

END OF YEAR MESSAGE FROM PMRC'S EXECUTIVE DIRECTOR

Monday, 27th December, 2021.

I sincerely wish to thank all our stakeholders for the support rendered to PMRC in 2021.

As you may be aware, since 2017, our country's development programmes have been anchored on the aspirations of the Seventh National Development Plan (7NDP), which will be coming to an end this year. Our work as the Policy Monitoring and Research Centre (PMRC) has been aligned to the vision of the 7NDP - "accelerating development without leaving anyone behind". As a Research institution, we have made deliberate efforts to comprehensively analyse the strategies in the 7NDP and endeavoured to explain their implications to the general populace in a simplified way. **Unpacking such complex policy information has been at the top of our agenda. In 2022, PMRC will endeavour to develop annual work plans with a particular focus on the Eighth National Development Plan (8NDP) as well as international protocols such as the Sustainable Development Goals and the African Continental Free Trade Area.**

2021 has been an eventful year, especially considering the General elections that were held on the 12th of August to elect the President, National Assembly, Mayors, Council Chairs and Councillors, which saw the ushering in of the New Dawn Government. Additionally, in August 2021, Government received a US\$1.3 billion Special Drawing Rights (SDR) package from the International Monetary Fund (IMF). The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. **These SDR provided Zambia with liquidity resulting in a sharp appreciation of the kwacha after months of depreciation. With the SDR came an increase in the country's foreign reserves which have helped build external resilience and supported relative stability in the foreign exchange market thereby facilitating foreign and domestic investment flows.**

On the 29th of October 2021, the Minister of Finance and National Planning unveiled a K172.9 billion national budget for 2022. The theme of this budget is **"Growth, Jobs and Taking Development Closer to the People."** The 2022 budget was delivered in an environment characterised by anxiety and high expectations - it is a budget set to put into motion the plans and aspiration of the New Dawn Government to lift the economy out of the pandemic induced slump, resolve the fiscal deficit and ease the debt burden. **This budget presents a great opportunity for growth and development through a people centred strategy. It has also demonstrated amplified efforts towards reducing developmental inequalities by increasing the Constituency Development Fund (CDF) from K1.6 million to K25.7 million per constituency, which entails the taking of resources to the grassroots, which is very commendable.** The successful implementation of the 2022 budget will require consistency in the demonstrated goodwill towards budget execution and will need Government to expedite domestic resource mobilization, engage cooperating and development partners for supplementary funding to key economic sectors such as Agriculture and Tourism. **The 2022 budget presents an opportunity for economic transformation, while restoring growth and development in the economy. However, for this to be achieved it will require, a paradigm shift in the mind-set of all stakeholders, in order to deliver development through economic growth, job creation and good governance.**

The Bank of Zambia's Monetary Policy Committee (MPC), at its meeting held between the 22nd and 23rd of November 2021, decided to raise the Monetary Policy Rate by 50 basis points to 9.0 percent. This was done to help steer inflation to single digits in 2022. In the 2022 Budget, Government aspires to reduce inflation to within 6-8% by mid 2023. In general, as interest rates are reduced, more people are able to borrow greater sums of money. The result is that consumers have more money to spend. This causes the economy to grow and inflation to increase. The opposite occurs when raising the Monetary Policy Rate - interest rates are increased, thereby consumers tend to save because returns from savings are higher. With less disposable income being spent, the economy slows and inflation decreases.

On the 3rd of December 2021, the Zambian Government reached a Staff-Level Agreement on a programme under the IMF's Extended Credit Facility (ECF) that envisages the provision of financial support of US \$1.4 billion over three years. According to the IMF, this agreement is based on Zambia's plans to undertake "bold and ambitious economic reforms". The purpose of the ECF is to support countries' economic programmes aimed at moving towards a stable and sustainable macroeconomic position consistent with strong and resilient poverty reduction and growth strategies. **The announcement of the Staff Level Agreement has led to the oversubscription in bond issuance powered by inflows from non-resident investors making purchases of Government securities, subsequently leading to an improvement in the availability of foreign exchange.**

As I conclude, it is important to mention the impact of the COVID-19 pandemic which has led to a dramatic loss of human life and presents an unprecedented challenge to public health, food systems and the world of work. The economic and social disruption caused by the pandemic has been devastating with a number of people at risk of falling into extreme poverty as well as undernourishment. On the 4th of December 2021, the country detected its first cases of the Omicron Coronavirus variant. The Omicron strain has been detected in more than 40 countries and its severity is yet to be understood. The recent surge in cases has resulted in increased public anxiety and uncertainty as to what additional stringent measures may be implemented by Government and the socio-economic impact these could have on individual households and society at large. The Ministry of Health is hard pressed to increase testing capacity, surveillance and mitigation strategies amidst low public compliance on preventative measures across the country. The onus is on us as individuals to adhere to the Ministry of Health guidelines in order to ensure our own safety and that of everyone around us. During this festive season, I would like to urge all citizens to intensify adherence efforts to the prescribed measures in order to protect citizenry and compliment Government's efforts in mitigating the spread of the virus.

As an institution, we look forward to a successful 2022 as we continue to contribute positively to the policy discourse in the country and help unlock Zambia's potential for all without leaving anyone behind.

We wish you a Merry Christmas and a prosperous 2022 filled with peace and success.

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