

(This Document is the Property of the Government of the Republic of Zambia)



Republic of Zambia

**MINISTERIAL STATEMENT ON THE STATUS ON MEASURES TO RE-ORGANIZE THE
CITIZENS ECONOMIC EMPOWERMENT COMMISSION DELIVERED
BY
HON. ROBERT K. K. SICHINGA, MP,
MINISTER OF COMMERCE, TRADE AND INDUSTRY
MARCH, 2012**

Ministry of Commerce, Trade and Industry

MR. SPEAKER,

1. INTRODUCTION

I WISH TO THANK YOU HONOURABLE MR. SPEAKER, FOR ALLOWING ME TO DELIVER THIS MINISTERIAL STATEMENT ON MATTERS AFFECTING THE OPERATIONS OF THE CITIZENS ECONOMIC EMPOWERMENT COMMISSION AND THE STEPS THAT GOVERNMENT IS TAKING TO REVAMP THE OPERATIONS OF THAT ORGANIZATION.

MR. SPEAKER,

OUR MINISTRY CONTINUES TO RECEIVE ENQUIRIES AND PETITIONS FROM CITIZENS AT LARGE AND MEMBERS OF PARLIAMENT PARTICULARLY IN RELATION TO THE OPERATIONS OF THE CEEC EMPOWERMENT FUND. IT HAS THEREFORE BECOME IMPERATIVE THAT WE EXPLAIN AND CLARIFY THE NUMEROUS ISSUES AFFECTING THE ORGANIZATION, TO THE NATION, THROUGH THIS HONOURABLE HOUSE. WE ALSO RECOGNISE THAT A SUBSTANTIAL NUMBER OF TODAY'S PARLIAMENTARIANS ARE NEW, MAY NOT BE FULLY AWARE

OF THE PROVISIONS OF THE CITIZENS ECONOMIC EMPOWERMENT LEGISLATION (CEEC) WHICH GIVES THE APPROPRIATE LEGAL FRAMEWORK.

2. BACKGROUND

LET ME THEREFORE, BEGIN BY EXPLAINING THE BACKGROUND AS FOLLOWS:

ARISING FROM THE PRIVATISATION PROGRAMME OF THE 90'S AND THE SUBSEQUENT ECONOMIC CHANGES AND TRANSFORMATION THE COUNTRY WAS EXPERIENCING, IT WAS EVIDENT THAT THE CITIZENS OF THIS COUNTRY WERE SIMPLY BEING SIDELINED AS A BY THE WAY AND WERE NOT PARTICIPATING MEANINGFULLY IN THE ECONOMIC AFFAIRS OF THE COUNTRY.

➤ THE MAJOR FACTORS AT PLAY AND CONTRIBUTING TO THE FAILURE BY THE CITIZENS TO PARTICIPATE FULLY WERE IDENTIFIED AS INCLUDING THE FOLLOWING, AMONGST MANY:

- LACK OF ENTERPRENEURIAL SKILLS AMONG THE YOUNG CITIZENS;
- LACK OF BUSINESS OPPORTUNITIES FOR GOVERNMENT BUSINESS;
- UNFAVOURABLE CONDITIONS AND COMPETITION FROM EXTERNAL PLAYERS;
- INACCESSIBILITY OF INVESTMENT CAPITAL;
- HIGH COST OF INTEREST ON LOANS WHEN THEY CAN BE ACCESSED;
- HISTORICAL MARGINALIZATION EITHER THROUGH POOR SCHOOLING, LACK OF SKILLS TRAINING OR INADEQUATE SOCIAL FACILITIES.

IN VIEW OF THE FOREGOING CONSTRAINTS, THE GOVERNMENT OF THE DAY DECIDED TO CONSIDER ALTERNATIVE OPTIONS FOR ECONOMIC EMPOWERMENT OF THE CITIZENS. THIS LED TO THE DEVELOPMENT OF POLICY ALONG THE SOUTH AFRICAN BLACK ECONOMIC EMPOWERMENT MODEL, WHICH CULMINATING IN THE

ENACTMENT OF THE CITIZENS ECONOMIC EMPOWERMENT COMMISSION ACT – NAB ACT NO. 9 OF 2006.

THE LAW RESTS ON THE CREATION OF CEE COMMISSION, THE EMPOWERMENT FUND AND 9 PILLARS OF EMPOWERMENT, INCLUDING: FOCUSING ON TARGETED CITIZENS THROUGH AN INTEGRATED BROAD BASED STRATEGY ELABORATED IN THE NINE EMPOWERMENT PILLARS.

3. CURRENT SCENARIO

THE PUBLIC MAY WISH TO RECALL THAT ON 6TH FEBRUARY, 2012, THE MINISTRY OF COMMERCE, TRADE AND INDUSTRY HELD A PRESS BRIEFING WHERE I MADE A MINISTERIAL STATEMENT REGARDING THE OPERATIONS OF THE CITIZENS ECONOMIC EMPOWERMENT COMMISSION. AT THE SAME PRESS BRIEFING, I ANNOUNCED TO THE NATION THE MEASURES THAT THE GOVERNMENT WAS TAKING IN ORDER TO SALVAGE THE OPERATIONS OF THE CITIZENS ECONOMIC EMPOWERMENT COMMISSION.

TO DATE, THE COMMISSSION HAS RECEIVED A TOTAL OF 4,933 APPLICATIONS DEMANDING AMOUNTS VALUED IN EXCESS OF 800 BILLION KWACHA. THIS IS AGAINST A TOTAL BUDGETED AMOUNT AND PARTLY RECEIVED FROM THE NATIONAL TREASURY OF 218 BILLION KWACHA.

AS OF NOW, THE CEEC HAS APPROVED A TOTAL NUMBER OF 1,620 PROJECTS WHICH WERE COLLECTIVELY VALUED AT 218 BILLION KWACHA. HOWEVER, OF THAT AMOUNT ONLY 169 BILLION KWACHA HAS BEEN DISBURSED TO THE APPROVED 1,427 PROJECTS. THIS, THEREFORE, LEAVES A FUNDING GAP OF 50 BILLION KWACHA FOR 193 APPROVED PROJECTS. FURTHERMORE, THERE IS AN ESTIMATED DEMAND GAP OF 3,310 PROJECTS REQUIRING IN EXCESS OF 568 BILLION KWACHA.

MR. SPEAKER,

DESPITE HAVING DISBURSED 169 BILLION KWACHA, THE RECOVERY RATE ON THE EXISTING LOAN PORTFOLIO, IS ONLY AT 42%, WHICH PERFORMANCE CAN BE RATED AS POOR. THIS HAS LED TO A SERIOUS FINANCING DEFICIT.

THE SUMMARIZED LOAN PORTFOLIO POSITION HAS BEEN PROVIDED BELOW FOR MEMBERS WHO WISH TO REVIEW DETAILS:

Table of Summary Loan breakdown – CEEC as at 31 December 2011

Description	No	Percentage	Value	Percentage
1.Total Loans Granted	1560	89%	201Bn	82%
2.Performing Loans	784	50.2%	97.7Bn	49%
3.Non- Performing Loans	698	44.5%	103.2Bn	51.4%
4.Loans Granted through Provinces	974	68%	20.4Bn	12%
5.Loans above K3.0 Bn	2	0.14%	7.2Bn	4.1%
6.Loans K2.0 -K3.0 Bn	18	1%	36.2Bn	18%
7.Lons K1.0 – K2.0 Bn	34	2%	47.3Bn	24%
8.Loans K500M–K1.0 Bn	46	3%	29.6Bn	15%
9.Loans K100M– K500M	246	16%	68.3Bn	34%
10.Unsecured Loans upto K50M	1193	76%	30Bn	15%
11.Approved Loans but not funded	201	11%	32.5Bn	13%
12. Budget for 2012	223		45Bn	

Source: Citizens Economic Empowerment Commission (CEEC)

Note: (i). This information is from inception of the loan disbursements up to date.

(ii). This information includes both data on trade and project finance.

(iii). Budget for 2012 includes projects approved and not funded in both number and value.

(iv). 1-10 includes percentage of the total funded in both number and value.

(v). 11 includes percentage of the total approved in both number and Value.

MR. SPEAKER,

IT IS IN THIS REGARD THAT I NOW WISH TO REPORT TO THIS AUGUST HOUSE THE STATUS ON THE DRASTIC MEASURES THAT GOVERNMENT HAS INEVITABLY HAD TO INSTITUTE IN ORDER TO SALVAGE THE SITUATION:

(I) THE MINISTRY OF FINANCE HAS SUSPENDED FUNDING TO CEEC UNTIL THE REVIEW PROCESS IS COMPLETED;

(II) CEEC HAS STOPPED RECEIVING NEW APPLICATIONS UNTIL FURTHER NOTICE;

- (III) CEEC PUBLISHED IN BOTH PRIVATE AND PUBLIC MEDIA ALL THE NAMES OF THE BENEFICIARIES OF THE EMPOWERMENT FUND SINCE CEEC BEGUN ITS OPERATIONS;
- (IV) CEEC HAS FURTHER ENGAGED NATIONAL WIDE DEBT COLLECTORS TO COLLECT ALL FUNDS AND INSTITUTE LEGAL PROCEEDINGS AGAINST DEFAULTERS;
- (V) CEEC HAS SINCE STARTED RE-ASSESSING THE APPROVED, BUT NOT YET FUNDED PROJECTS TO ASCERTAIN THE VALIDITY OF SUCH FUNDING;
- (VI) THE OFFICE OF THE AUDITOR GENERAL HAS SINCE CONSTITUTED A TEAM WHICH HAS ALREADY STARTED CONDUCTING A FORENSIC AUDIT ON THE CITIZENS ECONOMIC EMPOWERMENT FUND; AND
- VII) THE ANTI-CORRUPTION COMMISSION HAS BEEN INVITED TO ASCERTAIN THE ALLEGATION OF CORRUPTION IN THE LOAN MANAGEMENT.

MR. SPEAKER,

IT IS GOVERNMENT'S DESIRE TO SEE A RE-ORGANIZED AND REVAMPED CEEC, WHICH WILL BE ABLE TO FULFILL ITS MANDATE IN AN EFFECTIVE, EFFICIENT AND PROFITABLE MANNER, RETURN TO NORMAL OPERATIONS IN THE SHORTEST POSSIBLE TIME; WHERE THIS IS POSSIBLE, WE WOULD EXPECT A COMPLETION DATE NOT MORE THAN 3 MONTHS.

4. THE WAY FORWARD

FURTHER, WE INTEND TO REORGANIZE AND STRENGTHEN THE MANAGEMENT AND BUSINESS SYSTEMS OF THE CEEC. AMONG THE MEASURES WE ARE TAKING ARE THE FOLLOWING:

- TO CAPACITATE THE MANAGEMENT SO THAT IT IS ABLE TO SIGNIFICANTLY ENHANCE ITS LOAN EVALUATION AND MANAGEMENT SYSTEM;
- THE BOARD HAS BEEN ASKED TO FILL ALL VACANCIES;
- THE REGIONAL MANAGEMENT WILL HAVE ENHANCED MANAGEMENT AUTHORITY;
- ENSURE THAT THE ENTIRE MANAGEMENT STRUCTURE INCLUDING THE BOARD, IS STRENGTHENED AND OPERATE IN A BUSINESS LIKE AND NON PARTISAN MANNER;
- CEEC IS EXPECTED TO REFOCUS ON OTHER EMPOWERMENT PILLARS BEYOND EMPOWERMENT;

- FUND IS CURRENTLY WORKING ON AMENDMENTS TO ENHANCE THE EFFECTIVENESS OF THE INSTITUTION; AND
- WITHIN GOVERNMENT WE ARE CONSULTING WITH OTHER MINISTRIES AND AGENCIES ON HOW COORDINATION AND COOPERATION CAN BE FURTHER ENHANCED.

IT IS OUR EXPECTATION THAT ONCE THE FOREGOING MEASURES HAVE BEEN FULLY IMPLEMENTED, THE ORGANIZATION SHALL BE ENABLED TO FULFILL ITS ORIGINAL MANDATE OF ENSURING EMPOWERMENT OF MARGINALIZED ZAMBIANS PARTICULARLY THE WOMEN, THE YOUTH AND DISADVANTAGED GROUPS.

MR. SPEAKER.

WE WISH TO INVITE HONOURABLE MEMBERS OF THIS AUGUST HOUSE TO ASSIST OUR MINISTRY, BY ACCURATELY EXPLAINING TO THE CITIZENS OF THIS COUNTRY, WHO ARE LOCATED IN THEIR RESPECTIVE CONSTITUTENCIES; ON THE DILEMMA THAT THE PF GOVERNMENT FOUND, UPON TAKING OVER GOVERNMENT, AND THE CONCRETE STEPS BEING TAKEN, TO AS QUICKLY AS POSSIBLE, IMPROVE AND NORMALIZE THE SITUATION.

MR, SPEAKER.

I WISH TO CONCLUDE BY EXPRESSING MY SINCERE HOPE
THAT THIS INFORMATION IS OF VALUE TO THE HONOURABLE
HOUSE.

MR. SPEAKER, I THANK YOU.