian Expo which* was held during the *Manufacturing Week in 2018*. The expo attracted more than fifty Zambian producers showcasing the best of Zambian products. In order to ensure that Government Departments and Spending Agencies gave preference to local products in the procurement processes, the Ministry requested the Office of the Secretary to Cabinet to consider issuing a circular to Government institutions to encourage them to prioritise local products when purchasing goods and services. The circular was still undergoing approval processes.

Committee's Observations and Recommendations

The Committee notes the response and awaits a progress report on the issuance of the circular by the Secretary to the Cabinet to Government institutions and other spending agencies on giving preference to local products in their procurement processes.

Membership to International Trade Groupings and Protectionism

iii. The Committee recommended that Zambia should take stock of its membership to various regional groupings with a view to renegotiating some of those agreements that did not favour Zambia. Further, the Government was asked to consult widely with different stakeholders, especially local manufacturers, when entering into future trade agreements. The Committee also recommended that the Government should consider implementing smart protectionism on selected products that could be manufactured locally with a higher comparative advantage so as to promote the manufacturing sector, whose growth was currently hindered by the unhindered influx of foreign imports. The Committee strongly recommended that the Government should make deliberate efforts to take advantage of the provisions in

these regional and international trade agreements to protect local industry, as other countries had done.

Executive's Response

It was reported in the Action Taken Report that Government, through the Ministry of Commerce, Trade and Industry, had put in place mechanisms for the private sector firms, including ZAMEFA, to submit a breakdown of the challenges they faced with regard to the imported products or when penetrating foreign markets. For instance, through the Safeguard Committee, the Ministry of Commerce, Trade and Industry could consider submissions made by the private sector where the issue at hand related to a sudden influx of imports having a negative impact on a given industry.

Through the regional non-tariff barrier monitoring mechanism, the Ministry followed up non-tariff barriers imposed by trading partners based on submissions from the private sector. Additionally, through engaging in bilateral discussions and notifying concerns raised through the non-tariff barrier monitoring mechanism, such concerns could be addressed. A number of trade concerns had been resolved through this mechanism. Government therefore, remained open to receiving submissions so that solutions could be found.

Further, all undertakings with an impact on the private sector and other stakeholders, were subjected to a consultative process, which informed the positions taken by Government during negotiations. Government would continue to engage all stakeholders in formulating national negotiating positions so that the process and outcome of these negotiations could reflect national interests.

With regard to the recommendation to implement smart protectionism, Government submitted that the capacity for Government to effectively implement such protectionism was dependent on availability of financial resources to undertake investigations and surveys in markets and on products of interest to the nation. It also depended on the consolidation of institutions to monitor and carry out routine inspections, the strengthening of human resources in implementing agencies and the vigilance of the private sector in submitting concerns encountered.

Institutions such as the Ministry of Agriculture, Zambia Agricultural Research Institute (ZARI), Zambia Revenue Authority, Zambia Bureau of Standards, Zambia Compulsory Standards Agency (ZCSA), Zambia Environment Management Agency (ZEMA) and the Ministry of Health, among others, were key in ensuring that these smart measures were implemented. These needed to be adequately and appropriately resourced to implement their mandates effectively.

Among measures taken by the Ministry of Commerce, Trade and Industry to ensure that various stakeholders were not just aware of provisions in regional and international trade agreements but also taking advantage of market openness included the following:

i. The constant holding of buyer-seller meetings;
ii. Facilitation of private sector participation in exhibitions and international fairs;
iii. negotiation of capacity building initiatives to prove product quality and certification;
iv. strengthening of institutions such as the Zambia Bureau of Standards; Zambia Metrology Agency, the Zambia Compulsory Standards Authority, among others, to conduct inspections and support certification of products; and
v. negotiation of trade finance to support the private sector in enhancing their capacity to export

The Committee was informed that the Ministry would continue to pursue initiatives aimed at increasing the participation of Zambian firms in international trade. As regards measures to protect the local industry, the Ministry would continue to respond to submissions received from the private sector and to monitor the inflow of commodities by subjecting imports to the necessary inspection requirements so that the local industries were not subjected to unfair competition.

Committee's Observations and Recommendations

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

Heavy Dependency on Copper and Untapped Opportunities in Agriculture

iv. The Committee urged the Government that in its quest to diversify the economy, it should not only create a conducive environment for agriculture production, but should also create domestic and regional marketing structures which were predictable and reliable. In promoting diversification through agriculture, the Government should also aim at creating value chains for the farmers in the down and up streams of the supply chains in the sector.

Executive's Response

It was reported in the Action Taken Report that the Ministry of Agriculture was promoting crop diversification among the smallholder farmers. Taking cognisance of the unfavourable rain patterns, in order to facilitate crop production all year round and promote growing of diverse crops, Government was facilitating the construction of irrigation infrastructure in selected parts of the country. The major infrastructure projects included:

i) Irrigation Development Support Project (IDSP), which targeted to bring 8,580 hectares under irrigation. The project was being implemented in three sites, namely, Mwomboshi in Chisamba District, Lusitu in Chirundu District and Musakashi in Mufulira District. At Mwomboshi, construction of the dam

for irrigation had been completed and the works of the associated irrigation scheme had started. At Lusitu, the construction of the irrigation scheme was estimated to 89 per cent complete. At Musakashi South, the construction of the irrigation scheme was estimated at 50 per cent complete;

ii) Up-Scaling Small-Holder Irrigation Project (USIP) which was targeting to bring 10,900 hectares of land under irrigation. USIP had completed feasibility studies for twenty seven sites being considered for development of irrigation schemes. The project would commence once financing arrangements had been finalised;

iii) Agriculture productivity and Market Enhancement Programme (APMEP) had a target of 3,377 hectares of land to be brought under irrigation in Gwembe, Rufunsa and Sinazongwe; and

iv) Chianshi Irrigation Development Scheme in Chanyanya area of Kafue District which was targeting 3,800 hectares of land to be brought under irrigation. The Chianshi scheme construction was launched in August 2019.

Further, the Ministry of Agriculture was conducting research on various crop technologies at the Zambia Agriculture Research Institute (ZARI) research centres in various parts of the country. The research had resulted in release of new seed varieties and development of agronomic techniques which were disseminated to the farmers. The major crops under research included maize, beans, cassava and groundnuts.

The Ministry of Agriculture was promoting agricultural value chain development through various programmes such as the Enhanced Smallholder Agribusiness Promotion Programme (E-SAPP).Through E-SAPP, the Ministry of Agriculture was promoting the commercialization and value addition of Soya beans, beans, groundnuts, cowpeas, small ruminants and aquaculture development.

In terms of creating domestic and regional marketing structures which were predictable, the Government through the Ministry of Commerce had a programme called Market Linkages Programme where it linked some businesses especially for small and medium enterprises to bigger firms as a way of finding market. It was also important to note that the Ministry had been holding bilateral negotiations with other neighbouring countries for duty free market access for Zambia's products. For example, Angola and the Democratic Republic of Congo were a case in point.

Regionally, Zambia's products had access to COMESA, and SADC which were more expanded and reliable markets. Further, Government had entered and was negotiating trade agreements at regional, bilateral and multilateral level that provided market opportunities for Zambian products. In addition, Zambia continued to consolidate its trade relations with regional partners through the Tripartite Free Trade Area to which Zambia had signed up. For this reason, Zambia would be the largest trading bloc on the African continent bringing together a population of over

625 million people from twenty six countries with a combined Gross Domestic Product (GDP) of US$ 1.3 trillion which was about sixty per cent of the African Continent's GDP.

It was Government's aspiration that with these market access arrangements, the exporting and business community would rise to the challenge and take advantage of the open markets.

With regard to creating value chains for farmers, the Ministry had continued to implement value chain programmes through the Citizens Economic Empowerment Commission (CEEC). The implementation of the District Value Chain Development Programme was part of the Industrialisation and Job Creation Strategy.

1,639 value chain projects had thus far been implemented in forty two districts of the country through the provision of business loans and business development services by CEEC to targeted citizens. These value chains promoted value addition, including for farmers in the down and up-streams of the supply chains in the sector.

Government was fully aware of the challenges faced by the textiles sector and the need to revamp this sector, given its contribution to job and wealth creation. The steps taken by Government in this regard are outlined below.

The Ministry of Commerce, in collaboration with the Cotton Association of Zambia (CAZ), partnered with the International Trade Centre (ITC) to set up Zambia's first farmer-owned ginnery, the Mumbwa Farmers' Ginning and Pressing Company (MFGPCo). Funds were provided under the Citizen Economic Empowerment Commission (CEEC) for setting up the ginnery. This initiative had been scaled up to the Eastern and Southern Provinces where Cotton was grown. The farmers were now able to get value for their lint and seed cotton as a result of this initiative.

Additional steps had been taken to train the farmers on how to weave using handlooms in order to ensure sustainability and to create more jobs. The Cotton Association of Zambia (CAZ) had partnered with the Kabwe Institute of Technology (KIT) in making handlooms and spinning wheels. Additional support had been leveraged from the European Union funded Regional Integration Support Mechanism under COMESA to support training (including training in entrepreneurial skills, exchange visits, weaving of handlooms and linkage to international markets).

In view of the dynamic nature of the textiles and the innovations currently taking place globally, which had resulted in the establishment of technical textiles, the approach taken was to ensure that Zambia tapped into those segments of the industry where there was comparative advantage, such as specialized knits using handlooms for a niche market and to produce other products such as health and hygiene products using the locally grown cotton.

Committee's Observations and Recommendations

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

v. The Committee also urged the Government to slowly phase out the importation of second hand clothes in order to revive the Zambian clothing industry which had completely collapsed due to the alternative cheap second hand imports. This was at the expense of creating jobs for Zambians.

Executive's Response

It was reported in the Action Taken Report that the proposal to ban second hand clothing was noted. However, it was important to note that currently, the Government was imposing high tax on the imports to discourage imports and provide space for adjustment by those communities whose livelihood was dependent on sale of second hand clothes. With the coming on board of cheap textiles from China, the challenges of the sector were not just second hand clothes but also cheap products from China. Therefore, a strategic approach was required to deal with this sector while addressing the socio-economic impact of any measures that would be instituted. One of the strategies Government was looking at was preferential procurement which could help reduce imports of textiles while building local capacity to produce high quality textile products.

Committee's Observations and Recommendations

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

vi. Further, in an attempt to reduce consumer induced trade deficits, the Committee was of the strong view that the textile industry was one of the sectors that should be looked at in terms of import substitution strategies, given that every citizen in Zambia was a consumer of textile products in one way or the other. In this regard, the Committee recommended that the Government should take a lead by stopping the importation of uniforms and ensuring that all uniformed public employees, including security wings in Zambia, were dressed in Zambian made uniforms from Zambian grown cotton.

Executive's Response

It was reported in the Action Taken Report that in order to address the issue of imports, Government was imposing high taxes on importation of textile products, including uniforms, so as to discourage imports and promote local industries. With the coming on board of cheap textiles from China, the challenges of the sector was not just second hand clothes but also cheap products from China. Therefore, a

strategic approach was required to deal with this sector while addressing the socio-economic impact of any measures that would be instituted.

The approach being considered therefore, was to ensure that Zambia tapped into those segments of the industry where there was comparative advantage, such as uniforms, specialised knits using handlooms for a niche market and to produce other products such as health and hygiene products using locally grown cotton.

Committee's Observations and Recommendations
The Committee notes the response and awaits a progress report on the implementation of the recommendation that all uniformed public employees and security wings be dressed in uniforms made from Zambian grown cotton.

vii. The Committee also urged the Government to ensure that sector specific constraints in agriculture and textiles were identified and appropriate time-bound measures were put in place to address such constraints.

Executive's Response
It was reported in the Action Taken Report that the Government had taken note of the recommendation by the Committee to ensure that sector specific constraints in agriculture and textiles were identified and appropriate time-bound measures were put in place to address such constraints.

Committee's Observations and Recommendations
The Committee is disappointed that there are no measures being implemented to address the recommendation. The Committee finds this response unacceptable and requests a detailed response, outlining the measures taken to address the challenges identified.

Fiscal Indiscipline and Instability

viii. The Committee recommended that the Government should strictly adhere to its own policy documents such as the MTEF and 7NDP, in pursuit of the goal of making Zambia a middle income country as enshrined in the Vision 2030 document. To this effect, the Government should strictly implement the proclaimed austerity measures in order to cut unnecessary expenditures.

Executive's Response
It was reported in the Action Taken Report that the rationale for the austerity measures was to make policy adjustment which had recently been under pressure from higher expenditure on debt amid tight liquidity. It was also reported that the monitoring of the austerity measures was a multi-sectoral issue and a framework had been developed to monitor their implementation. The framework required all institutions to report on monthly basis. In some cases, circulars had been issued to ensure that that the implementation was adhered to. The Committee of Permanent Secretaries would ensure to work more prudently with the focus on managing for results by doing more with less.

Committee's Observations and Recommendations
The Committee notes the response and awaits a progress report on the actual expenditure cuts arising from the austerity measures being implemented.

ix. The Committee also recommended that the Government should, as matter of urgency, start producing quarterly reports highlighting the funds saved from the austerity measures and the projects undertaken from the funds saved.

Executive's Response
It was reported in the Action Taken Report that monitoring of the austerity measures was a multi-sectoral issue and would need time to provide more information on what was being done for each measure. In this regard, a Committee on Austerity measures had been constituted. This Committee would be responsible for spearheading the implementation of the measures and comprised representatives from the implementing institutions.

It was also reported that the production of quarterly reports, the Austerity Measures Technical Committee would be responsible to produce the quarterly reports in line with the recommendations of the Committee.

Committee's Observations and Recommendations
The Committee notes the response and awaits a progress report on the actual funds saved quarterly arising from the austerity measures being implemented.

Uncontrolled Contraction of Loans

x. The Committee urged the Government to present the long overdue amendments to the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia.* to compel the Executive to seek Parliamentary approval of loan contraction in fulfillment of the constitutional provision. This would, in part, assist check the uncontrollable appetite for expensive commercial debt which stood at 53 per cent of the country's foreign debt stock as at June, 2018.

Executive's Response
It was reported in the Action Taken Report that the amendment of the *Loans and Guarantees (Authorisation)* Act had delayed due to some provisions which may be in conflict with the Constitution. The finalisation of the new *Loans and Guarantees (Authorisation) Act* awaited the Constitution amendment. However, the Bill had gone through the various stages of legislation in readiness for submission to Parliament. As regards debt contraction and curbing excessive spending, it was stated that the Ministry of Finance on 3rd July, 2019 issued a circular aimed at complementing Cabinet Circular No. 15 of 2018 which highlighted debt measures to be implemented. In view of the above circulars, a Cabinet Memorandum was being developed to submit proposed loans for cancellation and postponement of pipeline debts for approval by Cabinet, taking into account the critical sectors of the economy.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the presentation of the amendments to the *Loans and Guarantees (Authorisation) Act, Chapter 366 of the Laws of Zambia* to Parliament for enactment.

Exchange Rate Instability and Foreign Reserve Sustainability

xii. The Committee urged the Government to create a conducive environment for the private sector investment to thrive, which would in the long run increase export earnings and ultimately improve foreign exchange inflows and contribute to stabilisation of foreign reserves position. Further, a stable economic environment would encourage international trade and investments as stable exchange rates could have the positive effect of keeping down interest rates, thereby lowering the cost of financing businesses.

Executive's Response
It was reported in the Action Taken Report that the Government had continued to create a conducive business environment to promote the growth of the private sector through business reforms, development of infrastructure such as roads, revamping the railways, automation of registration of businesses, development of trade policy, facilitation of One Stop Shops, One Stop Border Posts and many other reforms to create a conducive business environment. Further, the Government had developed a National Export Strategy to promote and increase the exports of Non-Traditional Exports. In addition, the putting of the National Trade Policy would also increase trade within and with other countries in the region and internationally, thereby increasing exports to address foreign exchange inflows.

Committee's Observations and Recommendations
The Committee notes the response but resolves to await a progress report on the exchange rate stability and foreign reserve sustainability.

xiii. In mitigating the lack of adequate import cover and exchange rate through defensive Open Market Operations (OMO) by the Central Bank, the Committee recommended that the Central Bank should consider the usage of gold bullions in its reserves alongside the dollar reserves, using gold that was mined locally. Since gold bullion was a product of refined gold, the Committee was of the view that the Government could facilitate the opening of a gold refinery through tax incentives to mining firms that would want to invest in gold refinery operations.

Executive's Response
It was reported in the Action Taken Report that with regard to issues related to foreign reserve sustainability, it had been acknowledged that declining reserves posed a risk to the country's macroeconomic stability. This decline in foreign reserves had mainly been on account of a rise in external debt service payments coupled with the weak domestic currency. The Bank of Zambia had since embarked on various initiatives to build reserves and one such initiative had been the

possibility of expanding the Bank's asset through the reintroduction of locally produced gold into the reserves portfolio. The Bank of Zambia had been engaging the relevant mining company with a view to buying locally produced gold and the contraction process had reached an advanced stage.

However, the grade of the locally produced gold did not meet the international minimum standard for it to be classified as monetary gold and included into the reserves portfolio. Given the absence of a gold refinery locally, the Bank of Zambia supported the Committee's view that Government may need to facilitate the establishment of a gold refinery, using other models of financing such as private sector led or Public Private Partnership financing models. Government would be undertaking a geological survey to determine the gold resource across the country. Once this was done, measures would be put in place to support gold mining.

Committee's Observations and Recommendations

The Committee notes the response but resolves to await a progress report on the geological survey to determine the gold resources across the country and the establishment of a gold refinery in order to enhance foreign reserve sustainability.

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

Taxes from mining companies in Zambia

i. The Committee recommended that ZRA officials assigned to work in the mines should have specialised training in assessing declarations on profits and losses made by the multinational mining firms.

Executive's Response

It was reported in the Action Taken Report that ZRA had significantly invested in the capacity of its staff, with support from cooperating partners such as the Norwegian Tax Administration, Inter Governmental Forum on Mining, African Tax Administration Forum and the OECD, among others. The support from co-operating partners focused, among other things, on enhancing audit capacity through training and joint audits, classroom training and provision of ICT equipment. The ZRA had also created a dedicated Mining Audit Unit that audited tax types related to the mining sector, such as mineral royalty, company tax, pay as you earn and withholding tax.

ZRA currently had two capacity building programmes running, aimed at enhancing skills in the mining sector namely:

(i) Joint programme by the Inter-Governmental Forum on Mining and Metals, African Tax Administration (ATAF), Organisation for Economic Cooperation and Development (OECD); and

(ii) Tax inspectors without Borders Programme, which was a joint programme under the OECD and United Nations Development Programme (UNDP) where ZRA was collaborating with tax inspectors from the South African Revenue Service.

Further, ZRA had set up a dedicated unit to handle complex international tax matters as they related to cross border taxation that multinational enterprises were involved in. The unit handled transfer pricing transactions for the mining sector and other sectors. The tax inspectors under this unit had been trained in specialised courses in dealing with base erosion and profit shifting transactions.

Committee's Observations and Recommendations

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

Tax Regime in the mining sector

ii. To avoid uncertainties and planning challenges in the mining sector caused by constant tax changes, the Committee recommended that the Government should take a more consultative approach in coming up with the tax system in order to avoid ambiguity and anxiety by mining firms whose profit projections, among others, were normally aligned to the prevailing tax regimes. The Committee also recommended that consultations on tax policy decisions that affected a range of mines with different cost structures and copper grades be done before a new tax regime was announced. Further, research institutions with vast knowledge in mining tax administration should also be consulted before coming up with a tax regime in order to avoid constant tax policy reversals which affected investor confidence.

Executive's Response

It was reported in the Action Taken Report that the Government had taken note of the recommendations by the Committee. The Committee was informed that Government, through the Ministry of Finance, had a Tax Policy Review Committee which reviewed submissions from all the players in the economy, including issues relating to tax regimes in the mining sector. The Committee reviewed the various submissions, held consultations with stakeholders and made recommendations for onward considerations by policy makers. Therefore, Government was committed to ensuring consistency in the tax regime for the mining sector as well as other sectors.

Committee's Observations and Recommendations

The Committee notes the measures taken but resolves to await a progress report on the implementation of the highlighted interventions in order to avoid ambiguity in the tax system.

iii. Further, the Committee recommended that in order to maximise revenue collection in the long run, the Government should come up with optimal tax rates that do not discourage investments and exploration in the mining sector.

Executive Response

It was reported in the Action Taken Report that the Development Agreements that were entered into by the Government of the Republic of Zambia and several mining companies were revoked by an Act of Parliament in 2008 through the *Mines and Minerals Development Act No. 7 of 2008*. The revocation of the Development Agreement meant that all tax matters relating to the mining sector were to be administered through the relevant tax laws. The Government had further provided a period of seven years under the VAT Act in which mining companies that were in mineral exploration could claim VAT on their inputs and thus this scheme had reduced the cost of exploration thereby encouraging exploration in the sector. The Government had further provided a company income tax rate of 30% which was competitive compared to the standard 35% that was applicable to the other sectors.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await a progress report on the actual optimal; tax rates that had been introduced.

iv. Furthermore, given that profit based taxes had yielded very little economic benefit to the country regardless of the mineral grades and cost structures, the Committee recommended non tax deductibility of mineral royalty. However, the Committee urged the Government to ensure that care was taken to mitigate the anticipated challenges associated with the proposed non deductibility of mineral royalty, such as the increase in costs for the mining operations which could in the long run discourage further investments in the sector.

Executive's Response

It was reported in the Action Taken Report that the Government would undertake a comprehensive tax review to ensure maximum revenue collection through optimal tax rates that did not discourage investments and exploration in the mining sector.

Committee's Observations and Recommendations

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

v. The Committee further recommended that the Zambia Revenue Authority should enhance its capacity for both staff and its information and communications technology infrastructure and systems in mine taxation. This would enable the Authority to carry out complex tax assessments from an informed perspective.

Executive's Response

It was reported in the Action Taken Report that the Zambia Revenue Authority had invested in several ICT systems and tools that were being used in administering the mining sector and they included the following:

i) The Mining Output Statistics Evaluation System (MOSES)
Zambia Revenue Authority, in conjunction with other stakeholders that included the Ministry of Mines and Minerals Development, had invested in the MOSES system that monitored the mineral value chain from production to exportation. This was an electronic web-based platform which mining companies were using to submit the mineral quantities that they had produced, purchased and sold. The systems were also used in the following:

a) In the issuance of export permits and in applying for the mineral royalty clearances that are granted by ZRA; and
b) Mineral analysis certificates and mineral valuation certificates issued by the Ministry of Mines and Minerals Development.

The office that was in charge of administering the system was the Mineral Analysis Data Centre (MIDAC) which was composed of staff from the Ministry of Mines, ZRA, Road Development Agency and the Central Statistical Office.

The information submitted by the mining companies was analysed by the MIDAC team as well as the ZRA Audit Unit and Business Intelligence Units for risk.

Committee's Observations and Recommendations

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

Lack of Value Addition in the Cotton Industry

vi. The Committee urged the Government to take bold steps in reviving the textile industry by gradually banning importation of second hand clothes which had been the lead cause of the sector's failure. Once developed, the sector would create employment opportunities within the economy in the down and up streams of the value chain from the cotton farmer up until the garment maker.

Executive's Response

It was reported in the Action Taken Report that Government was taking steps to revive the textile sector. For example, the Ministry of Commerce, Trade and Industry, in collaboration with the Cotton Association of Zambia (CAZ), had partnered with the International Trade Centre (ITC) to set up Zambia's first farmer-owned ginnery, the Mumbwa Farmers' Ginning and Pressing Company (MFGPCo). Funds were provided under the Citizens Economic Empowerment Commission (CEEC) for setting up the Ginnery. This initiative had been scaled up to Eastern and Southern Provinces where Cotton was grown. The farmers were now able to get value for their lint and seed cotton as a result of this initiative.

Additional steps had been taken to train the farmers on how to weave using handlooms in order to ensure sustainability and to create more jobs. The Cotton Association of Zambia (CAZ) had partnered with the Kabwe Institute of Technology (KIT) in making handlooms and spinning wheels. Additional support had been leveraged from the European Union funded Regional Integration Support Mechanism under COMESA to support training (including training in entrepreneurial skills, exchange visits, weaving of handlooms and linkage to international markets.

Committee's Observations and Recommendations

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

vii. Further, the Committee also urged the Government to ensure that it recapitalised the CEEC funded Ginnery in Mumbwa, which in 2017 (after being funded adequately) made a profit of K800, 000 in one marketing season. The Committee, therefore, recommended that the Mumbwa Ginnery be funded adequately as a way of bringing it to full operational capacity as it was still a viable venture which would not only improve the lives of the farmers around Mumbwa, but would also add to the creation of new jobs.

Executive's Response

It was reported in the Action Taken Report that as and when funds were made available, Government would consider recapitalising the Mumbwa Ginnery if they applied for funding just like any other applicant who applied for funds under the Citizens Economic Empowerment Commission.

Committee's Observations and Recommendations

The Committee will await a progress report on the matter**.**

Gemstone sector tax contribution

viii. The Committee urged that Government to prioritise the development of the gemstone sector as it had the potential to outdo the copper sector in terms of contributions to the Treasury.

Executive's Response

It was reported in the Action Taken Report that the Government had prioritised the gemstone sector in the Seventh National Development Plan. The interventions to support the growth of the gemstone sector included:

- Generation of geological data on gemstones and industrial minerals, which was expected to enable the sector attract investment while also ending the holding of licenses for speculative reasons; and
- Increasing access to local and international markets as well as finance.

However, the implementation of these programmes had been hampered by inadequate funding.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await the funding of the sector in line with the priorities as espoused in the 7NDP.

The Committee also recommended that the Government should have a stake in every gemstone mining licence so as to ensure close monitoring of the sector's business environment such as the pricing of precious stones. Unlike base metals, pricing of precious stones had no global standard and was usually based on the party's ability to negotiate and the value attached to the commodity either by the seller or the buyer. Furthermore, it would also be the only assured way through which the Government would get a fair share of its own natural resources. The Committee therefore, recommended a 25 per cent Government ownership in every gemstone mine.

Executive's Response
It was reported in the Action Taken Report that the Government had taken note of the recommendation of the Committee to have a stake of not less than 25% ownership in every gemstone mine. Government would ensure that where it was appropriate and profitable, it acquired a significant stake. Section 17 of the *Mines and Minerals Development Act of 2015* allowed the ownership of mines by the Government. The recommendation would be subjected to further clearance by Cabinet.

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

ix. The Committee also noted that the gemstone sector had too many licenced but non-operational mines. There were around 700 mines in Lufwanyama District alone. The Committee in this regard urged the Government to undertake a detailed investigation on this matter, and to provide a roadmap through which these mines could be operationalised.

Executive's Response
It was reported in the Action Taken Report that the Government had noted the recommendation of the Committee. The Ministry of Mines and Minerals Development was currently undertaking a detailed license audit. As soon as the review of the licenses was completed, the Ministry would develop a roadmap to ensure all idle mines were operationalised. The Ministry was strategising with various stakeholders on how the sector could be supported with funding because most licences were owned by Zambians with inadequate capacity.

Committee's Observations and Recommendations

The Committee notes the response and resolves to await an update on the matter.

Finance and Procurement managers in the mines

The Committee recommended that the *Public Procurement Act, No. 12 of 2008* and the *Accountants Act, No. 13 of 2008* be amended and revised to ensure that only Zambians were employed as finance and procurement managers in line with the *Employment Code Act, 2019* where only Zambians were allowed to take up the position of the human resource managers.

Executive's Response

It was reported in the Action Taken Report that the Government noted the observations and recommendations by the Committee. It was explained that under the *Employment Code Act, No. 3 of 2015,* Government strengthened the legal provisions on the employment of expatriates in Zambia. The Ministry of Labour and Social Security would soon constitute the Skills Advisory Committee which would, among other things, be responsible for carrying out surveys and research on expatriate skills in Zambia. In line with the Zambianisation policy, foreigners would not be allowed to take up jobs that could be performed by Zambians, including the positions of finance and procurement managers.

It was further reported that the Ministry of Labour and Social Security had consulted the Zambia Public Procurement Authority (ZPPA) and Internal Audit under the Ministry of Finance on this matter, and they both supported the Committee's recommendation to amend and revise the *Procurement Act, No. 12 of 2008* and *Accountants Act, No. 13 of 2008 respectively.*

Committee's Observations and Recommendations

The Committee notes the response but resolves to await a progress report on the revision of the *Public Procurement Act, No. 12 of 2008* and the *Accountants Act, No. 13 of 2008* in order to harmonise the pieces of legislation with the *Employment Code Act.*

Trade Agreements and Smart Protectionism

x. The Committee recommended that the Government should take bold steps to ensure that the local industry, which was still in its infancy, was protected by enforcing smart protectionism strategies. For example, ZAMEFA faced a lot of huddles in establishing a steady market for its manufactured low voltage electric cables due to the cheap imports in terms of quality and price, thereby, undermining a firm that employed from within the economy and contributed to copper value addition.

Executive's Response

It was reported in the Action Taken Report that the Government, through the Ministry of Commerce, Trade and Industry, had put in place mechanisms for private sector firms, including ZAMEFA, to submit challenges they faced with regard to imported products or when penetrating foreign markets. For instance, through the

Safeguard Committee, the Ministry could consider submissions made by the private sector where the issue at hand related to a sudden influx of imports having a negative impact on a given industry.

Through the regional non-tariff barrier monitoring mechanism, the Ministry followed up non-tariff barriers imposed by trading partners based on submissions from the private sector, through engaging in bilateral discussions and notifying concerns raised through the non-tariff barrier monitoring mechanism so that such concerns are addressed. A number of trade concerns had been resolved through this mechanism. The Ministry, therefore, remained open to receiving submissions so that solutions could be found.

All undertakings with an impact on the private sector and other stakeholders, were subjected to a consultative process, which informed the positions taken by Government during negotiations. The Ministry would continue to engage all stakeholders in formulating national negotiating positions so that the process and outcome of these negotiations could reflect national interests.

With regard to the recommendation to implement smart protectionism, it was reported that the capacity for Government to effectively implement such protectionism was dependent on adequacy of funding to undertake investigations and surveys in markets and on products of interest to the nation; consolidation of institutions to monitor and carry out routine inspections; the strengthening of human resources in implementing agencies; and the vigilance of the private sector in submitting concerns encountered.

Institutions such as the Ministry of Agriculture, Zambia Agricultural Research Institute (ZARI), Zambia Revenue Authority, Zambia Bureau of Standards, Zambia Compulsory Standards Agency (ZCSA), Zambia Environment Management Agency (ZEMA) and the Ministry of Health, among others, were key in ensuring that these smart measures were implemented. These needed to be adequately and appropriately resourced to implement their mandates effectively.

The measures taken by the Ministry of Commerce, Trade and Industry to ensure that various stakeholders were not just aware of provisions in regional and international trade agreements but were taking advantage of market openness included the following:

i. the constant holding of buyer- seller meetings;
ii. facilitation of private sector participation in exhibitions and international fairs;
iii. negotiation of capacity building initiatives to prove product quality and certification;
iv. strengthening of institutions such as the Zambia Bureau of Standards; Zambia Metrology Agency, the Zambia Compulsory Standards Agency, among others, to conduct inspections and support certification of products; and

v. negotiation of trade finance to support the private sector to enhance their capacity to export.

The Ministry would continue to pursue initiatives aimed at increasing the participation of Zambian firms in international trade.

As regards measures to protect local industry, the Ministry would continue to respond to submissions received from the private sector and to monitor the inflow of commodities by subjecting imports to the necessary inspection requirements so that local industry were not subjected to unfair competition.

Committee's Observations and Recommendations

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

Empowerment of the local citizens

xi. The Committee urged the Government, through the Ministry of Energy, to investigate the issues surrounding the transportation of petroleum products so that if any officers were found wanting, they could be reported to the investigative wings for necessary action.

Executive's Response

It was reported in the Action Taken Report that the Ministry of Energy was mandated to give policy guidance in the energy sector. In this regard, the Ministry, in consultation with stakeholders, was in the process of establishing a secretariat to ensure transparency in the transportation of finished petroleum products. The proposed secretariat would also manage the nomination of trucks for transporting finished petroleum products, among other tasks.

Committee's Observations and Recommendations

The Committee notes the response but urges the Government to provide an update on the transportation of petroleum products and action taken against officers found wanting, if any. In this vein, the Committee resolves to await an update on the matter.

xii. The Committee had further noted the lack of transparency in the handling of petroleum products by allowing more foreign truckers to keep bringing the fuel when there were so many Zambian trucks waiting to offload. The Committee recommended that TAZAMA should give priority to Zambian trucks to offload the fuel before foreign owned trucks.

Executive's Response

It was reported in the Action Taken Report that in line with Government policy of empowering Zambian citizen-owned transportation firms, in 2016 Government put in place a policy which apportioned 20per cent threshold allocation to locally

registered transporters to transport finished petroleum products by road to TAZAMA on behalf of the Zambian Government. Further, in 2018, Government awarded contracts to eight suppliers to supply finished petroleum products and a clause was introduced which increased the threshold from **20%** to a minimum of **50%** of the trucks being used to transport petroleum to be locally owned companies. In order to ensure that this clause was adhered to, the Ministry was engaging relevant stakeholders.

Committee's Observations and Recommendations
The committee notes the response but resolves to await a progress report on the full implementation of the 20 per cent reserved for local transporters in the sector.

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

Implementation of tax reforms to enhance Domestic Resource Mobilisation (DRM)
The Committee urged the Executive to ensure consistency in the tax laws in order to bring about investor confidence and predictability of the tax system. This would enhance tax compliance by various business entities within the economy. In light of the fact that further changes in the tax system were expected, in particular, the change from Value Added Tax to Sales Tax, the Committee resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that the Government had continued to undertake tax reforms and modernisation of the tax system to enhance revenue mobilisation. Some of the measures being undertaken included use of Electronic Fiscal Devices, e-platforms on the tax payments as well as enhancing compliance through appointment of tax agents.

Further, Government had maintained the VAT regime following consultations with various stakeholders. Government had therefore, put in place administrative measures to strengthen the enforcement and efficiency of VAT.

Committee's Observations and Recommendations
The Committee notes the response and closes the matter but urges the Government to ensure that taxation in the country is predictable and consistent in order to foster investor confidence.

Introduction of Digital Stamps
The Committee resolved to await a progress report on the full implementation of this measure and seeks an explanation on how Excise Duty collections on cigarettes and alcohol would be improved by it.

Executive's Response
In response to the Committee, the Executive stated that in an effort to reduce non-compliance and manage illicit trade of excisable products such as tobacco and alcohol, the Zambia Revenue Authority proposed the introduction of digital tax stamps to be affixed on some excisable products. These digital tax stamps were intended to replace the existing paper tax stamps currently in use as the Authority had continued to face many challenges in collecting excise duties payable on excisable products due to illicit trade, including smuggling. The main challenge with the current paper tax stamp was the inability to track goods right from the production lines and customs entry points to sales or the market.

The specific objectives of introducing digital tax stamps were:

a) to enhance revenue collection on Excise Duty through an improved compliance management system;
b) to minimise counterfeit tax stamps;
c) to verify whether the correct taxes have been paid;
d) to reduce administrative costs associated with paper stamps;
e) to increase efficiency and accountability through improved information collection; and
f) to provide a track and trace functionality which would fulfil the requirement under the World Health Organisation Framework Convention on Tobacco Control (WHO-FCTC).

As at 31st July 2019, the feasibility Report for implementation of digital tax stamps through Public Private Partnership (PPP) was approved by the PPP Unit. The next step was procurement of a strategic partner under the PPP model.

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

Reduce the fiscal deficit
The Committee was keen to know how much the fiscal deficit would have reduced after implementing the austerity measures. The Committee resolved to await a comparative report on the debt status for the period when the measures would still be in-force on a yearly basis up to the current year.

Executive's Response
It was noted in the Action Taken Report that efforts were being made to reduce the fiscal deficit to sustainable levels. Some of the efforts made included:

1. rationalising expenditure while protecting the vulnerable in society;
2. management of disbursements of project loans;
3. curbing arrears accumulation to ease liquidity; and
4. cancelling/postponing contracted but not disbursed loans while taking cognisance of the critical loans that were necessary to support economic growth.

Further, a Government Circular was issued on austerity measures to stop all Ministries, Provinces and Spending Agencies from acquiring goods and services without resources being available. This was expected to curtail the accumulation of arrears as part of the implementation of austerity measures.

Committee's Observations and Recommendations

The Committee notes the response but resolves to await a comprehensive report on the actual figures relating to fiscal deficit as well as the quantified amounts that have been saved arising from the austerity measures.

Poor Fiscal Discipline among Ministries, Provinces and Spending Agencies (MPSAs)

The Committee resolved to await a comprehensive report on the full roll out of IFMIS to other institutions by 31st December 2019.

Executive's Response

In its response to the Committee, the Executive stated that Government had rolled out the IFMIS to all Ministries, Provinces and Spending Agencies while fifty nine MPSAs were put on the Treasury Single Account out of sixty five heads of revenue and expenditure. This was to enhance internal controls and facilitate timely production of financial and management reports for informed decision making. It was also reported that the remaining six MPSAs were not initially planned for roll out given that they were security agencies. The Electoral Commission of Zambia (ECZ) was one of the six institutions which was on SAP and currently the Ministry was working on interfacing this system with the IFMIS.

Committee's Observations and Recommendations

The Committee notes the response and resolves to close the matter since IFMIS was rolled out to all Ministries, Provinces and Spending Agencies (MPSAs).

Public Finance Management Reforms

In noting the submission, the Committee urged the Executive to expedite the current constitutional review process. This would pave way for the finalisation of amendments to the *Loans and Guarantees (Authorisation) Act* and the Planning and Budgeting Bill by Cabinet. The Committee resolved to await a progress report on the matter.

Executive's Response

It was reported in the Action Taken Report that the amendment of the *Loans and Guarantees (Authorisation) Act* was delayed due to some provisions which may be in conflict with the Constitution. The finalisation of the new amendment awaited the amendment of the *Constitution.*

Committee's Observations and Recommendations

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

Operational challenges at Nakonde Border Post

The Committee urged the Executive to expedite the upgrading of infrastructure at the border post in order to curb smuggling and to ultimately prevent loss of revenue. The Committee resolved to await a progress report on the matter.

Executive's Response

It was reported in the Action Taken Report that ZRA operated a cargo scanner at Nakonde to facilitate efficient confirmation of products crossing the border. To increase the effectiveness of the scanner, ZRA was considering relocating the scanner to an appropriate location to be determined in line with the planned traffic flow once the ongoing road works were completed.

To complement the investments that ZRA had made in improving border controls through infrastructure upgrades, the organisation was also implementing a customs valuation module on the Asycuda system to facilitate speedy valuation of imported goods in a standardised and transparent manner in line with international customs valuation guidelines. Further, ZRA had established the Inspectorate and Customs Enforcement (I.C.E) Unit which conducted mobile enforcement activities to complement border controls. ZRA currently rented a 25 000m^2 yard from ZAMESCO located about 10km from the border at Nakonde. This facility was used for holding goods awaiting customs clearance as well as for conducting detailed physical inspections. Recently, ZRA extended Asycuda terminals to the ZAMESCO yard to facilitate the process of releasing cleared consignments.

In partnership with ZAMESCO, ZRA was also piloting a simplified electronic report order system for monitoring movement of cargo between the border and ZAMESCO. In July 2019, ZRA launched a CCTV system at Nakonde and other border posts. The system enabled ZRA management at Head Office to view border operations in real time. The CCTV system deterred officers and other stakeholders from openly engaging in malpractices while at the same time helping management to make timely interventions to address situations as they arose. In addition, ZRA recently procured a mobile scanner that had been placed at the Kapiri Mposhi Enforcement Centre to capture trucks evading controls at Nakonde. The centre operated for twenty four hours a day.

Committee's Observations and Recommendations

The Committee resolves to await a progress report on the relocation of the cargo scanner with respect to traffic flows. In addition, the Committee is also awaiting a progress report on the implementation of a customs valuation module on the Asycuda system, that would facilitate speedy valuation of imported goods in a standardised and transparent manner in line with international customs valuation guidelines.

Mbala – Zombe Road rehabilitation

The Committee had noted that over one year had passed since the contract was signed. The Committee was, however, concerned that if more time passed, the contract price would escalate due to inflationary pressures. The Committee, therefore, urged the Executive to ensure that the financing agreement with Messrs China Civil Engineering Corporation was

concluded and signed without any further delay. The Committee resolved to await a progress report on the matter.

Executive's Response
It was indicated in the Action Taken Report that no progress had been made in finalising the financing agreement as Government had indefinitely postponed contraction of all pipeline debt. Equally, works on gravelling and grading on the Mbala-Zombe Road under Force Account as way of keeping the road motorable had not commenced as funds had not yet been secured due to financial constraints.

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

Engagement in the Agriculture Sector
The Committee requested for information on how much was disbursed for the rehabilitation of the rural roads from the K50, 000,000 which was allocated in the 2018 budget. Further, the Committee noted that only three projects could be undertaken at a time per province.

The Committee, therefore, urged the Executive to ensure that equipment and skilled labour for the project were up-scaled so that more areas could be covered in a shorter period. This would translate into more support for rural agricultural communities through enhanced access to markets for agriculture produce.

Executive's Response
It was reported in the Action Taken Report that the situation remained the same as no new equipment was procured to increase capacity in the Province.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the matter. In addition, the Committee requests the Executive to indicate a specific timeframe in which the equipment will be procured.

Social Cash Transfer Electronic Single Registry
The Committee urged the Government to do more by extending the Single Registry of Beneficiaries to all the districts to avoid duplication of effort, and to establish links with other services. This was expected to lead to increased service efficiency and equitable distribution of resources. The Committee in this regard, resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that as at 31st December, 2018, the Single Registry of Beneficiaries had been rolled out to seventeen districts. However, the roll out was suspended following the challenges that were experienced under the Social Cash Transfer Programme, particularly with regard to payments of transfers to beneficiaries. In order to address the identified challenges, the Ministry, with assistance from the Smart

Zambia Institute, embarked on the development of a more robust system that would not only improve the targeting and selection, but also manage disbursements of cash transfers to intended beneficiaries and provide a tracking and reporting system of the disbursements in real time. The system was called the Zambia Integrated Social Protection Management Information System (ZISPIS) and would integrate all social protection programmes in the sector, thereby removing duplication of efforts. The main aim of the system was to create efficiencies in the management of social protection programmes in order to enhance overall service delivery to the intended beneficiaries. So far, development of ZISPIS had advanced with the two main modules, namely, Social Cash Transfer (SCT) and the Food Security Pack (FSP) having been completed. The system was now ready for testing and rollout of the two modules. The Ministry was currently planning to pilot the system in ten selected districts in Western, Copperbelt, Southern and North-Western provinces. Beyond this pilot exercise, ZISPIS would continue with the addition of other programme modules and later integration with other Management Information Systems in other institutions within the sector to ensure increased service efficiency.

Committee's Observations and Recommendations

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

Implementation of the Decentralisation Policy

The Committee noted the submission from the Executive and urged the Government to expedite the roll out of devolution to other districts once phase 1 of the Human Resource Management Reforms had been successfully implemented in the first five districts. The Committee resolved to await a progress report on the matter.

Executive's Response

It was reported in the Action Taken Report that programme implementation was on course. The Legal and Regulatory framework (Local Government Act, No. 2 of 2019 and Service Commission Regulations) were put in place to facilitate implementation of decentralisation. Accordingly, Government had continued with implementation of the Human Resource Management Reform Programme.

Committee Observations and Recommendations

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

Growth of local firms

In noting the implementation of the National Development Policy, the Committee urged the Government to expedite the review of the Micro, Small and Medium Enterprises (MSME) Development Policy in order to enhance growth of local firms.

Executive's Response

It was noted in the Action Taken Report that the Government had already started reviewing the policy and it was expected that the review would be finalised before the end

of 2019.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the review of the MSME Development Policy.

Planning and Budgeting Bill and the amendments to the Loans and Guarantees (Authorisation) Act
The Committee urged the Government to expedite the constitutional review process in order to ensure that necessary amendments to the *Loans and Guarantees (Authorisation) Act* were presented to Parliament for enactment.

Executive's Response
It was reported in the Action Taken Report that the amendment of *the Loans and Guarantees (Authorisation) Act* had delayed due to some provisions which may be in conflict with the Constitution. The finalisation of the new Loans and Guarantees (Authorisation) Act awaited the amendmentof the Constitution.

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

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

Arrears Clearance
The Committee noted the progress made in dismantling the arrears and resolved to await a progress report on the outstanding arrears.

Executive's Response
It was reported in the Action Taken Report that the domestic arrears as at June stood at K20 billion (excluding VAT refund arrears). Government had continued to provide for dismantling of arrears in the budget with less than K500 million provided for in the 2019 budget, and K2.3 billion had been provided for in the 2020 Budget. Government had also put up strategies to dismantle the arrears with the proposal of centrally dismantling arrears being considered. To prevent further accumulation of arrears, Government had issued a directive to all MPSAs not to procure/commit Government for goods and services where resources were not available and where the procurement was outside the budget.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the dismantling of all outstanding arrears. In addition, the Committee will also await a progress report on the full financing of the K2.3 billion provided towards dismantling of arrears in the 2020 budget.

Improve Debt Management
The Committee, while recognising the Government's efforts to achieve the desired composition of its debt portfolio over the medium term through the Medium Term Debt Management Strategy, the Committee urged the Executive to expeditiously conclude the review of the current Constitution, which had taken inordinately long. The Committee, in that respect, urged the Executive to subsequently present proposed amendments to the *Loans and Guarantees (Authorisation) Act*. This would govern and guide the procedure for contracting national debt. The Committee resolved to await a progress report on the matter.

Executive's Response
In response to the Committee, the Executive stated that the amendment of the *Loans and Guarantees (Authorisation) Act* had delayed due to some provisions which may be in conflict with the Constitution. The finalisation of the new *Loans and Guarantees (Authorisation) Act* awaited the amendment of the Constitution.

Committee Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the amendment of the Constitution and subsequently to the *Loans and Guarantees (Authorisation) Act*.

Enhance Transparency in National Fuel Procurement
The Committee noted the submission and resolved to await a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that Government had taken steps to strengthen the legal framework of the petroleum subsector by reviewing the *Petroleum Act, Chapter 435 of the Laws of Zambia.* In this regard, the Ministry of Energy had drafted a Petroleum Management Bill to repeal and replace the *Petroleum Act*. The draft document was submitted to the Ministry of Justice for drafting. The Ministry of Energy now awaited the first drafted bill from the Ministry of Justice. Having the Petroleum Management Bill enacted would encourage private sector participation as well as enhance transparency in the sector.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await a progress report on the repeal of *Petroleum Act*.

Expedite the Process of the Cost of Service Study
The Committee noted the detailed submission from the Executive and resolved to await a progress report on the matter.

Executive's Response
In response to the Action Taken Report (ATR), the Executive stated that following the withdrawal of the Economic Consulting Associates (ECA) of the United Kingdom from the

Study in July 2018, the following developments had taken place:

i. the Energy Regulation Board had undertaken technical and financial evaluations of the bids and the African Development Bank AfDB) being the financier granted a "no objection" to the evaluation report on 18th July, 2019.
ii. the best evaluated bidder had since been invited for negotiations scheduled to take place in August, 2019. After negotiations were concluded, the draft contract would then be submitted to AfDB for a "no objection" and subsequently, to the Attorney General's Chambers for approval.
iii. the Consultant was expected to officially commence the study soon after the signing of the contract and clearance by Attorney General's Office; and
iv. the indicative date for commencement was 1st September, 2019, subject to successful negotiations, no objection of the contract by AfDB and approval of the contract by the Attorney General.

Committee's Observations and Recommendations

The Committee notes the progress made on the matter and resolves to await a further status report.

Clearing the Arrears for Both the Farmer Input Support Programme and Food Reserve Agency

The Committee noted the submission and requested for a progress report on the clearance of the outstanding arrears.

Executive's Response

It was reported in the Action Taken Report that the Ministry of Agriculture had been making efforts to make payments for arrears owed under the Farmer Input Support Programme. As at 31st July, 2018, the Ministry owed the agro-dealers K480, 026,375.34. Between 31st July, 2018 and 12th August, 2019, a total of K378,032,855.32 had been paid to the agro-dealers, leaving a balance of K101,993,520.02 as at 12th August, 2019.

Committee's Observations and Recommendations

The Committee notes the response and requests a progress report on the clearing of the remaining balance of K101, 993,520.02 being owed to agro-dealers.

Expedite the Implementation of Fiscal Decentralisation

The Committee noted the submission and requested a progress report on the matter.

Executive's Response

It was reported in the Action Taken Report that the level and structure of local government financing was linked to the nature of the expenditure assignments. Therefore, funding for assignments had been and would continue to come from locally generated revenue, intergovernmental transfers, borrowing and private partnerships. The Ministry of Finance, in collaboration with the Ministry of Local Government, had been undertaking capacity building initiatives in local authorities to not only enhance their revenue generation potential but to also build capacities in the application of resources coming from other sources, including those resources coming from central government. Cooperating partners

had also joined hands with Government in fostering private partnerships through the Local Economic Development Programme.

Committee's Observations and Recommendations
The Committee notes the response and resolves to await the implementation of the highlighted measures by actualising fiscal decentralisation.

Amend the Local Authorities Legislation and Financial Regulations
The Committee noted the submission on the amendment of the *Local Government Act* and resolved to await a progress report on the status of the local authorities' Financial Regulations.

Executive's Response
It was reported in the Action Taken Report that the local authorities Financial Regulations would be drafted after the enactment of the Local Government Bill of 2018. The Bill was scheduled for tabling before the Internal Legislation Committee, and once all internal processes were finalised, it would be presented to Parliament and the other necessary steps like formulating the local authorities' Financial Regulations would follow once the Bill was enacted by Parliament.

Committee Observations and Recommendations
The Committee notes the response but urges the Executive to formulate the local authorities Financial Regulations following the enactment of the *Local Government Act*.

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

Performance Management Bill
The Committee noted the submission and awaited a progress report on the matter.

Executive's Response
It was reported in the Action Taken Report that not much progress had been registered on the draft Performance Management Bill. The Bill was still undergoing further refinement to address the concerns which were raised by some stakeholders during the stakeholder consultations.

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

Performance Based Management
The Committee noted the implementation of the performance contracts and contracting system in the civil service and local authorities. However, the Committee resolved to await a progress report on the remaining 20 per cent implementation of performance contracts in the local authorities.

Executive's Response
It was reported in the Action Taken Report that further roll out awaited finalisation of Performance Management Bill which was still undergoing further refinement to address the concerns which were raised by some stakeholders during the stakeholder consultations.

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

12.0 CONCLUSION

The Committee's study on the creation of decent employment revealed that out of the total labour force of 3,329,147 million, the combined rate of unemployment in Zambia stood at 41.6 per cent. In addition, it was also revealed that only 917, 100 people in the labour force, representing 28 per cent of the labour force had been employed under decent work conditions in the formal sector of the nation when the country has great potential to create more decent jobs and employ more Zambians in this sector.

The Committee also noted with concern that despite a robust policy and legal framework in creating decent jobs in the country, implementation of these policies had been very poor, resulting in the creation of very few decent jobs in the country. In addition, whereas there was an enabling policy environment to create more and better jobs for the Zambian people, foreign and local investment which were critical to the creation of decent jobs for the Zambian people were still tightly constrained owing to the high cost of doing business. The high cost of doing business was itself a result of various factors, among which were the high cost of borrowing , lack of long term financing, high taxes and high user fees and in some cases high license fees, inadequate exploitation of the potential that the country had for employment creation and failure to actualise the annual budget plans on pro-employment creation pronouncements.

The Government's ambition to create decent employment was a timely call supported by the national development plans and the Sustainable Development Goal 8 on decent work and economic growth. On the global scale, there had been slower growth, widening inequalities and employment had not been expanding fast enough to keep up with the growing labour force. This was true for Zambia as previously the high growth rate between 2003 and 2013 had not translated into the much desired increased employment and better quality jobs in the country. Currently, the situation had worsened with the subdued economic growth that the country had experienced since 2015. This meant the decent job creation agenda would increasingly be harder to achieve. Furthermore, with the economic challenges the country was presently facing, if the Government did not act strategically to ensure that the factors for job creation were protected and promoted, the country may face higher unemployment rates and poverty in the near future.

In this report, the Committee makes various key recommendations on the topical issue inquired into and is confident that the Executive will implement these recommendations in order to improve Zambia's budget performance in particular and economic performance in general with specific focus on the creation of decent employment in the country.

The Committee is hopeful that the observations and recommendations contained in this Report will receive necessary attention from the Executive for the good of the country.

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

M Simfukwe, MP
CHAIRPERSON

June, 2020
LUSAKA

APPENDIX I – List of Witnesses

1. Ministry of Finance – Secretary to the Treasury;
2. Ministry of National Development and Planning;
3. Ministry of Labour and Social Security;
4. Ministry of Infrastructure and Housing;
5. Ministry of Agriculture;
6. Ministry of Commerce, Trade and Industry;
7. Ministry of Youth and Sport;
8. Ministry Livestock and Fisheries;
9. Ministry of Tourism and Arts;
10. Ministry of Higher Education;
11. Zambia Revenue Authority;
12. Zambia Statistics Agency;
13. Economics Association of Zambia;
14. Zambia Federation of Employers;
15. Engineering Institution of Zambia;
16. Zambia Association of Chambers of Commerce and Industry;
17. University of Zambia, Economics Department;
18. Zambia Institute for Policy Analysis and Research;
19. Bank of Zambia;
20. Jesuit Centre for Theological Reflection;
21. Zambia Congress of Trade Unions;
22. Consumer Unit Trust;
23. Non-governmental Gender Organisation Co-ordinating Council
24. Zambia Association of Manufacturers;
25. National Youth Development Council; and
26. Citizens Economic Empowerment Commission.

APPENDIX II - List of National Assembly Officials

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