

## END OF YEAR MESSAGE FROM PMRC EXECUTIVE DIRECTOR

### PRESS STATEMENT

Monday, 23<sup>rd</sup> December, 2019

I sincerely wish to thank all our stakeholders for the support rendered to PMRC in 2019.

Allow me to take cognizance of the fact that our country's development programmes have been anchored on our national aspirations as enshrined in the Seventh National Development Plan (7NDP) whose vision is "accelerating development without leaving anyone behind". Our work as PMRC has been aligned to the 7NDP's vision and we made deliberate efforts to comprehensively analyze the strategies in the 7NDP and belaboured to explain their implications to the general populace in a simplified way. Our mode of unpacking such complex policy information into simplified narrations for all to understand was recently recognized at the 2019 Civil Society Organizations (CSO) Awards, where PMRC was honoured with the **Most Inclusive Communication and Media Strategy Award**.

We also take note that the year 2019 was characterized by intensified public debt discourse with His Excellency President Edgar Lungu indicating that non-discretionary debt expenditure, which comprises personnel emoluments and debt stood at 50.1 % and 40 % respectively, giving a total of 90.1 % of the annual budget. This left the discretionary expenditure amount (which includes spending on key social sectors) at about 9.9 percent of the annual budget, which the President indicated was alarming. In order to develop solutions to this challenge, **PMRC organized high level meetings of industry experts to discuss this debt problem extensively and to generate resolutions that could complement Government's suggested measures**. Indeed, some of the key recommendations were in line with the Ministry of Finance (MoF) remedies to arrest the increase in public debt including the need to indefinitely postpone the contraction of pipeline debt, cancellation of some contracted loans yet to be disbursed and refinancing on selected bilateral loans. The resolutions of the high-level meeting also implored the MoF to give regular updates on the Sinking Fund which is the proposed redemption strategy for the Euro-bonds taking into consideration that the bullet payment of the first Eurobond amounting to US \$750 million falls due in 2022. There was also a clarion call on MoF to continue engaging the International Monetary (IMF) for technical assistance and possible bailout package that will assure and signal stability of the economy to the bondholders and investors.

Agricultural activity is the "holy grail of diversification" and main economic activity by 58.5 % of households which can further be broken down as 89.4 % of households in rural areas and 17.9 % in urban areas. The contribution of the Agriculture Sector to Gross Domestic Product has still remained low at 7.5% [2017 estimate World Bank estimate] compared to 23.8 % in 2000. Government has been supporting the vulnerable but viable small-scale farmers through input subsidies to accelerate the growth of this sector. Smart Zambia Institute (SZI), a Government Department that manages the Zambia Integrated Agriculture Management Information System (ZIAMIS), should be commended for having identified more than 14,000 civil servants who dubiously made the list for the Farmer Input Support Programme (FISP) as beneficiaries since input subsidies are strictly meant for the vulnerable small-scale farmers. **To effectively ensure that FISP is effectively contributing to the growth of the agriculture sector, there is need to develop an exit and graduation strategy for farmers under support, so that in the long term we can have some of them graduating to emergent farmers and possibly into commercial farmers**. This will eventually, ensure that more farmers are supported through input subsidies in the long term

For the 2019/20 farming season, Government has decided to operate a dual mode of input supply, that includes Direct Input Supply (DIS) and Electronic FISP at the ratio of 60 percent to 40 percent respectively. DIS has been preferred in some districts owing to implementation challenges of E-FISP in the current context of poor and lack of electronic communication networks. PMRC urges Government to revert to E-FISP, as soon as such challenges are resolved by the reported construction of communication towers and works on some roads in

rural and remote parts of the country. The benefits of E-FISP cannot be over-emphasized. An assessment of the E-FISP programme done by PMRC revealed notable implementation successes including reduced Government expenditures associated with procurement, transport and storage of inputs.

The 2020 budget was formulated on the back drop of austerity measures and outlined some measures needed to mitigate the effects of climate change, which has negatively impacted the economy especially the poor and small businesses because of reduced hydro-electricity generation. In November, 2019, Government approved the New Energy Policy aimed at facilitating open power transmission access regimes, cost reflective tariffs, multiplicity of players in the energy market and promotion of alternative sources of energy. The Government also approved the Electricity bill which provides for the sale and purchase of electricity within and outside Zambia through power purchase and power supply agreements. The bill also provides for a Multi-year Tariff Framework which gives clarity on the rules to be applied over a pre-defined future time period. As PMRC, we believe that the Energy Policy and the Electricity Bill [once enacted into law] will be help to crowd in private sector participation in the electricity sub-sector to increase the country's electricity generation capacity especially in renewable energy and reduce loading shedding which has been as high as 15-19 hours in some areas. To effectively achieve this, we have also advocated that the creditworthiness of ZESCO needs to be improved as the sole off-taker which will instill investor confidence that the organization would purchase energy generated.

In our railway sector analysis of 2019, we did indicate that Government needs to give equivalent attention to the railway sector to match commitments in the road sector development by putting in place policies and interventions aimed at moving cargo from roads to rail to prolong the life-span of roads and enhance road safety. By its nature, the rail-sub sector is designed to ferry huge volumes of bulky cargo. In order to improve the performance of the sector we are in support of calls to create the **Zambia Rail Development Agency** to separate rail infrastructure development and maintenance from operations which will effectively crowd in private sector participation in railway operations.

As I conclude, we have noted the significant progress the country has made regarding financial inclusion. Financial inclusion statistics indicate that we have moved from 37.9 % of the population that is financially included in 2009, to 59 % by the year 2015 going by the Finscope Report. To this effect, Cabinet approved the National Strategy on Financial Education (NSFE) II, 2019-2024 in order to strengthen financial education in Zambia and develop a competitive and resilient inclusive financial sector in line with the National Financial Sector Development Policy (NFSDP) and National Financial Inclusion Strategy (NFIS) 2017. In order to consolidate uptake of insurance products as part of the financial inclusion strategies to mitigate the loss of resources due to various unforeseen occurrences especially for the poor, **our recommendation has placed emphasis on reforming the current insurance legislation by amending it to make provisions for a dedicated micro-insurance license that will focus on promoting micro insurance products and services for the vulnerable and open up the insurance distribution space.**

*As an institution, we look forward to a successful 2020 as we continue to contribute positively to the policy discourse in the country and help unlock Zambia's potential for all without leaving anyone behind.*

We wish you a **Merry Christmas and a prosperous 2020 filled with peace and success.**



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