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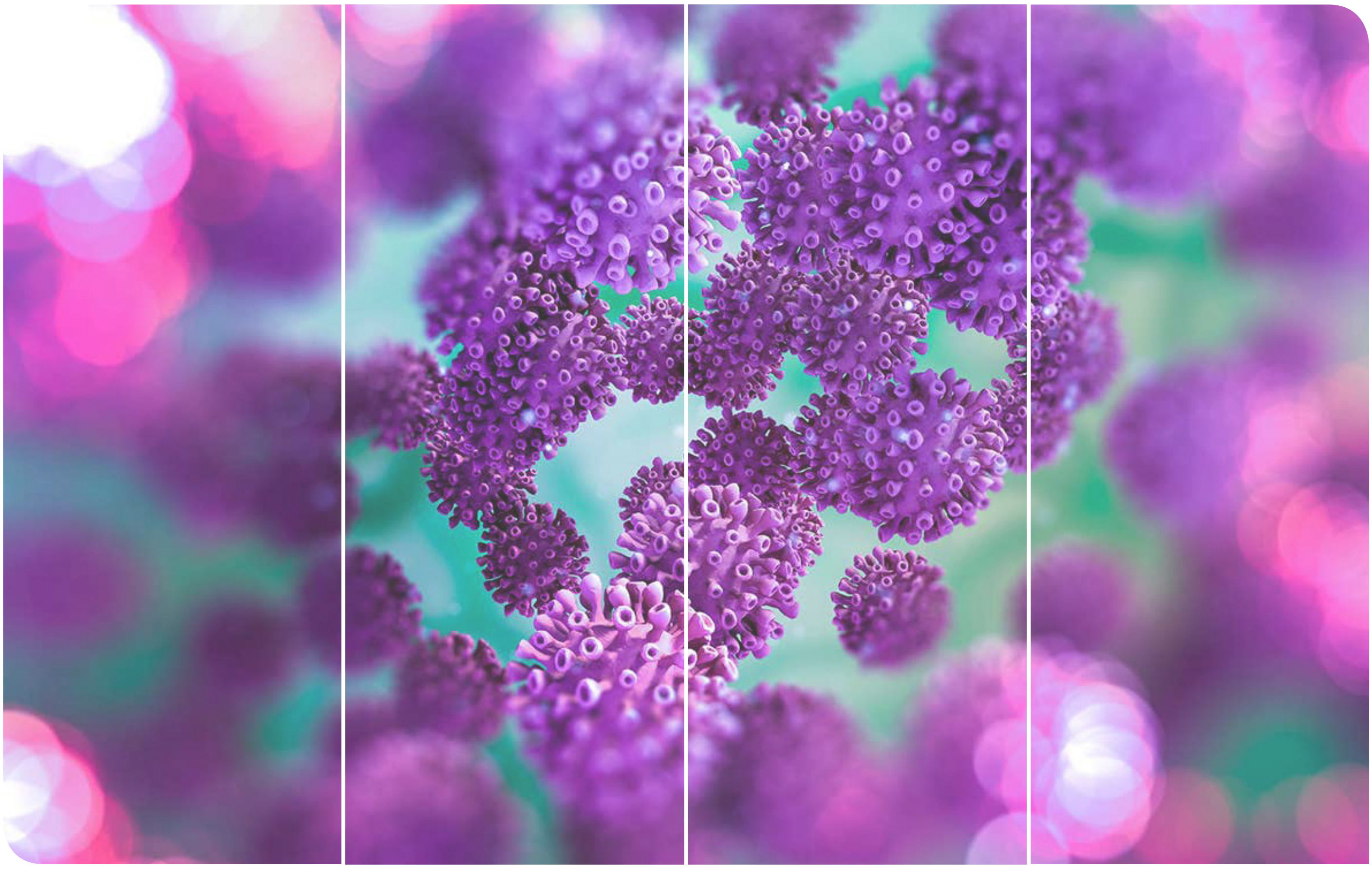

Policy Monitoring and Research Centre (PMRC)
Corner of Nationalist and John Mbita Roads,
Ridgeway, Lusaka - Zambia.

Private Bag KL 10
Tel: +260 211 269 717 | +260 979 015 660

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TAKING THE NON-CONVENTIONAL ROUTE TOWARDS STRENGTHENING AND STABILITY OF THE KWACHA

The onset of the COVID-19 pandemic has negatively affected several economies worldwide. In Africa, the pandemic has caused severe distress to several economies and currencies have weakened in trading and exchange value. The Zambia kwacha has depreciated by more than 20 percent to around K18.4 per US dollar. **The depreciation of the kwacha is attributed to among other factors, the COVID-19 pandemic, the drag in global trade which has slowed down following closure of borders and the lock down in major economies, reduction in commodity prices of coppers which had opened the year at US$6,165 per metric tonne closed at US$4,754 per metric tonne as of March 2020 and the capital flight in the financial markets, in which the international economy has seen investors divesting their funds from traditional assets such as stocks to safe havens that include the US dollar causing its appreciation against other currencies**.

Why is the Kwacha affected year-on? What really needs to be done to strengthen the Kwacha? How is the quoting of USD by some businesses affecting the kwacha? Let us take a moment to reflect on these questions and provide perspectives to the foreign exchange dynamics in Zambia.

We recall that in 2012, Government issued the Bank of Zambia (currency) regulation Statutory Instrument (SI) No. 33 of 2012 to ban all domestic transactions conducted using foreign currency. Further, in 2013, Government introduced SI No.55, which empowered the Bank of Zambia (BoZ) to monitor cash inflows, outflows and international transactions. These two SI's were both instituted then as mechanisms to be used by Government to promote or strengthen the kwacha whilst also protecting the financial market among other measures. Lessons were learnt from both SI 33 and SI 55 with some sectors issuing major concerns. Both SI's had their pros and cons and in 2014 they were revoked to the relief of the Tourism and Mining sectors among others. However, we reflect on the intentions and lessons and ask the question; **is it fair for some businesses in Zambia to continue pricing locally traded goods and services in foreign currency?** Isn't this affecting the kwacha further? Yes it is known that foreign trade investors are concerned with making profits and mitigating losses at all costs thus, would prefer to quote pricing of their goods and services in US dollars in order to avoid the volatility of local currencies. What does this mean for the citizens who then have to bear those costs due to quoting in foreign currency?

As a developing country with minimal hedging mechanisms, **Zambia's currency volatility affects inflation levels, debt denominated foreign currency and trade financing which has implications for competitiveness, trade, and market diversification in the long run**. A study conducted by the Bank of Zambia (2012) that examined the statistical relationship between the nominal kwacha/US dollar exchange rate, and the trade balance, relative interest rates (i.e. kwacha vs. US dollar interest rates), and foreign exchange transactions (i.e. intervention by the central bank aimed at changing the exchange rate) concluded that volume and value of exports from Zambia are mainly determined by mining. Therefore, mining company policies on foreign exchange transactions influence exchange rate determination significantly, as evidenced in capital account movements. The Mining Sector is Zambia's largest foreign exchange earner and reduced prices of copper entails reduced supply of foreign exchange earnings which will continue to put pressure on the kwacha. PMRC submits that the Bank of Zambia should continue exploring several ways in which to cushion the fall of the kwacha and also ensure monetary stability. Some of the measures and options that we have recommended as PMRC is for BOZ to consider lowering interest rates and increasing liquidity in the country's financial systems through a combination of measures, including lowering capital buffers and reserve requirements, creating temporary lending facilities for banks and businesses, and easing loan terms. In addition, the Government is urged to adopt various fiscal measures to sustain economic activities, which could include; temporarily deferring tax payments and increasing guarantees and loans to businesses. The Bank of Zambia interventions have been reasonably effective regarding short- to medium-term volatility by the purchase and sale of forex and changes in the interest rate on public bonds, thereby sterilising the effects on the money supply. While the efficacy of a policy attempting to manage the long-term exchange rate is difficult it is possible, though costly in the short term. This can be bolstered through the accumulation of foreign reserves and establishment of a Sovereign Wealth Fund to manage mineral wealth revenues.

Pricing all locally traded goods and services in Kwacha

One of the suggested ways that we may need to interrogate in order to stabilise the kwacha exchange rate is for the Central Bank to put in place measures to prevent business houses that are pricing locally traded goods and services in foreign currencies, especially the US dollar. The Bank of Zambia has guided on several occasions before, and in line with the Bank of Zambia Act, that the kwacha is the legal tender in Zambia. Therefore, all domestic transactions are required to be priced and settled in Kwacha. Unauthorised entities that engage in some form of foreign currency trading need to stop such practices as they are contravening the Banking and Financial Services Act (BFSA). If left unchecked, the practice has the potential to increase the demand for foreign exchange and intensify pressure on the exchange rate. **Pricing in foreign currency implies that businesses are adjusting their prices to reflect the extent of the movements in the exchange rate and yet most of their operating costs are not in foreign currency**. The adverse effects of pricing and paying in foreign currencies are mainly felt by the general public rather than business houses as the former has no ready means of hedging against currency depreciation. Measures to prevent business houses from quoting locally traded goods and services in foreign currencies and thus, encourage pricing in kwacha could be achieved through some legal provisions similar to the SI 33 but with some dollar equivalency. The absence of the legislation which explicitly prohibited the use of the dollar has left traders free to determine their prices in the foreign currency. But for such measures to be effectual, the Bank of Zambia through its monetary policy conduct needs to minimise the current exchange rate volatility, and ensure that inflation is contained with the targeted bands of 8-10 % in an effort to protect businesses from exchange rate losses. It must be noted that the use of the dollar and VISA transactions have to be cleared internationally and this is expensive. This further builds the case for the collecting strengthening of our regional currencies.

It is important to note that incomes of the overwhelming majority of Zambians are not in foreign currencies. Therefore, these are bound to bear the full impact of quoting prices in foreign currencies more so if compelled to pay in foreign currency for domestically traded goods and services, such as, rentals and school fees. Furthermore, quoting and demanding payment in a foreign currency amounts to dealing in foreign currencies, which is a practice that is for authorized foreign currency dealers only. It is also likely to lead to a multiplicity of exchange rates, which may differ significantly from competitive market rates and thereby destabilize the orderly functioning of the foreign exchange market.

What opportunities exist?

The SADC multi-currency regional payment system

Perhaps eliminating the trading barriers that exist among African countries and enhancing regional integration could ease the pressure on trade within Africa through the Africa Free Trade Area and easing customs and excise duties could help local manufacturers import necessary additives needed in value chains while also exporting their produce to markets within the region, bringing in the much-needed forex. One such opportunity is The Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS). SIRESS is a regional payment and settlement system that was developed to facilitate funds transfer for cross-border payment in the SADC region. At a regional level, efforts aimed at encouraging trade facilitation and stability of local currencies against convertible currencies should be encouraged. Southern Africa has made progress towards creation of a multi-currency regional payment system, which is currently using United States dollar and the rand as settlement currencies. The expectation is that Southern African Development Community (SADC) Integrated Regional Electronic Settlement System (SIRESS) is expected to move into a multi-currency settlement system and Zambia should be at the fore of ensuring that this objective is achieved. The addition of the other regional currencies including the kwacha will not only promote intra-SADC cross-border transactions but also expected to facilitate greater cross-border trade and investment in the region. The adoption of a multi-currency settlement system is an important milestone that builds on other progressive developments in consolidating progress and catalysing milestones already attained by SADC Free Trade Area. Without SIRESS, all US dollar transactions are settled through correspondent banking arrangements using US correspondent banks. It must be noted that visibility of the platform is low in Zambia. If it were highly utilized, then to some extent, it would have minimized the pressure on the foreign exchange regime currently obtaining. The main benefits of the SIRESS system are its efficiency and reduction in costs because previously the transactions would go through a correspondent bank. Where as transactions previously took two to three days to clear, now they are cleared within 24 hours with SIRESS and fees paid to non-SADC clearing banks are removed. The elimination of an intermediary – often a United States or European correspondent bank – means foreign exchange money stays in the region and payments are processed faster.

Productive Capacity in Manufacturing

Another measure that can help boost the performance of the kwacha is the need to put in place deliberate initiatives to promote investments in productive capacity of local firms, especially those engaged in export-oriented "manufacturing value addition" as well as import substitution. This will ensure that there is reduced demand and outflows of foreign exchange in the economy. As PMRC, we state that the establishment of a Taskforce by Government, as announced by the Minister of Finance to bring more Zambian products on the floors of major chain stores in order to support domestic production which has previously been hindered by the lack of a reliable market is welcome and should be encouraged and actualised as soon as possible. The Taskforce comprises of representatives of South African owners of chain stores, Zambia Association of Manufactures (ZAM), Zambia Farmers Union (ZNFU) and the Zambia Chamber of Commerce.

In view of the prevailing global, regional and national challenges obtaining due o the negative effects of the COVID-19, PMRC continues to explore ways through which we can support the Government to institute measures that will set the economy on a path of recovery. We shall continue playing our part to ensure that our post –COVID economic recovery is effective. Our call for Government therefore is to consider exploring ways through which some of the evidence we have presented can be considered so as to strengthen our currency and contribute towards economic recovery.

Mrs. Bernadette Deka-Zulu
PMRC Executive Director

Zambia's Mining Sector-Keeping the Lights On in the "New Normal".

The COVID-19 pandemic has disrupted industrial and economic output in countries and regions around the globe with each industry facing unique characteristics that present novel challenges in the context of the pandemic. Zambia's mining industry which is considered an ancient and global industry with origins that date back to the foundations of civilization and has had positive impact on economic development throughout history has not been spared.

Zambia's mining industry in the context of COVID-19 is now faced with many significant challenges, many of which we've never seen. The prevailing conditions have made it difficult for mining companies to dial up capacity while managing the risks of pandemic in the wake of declining commodity prices triggered by sudden economic stoppages in several regions around the world. This drop in prices has affected operational margins for players in the industry with some being pushed into negative cash flows. While it can be argued that price volatility is familiar to the mining industry, the steps taken in managing it in each context pose a challenge for industry players that must be tackled by building consensus from all stakeholders.

PMRC therefore welcomes Government's decision to constitute a team of cabinet ministers, technical experts and trade unionists to look at the sustainability of the mining sector during and beyond COVID-19. While protection and sustainability of mining sector jobs is vital the team needs to ensure that the following measures are strongly considered;

- Immediate focus must be placed on the protection of health and safety of employees while striving to keep mines functioning as effectively as possible. This can be achieved through the deployment of crisis response units for critical decision making and to monitor financial health of the mines to maintain cash flows in efforts to ensure continuity in operations and supply chains. **Government is urged to mitigate risks to disruption by instituting early warning mechanisms and implementing measures to protect industry cash flows by deferring tax obligations, considering extension of deadlines and suspension of tax measures that have potential to stall mining and supply chain operations**.

- As easing of restrictions around the world is rolled out, Government is urged to prioritize and maintain safety and well-being of employees in the face of possible COVID-19 risks. Timing of the sector's recovery period is likely to vary across the globe and there's need plan how this will affect operations and business processes with the possibility of restricted travel. **Government is urged to institute a fiscal regime that will respond to**

the prevailing times and attract greater investment to spur a quick rebound. Government is further urged to ensure minimal disruptions to the supply chain especially critical supplies and consumables that keep the mining sector functional.

- The effects of the pandemic may inflict changes that in some cases maybe permanent ("The New Normal"). It is therefore important for industry players to re-think strategies around commodity demand and pricing, work space layout, social distancing and response to future crises. Given the economic impacts of the crisis mining sector players are urged to prioritise local suppliers while establishing a fair balance with international suppliers.

Like many industries with big challenges to future growth, **change is being driven in mining by technology, innovations, better processes, social demands and even new opportunities**. The unprecedented impact and scale of the COVID-19 pandemic has negatively affected many world over and disrupted livelihoods. The situation continues to be dynamic and calls for rapid solutions and effective monitoring. **Government is urged to consider the immediate priorities and forecast the future of the mining industry and its evolution. This is one sure way to designing smart strategies to gain competitive advantage and staying ahead**.

As we dust off our challenges with masks on and examine what the future holds for the mining industry we need to embrace the "new normal" and accelerate efforts to make operational employment in the mining sector safer and sustainable to support Zambia's Economic Development Agenda.

Statement on Africa Day: "Silencing the Guns: Creating Conducive Conditions for Africa's Development".

As we celebrate this year's Africa Day under the theme **"Silencing the Guns: Creating Conducive Conditions for Africa's Development"** it is important that we take stock of our progress towards a more prosperous future in which all African citizens, young, old, female, male, of all creed and backgrounds are empowered to realize their full value and potential.

The African Union (AU) has made significant progress in driving Agenda 2063 which is the continent's blueprint and masterplan for transforming Africa into the global powerhouse of the near future. In line with this year's theme, it is evident that the pursuit of continental level African Peace and Security Architecture that is fully functional has been established and maintained. However, concerns arise regarding the number of armed conflicts recorded on the continent despite the notable efforts made by the AU Member States to establish and sustain the continental campaign of "Silencing the Guns by 2020".

Extreme poverty, political and economic marginalisation, poor governance and lack of access to opportunities are not only challenges that millions of Africans face, but a fertile breeding ground for threats such as civil conflicts, extreme terrorism and uncontrolled migration. This reminds us of the urgent need to end our troubles by constantly mobilising our collective resolve and energies to end conflict and fulfil international commitments to peace. Despite the fragility of international commitments as evidenced by the constant violation of these commitments by multiple state actors and the persistence of conflict there is great hope for African solidarity through resistance and resilience to overcome our challenges.

2020 which marks the last term of the current commission as well as the proclaimed year of the "Silencing the Guns on the Continent" presents other challenging phenomena such as the COVID 19 pandemic, poverty, unemployment, regional conflicts, electoral crises, inter-state and community conflicts.

Security can no longer be effectively addressed from the traditional state-centric perspective, where national security and law enforcement apparatus are all that is needed to ensure the security of citizens. It has become a Universal concern, with a focus on individuals and groups' access to the benefits of development and a more people-centred security. The growing concept of 'human security' therefore underlines the importance of empowering individuals and groups in Africa to benefit from economic growth and development, so as to not only protect them from conflicts and tensions but also to build their resilience to engage in development activities. There can be no sustained development without peace and in the same vein no peace without development. There is urgent need to Africa to enhance its institutional capacities, opportunities and living standards in this regard. Evidence from research shows there is a strong link between insufficient; work opportunities, jobs, wealth distribution and the risk of instability. Therefore, building resilient communities and rigorously pursuing development objectives mitigates the impact of losses due to insecurity.

By acting decisively on all these issues and identifying their causes, Africa possesses all the resources required to "Silence the Guns" through diplomatic, political and military means. We call on all African Heads of State to help deepen and strengthen unity on the continent. Africa's prosperity and destiny resides in us and by acting in unity, Africa is set to be an economic success of unparalleled proportions and a centre of sustained economic growth.

Further, this is a call for unity, integration and coordination among African nations. Under the framework of the Continental Free Trade Agreement (CFTA), we submit that the narrative for Africa should now be towards more in-ward search for solutions to the several challenges that we face. The comprehensive African development framework for African challenges is what we should endeavor to focus on. This will ensure that we put together our experiences, technologies, ideas and resources to work out solutions to our problems. Yes, Africa remains a great continent with numerous resources but the time has come to also focus on mechanization, industry and technology so as to transform the natural resources for the development and benefit of Africans. In conclusion, several agendas still need to be looked into ; such as the Africa Open Skies agreements, strengthening of local and regional currencies as well as enhance trade within African states. For Africa to realize the Vision 2063, then young people should be integrated more than before, to be given as many opportunities as possible to also contribute in the affairs of the continent at different levels.

The time is now, Africa!

Economic Diversification in Zambia – Focus on Manufacturing Sector

Zambia has been pursuing economic diversification ever since the first republic and copper mining has been the major forex earner but 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 emphasis of growth of other sectors such as agriculture and manufacturing, were emphasized. Economic diversification is the process of shifting an economy away from a single or dominant revenue source towards multiple sources from a growing range of sectors and markets. Economic diversification is widely viewed as a positive objective in sustaining economic growth as it enables countries to be less vulnerable to adverse terms of shocks by stabilizing export revenues. According to the Seventh National Development Plan (7NDP 2017-2021), the key sectors towards Economic Diversification in Zambia include; Agriculture, Tourism, Energy, ICT and Manufacturing sectors. One of the primary benefits of diversification is that a diversified economy creates a sustainable cycle of economic activity where sectors and businesses continually interlink and share benefits even as the economy grows. This also increases prospects for employment and growth and is in alignment with the multi sectoral development approach being espoused in the 7NDP today. Zambia has continued to pursue economic diversification with policy shift away from mining towards agriculture, manufacturing and tourism among other sectors. The focus of this article is the manufacturing sector.

The **Manufacturing** sector in Zambia accounts for approximately 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 figures available from the Zambia Development Agency (ZDA). **Zambia's manufacturing sector** has considerable investment potential as the domestic economy is relatively well endowed with resource factors such as raw materials, required labour force, abundant water and rich minerals. The priority areas for investment in the sector include; food processing, textiles and clothing, mineral processing, chemical products, engineering, leather products, electrical goods, pharmaceutical products and packaging materials. (ZDA, 2018). 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 industrialization. The actualized 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 is also meant to enhance local content along the value chain, which will benefit Zambians as millions of dollars are spent annually on goods and services, which are imported into the country. 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.

The success of diversification depends on the mix, sequencing, and timing of investments, policy reforms and institution building, and on the consistency with the underlying assets and related comparative advantages of the country. Investments in skills, infrastructure, institutions and governance quality (ie. enhancing the transparency, accountability, and predictability of Government decision-making) increase the likelihood of success of diversification but are in turn affected by the extent of diversification. Providing the foundations for structural transformation and private sector driven growth is an essential element in achieving a broader base of economic activities. Further, clear, transparent and predictable business regulations that provide a level playing field among investors (small and large, foreign and domestic) are essential for economic diversification.

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. 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 and policies as outlined within the 7NDP towards the realization of economic diversification.

Zambia's Power Sector Reforms: *"The Light at the end of the tunnel"*

Earlier this year, the Energy Regulation Board approved ZESCO Limited's application for an upward tariff adjustment effective 1st January 2020 and since then there have been a number of positive power sector policy and regulatory reforms that have taken place. The Government of the Republic of Zambia approved the Revised National Energy Policy, 2019 which is anchored on the Seventh National Development Plan (7NDP) and Vision 2030 in order to guide the development and management of the energy sector by considering technological advancement and developments in the energy sector. The Electricity and Energy Regulation Acts were revised to provide for sale and purchase of electricity within and outside Zambia and improve the regulatory environment among other objectives.

Adequate and reliable power supply underpins any successful economy and Zambia has struggled to generate enough electricity to meet growing demand as the country has developed.

Load management has in the past and present time led to severe consequences for the economy as businesses and small to medium sized enterprises have scaled back production and households have had to grapple with long hours of darkness. As demand continues to grow it is essential that Zambia gets the power sector generation mix right for the country to fulfil its potential for growth.

Under investment in the power sector over the years has been largely due to below cost tariffs and a bureaucratic regulatory environment which has slowed private sector investment. Some of the challenges identified include;

- Over dependence on Hydrological sources of power which made up 80.45 percent of installed capacity as of 2019. The remainder of the generation mix comprised of coal (10.06%); HFO (3.69%); diesel (2.80%); and solar (2.99%).

- Modelling trends from Zambia's river basins suggest that hydropower potential will gradually decline in the future due to climate change and increasing water demand from other sources.

- Low rates of access to electricity in rural areas at around 4.4%. Despite this the Rural Electrification Authority successfully completed the implementation of ten carry-over projects in six provinces across Zambia consisting nine Grid Extension Projects and One Mini Hydro Power Project

- Below cost tariffs which have constrained ZESCO's ability to undertake new investments and to a degree its ability to raise capital which in turn is linked to its financial situation.

This mix of factors point to the need for Zambia to focus on attracting private investment in the power sector and speeding up projects that are near completion through;

- Prioritization of projects that have potential to yield high economic returns in the short to medium term and stemming cost escalation.

- Establishment of a central planning function in the Ministry of Energy, to develop a strategic vision and delivery plan for increasing and diversifying power capacity in the country through investment in Independent Power Producers.

- Establishment of a central procurement function to sit alongside the planning function and secure investment in line with the Government's strategic vision. The procurement process is lengthy and opaque, which has discouraged investment across the board. The planning function should look to centralise commercial capability, run more competitive tenders and streamline the procurement process, which will lower barriers to entry for investors and deliver value for money for consumers.

- Improve the credit-worthiness of ZESCO: as an off-taker, it is essential that investors have confidence that the organization can purchase the energy generated, which can be improved through increased financial transparency and providing more secure guarantees. ZESCO further needs to revisit the administration of its lifeline tariff by exploring viable options for reforming the current subsidy policy whose targeting is poor (The lifeline subsidy policy currently covers all households regardless of income status).

Conclusion

Historically, Zambia's approach for power development has been for the Government, via ZESCO, to undertake investment in capacity. The Government has also led the recent Zambia Power Rehabilitation Project which involved various capacity and transmission upgrades as well as demand side management measures. Recently, ZESCO Limited and Power China signed three contracts to develop 600MW (AC) grid-connected Solar PV Power Plants to be located in Chibombo, Chirundu, and Siavonga Districts. This marks a giant step in ZESCO's efforts to diversify the energy mix in the wake of climate change.

As noted in the 7NDP, Zambia has plentiful resources for electricity generation, including hydropower, solar, biomass, geothermal. The challenge is getting investment in power plants that can convert these resources into useful electricity. There is no shortage of potential pipeline projects. However, many of these projects can only reach completion if the correct policy framework is developed and supported.

Public Finance Reforms for Fiscal Consolidation and Enhanced Domestic Resource Mobilisation

Public Financial Management (PFM) reforms entail changes to laws, systems and processes used by Governments, to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit. A strong PFM system is essential for effective Governance because effective delivery of public services is associated with poverty reduction and growth. To this effect Government has made reforms to the Public Finance Management Act and has intentions of reviewing the Public Procurement and the Loans and Guarantees Act;

Public Financial Management (PFM) Act of 2018; From 2004 when the PFM of 2004 was enacted, few PFM legal reforms occurred. There had been challenges in achieving the intended purpose of the Act because of gaps such as absence of portions for handling cases of financial misconduct. The Revised PFM Act of 2018 came into effect due to stakeholder's request as well as Government's own realization to strengthen the legal framework aimed at improving management of public resources.

Public Procurement Act; In 2015, Government introduced an electronic Government Procurement (E-GP) system aimed at enhancing transparency, riding the Government system of corruption and supporting provisions of the PFM Act. The E-GP system is designed to enhance socio-economic development and adherence to the national development plan by reducing the procurement cycle and associated costs. However, the current procurement system features structural and content inadequacies to support the PFM Act leading to avoidable losses for the Government. There are inadequacies in fund release delays and inflated quotations, affecting project implementations and contract management. For this reason, there is need to revise the Public Procurement Act to incorporate price referencing and bench marking to seal revenue leakages.

Enactment of the Planning and Budgeting Bill of 2019. Once enacted this legislation will help to ensure that there is an increase in transparency, accountability and citizens participation in public finance management. The poorest in society will be incorporated in decision making especially on matters that hinge on budgeting. The powers which lie in Cabinet and Parliament on budgets and plans will be equally distributed among citizens and their representatives.

Review of Loans and Guarantees legislation; This will empower Parliament to monitor debt contraction by the Executive. The Minister of Finance will be compelled to table before Parliament justifications for contracting debt. This will guarantee debt sustainability for continued economic growth and therefore enhanced public finance management.

Enhancing domestic Resource Mobilisation (DRM)

Legislative reforms from the expenditure side of the budget need to be matched with reforms to the revenue side through enhanced DRM. DRM refers to the generation of Government revenue from domestic resources. Tax revenue, as a percentage of GDP is one measure of the degree to which the Government controls the economy's domestic resources. In the 1970s Zambia's tax revenue as a percentage of GDP was 42 % compared to 15.2% in 2017 and 19.1% earlier projected for 2021 [this figure has since been downgraded in view of the COVID-19 pandemic]. The statistics mean a lot needs to be done to raise domestic revenues given the hard-to-tax informal sector in Zambia. The informal sector's tax potential in Zambia is about 42% of total tax revenues. Amongst the several strategies that could be used to enhance DRM is the need to upscale the **Massive Land Titling Programme** which can enhance payment processes from ground rates. There is also need to **equip revenue administrators with knowledge and tools to raise revenue in the hard-to-tax sectors** through the use of intermediaries. The **need to fight tax evasion** through early detection cannot be overemphasied. This could be achived through , smarter auditing,effective investigation and prosecution that hold evaders accountable and thus create public confidence in the tax system.

Overview of Savings Groups in Zambia

Currently there is a gender gap in financial inclusion in Zambia (Bank of Zambia, 2018). However, this also presents an opportunity for financial service providers to bridge this gap. The Bank of Zambia recognizes that women tend to understand complex financial services through simplified informal networks such as chilimbas and saving groups thus these interventions have been instrumental in filling this gap. A chilimba is an informal women's banking cooperative where members gather to pool their money to make a revolving fund, it is managed on a scheduled basis.

This fund is often given to a member or two at a time each month over a pre- determined period, each taking turns to benefit from it. It differs from savings groups in that, there is no interest generated, no loans are accessible and each member contributes a specified amount monthly. This has been an important traditional source of capital and revenue that has been used to increase household assets among members in various communities. In 2017, the Government expressed its commitment to financial inclusion through the National Financial Inclusion Strategy (NFIS) whose primary goal is to achieve universal access to and usage of a broad range of quality and affordable financial products and services. The strategy aims to increase financial inclusion to 80% by 2022 from 59% recorded by the 2015 FinScope survey. The survey also revealed that 20% of the population use informal financial services such as savings groups which play a significant role in expanding financial inclusion, particularly in rural areas and among women.

The Savings Groups Model has been adopted by various organizations that seek to uplift the livelihoods of vulnerable communities. These institutions include; World Vision, Financial Sector Deepening Zambia, Plan International and CARE that have been facilitating the formation of savings groups in communities to encourage members to save and access credit through their pool of savings. They have been instrumental in facilitating financial inclusion among women. According to Financial Sector Deepening Zambia (2018), 96.3% of its members are women and membership growth stands at 16.7% and a survey they conducted on why people joined savings groups revealed that 78% joined to save money, 68% to access loans and 42% stated that they needed somewhere to turn when in financial need.

Additionally, 86% of survey respondents stated that their welfare had improved due to being part of the group and 84% of its members had borrowed from the pool for productive investments. Also, 83% of rural respondents used the funds for productive investments against 73% of urban respondents. This means that more women are starting to appreciate this initiative, establish meaningful enterprises and that it is successfully being replicated in various communities especially in rural areas where women were previously disadvantaged from accessing formal credit and saving facilities.

Similarly, World Vision has been implementing this program across the country, focusing on the most vulnerable communities as a means to make them more self-sufficient. According to Dunham (n.d), there are approximately 25,000 savings group members across World Vision's Savings Group program implementation areas in the country. The program offers members basic training on how to run the fund and effectively apply their loans to regenerate resources for the fund, facilitate loan repayments and profit sharing at the end of the cycle. Moreover, members are trained to train others and replicate the savings group initiative in their communities, encouraging more members to join. One of the benefits recorded by members is that there has been a significant improvement in their quality of life. For instance, some women were able to purchase goats, fresh produce for resale, farming inputs to improve their harvests, iron sheets to replace their thatched roof, solar panels, buying shoes in Lusaka for resale in the village and building houses, all through the loan feature of the program.

ANALYSIS

Report of the Auditor General on the Social Cash Transfer in Zambia for the Period 2014 to 2017

Poverty is a socioeconomic ill that has continued to affect a significant portion of the population in Zambia. About half of the population currently lives below the poverty line (US$1.09) while 40.8 percent are unable to meet daily basic needs such as food. The situation is even worse in rural areas where an estimated 76.6 percent are classified as poor (7NDP).

The concept of poverty is portrayed in two main aspects namely; relative and absolute poverty. Absolute poverty is a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information (United Nations, 1995). Relative poverty refers to an individual or groups' lack of resources when compared with that of other members of the society (Scott, 1994). Social protection is viewed as one of the key solutions to poverty reduction. Social protection can be "defined as a broad range of activities (policies and programs), which aim to protect and promote the welfare and livelihoods of the poorest and of those most vulnerable to risks and shocks in society (UNICEF, 2014).

The Ministry of Community Development and Social Services under the Department of Social Welfare expedites Government's social protection programs with the assistance of various development partners, Civil Society Organization (CSO's), Faith Based Organizations (FBO's), Non- Governmental Organizations (NGO's) and other stakeholders. The Social Cash Transfer is a component of the Social Protection mechanism which seeks to reduce the vulnerability of low-income households with regard to consumption and access to basic services, among others.

The cash transfer scheme aims to assist the most destitute and incapacitated households in society to meet their basic needs, particularly health, education, food and shelter. The Scheme is a response to the HIV and AIDS Pandemic, which had led to a growing number of households with no adult breadwinner and to households headed by elderly persons, children and chronically ill persons. **The scheme is an alternative to the in-kind assistance offered through community structures and tries to respond to the growing number of poor and vulnerable households (Ministry of Community Development and Social Services, 2019).**

LINK FOR THE PUBLICATION

https://pmrczambia.com/wp-content/uploads/2020/06/Report-of-the-Auditor-General-on-the-Social-Cash-Transfer-in-Zambia-for-the-Period-2014-to-2017-PMRC-Analysis.pdf

The Impact of Savings Groups in Uplifting the Lives of Rural Women

Access to affordable credit and financial services is a strong indicator of women's empowerment and a pre-condition for equitable and sustainable development. However, rural women tend to disproportionately lack access to financial services and credit (Rao, 2015). This has also been one of many contributing factors that perpetuate poverty among rural women. Das Barwa (2015) asserts that increasing women's access to financial and economic resources is critical to eradicating poverty and facilitating economic empowerment. Thus, the Savings Groups model also known as **Village Banking** is a strategy by various stakeholders to enhance financial inclusion in Zambia. It encourages individuals, often women, to form self-selecting groups of **about 15-30 members within their communities**. These members then meet regularly, pool their **savings to have a source of lending funds from which members can make savings contributions to the pool and borrow** with the minimal interest of **at least 10%** over a specified period and defined terms (Allen, 2018).

This makes it possible for members to earn interest on their savings throughout the cycle which may run up to 12 months. Additionally, the model also includes a social fund which acts as some form of insurance for group members, it is managed by the group to assist members in need of money in times of unexpected emergencies. This fund is often given as a grant to cushion members in times of crisis such as illness or funerals within the household.

Currently there is a gender gap in financial inclusion in Zambia (Bank of Zambia, 2018). However, this also presents an opportunity for financial service providers to bridge this gap. The Bank of Zambia recognizes that women tend to understand complex financial services through simplified informal networks such as chilimbas and saving groups thus these interventions have been instrumental in filling this gap. A chilimba is an informal women's banking cooperative where members gather to pool their money to make a revolving fund, it is managed on a scheduled basis.

LINK FOR THE PUBLICATION

https://pmrczambia.com/wp-content/uploads/2020/05/The-Impact-of-Savings-Groups-in-uplifting-the-lives-of-Rural-Women.pdf

Social Protection Series Enhancing Women's Economic Participation and Opportunity

The connection between women's economic participation and development can not be overemphasized. Decades of research from the International Monetary Fund, Organisation for Economic Cooperation and Development, the World Economic Forum, and other leading organizations confirms that women's participation in the labour force is critical to economic growth. Yet, despite this evidence, a range of legal barriers inhibiting women's full and equal economic participation remains on the books in countries around the world. (Vogelstein, Council on Foreign Relations, 2016).

Women around the world, face other challenges that go way beyond obtaining equal pay for equal work. They also have to overcome hurdles with regard to political representation, property acquisition, access to education and health facilities etc. The economic participation and opportunity gap remains the headline gender disparity as it is expected to be the second-slowest gap to close. This projection was highlighted in the 2017 World Economic Forum's report which was premised on the current rate of progress over the past decade by issue and region.

"....economic participation and opportunity has a 41.9% gender gap that remains to be closed. This is way above the average gender gap that stands at 32%. The current gap is evident that more needs to be done to enhance women's economic participation and opportunity. It is for this reason that this briefing document seeks to highlight strategies aimed at enhancing women's economic participation and opportunity..." (According to the 2018 Global Gender Gap report)

DIMENSIONS OF WOMEN'S ECONOMIC PARTICIPATION AND OPPORTUNITY

Women's economic participation and opportunity contains three concepts: the participation gap, the remuneration gap and the advancement gap. The participation gap is captured using the difference between women and men in labour force participation rates. The remuneration gap is captured through a hard data indicator (ratio of estimated female-to-male earned income) and a qualitative indicator gathered through the World Economic Forum's annual Executive Opinion Survey (wage equality for similar work). Finally, the gap between the advancement of women and men is captured through two hard data statistics; the ratio of women to men among legislators, senior officials and managers, and the ratio of women to men among technical and professional workers (World Economic Forum, 2018)

LINK FOR THE PUBLICATION

https://pmrczambia.com/wp-content/uploads/2020/04/Social-Protection-Series-Enhancing-Women%E2%80%99s-Economic-Participation-and-Opportunity-Briefing-Document.pdf

PARLIAMENTARY COMMITTEE PRESENTATIONS

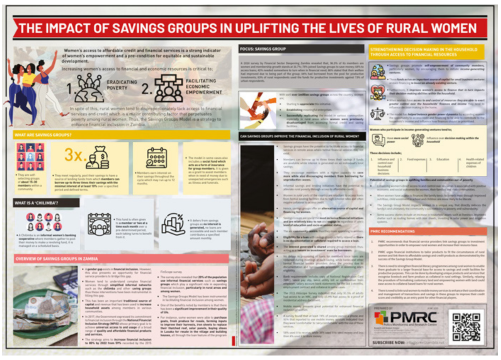
1. The PMRC Team, appeared before the Parliamentary Committee on **Budget Estimates** and presented on the **2020 National Budget First Quarter Performance**.

LINK FOR THE PRESENTATION

https://pmrczambia.com/wp-content/uploads/2020/06/PMRC-Submission-to-Parliament-Budget-performance.pdf?fbclid=IwAR0KnOHUS5r_FZ5nZh4YJQU8uvuJX_dJLI-H0CJgCXqEI7dp-mwo4kw0664

INFOGRAPHICS

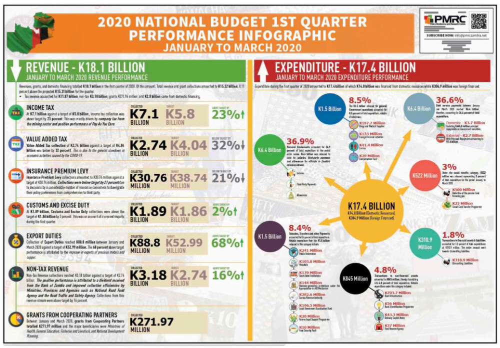
1. THE IMPACT OF SAVINGS GROUPS IN UPLIFTING THE LIVES OF RURAL WOMEN



DOWNLOAD LINK

https://pmrczambia.com/wp-content/uploads/2020/06/The-Impact-Of-Savings-Groups-In-Uplifting-The-Lives-Of-Rural-Women-Infographic.pdf

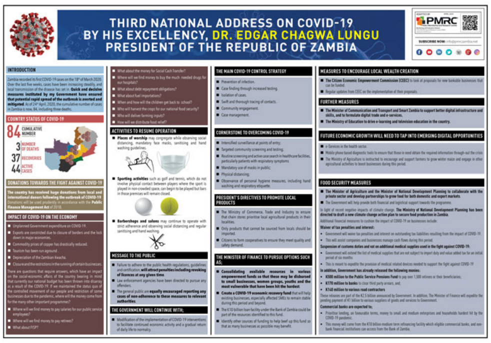
2. 2020 NATIONAL BUDGET 1ST QUARTER PERFORMANCE INFOGRAPHIC



DOWNLOAD LINK

https://pmrczambia.com/wp-content/uploads/2020/05/2020-National-Budget-1st-Quarter-Performance-Infographic.pdf

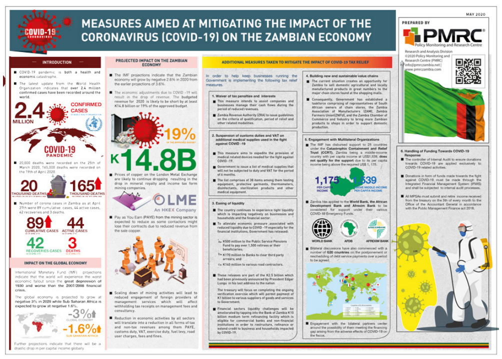
3. THIRD NATIONAL ADDRESS ON COVID-19 BY HIS EXCELLENCY, DR. EDGAR CHAGWA LUNGU, PRESIDENT OF THE REPUBLIC OF ZAMBIA



DOWNLOAD LINK

https://pmrczambia.com/wp-content/uploads/2020/05/Third-National-Address-on-COVID-19-Inforgraphic-.pdf

4. MEASURES AIMED AT MITIGATING THE IMPACT OF THE CORONAVIRUS (COVID-19) ON THE ZAMBIAN ECONOMY - INFOGRAPHIC

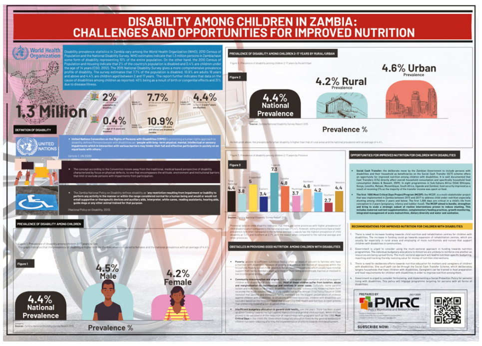


DOWNLOAD LINK

https://pmrczambia.com/wp-content/uploads/2020/05/Measures-Aimed-At-Mitigating-The-Impact-Of-The-Coronavirus-Covid-19-On-The-Zambian-Economy-Infographic.pdf

INFOGRAPHICS

5. DISABILITY AMONG CHILDREN IN ZAMBIA: CHALLENGES AND OPPORTUNITIES FOR IMPROVED NUTRITION - INFOGRAPHIC



DOWNLOAD LINK

https://pmrczambia.com/wp-content/uploads/2020/07/Disability-Among-Children-in-Zambia-Challenges-and-Opportunities-for-Improved-Nutrition-Infographic.pdf

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Policy Monitoring and Research Centre (PMRC)
Corner of Nationalist and John Mbita Roads, Ridgeway, Lusaka.
Private Bag KL 10 Tel: +260 211 269 717 | +260 979 015 660