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In the last year, the Zambian economy fell into a deep slump, largely aggravated by the COVID-19 pandemic. Real GDP fell by approximately 4.9% in 2020, after growing by at least 4 % in 2018 and 1.9% in 2019. This sharp contraction in output has been the consequence of an unprecedented decline in key sectors of the economy. Manufacturing output plunged drastically due to the disruption of supply chains, whereas the service and tourism sectors saw a sharp drop in private consumption and investment as a result of the stringent measures taken to contain the COVID–19 pandemic. Mining output, which declined initially due to falling global demand for copper, is recovering amidst production disruptions in South America and the surge in demand occurring in the electric car industry. Sustained commodity price increases beyond the current forecast could lead to further economic contraction. Even before the pandemic, the economy was experiencing serious macroeconomic challenges, such as high inflation, continuous widening fiscal deficits, unsustainable debt levels, low international reserves, and tight liquidity conditions. Price levels and the financial sector have not stabilized, despite Government efforts to deploy monetary easing in 2019 and 2020.

Government in its bid to realise Zambia's potential to be a prosperous middle-income country by 2030 aims to **focus on selected key sectors of the economy to drive forward the economic transformation agenda anchored on the Economic Transformation Programme, which will be the overarching framework used to implement various interventions in different sectors of the economy.** The following are four key sectors that Government intends to use to spur the transformation of the country's economy.

Agriculture

Agriculture plays an important role in the Zambian economy, **contributing about 20 percent to the Gross Domestic Product (GDP) and approximately 12 per cent to the national export earnings.** Over 60 per cent of the population derives its livelihood from agriculture, and yet despite this, the sector's potential has not been exploited fully, chiefly because of **dilapidated**

agricultural support infrastructure; inadequate delivery of extension services; and natural disasters such as drought and floods due to climate change.

Government envisages increasing agriculture's contribution to economic growth by not only increasing production for food security but also boosting agro-processing and manufacturing for both domestic and export markets. To achieve this agenda, the following areas will be prioritized:

Agricultural Productivity – Agricultural productivity in Zambia significantly falls short of the minimum required thresholds to deliver profitability for farmers, food security, nutritional needs, job creation and poverty reduction. This low productivity is attributed to the use of inefficient production techniques and inadequate access to agricultural inputs, among other factors. Government will improve agricultural productivity to meet household and national food security en route to becoming the regional breadbasket.

Agricultural Extension Services – Government recognises that the provision of agricultural extension services and access to appropriate technology is an integral part of the agrarian revolution. In particular, **Government will pursue an extension strategy that will not only ensure national food security but will also improve rural livelihoods.**

Market Access – Farmers have been heavily constrained by limited access to markets, mainly because of poor infrastructure such as roads in rural areas, inadequate availability and supply of agricultural information, and insufficient access to financing. A key focus will be placed on connecting the farmer to upstream domestic and international markets with the view to increasing the farmer's share in final products.

Agri-business Development – This will involve value addition in the entire value chain system, from providing inputs to farmers to connecting with consumers, as well as marketing and distribution. **Government will rebrand the agriculture sector as an attractive, commercially viable and modernised occupation, especially among the youth who generally consider farming to be arduous and an occupation for older people.**

Tourism

Zambia's tourism sector boasts of a wealth of natural assets such as waterfalls, lakes, rivers and diverse wildlife species. **The sector is an important contributor to the country's economic development through; job creation, foreign exchange earnings, contributions to Gross Domestic Product (GDP) and other economic facets.** As a major Foreign Exchange (FOREX) earner. **Zambia's tourism industry contributed 7% of GDP (USD 1,701 million) and 7.2% of total employment (469 thousand jobs), whereas international visitors spent USD 849 million, representing 10% of Zambia's total exports in 2019 (Tabetando, 2020).**

Despite its economic contribution, an array of challenges have continued to impact the sector, from the lack of a comprehensive national tourism plan; underdeveloped tourism-related infrastructure; limited investment in the sector by both local and foreign investors; limited tourism product range and scope; inadequate tourism promotion and marketing; low participation by locals in direct and indirect tourism development, Zambia being perceived as a high-cost destination - and recently the negative impacts of the COVID-19 pandemic.

The Government seeks to remedy some of these challenges by revamping the sector to increase

its contribution to GDP and employment. To achieve this, strict adherence and implementation ought to be done with the following measures;

- Maintaining a stable economic landscape to reduce the cost of doing business, including streamlining license acquisition, easing tax compliance, visa processing and exemptions and improving connectivity.
- Putting in place a robust tourism marketing to incorporate all tourism products including traditional ceremonies, visual arts, culture, heritage sites and others
- Promoting tourism diversification to other products.
- Protecting and making Zambia a haven for wildlife by tightening regulations for the licensing of hunting and control of the processing, sell, import and export of wild animals and trophies.

As the country embarks on an economic transformation agenda, **there is a need to extensively rebrand and market the sector both internationally and locally to revive it and maximise its vast natural resources benefits.**

Manufacturing

Traditionally, the **manufacturing sector has played a key role in helping developing countries facilitate industrialization as well as realise economic growth and development.** The contribution of Zambia's manufacturing sector to GDP remained stable over the period 2015-2019 with an average of about 7.9%. However, the sector's performance has been hampered by the high cost of doing business and an unstable macroeconomic environment. These challenges were exacerbated by the COVID-19 pandemic, which resulted in the shrinking of the manufacturing sector by 4.6% in the second quarter of 2020 (Zambia Statistics, 2020).

To address these challenges and considering the strategic importance of the manufacturing sector to job creation and economic growth, Government intends to put in place an under-structure that facilitates the growth of this sector by not less than 15 per cent by 2026 and to at least 25 per cent by 2031. Some of the measures to be put in place by Government to facilitate growth include:

- Fiscal discipline and minimize borrowing in the local market so as not to crowd out the private sector;
- Improve regulatory frameworks and remove administrative barriers to business entry and operations and facilitate the development of high growth sectors;
- Create an enabling macroeconomic environment, strengthen the public agencies that support private sector development and enhance public-private dialogue;
- Also, Government will dialogue with all key stakeholders in addressing the various challenges affecting the growth of the manufacturing industry in the country;
- Furthermore, Government will develop targeted policy incentives that attract large capital inflows with required Zambia equity participation; and lastly,
- Foster policy linkages with education to build a skilled labour market which attracts capital into target industries.

Mining

Zambia possesses one of the world's highest grades of copper deposits and is ranked the seventh largest copper producer in the world. **Mining contributes over 70 per cent of the country's**

foreign export earnings. Zambia also produces about 20 per cent of the world's emeralds. The mining sector is governed and regulated by the **Mines and Minerals Development Act No. 11 of 2015, which covers types of mining rights, acquisition of mining rights, rights/obligations conferred on the mining right holder, transferability of mining rights, safety, health and environment requirements, and provides for the environmental protection fund, mineral royalties, fees, and export of minerals.**

The main challenges this sector faces are:

- The lack of local participation in this industry,
- A lack of transparency and accountability regarding revenue management, and;
- Uncertainties about energy supply and property rights.

As a result, the country has not managed to fully pass on the benefits of its mineral wealth to the Zambian population. The Government now seeks to redress this by:

- Undertaking a major mining sector policy reform including tax policy and administration reforms that will bring various stakeholders on board to design a sound policy and administration system, with broad policy consideration that will stand the test of time.
- Enhancing monitoring and oversight mechanisms and technologies to reliably ascertain the volume and content of mining output for taxation purposes to ensure Zambians receive their fair share.
- Promoting diversification both within the copper sub-sector through the extension of the copper value chain, and from copper to other minerals by promoting exploration and processing of gemstones and industrial minerals.
- Promoting small-scale mining as it has closer links with the local economy, generates more local jobs and supports the retention of earnings within the country.
- Working with communities and investors to ensure that the development agreements entered into with Government balance the provision of incentives with concerns of the communities such as environmental impact and labour issues.

Government is urged to take into consideration all the aforementioned measures, in order to facilitate even more investments - as well as an increase in production from the current levels to a more sustained output that will benefit both the country and the sectors' investors, which consequently will grow and stabilize the economy.



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