

ECONOMIC DIVERSIFICATION IN ZAMBIA: ARE WE GETTING THERE? ASSESSING THE PROSPECTS FOR ECONOMIC DIVERSIFICATION IN ZAMBIA

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ECONOMIC DIVERSIFICATION IN ZAMBIA:

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ABBREVIATIONS AND ACRONYMS

7NDP	Seventh National Development Plan
FDI	Foreign Direct Investment
FISP	Farmers Input Support Programme
GDP	Gross Domestic Product
IAPRI	Indaba Agriculture Policy Research Institute
ICT	Information and Technology
IDC	Industrial Development Corporation
LS-MFEZ	Lusaka South- Multi Facility Economic Zone
MFEZ	Multi Facility Economic Zone
MOAL	Ministry of Agriculture and Livestock
MT	Metric Tonnes
MW	Megga Watts
PPP	Public Private Partnership
PSD	Private Sector Development
REFIT	Renewable Energy Feed- In -Tariff
SADC	Southern Africa Development Community
UNFCCC	United Nations
USAID	United States Agency for International Development
USTDA	United States Trade and Development Agency
WWTC	World Travel and Tourism Council
ZDA	Zambia Development Agency
ZMK	Zambian Kwacha



Source: <https://miningforzambia.com/a-concentrated-mining-sector/>

INTRODUCTION

Zambia has been pursuing economic diversification ever since the first republic and copper mining has been the major forex earner for the country with notable fluctuating trends over the years. As early as the First National Development Plan (1966-1970), both the need to diversify away from copper, as well as the growth of other sectors such as agriculture and manufacturing, were emphasized. **However, the Zambian Government has been undertaking economic diversification to reduce the country's reliance on copper exports and exploit other sectors of Zambia's rich resource base by promoting Agriculture, Tourism, Gemstone Mining and Hydro Power generation**¹. Economic diversification is the process of shifting an economy away from a single income source toward multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage

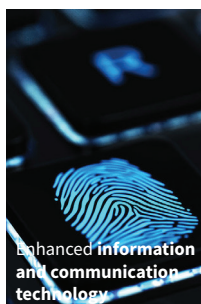
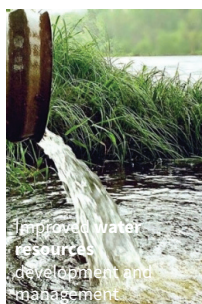
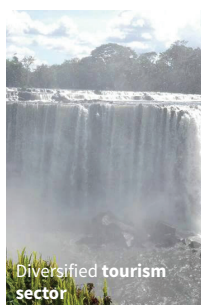
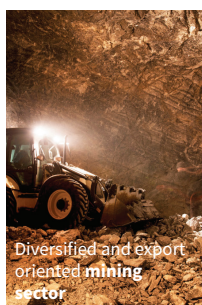
1. Zambia Development Agency "Economic Review" (2017).

positive economic growth and development. **Economic diversification is inextricably linked with economic development and poverty reduction².** Economic diversification is widely seen as a positive trade objective in sustaining economic growth. **It makes countries less vulnerable to adverse terms of trade shocks by stabilizing export revenues. It also fosters knowledge spillovers and increases returns to scale, which in turn creates learning opportunities that lead to new forms of comparative advantage.** Empirical evidence shows that greater diversification is correlated with more rapid growth of per capita income³.

This PMRC briefing document assesses the prospects for Economic Diversification in Agriculture, Tourism, Energy and Manufacturing. This aims to build towards a successful diversification strategy that would stimulate growth in these sectors and further promote realization of our national aspirations.

THE KEY SECTORS FOR DIVERSIFICATION

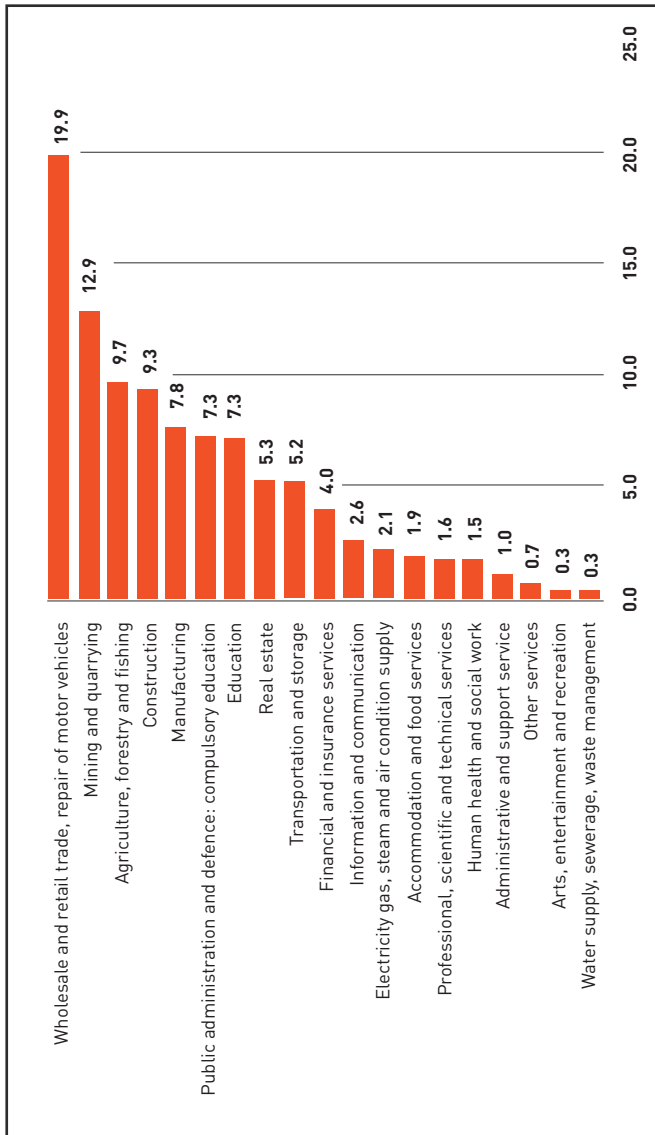
According to the Seventh National Development Plan of Zambia (2017-2021), the key sectors towards Economic Diversification include;



This Briefing Document focuses on the Agriculture, Tourism, Manufacturing and Energy sectors.

- United Nations Climate Change "Economic Diversification" (2018).
- Paul Brenton, Richard Newfarmer and Peter Walkenhort. "Export Diversification: A Policy portfolio approach" (2017). Yale University
- Zambia Seventh National Development Plan 2017-2021 (2017).

Figure 1: Industry Contribution to GDP (average), 2006 - 2015



Source: Central Statistical office

WHAT IS THE STATUS OF THESE AFOREMENTIONED SECTORS?

Agriculture, Livestock and Fisheries



Source: <https://afrika.pptd.eu/zh-hans/2019-05-21/african-agriculture-throughout-africa>



Source: <https://www.monsters.com/en/monsters/animals/cows/cow.html>



Source: <https://www.worldfishcenter.org/country-pages/zambia>

The Agriculture sector is very critical for achieving diversification, economic growth and poverty reduction in Zambia. **This sector is the fourth largest contributor to GDP and the largest contributor to employment.** It contributes about 19 percent to GDP and employs majority share of the population. Family agriculture is the backbone of the rural economy and thus holds great potential for modernization due to its predominance.⁴

Given the potential for increased agricultural output and the importance of agriculture to the Zambian labor force, the Government is prioritizing agriculture as a means of driving diversified growth but the reality is that Agricultural output is far below what is possible. **According to the Zambia Development Agency (ZDA), 58% of Zambia's land area has medium to high agricultural potential, but less than 20% of agricultural land is currently in use.** Agriculture represents roughly 20% of total Zambian GDP and 10% of its total exports, yet it employs over 70% of Zambia's population.⁵

Agriculture is very viable but has been with its challenges. The 2018/2019 farming season underscored the continued challenges of climate change and therefore the importance of risk mitigation and management measures. **Addressing climate related challenges requires the adoption of climate smart agricultural technologies and practices.** These are already being disseminated in the 2019/2020 farming season and will continue in the subsequent farming seasons. **We also observe that in order to reduce dependency on rain-fed agriculture, Government is pursuing various irrigation development projects and an example is the Mwomboshi dam in Chisamba District which has been completed, while the irrigation scheme will be completed in 2020. There are other notable projects currently being developed.**

In relation to the FISP, Government is continuing with the implementation of the Farmer Input Support Programme with 60% under direct input supply and 40% under the e-voucher system. Over 716,000 farmers accessed inputs under the e-voucher system. Further, around 5,800 agro-dealers throughout the country have been involved in the supply of agro- inputs. **The challenge here is to reform the implementation and management of the Farmer Input Support Programme so as to cut the administrative costs as well as avoid wastage.**

5. Zambia Development Agency (2017). "Agriculture"

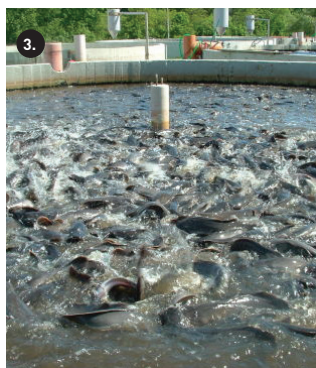
6. International Growth Centre (2018). "The potential of non-traditional exports in Zambia in relation to growth, employ

Away from Maize?

For Instance, IGC (2018) reported that Investigations into the exports markets for sugar, coffee and cotton showed increasing global demand for these commodities and that current preferential trade arrangements governing these markets are important for ensuring market access for Zambian products and subsequently increased income potential for producers in these subsectors. Lack of financing and high transactions costs have emerged as key cross-cutting constraints for all sub-sectors.⁶ Efforts to promote export diversification in these sectors therefore needs to focus on programmes that ease financial access particularly for small scale farmers, as well as promote investment in infrastructure that will reduce transaction costs of doing business in Zambia.

In the **livestock sub- sector**, the prevalence of animal diseases such as foot and mouth disease has negatively affected its performance in recent years. **There exists several opportunities to grow this sub sector and increase our production to export. New markets are also being pursued with the most recent one being the supply of goats to Saudi Arabia.** To address this situation, Government is stepping up farmer sensitisation, vaccinations, movement restrictions and enforcement of bio-security measures on farms. Further, construction and rehabilitation of dip tanks across the country has continued. Infrastructure development in this sector will also be key especially with the need to develop dipping tanks and breeding centres across the country.

Aquaculture also presents a viable opportunity for diversification. There is need to enhance capacity among fish farmers through training and mechanization. There should also be incentives to stimulate activity in this sector. Notable developments include the **Zambia Aquaculture Enterprise Development Project** which aims to train more than 1,000 farmers by 2022. Another



¹ Source: <https://www.africanews.com/2019/08/26/zambia-introduces-maize-price-cap-to-make-it-affordable/>
² Source: <https://www.africanfarming.com/cattle-diseases-hit-parts-zambia/>
³ Source: <http://www.usakavoice.com/2015/11/16/25-tonne-fish-die/>

development is the Fisheries Development Fund, but it still remains to be seen how much has been realized in this fund. Therefore, to realize diversification in the Agriculture sector and promote growth, **emphasis should be placed on agricultural diversification in crops, fisheries, livestock and forestry products based on comparative and competitive advantage of each product and agro-ecological zones.**

TOURISM SECTOR

According to a 2018 report by World Travel and Tourism Council, **travel and tourism is Zambia's fastest-growing national economic sector, contributing US\$1,846.9MN (ZMK19.4 billion) to national economy and 318.9 thousand jobs to the Zambian economy in 2018 while posting a +6.3% Gross Domestic Product (GDP)**, making it the fastest and bullish economic sector in the country.

International visitors alone spent **ZMK8.4 billion representing 8.3% of the total Zambian exports**, and in terms of spending characteristics, the **leisure sectors account for a total of 38% while business was at 62%. Domestic spending on tourism and travel stood at 47% while international spending was at 53%.⁷** The industry is estimated to create a total of 464.6 thousand jobs in 2019 with an estimated 1.1million expected international visitors in 2019. This is according to the World Travel and Tourism Council's annual review of the economic impact and social importance of the sector released this month, (World Travel and Tourism Council, 2019).



8. Abdelghaffar et. Al (2016). "Leveraging Chinese FDI for Diversified Growth in Zambia"

Zambia remains endowed with numerous tourism resources and attractions however, local tourism has still remained unsatisfactory. Further, the infrastructure, especially roads leading to the tourist sites, needs to be prioritized, in the infrastructure projects currently being implemented in the country. This applies to all the major tourism zones. There is immense potential for growth in the Tourism sector and the diversification effort in the sector can be achieved by integrating the country's rich cultural heritage into tourism packages beyond traditional ceremonies and promoting domestic tourism. With regards to foreign tourists, the aim must be to lengthen tourists stay to an average of six days from the current four days. These prospects would indeed promote growth in the Tourism sector and ensure increased contribution to GDP.

Tourism Sector

What has been planned to promote tourism

- Promoting tourism-related infrastructure is one strategy the Government intends to use to diversify the tourism sector.
- The **Government will develop, upgrade and rehabilitate roads, viewing loops and airstrips to and within the major national parks, namely Kafue, Lower Zambezi and the Mosi-oa-Tunya to efficiently interlink the major destinations in the southern tourism circuit and South Luangwa to prolong the tourism season from seven to 12 months per annum.**
- The **development of arts and culture infrastructure** will also be supported, to improve the contribution of the country's unique natural and cultural heritage to diversify the tourism product. Cultural villages that are currently undergoing construction will be completed.
- The Government will also promote the **development and expansion of non-traditional modes of tourism, such as eco- and agro-tourism and cultural and community-based tourism.**

MANUFACTURING SECTOR



Manufacturing is a relatively small segment of Zambia's overall economy. It accounts for roughly 11% of the country's GDP and has been growing at an average annual growth rate of three (3) percent in the last five years, based on the latest figures available from ZDA. According to the Zambia Development Agency (ZDA), the country's most important manufactured products by far are food and beverages, which account for nearly two thirds of all manufacturing, followed by textiles, leather, wood products, paper products, and chemicals and plastic products⁹. Growth in the sector is largely driven by the agro processing (food and beverages), textiles and leather subsectors. Secondary processing of metals is another main activity in the sector, including the smelting and refining of copper, and this has led to the manufacturing of metal products. Fertilizers, chemicals, explosives and construction materials such as cement are also produced in the sector. Other activities include wood products and paper products.

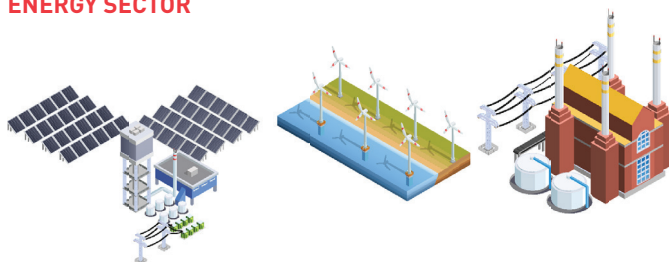
In a quest to diversify the economy in the manufacturing sector, the Government has been working on setting up Multi Facility Economic Zones, Industrial Parks and other support infrastructure to accelerate industrialisation. The actualised investment into the Multi Facility Economic Zones is estimated at US\$ 3.3 billion, with more than 15,000 jobs created.

In a bid to promote local content, the Government is implementing the National Local Content Strategy aimed at fostering business linkages between micro, small, medium and large enterprises. The strategy also aims to promote use of at least 35 percent locally available inputs in industrial processes. The Government through the Zambia Development Agency is also implementing the business linkage programme aimed at creating synergies in industry and market access for micro, small and medium enterprises.

Further developments; In order to add value to agricultural produce, Government through the **Industrial Development Corporation, aims at making investments in pineapple processing in North Western Province, fruit processing in Eastern Province and cashew nut processing in Western Province. Further, in Muchinga Province, an out-grower scheme for palm oil trees will be rolled out to 500 households covering an initial 380 hectares under the Industrial Development Corporation.** Government will over the next 5 years expand the scheme to cover 20,000 hectares in Luapula and Muchinga Provinces with over 25,000 farmers benefiting. This will boost Zambia's capacity to produce edible oils.

9. <http://www.grin.com>

ENERGY SECTOR

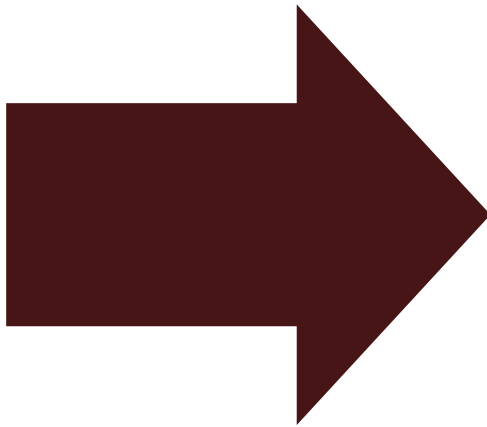


The Energy sector is critical as it inputs into all other sectors of the economy through electricity and petroleum. Economic expansion has led to an increase in demand for power and as such, demand has outweighed supply and this has affected productivity among others. The Energy sector has been adversely affected by climate change especially in the second half of 2019. This has widened the electricity deficit in the country thereby negatively affecting business operations and communities due to increased hours of load shedding. There is an urgent need to improve the diversification of energy sources especially that Zambia has abundant resources for generation of energy through solar among others. There is also urgent need to speed up the development of power projects that are being developed. This is a matter of urgency. The energy sector presents a huge opportunity for diversification especially that there are a number of projects that are in the pipeline and once complete, they would collectively provide adequate power for the country and excess can be exported in the region. **The other recommendation is that we need to embark on massive renewable energy sources such as solar farms, geothermal plants, mini hydro grids and wind farms among others. For major energy intensive investments, there should be plans to allow them to also invest on energy sources so as to relieve strain on the national electricity grid.**

Table 1: Potential pipeline of new capacity – selected major projects

Project	Type	Expected completion	Expected capacity (MW)
IDC Solar	Solar	TBA	88
Maamba	Thermal	2021	270
Chipata Thermal	Thermal	2023	180
Muchinga	Hydropower	2025	162
Kalungwishi	Hydropower	2026	235
Ngonye Falls	Hydropower	2026	117
Kafue Gorge	Hydropower	2020	750
Batoka	Hydropower	Preparatory Studies	2,400

MAP OF ZAMBIA
SHOWING THE
PROVINCES AND
POTENTIAL
ON THE NEXT PAGE



Luapula Province

- Fertile soils, high rainfall patterns.
- Extensive water bodies with potential for hydro power generation.
- Immense potential for agriculture, forestry, livestock, fisheries, irrigation development and hydro-power development.
- The Province borders the Democratic Republic of Congo which provides a large market for agricultural produce.
- Potential in tourism as the Province has a number of rivers, lakes with sandy beaches, breath-taking waterfalls, a national park and wetlands, including the world-famous Bangweulu Swamps, home to the rare Black Lechwe and the Shoebill.

Copperbelt Province

- The Province has been the industrial hub of Zambia and a number of mines are located in the region.
- The economic activities in the Province are largely copper mining-dependent and have been declining over the years due to various challenges faced in the mining sector, such as the decline in copper prices.

MAP OF ZAMBIA SHOWING THE PROVINCES AND POTENTIAL THEREOF

North-Western Province

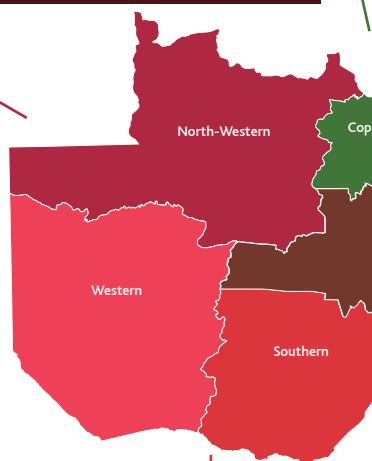
- The Province has potential in mining, agriculture and forestry.
- The Province has potential in value addition of forestry products that could uplift the livelihoods of the local people.

Western Province

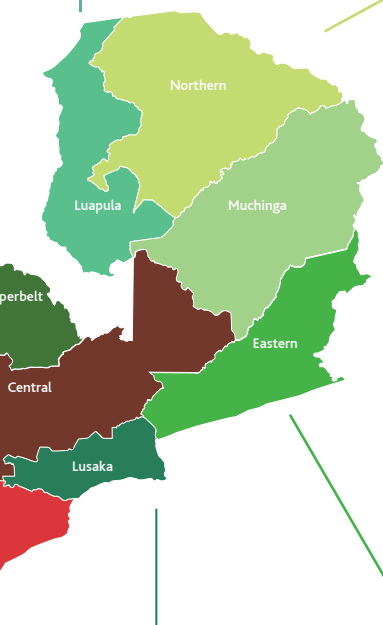
- The Province is endowed with arable land and productive pastures that are suitable for cattle rearing and cultivation of cashew nuts, mangoes, rice, timber and cassava.
- It also has water bodies that could support aquaculture and is also endowed with mineral deposits.
- Further, the Province has potential in tourism as it hosts the Liuwa and Sioma-Ngwezi National Parks, the Sioma Waterfalls and the famous Kuomboka Ceremony.

Southern Province

- Southern Province hosts the tourist capital of Zambia. It also hosts one of the eight wonders of the world, which is the Mosi-oa-Tunya (Victoria Falls) and is a major tourist attraction.
- It is an agricultural region, with potential in fisheries, livestock and crop production.
- The Province also has potential in energy generation from hydro, thermal, solar and biogas sources. In addition, potential also exists for mining gemstone and other minerals.



ional park, game management
(L Stork.



Northern Province

- Agriculture, energy generation and tourism.
- There is potential for agriculture due to vast arable land.
- The Province has several waterfalls, the Kasaba Bay, wildlife and other heritage sites which provide immense potential for tourism growth.
- The existence of huge water bodies (lakes, rivers and streams) provide potential for energy generation in the Province.

Muchinga Province

- Agriculture, tourism and forestry.
- Potential for tourism development as large portions of both North and South Luangwa National Parks are in Muchinga Province.
- The Province also shares the Bangweulu Wetlands, which is home to the Black Lechwe and the Shoebill Stork which are both rare species in the world.

Eastern Province

- Arable land, forests and abundant wildlife that could promote tourism
- Being strategically located near the Nacala Port could enhance trade and further boost the integration of Zambia in the Zambia-Malawi-Mozambique Growth Triangle.
- The establishment of a dry port at Chipata Railway Station would improve cargo movement.

Lusaka Province

- The Province hosts the capital city, which is a hub for services, businesses and organisations. This provides an opportunity to invest in research, science and technology to enhance the performance of businesses and organisations.
- There is potential in the Province to significantly increase its production and value addition if the ideal conditions are provided and investment is made in agro- processing.
- Opportunity to revamp the industrial area.
- Development in the Multi Facility Economic Zone (MFEZ)

POLICY ADVANCEMENTS THAT HAVE BEEN MADE IN THE FOUR SECTORS

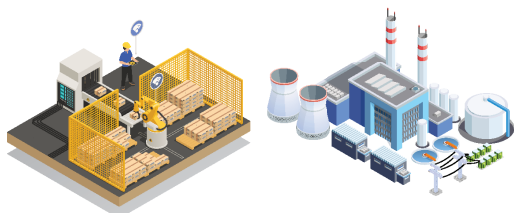
The following are the Policy advancements the Government has undertaken in the agriculture, tourism, manufacturing and energy sectors.

AGRICULTURE



In 2002, the Government of the Republic of Zambia introduced the Farmers Input Support Program (FISP), this program entailed the Government through the Ministry of Agriculture to heavily subsidize agricultural inputs. The program targeted small-scale farmers and consumed a larger part of the resources allocated to the Ministry of Agriculture and Livestock. However, it was observed that FISP had not helped to improve small-scale farmers` productivity that have been weaned off the program. The program was also failing due to a number of reasons some of which are; **the targeted population not being met as well as late distribution of farming inputs, which had resulted in farmers delaying to plant.** It is this failure that saw the introduction of the e-voucher mode of accessing inputs in 2012⁹. The E-voucher system aims to improve the distribution of subsidized inputs to small holder farmers. Apart from improving beneficiary target and providing timely access to inputs, the E-voucher system also aims at encouraging private sector participation by allowing farmers to purchase a wide range of recommended inputs.

MANUFACTURING



In the manufacturing sector the Government has undertaken the following projects such as the creation of the Multi-Facility Economic Zones (MFEZ). **The aim of the zones is to create a platform for Zambia to achieve economic development by attracting significant domestic and Foreign Direct Investment (FDI) through a strengthened policy and legislative environment.** The implementation of MFEZs in Zambia is designed to make Zambia competitive through increased activity in the trade and manufacturing sectors, which have numerous positive spillover effects in other sectors such as utilities, transport, agriculture and services.¹⁰

10. Ministry of Commerce, Trade and Industry

11. www.lsmfez.co.zm (2018). "Zambia Breweries malt plant official opening"

Opportunities in the MFEZ



Source: <https://www.themastonline.com/2017/05/15/zambian-breweries-introduces-330mls-returnable-glass-bottles-for-castle-lite/>

Another project worth noting in the LS-MFEZ is the Zambia Breweries Malting plant, which was also commissioned among others that are yet to be commissioned in the various sectors of the economy. The Zambia Breweries Malting plant is the first of its kind in Zambia. It enables locally grown barley to be processed into malt, which is the main ingredient for clear beer. It has contributed to creating business for farmer suppliers who provide the brewery with barley, thus spurring economic growth and job creation, ultimately putting more money in people's pockets. **Additionally, the group's investments are helping it to grow production volumes, thus increasing employment opportunities, enabling the company to buy more agricultural commodities such as barley, maize, sorghum and cassava from local suppliers and boost sales, thus increasing overall tax revenue to the Government.**¹¹

ENERGY

The effects of climate change and drought which resulted in the reduction of water levels in the country's main power generating dam, Kariba Dam, has seen Zambia and nations in the Southern African Development Community (SADC) rethink their dependency on hydro power. For Zambia, solar, to be specific, has been identified as key to the energy diversification programme as it has proved to not only be affordable but also quick to execute and implement compared to conventional energy ¹².

12. Zambia Daily Mail Newspaper (2018). "Resetting Zambia Energy Sector".

13. Zambia Daily Mail Newspaper (2018). "Resetting Zambia Energy Sector"

To this effect, **Government revised the National Energy Policy to diversify the energy mix by including renewable energy** and went a step further to introduce the Renewable Energy Feed-in Tariff (REFIT) Strategy aimed at accelerating private investments in small and medium-sized renewable energy projects in Zambia.

REFIT is one of the remedial measures put in place to reduce high poverty levels in far-flung areas as people will have the platform to venture into activities to uplift their livelihoods.

As part of Government's effort to accelerate solar energy production, it signed a US\$1.2 billion deal with the World Bank under the Scaling Up Solar Project which will bring up to 600 Mega Watts (MW) of solar energy¹³. Under the World Bank Group's Scaling Solar initiative, The Government through the Industrial Development Corporation (IDC) engaged the International Finance Corporation as transaction advisors for the rapid development of grid-connected utility- scale solar projects. (IFC) Scaling Solar program in Zambia¹⁴.



The Zambia Tourism Agency (ZTA), launched the domestic tourism campaign which has yielded positive results.

The Government through the Industrial Development Corporation (IDC) is determined to open up the Northern Tourism Circuit for investment. IDC's mandate is to play a catalytic role of deepening and supporting Zambia's Industrialisation capacity to promote job creation and domestic wealth formation across key economic sectors including tourism. **Unlocking the Northern Tourism Circuit's potential is crucial to the diversification of the country's tourism development and ultimately the economy. The Northern Tourism Circuit comprises Luapula, Muchinga and Northern provinces. The area has vast tourism treasure troves and lakes, pristine wildlife sanctuaries, rivers, sandy beaches, numerous waterfalls, cultural ceremonies, historical and natural heritage.** This has great potential to increase domestic tourist arrivals and ultimately contribute to the growth of the tourism sector.

14. The World Bank (2019). "Unlocking Low-Cost large scale Solar Power in Zambia"

15. Lusaka Times Newspaper (2018). "Government aims at expanding Tourism base"

Another diversification effort being undertaken by Government is aimed at enhancing integration of the country's rich cultural heritage into tourism packages beyond traditional ceremonies. The promotion of traditional tourism products is aimed at increasing the number of days' foreign tourists can stay in Zambia from the current four to six days. The Government is currently working on a strategy that seeks to promote domestic tourism by lowering charges so as to encourage citizens to participate in tourism activities¹⁵.

LESSONS FROM BEST PRACTICE ON ECONOMIC DIVERSIFICATION

There are various countries that Zambia can obtain lessons on the best practice on economic diversification. Examples of such countries include the following;



Rwanda

In the year 2000, the Government of Rwanda established Vision 2020, a long-term development strategy with its main objective to transform Rwanda into a middle-income country by 2020, based on a thriving private sector. Since then, the Rwandan economy has been growing steadily at seven percent every year, earning a reputation as one of Africa's fastest-growing economies¹⁶.

The economic structure in Rwanda consists of the primary sector and the secondary sector. The primary sector is the agriculture sector which consists of three quarters of the economy employed in the sector. The secondary sector is the construction sector which has construction as its major component. However, in an effort to diversify its economy Rwanda developed a tertiary sector which aims at making the country a technological leader on the continent¹⁷.

Conference and technology

Rwanda has also been primed as a conventional capital of Africa and has been hosting several key events with a spill over leverage to the Tourism sector. The Kigali Convention Center has become the leading conventions centre in Africa hosting several high level summits such as the AFCFTA signing summit and the Africa Youth Forum among others. Further, the Kigali Arena as a multi usage facility will further solidify this stance.

16. TRT World Magazine (2019). "What makes Rwanda one of Africa's fastest growing economies?"

17. KPMG (2017). "Rwanda Snapshot H2".

18. <https://www.alizila.com/rwanda-first-in-africa-to-join-alibaba-led-ewtp/>



① Source: <https://www.quora.com/Why-is-Rwanda-so-successful-in-development-but-not-other-African-states>

② Source: <https://www.herbertsmithfreehills.com/latest-thinking/a-regional-success-story-the-development-of-arbitration-in-rwanda>

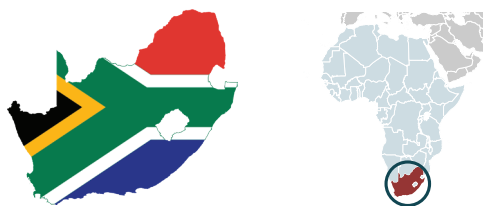
③ Source: <https://twitter.com/rdbrwanda/status/792387433329528837>

Rwanda further became the first African country to be admitted to the Electronic World Trade Platform (eWTP). The eWTP provides small and medium-sized enterprises with operational infrastructure, such as commerce logistics, cloud computing, mobile payments and skills training. By doing so, the eWTP allows SMEs the chance to participate in the global economy when that opportunity might otherwise be available only to multinational companies¹⁸.

Rwanda successfully launched the country's first satellite into space, to connect internet to more remote schools across the country, providing better education and creating new opportunities for innovators. Rwanda has further earmarked to send another satellite to space to improve the ICT industry¹⁹.

19. <http://www.xinhuanet.com/english/2019-02/28/>

20. United Nations OECD (2011). "Economic Diversification in Africa: A review of selected countries."



South Africa

The South African economy has long been the largest, and one of the most diversified, economies in Africa. Its GDP grew strongly after 2000, but began to decline in 2008 and even turned negative in 2009, at the height of the global financial crisis. In a bid to diversify economically, the Government of South Africa came up with the following; It established the Industrial Development Corporation (IDC) to provide finance for strategic enterprises which lack commercial funding but have the potential to drive economic diversification activities.

Examples of Government institutions whose actions support economic diversification both inside South Africa and increasingly in Africa include the South African Bureau of Standards (SABS) and the Council for Scientific and Industrial Research (CSIR). As for other Government initiatives, the Development Fund of the South African Foreign Ministry has become the African Renaissance Fund since 1994 and is aimed at supporting various projects in bi- or trilateral partnerships that are often related to economic diversification. A major step taken by Government in 2007 was the creation of the National Industrial Policy Framework (NIPF) and its Industrial Policy Action Plan (IPAP). One of the IPAP's goals is to "facilitate diversification beyond [South Africa's] current reliance on traditional commodities and non-tradable services."²⁰

The South African Government has taken a number of measures to promote infrastructure, and thereby support economic activities. **It has a well-developed Public Private Partnerships (PPP) framework that is institutionalized under a PPP law and a PPP Unit in the National Treasury. The PPP Unit offers technical assistance on PPP projects and plays a regulatory role by managing tenders, approving feasibility studies and providing guidance on the aspects of PPP projects.** Within the course of eight years, the PPP Unit had completed 60 PPP projects, including the Gautrain, a rapid rail link between Johannesburg and Pretoria, the biggest PPP project in Africa. By promoting increased public-private co-operation in infrastructure development, South Africa's PPP policy has in turn helped to facilitate economic activities that are crucial for productivity and growth.

Another exemplary approach that South Africa has undertaken is in renewable energy. South Africa derives most of its energy from coal, but given the implications on the environment and climate change, as well as the power shortages the country has been experiencing, the Government plans to diversify South Africa's energy sources away from coal. It set a target that 15% of its energy source must be from renewable

21. United Nations/ OECD (2011), "Economic Diversification in Africa: A review of selected countries"

sources by 2020. Also, the National Energy Regulator of South Africa (NERSA), established feed-in tariffs for electricity from renewable energy sources. The tariffs set at above market rates and guaranteed for 20 years are a way to attract private investment in this emerging sector. The private sector has been very active in terms of financing projects and developing them²¹.

SUMMARY LESSONS OF BEST PRACTICE

Taking an example from South Africa, Zambia can adopt a development fund as a Government initiative to support various projects in bi-lateral or tri-lateral partnerships that are often related to economic diversification.

In promoting infrastructure development and thereby supporting economic activities, Zambia can formulate a well-developed Public Private Partnership (PPP) framework that will be institutionalized under a PPP law and a PPP unit in the National Treasury. The PPP unit will offer assistance on PPP projects and play a regulatory role by **managing tenders, approving feasibility studies and providing guidance on the aspects of PPP projects**. Through promoting increased public-private co-operation in infrastructure development, South Africa PPP policy has in turn helped to facilitate economic activities that are crucial for productivity and growth.

Renewable energy is another exemplary approach South Africa has undertaken instead of focusing on coal.

RECOMMENDATIONS

As a way of diversifying the tourism, manufacturing, agriculture and energy sectors PMRC recommends the following;

1. Zambia's hydropower is susceptible to the effects of climate change, highlighting the need for efficient water management and establishing efficient water management procedures (through technical measures at the generation stage, and through demand management via higher tariffs or other measures) is essential;
2. Exporting electricity could earn the Government valuable revenue, further strengthen regional ties and diversify the economy from mining;
3. The Zambian Government is urged to focus on attracting solar investments and allow for policies and incentives that encourage investment into the solar energy sector.

4. Regional integration and cooperation also have a part to play in diversification success. Standardizing customs requirements, reducing tariffs and developing transport corridors all help to encourage trade.
5. Human and institutional capacity needs investment to develop skills and a framework to support and facilitate new areas of activity in these sectors. Diversification requires significant capital investment and a consistent and dogged approach from Governments.
6. We urge Government to focus on promoting public private co-operation in infrastructure development.

CONCLUSION

Zambia has to make fundamental policy shifts if the country is to achieve the objectives of the Vision 2030. Achieving these objectives is essential to repositioning the Zambian economy onto growth and development, in a manner that makes the country less susceptible to both domestic and external shocks. This is seen as a critical area of focus midway before the expiry of the Vision 2030. In summation, Zambia has been carrying out various activities pertaining to economic diversification such as including it in the national development plan, resources being allocated to the agriculture, tourism, manufacturing and energy sectors in the national budget. This has helped to facilitate the various activities being undertaken as aforementioned. **The Seventh National Development Plan (7NDP) provides a clear roadmap of what needs to be done to diversify our country's economy, going forward there is dire need for the mobilization of resources that will finance the various strategies outlined within the 7NDP. Therefore, with adequate financing it can be said that economic diversification in Zambia can be a reality and not a myth.**



Unlocking Zambia's Potential

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