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The ZIPAR Quarterly

PUTTING MDGs INTO PERSPECTIVE

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Message from the **EXECUTIVE DIRECTOR**

Welcome to the 3rd Issue of the ZIPAR Quarterly! In this newsletter, the cover story focuses on the 2013-2014 Zambia Demographic and Health Survey (ZDHS) report which was launched recently by the Central Statistical Office. The article highlights two critical reasons why the launch of the report is timely. Firstly, the Revised Sixth National Development Plan (R-SNDP) comes to an end in 2016 hence the ZDHS can give insights about the achievement of health outcomes during the R-SNDP period and where gaps remain. This is important for drafting the Seventh National Development Plan which will follow. Secondly, the ZDHS shows how Zambia has performed on health Millennium Development Goals (MDGs). As the 2015 deadline for the MDGs approaches, the report will be important in the assessment of how Zambia has fared on the health MDGs. We encourage you to take some time to read the article and find out how the health MDGs have been put into perspective.

We also feature an article on a topical issue that has recently generated a lot of debate- mining taxation. Our key message here is that there is need to strike a balance between taxes on profits and royalties because relying entirely on royalties runs significant risks. So this and many other articles makes this edition a must read. If you require any further discussion with us on issues raised in the articles or have a comment, please do not hesitate to get in touch on info@zipar.org.zm, www.facebook.com/OfficialZIPAR and twitter: @ZiparInfo.

By Felix Mwenge

The ZDHS Report: PUTTING MDGs INTO PERSPECTIVE

The 2013-2014 Zambian Demographic and Health Survey (ZDHS) report was officially launched recently by the Central Statistical Office. The ZDHS is an internationally recognized survey that collects nationwide information on various health and population related issues, useful for health, demographic and social development planning.

The current ZDHS is arguably very timely for at least two reasons. Firstly, the Revised Sixth National Development Plan (SNDP) will come to an end in 2016 and the ZDHS can give insights about the achievement of health outcomes during the SNDP period and where gaps remain. This is important for drafting the Seventh National Development Plan which will follow. Secondly, the report has come when the Millennium Development Goals (MDGs) are coming to the end at the end of 2015, meaning it can be used to assess Zambia's progress on health MDGs. This second issue is the main preoccupation of this article.

The MDG targets, in relation to health outcomes in Zambia include reducing maternal, infant and under-five mortality rates. Maternal mortality is the number of deaths of women of child-bearing age from pregnancy-related complications. Infant and Under-five mortality on the other hand refers to deaths of children before ages 1 and 5 years respectively.

In 1996, about 649 women out of every 100,000 live births were dying from child-bearing related complications. Compared to countries like Botswana, who stood around 300 during the same period, this was unacceptably high for Zambia. However, the recent ZDHS show that this number has now dropped to 398, making child-bearing safer in Zambia than before. Additionally, while the MDG target was set at 162 deaths per 100, 000 live births, efforts by Government and

development partners have paid off and set good ground for further improvements.

Increased Antenatal care use, plus deliveries in health facilities assisted by skilled providers remain the main factors contributing to these desirable results. However, pregnant women still face challenges that hinder them from accessing these important services. In some cases, the lack of a mix of health staff may be a barrier to access as most women in Zambia have a preference for being attended to by either male or female health staff. If hiring and assigning of health staff is insensitive to this fact, more pregnant women may continue to shun services. Costs of transportation to facilities and lack of involvement of male partners are some of the other important barriers.

Infant and under-five mortality have also dropped significantly to as low as 45 and 75 per 1,000 live births, against targets of 35 and 63 respectively. Indeed chances of children born in Zambia surviving beyond ages 1 and 5 have now risen. These achievements also form a good basis for further investments in these areas. Increases in vaccination coverage and improvements in child nutrition have contributed to this progress. However, immunization coverage has appallingly remained same after seven years at 68% regardless of investments in this regard. Child nutrition also needs extra attention as a good number of children (40%) are stunted, or too short for their height which is a sign of ill health.

The MDG targets also aimed at reducing the number of people living with HIV to 15% or less at the end of 2015 and put 80% of those with advanced HIV on Antiretroviral Treatment (ART). HIV prevalence now stands at 13.3 compared to 14.3 in the 2007 ZDHS. There are two important observations from this result. Zambia has achieved and exceeded the MDG target on HIV prevalence. Secondly, while the reduction of only 1 percentage point after seven years may seem worrisome, it is in essence not. It is an indication that more people with HIV are living longer. This result is also consistent for rural areas where prevalence rates now stand at 9% compared to 10% in 2007. Thus, the roll out of ART may be paying off although there are still challenges in access to ART in the rural areas.

The MDGs also included malaria which is a common cause of death in Zambia. The actual target was to have less than 255 new malaria cases and less than 11 deaths per 1000 population resulting from malaria by the end of 2015.

Malaria indicators have since improved significantly. Though the current ZDHS does not have numbers on new malaria cases and deaths caused by malaria, use of insecticide treated nets (ITNs), which is one of the main malaria prevention activities has gone up sufficiently. More pregnant women (41%) now use ITNs compared to 33% in 2007. Similarly, 68% of all households have at least one ITN. The survey also shows that 75% of children who had malaria symptoms sought treatment, 40% of which received an anti-malaria drug.

In conclusion, the new ZDHS has put Zambia's MDG progress in clear perspective. It is hoped that the subsequent national plans will put the findings into consideration and guide policy in terms of maintaining the momentum generated during the MDGs.

Indeed chances of children born in Zambia surviving beyond ages 1 and 5 have now risen.

Do Zambia's Copper Exports Disappear into Thin Air?

By Mwanda Phiri and Shebo Nalishebo

The destination of Zambia's copper exports has recently triggered a myriad of reactions from various stakeholders in Zambia. While official Zambian trade statistics label Switzerland as the major destination of Zambia's copper exports (accounting for 59.5% in 2014), many stakeholders contend that China is in fact the major destination market.

Arguably, this large volume of trade between Zambia and Switzerland comes as a surprise to many stakeholders largely because copper is not a product for which there is particular significant demand in Switzerland. The Swiss economy, although largely driven by micro-technology, hi-tech, bio-technology, pharmaceuticals, banking, insurance and tourism activities, is also commonly known for brokerage services. Therefore, copper exports to Switzerland need not come as a surprise as these exports are re-exported by Swiss-based traders.

As far as trade statistics are concerned, the general expectation is to see a symmetric pattern between two trading countries, whereby the amount that country A exports to country B should be equal to what country B imports from country A. This however, is seldom the case in reality. A scrutiny of the World Bank's World Integrated Trade Solution (WITS) data shows some interesting revelations on the flow of Zambia's copper exports. In 2013, Zambia exported $2.1 billion worth of copper products to China. In the same year, China is reported to have imported $2.8 billion worth of copper from Zambia, giving rise to a discrepancy of almost $700 million between the two countries.

This variance between the value of copper exports from Zambia and the corresponding mirror value of copper imports to China is not unusual. There are a number of probable reasons that could explain this disparity. For instance, countries use different valuation methods. According to international standards, exports should be valued FOB (Free on Board) and imports CIF (Cost, Insurance and Freight) but some countries do not follow this standard. Additionally, countries may differ on the type of the trade recording system used. That is, the general or the special trade system whereby the former includes trade made in free trade zones and the latter excludes such trade.

Moreover, the timing at which trade flows are measured could also be a source of discrepancies. For example, exports recorded in one particular year in the exporting country could be recorded as imports in the importing country the subsequent year. Equally of importance is the treatment of re-exports and goods in transit. The United Nations recommends that port statistics should be compiled by country of origin, export statistics by last known destination and goods in transit should be excluded from trade statistics. While these reasons alluded to are not exhaustive, they offer some plausible explanation for the difference in the value of trade between Zambia and China.

Notwithstanding our trade with China, the big exposé is on the whereabouts of our copper supposedly exported to Switzerland. Zambia exported $3.9 billion worth of copper to Switzerland in 2013 but equivocally, there are no corresponding mirror records showing that Switzerland imported any copper products from Zambia. In fact, during the same year, Switzerland's total copper imports from the rest of the world amounted to only $1.2 billion (about 31% of Zambia's reported copper exports to the country). Conversely, Switzerland's total copper exports to the rest of the world amounted to a mere $712 million of which $15 million was exported to China, which is consistent with China's import data.

The final destination of the largest share of Zambia's copper exports is therefore indistinguishable. If copper exported to Switzerland is neither captured by Swiss customs nor re-exported to China, do our copper exports to Switzerland simply disappear into thin air? This raises concerns not only on the accuracy of information on export destinations declared to the Zambia Revenue Authority by the mining companies, but also their information on profits. The major concern is not so much the final destination of Zambia's exports but rather transfer pricing and tax avoidance associated with it.

Transfer pricing happens whenever two companies that are part of the same multinational group trade with each other. Transfer pricing is not, in itself, illegal. What is illegal is transfer mispricing. The conventional international approach to dealing with transfer pricing is through the "arm's length" principle: that a transfer price should be the same as if the two companies involved were indeed two unrelated parties negotiating in a normal market, and not part of the same corporate structure.

This arm's length price is usually considered to be acceptable for tax purposes. But when two related companies trade with each other, they may artificially distort the price at which the trade is recorded to minimise the overall tax bill. This might, for example, help it record as much of its profit as possible in a tax haven with low or zero taxes. Switzerland is a well-known tax haven. The fact that Copper exported from Zambia to Switzerland hardly shows up in the Swiss books as imports from Zambia, or re-exports to China or the rest of the world, strongly suggests transfer mispricing is going on. Zambia could be losing out on potentially large volumes of tax revenue, thus impeding the country's development and poverty reduction efforts.

TAXING MINES is a daunting task

By Albert Halwampa

The Government recently introduced a new mining tax regime in the 2015 national budget and the reverberations of this decision are still being felt as various stakeholders express their reactions. For instance, the Chamber of Mines has warned that the new regime is likely to hit investment. One of the major mining companies, Barrick Gold, has also warned of the possibility of suspending operations if parliament approves the new tax measures. Barrick claims that the $45million tax they currently pay annually will increase to approximately $150 million. In general, it has been claimed that there has been a lack of consultation regarding this issue before the budget was unveiled.

The tax changes announced by the Ministry of Finance have two main elements. Firstly Corporate Income Tax for mining companies has been abolished replacing it with a mineral royalty as a final tax. Mineral royalty is levied on the gross value of copper mined irrespective of whether this is profitable or not. Secondly, the Government has increased royalty rates from 6% to 8% for underground mines and 6% to 20% for the open pit operations.

The broader context here is the long running debate about balancing demands from the Zambian public on one hand with those from mining companies on the other. The political pressure from the public and civil society is to collect more revenue from the mines. The companies, however, argue that they are already contributing a fair share. There are no easy answers or a one size fits all to designing a mining tax system. This is evidenced by many different approaches to taxing mining firms around the world. But has the Zambian government, with these decisions, struck the right balance?

There are some good arguments for considering this move on royalties. Taxes on the value of production, rather than profits, are cheaper and easier to administer. They are charged on the gross value of copper extracted measured using London Metal Exchange prices. It is relatively straightforward to monitor how much copper is taken out of the ground.

In contrast declared profits are relatively easily manipulated. Some mining firms operating in Zambia have long been suspected of engaging in tax avoidance vis-à-vis Corporate Income Tax. This could be through overstating their expenses, understating revenues or declaring some expenditure as capital allowance. Mining companies being largely multinational companies can also avoid tax using transfer pricing – shifting profits made in one country to another with lower tax rates. Where successful, this robs Zambia of much needed revenue for social and economic development projects.

What happened with last year's budget points to the difficulties with raising money through taxes on profits. In 2013 the Government expected to raise K2.7 billion from Corporate Income Tax, but only collected under half this amount - K1.1 billion. In contrast the Ministry of Finance raised 90% of what it had projected from royalties – K1.8 billion compared with a projected K1.9 billion. Taken together with reports of boasts about profits made in Zambia by certain quarters of the mining sector makes Government's thinking understandable.

However, the Government's plan to rely entirely on royalties runs significant risks. Companies may still be able to avoid tax. A mining firm that operates both deep and open pit mines, but uses one smelter, could manipulate production figures to reduce tax. While it will be much harder for companies to hide mineral production, the Government must still have the capacity and expertise to effectively monitor mining companies.

There are two more significant risks. The first is that removing all taxation of profits will mean Zambia could lose out from progressive benefits that could arise from supernormal profits as a result of high copper prices. We could witness a return to the debate about windfall taxes which appear to have not died at all in certain quarters of the stakeholders. Secondly, and most importantly, taxing mines irrespective of whether the production is profitable or not will disincentivise investment. Mining firms are likely to cut down on Greenfield investments, and close down low grade mines resulting in a loss of jobs as well as revenue for Government. Relying totally on royalties could have short term benefits in terms of revenue collected but at the same time yield long term negative outcomes in driving away investments.

The right way forward is to adopt a balance between taxes on profits and royalties. Both have advantages. It is probably no accident that no other country with copper mining industries relies only on taxing the value of copper extracted. All have some mix of the two with royalties at low rates and corporate rates higher, at 3% and 30% on average respectively.

While the increased rate for deep mines, from 6% to 8% seems reasonable, the hike from 6% to 20% for open pit mines is an untested and risky move. It will have to be seen how this pans out.

Whatever the decision though the level of taxation on mines and the balance between different forms of taxation should be a matter of serious debate. The Government should make a more modest shift to royalties and assess the impact. The Government should also engage all key stakeholders in the mining sector.

Reflections on the Visa Waiver Pilot

By Joseph Simumba

The Zambia National Tourist Board (ZNTB) and the Tourism Council of Zambia (TCZ), have for some time argued that there is need to place conditions that can make the country become attractive to visitors if the economy is to fully reap the benefits offered by international tourism. At the center of this argument, a strong call has been made for the abolition of entry visa fees and possibly waiving entry visas for international tourists.

This argument conforms to the general law of demand that links higher prices to low volumes demanded. Charging tourists for the issuance of entry visas leads to direct financial costs such as escalated fees and other inconveniences linked to bureaucratic delays, proof of vaccinations and lodging of repatriation deposits in some instances. When tourists find these direct and indirect entry costs to be prohibitive, they simply abandon visiting and end up choosing alternative destinations that are perceived cheaper.

In January 2015, the Republican President, His Excellency Mr. Edgar Lungu stated that Government will soon pilot a visa waiver for nationals from four countries - two from Asia and two from Europe in order to assess the costs and benefits on tourism growth and national security. We have reviewed current documented evidence regarding the impact of charging or waiving entry visas on tourist arrivals, tourist expenditure and creating valuable jobs in Zambia and abroad. Our finding is that current evidence both in Zambia and abroad is insufficient and inconclusive about the real effects caused by charging for or waiving entry visas.

There are compelling arguments and worthy demonstrations that show entry visa acquisition is likely to restrict tourist visitors. For example, our benchmarking exercise on the prices and costs of tourism in 2012 revealed that Botswana and Namibia exempt tourists and business visitors from UK, EU, Canada, US, Japan and a number of emerging economies mostly from Asia and Pacific regions from acquiring entry visas for stay up to ninety days.

This basket of countries contains the largest proportion of the tourist traditional and emerging source market. Zambia and Zimbabwe offer a visa-on-arrival service to a vast number of countries globally but visa fees are lower in Zimbabwe save for visitors from the UK and Canada. At the same time, Zimbabwe offers the electronic visa facility to many other countries unlike Zambia.
Since many tourists, especially those travelling long distance, are more likely to visit more than one country in the region during their visit, the acquisition of an entry visa might act as a deterrent since other countries that compete with Zambia for tourists in the region do not charge for entry or charge less like in the case of Zimbabwe. Charging for entry visa is also feared to send adverse signal to potential visitors that Zambia does not extend a very friendly environment to them. This is likely to threaten would-be tourist visitors and might lead to the loss of Zambia's competitiveness within the region.

Although these two arguments and demonstrations are compelling, it is possible they could be empirically inadequate. For example, good economic hindsight suggests that tourists that are likely to spend much meaningfully on

tourist services and substantively contribute towards better economic outcomes are those with relatively higher income. If there are many tourists of this type, then charging them an extra USD 50 or 80 to acquire an entry visa should be inconsequential except for the inconvenience associated with acquiring a visa.

Since a visa-on-arrival service is ideally meant to curtail the hassle of obtaining an entry visa except for the fee that is charged, and given that Zambia already offers this service to a wide spectrum of major tourist source countries around the world, it is possible that the requirement of an entry visa might not significantly impede tourist arrivals. Because this situation is a possibility, then charging for entry visa is a non-trivial source of Government revenue. If the acquisition of an entry visa only involves tourists to pay money without any hassle, which is ideally the case for offering the visa-on-arrival service, relatively richer tourists who are the ideal targets for tourism development, get assured that the tourism services offered in the country are not unnecessarily congested by shoestring budget tourists.

This brief synthesis of arguments and demonstrations opposing and supporting the requirement of entry visas from international tourists, can be summed into one big question - is Zambia a "wanderlust" or "sunlust" destination for international tourists? This question asks whether international tourists are highly sensitive or not to changes for Zambia's tourist products in general and in this specific case, entry visas requirement. It is clear from the snapshot of arguments that the answer to this question can only be drawn from a carefully designed research.

We find the statement from the Republican President to be extremely useful as it provides an opportunity to generate data that will provide an impeccable answer not only for Zambia on this topic. We say so because our independent review of the literature, especially the one on Zambia, is clear that the debate surrounding entry visa fees for tourists has been for a longtime based on beliefs and examples of isolated cases that might be broadly correct or not. Comprehensive data on this topic has not been generated by authorities or it has not been made available to for critical analyses.

In expression our optimism, we have been obliged based on the mandate bestowed on us by the public to offer two recommendations: one relating to the process, and another on the adaptation of the methodology.

From our experience, we feel that the credibility of the pilot and its results are likely to be guaranteed when all stakeholders (tourist operators, public agencies, academia and cooperating partners) are involved throughout the process. That is, from inception, design, pilot implementation, data collection and up to data analysis. Stakeholder participation will be vital in critically understanding the nature of the environment for the pilot. The full participation and contribution of stakeholders will lead them to appreciate the process and jointly share in its ownership, a factor that is crucial for the reputation of the pilot.

On the methodology, we find from our review that a major factor why current evidence is mainly inconclusive is because most studies have not utilized the counterfactual framework. The counterfactual evaluation method is fairly old but it has only proliferated quite recently in applied policy and programme evaluation. It addresses the fundamental weakness of the previously dominant before-and-after evaluation of selected indicators. The variants of this methodology are currently being used in the evaluation of the impact of social cash transfers, a collaborative programme between Government, UNICEF and others donors and the impact of the Zambia Compact, an intervention that is working to improve water supply, sanitation and drainage systems in Lusaka under the Millennium Challenge Corporation.

This method can be designed with sufficient flexibility to isolate and show as much as possible the quantitative and qualitative effect of charging entry visa fees separate from the inconveniences of obtaining entry visas despite the complexity of the structure that governs their relationship with tourist arrivals and other tourism sector outcomes. It is clear that tourist arrivals and expenditure are influenced by many other important aspects like the tastes or preferences of tourists to visit Zambia, distance and travel costs to reach Zambia, access to affordable and preferred domestic transport modes, and the quality of tourism services expected in Zambia among others.

We are confident that this methodology is likely to provide robust results that should be able to contribute a great deal towards credit policy relevant evidence. We mention this because we are mindful that facilitating entry visa policy change has a menu of options that should not be unfairly excluded due to non-credible methodology and results of the pilot. To appreciate a few alternatives, we note: (i) targeting visa waivers by the number of tourists rather than just countries; (ii) linked entry visas whereby a tourist holding a visa or entry right in a competitor destination could be allowed to enter Zambia using the same visa issued by a competitor tourist country especially those in the region; (iii) proliferating bilateral and regionally issued visas; and, (iv) issuing electronic visas (e-visa).

By Caesar Cheelo

Consumer Preferences of "World Health Freaks"

At an African Researcher's Conference years ago, a brief exchange between two participants revealed vividly the divergent mentalities of African thinkers.

One participant seemed convinced that the West had become stringent about testing the compliance of African originating foods with required standards on quality and consumer safety. His conspiracy theory was that this stringency was a deliberate ploy to unfairly restrict African food products from entering Western markets and to rob Africa of every possible opportunity to expand its global food trade. "Why should Europe be so concerned about the level of fructose in the fruits we export to them?" another participant challenged, rallying the Conference behind him. "They are resolute to controlling fructose levels simply because they know we have a comparative advantage in organic, natural-sugar fruits. Our organic fruits fetch top dollar on their markets so they want to block us! The World Health Organization is backing the West with global food rules that prevent our exports!" Several heavy-set men in the Conference could be seen nodding with approval and encouragement. "The West, backed by unreasonable demands of world health freaks are stifling Africa's export growth!" The hall erupted in applause.

An important take-home is that as long as Africa, Zambia included, keeps looking for hand-outs, and sympathies from the rest of the world, the continent will not mature to take full advantage of the opportunities of global free trade.

An elegant African Lady stood up next. With a cool and patient demeanor, she waited for the room to calm down and then explained the real issues behind the so-called world health freaks. She emphasized the importance of understanding consumers. "Before we label people as being this or that, we must take time to understand what drives their decisions. Western governments are simply responding to their consumers when they set these 'freakish' food safety and quality standards. Consumers in the West are developing an acute consumption consciousness because they now face a very real and daunting problem of widespread obesity. This problem stems from poor eating habits like eating foods with too much sugar. It should come as no surprise, when the West spends millions of dollars to fight obesity, that it will simultaneously erect strict food standards to protect its consumers and prevent obesity". The hall was silent. The heavy-set men were now looking down at their bellies as if to avoid the elegant Lady's stern gaze; the case for 'the unreasonable demands of the world health freaks' was clearly lost.

An important take-home is that as long as Africa, Zambia included, keeps looking for hand-outs, and sympathies from the rest of the world, the continent will not mature to take full advantage of the opportunities of global free trade. The continent must take initiative and invest in research and development to understand the tastes and preferences of consumers in potential markets.

Specifically, Zambian food producers should seriously consider learning the habits of consumers in potential domestic and foreign markets. Even so-called freakish tastes and preferences should be well-understood and appropriately responded to. Gone is the age where consumers simply accepted any product that was handed to them over a countertop.

So what can Zambian food producers do differently? One thing, they can find out more about the demographics of potential markets. For example, three of Zambia's neighbours, Angola, DRC and Mozambique, have a combined population of over 110 million, of which 35 million reside in urban areas with 16 million as the combined population from largest city in each country. The population of just three cities is larger than the entire Zambian population of 14 million. These cities are clearly a huge market, with urbane buying power for food imports.

Zambian producers can also study consumption patterns in proximate markets. In 2012, Angola, DRC and Mozambique's food import bills were about US$4 billion, US$1 billion and US$0.8 billion, respectively, implying a total food import bill of nearly US$6 billion. Zambia's food exports to all its trading partners worldwide were US$0.5 billion, which is only 8.3% of the total food import needs of its three neighbours. Thus, in 2012, Zambia would have had to increase its total food exports at least 12 times in order to satisfy food imports of the three countries. So, what food items might these be that are being imported by Zambia's neighbours? A look at disaggregated trade statistics would provide the answer.

Historically, the three countries have not been high domestic food producers, given various episodes of war, which eroded productive capacities. The countries also depend on mineral resources. These aspects explain the high propensities to import food. Like Zambia, all three countries are members of SADC. DRC, like Zambia, is also a member of COMESA, meaning that Zambian producers can work with Government to negotiate to access these markets on preferential terms.

All three countries have different official languages from Zambia's. This means Zambian food producers seeking to export to these countries should learn how to package their commodities with labels in official languages of destination markets and learn customs procedures and requirements as stated in the foreign languages of their destination markets. Farmers in Mwinilunga should label their pineapples as 'abacaxi' (Portuguese for pineapple) if the labels are to make sense to Portuguese consumers.

Clearly, Zambian food producers could do many things differently to realize the opportunities beyond the border.

... Zambia would have had to increase its total food exports at least 12 times in order to satisfy food imports of the three countries.

MPs welcome ZIPAR's call for high-return projects for Eurobonds investment

By Euphrasia Mapulanga-Ilunga

The Members of Parliament (MPs) have welcomed the Zambia Institute for Policy Analysis and Research (ZIPAR)'s call to Government to direct more resources from the US$750 million and US$1 billion Eurobonds to projects with high rate of return to avoid risk of default that could escalate the current debt levels.

ZIPAR on 25th March 2015 held an Outreach Event for three Parliamentary Committees at Protea Arcades Hotel in Lusaka to disseminate research reports titled: "A Cautionary Tale of Zambia's International Sovereign Bond Issuances", "Used Motor Vehicle Imports and the Impact on Transportation in Zambia" and "The Zambia Private Sector Profile" presented by Shebo Nalishebo, Mwanda Phiri and Francis Ziba, respectively .

Responding to the presentation on sovereign bonds, Lunte Member of Parliament Hon. Felix Mutati observed that there was need to reduce excess Government expenditure and also consider other financing options such as PPPs for financing infrastructure projects.

"There is need for sensible sequencing of investment. For instance, we need to identify viable PPPs (Public Private Partnerships) like the Kitwe-Chingola road and Kenneth Kaunda International Airport. Expenditure should go towards economically viable projects and roads", he said.

He added that aggregate thought will not solve the problem e.g. investing in Mporokoso-Kaputa road which may not attract PPPs. He also noted that there was need to look at whether Zambia has proper pension funds that are able to invest in various areas besides investing in shopping malls.

In the soon-to-be-published sovereign bond study report, ZIPAR urges Government to put in place mitigation measures to reduce the risk of default when the bonds reach maturity. These include the setting up of a joint sinking fund for the two Eurobonds, strengthening the legal and institutional frameworks as well as ensuring macroeconomic stability.

Lunte MP Hon Felix Mutati commenting on the sovereign bond paper during the MPs Outreach Event at Protea Arcades Hotel in Lusaka

The other yet-to-be-published report presented at the event on Used Motor Vehicle Imports and the Impact on Transportation in Zambia revealed that the average age of Zambia's motor vehicle fleet has increased from 13 years in 2006 to 17 years in 2014 raising concerns on vehicle reliability and safety and increases in carbon emissions.

The other report on Profiling Zambia's Private Sector revealed that currently, 90% of this sector is composed of micro, small and medium enterprises (MSMEs). However, the private sector faces daunting challenges which are likely to pose significant downside risks. The challenges include: low access to affordable finance; inconsistent macroeconomic policies; weaknesses in the tax system; high transportation costs and a mismatch in supply of skills and industrial demand of skilled labour.

The Members of Parliament described the outreach event to be informative and relevant to their debates. A total of 17 MPs and three staff from the Estimates; Communications, Transport, Works and Supply; and Economic Affairs, Energy and Labour Committees attended the event.

By Zali Chikuba

Government Commissions ZIPAR to review 1996 National Housing Policy

Half a century after independence, and two decades after the liberalization of the economy, Zambia continues to experience severe housing inadequacy. Excluding all housing units which do not meet the minimum safety requirements from the total national stock of houses, Zambia currently faces a housing deficit of about 1.7 million housing units.

The formulation of the first comprehensive National Housing Policy of 1996 provided hope for resolving this predicament. It is now nearly 20 years after this "UN Habitat, Scroll of Honour" award-winning National Housing Policy of 1996 was officially launched and the issue of housing inadequacy appears more miserable than ever, with a projected deficit of nearly 3 million housing units by 2030 if no meaningful intervention is put in place. The 1996 National Housing Policy has hardly been implemented.

Government through the Ministry of Local Government and Housing (MLGH) recently commissioned the Zambia Institute for Policy Analysis and Research (ZIPAR) in conjunction with Ground Force Land Engineering Services (GFLES) to review the 1996 National Housing Policy. The objectives of this assignment are twofold: to develop a new pro-poor National Housing Policy for Zambia that provides adequate, affordable and decent housing units for all income groups; and to develop and formulate a National Housing Policy Implementation Strategy as one of the failures of the 1996 National Housing Policy was the lack of a clear and concise implementation strategy.

In fulfilling their mandate, ZIPAR and GFLES embarked on a number of activities ranging from background document reviews, analysis of national statistical data sets, a nationally representative household survey to complement the national statistical data sets and key informant interviews. The purpose of the household survey was to establish a link between general household welfare variables and housing conditions variables in the interest of adequately satisfying the first objective. The culmination of these inquiries was a discussion document of the proposed national housing policy and implementation strategies.

Armed with this discussion document, ZIPAR and GFLES sought the input stakeholders at provincial level. Focus group discussions and provincial consultative conferences were held in all the ten provinces of Zambia from mid-February to mid-April. The conferences officiated by the offices of provincial Permanent Secretaries were attended by wide spectrums of stakeholders from local authorities, line ministries, civil society organizations, the business communities and district development coordinating committees. The discussions and recommendations of the provincial consultative conference will be used to develop the first draft of the proposed national housing policy and implementation strategies which will be reviewed at the national consultative conference to be held in Lusaka in May 2015.

A proposed new pro-poor National Housing Policy for Zambia is expected to be handed to MLGH in June 2015.

The core team of consultants attached to this assignment includes Zali Chikuba, a Research Fellow at ZIPAR; Emmanuel Mutale (Ph.D.) of GFLES, a land surveying practitioner and academic; Daniel Apton Phiri, a Researcher and Lecturer in the School of Built Environment at the Copperbelt University; Gertrude Ngenda, a Research Fellow and Lecturer at the Institute for Economic and Social Research, University of Zambia. The core consulting team is supported by another team of researchers including Alfred Chitalu, Mwiinga Cheelo, Tibakonde Mwale and Isaac Zyaambo.

ZIPAR signs MoUs with **IDC, ZCAS and IODZ**

Signing MoU: ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso and IDC Executive Director Corporate Affairs Mr. Charles Mate

The Zambia Institute for Policy Analysis and Research (ZIPAR) signed a two year Memorandum of Understanding (MoU) with the Industrial Development Corporation (IDC) aimed at strengthening the IDC industrialization interventions in focus sectors with evidence-based analysis and research.

In the MoU signed on 21st November 2014, ZIPAR is expected to undertake studies, monitor and analyse the impact of programmes and investments related to wealth and job creation on behalf of the IDC. ZIPAR will also undertake studies to monitor the impact of specific State Owned Enterprises and recommend appropriate interventions to the IDC.

In the MoU with the Zambia Centre for Accountancy Studies (ZCAS), ZIPAR will jointly undertake research relevant to the business development goals of the two parties which will contribute to the provision of evidence-based policy analysis to support the policy process in Zambia. The MoU signed in December 2014 will run for three years.

The third MoU signed with the Institute Of Directors of Zambia (IODZ) will facilitate joint hosting of debates, conferences, seminars and workshops on Corporate Governance and Economic Policy Analysis and other related issues. The agreement will run indefinitely until either part decides to terminate.

Prudent public expenditure necessary to contain current fiscal deficit-ZIPAR

ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso flanked by Researchers Shebo Nalishebo and Antti Pelanteri listening to MPs feedback during a submission on the impact of deficits on the economy to the Parliamentary Committee on Estimates in February 2015.

There is need for a strong resolve by the Government to undertake reforms and exercise more prudent public expenditure to bring down the fiscal deficit to the SADC-recommended threshold of three per cent of Gross Domestic Product (GDP) in the near future.

Presenting to the Parliamentary Committee on Estimates on 9th February 2015 on the impact of the current fiscal deficit on the economy, ZIPAR Executive Director, Dr. Pamela Nakamba-Kabaso observed that containment of the fiscal deficit was difficult due to the limited revenue base, large interest payments, and huge expenditure on public service salaries and pensions.

Personal emoluments as a share of GDP breached the eight per cent barrier in 2013 and reached 8.2 per cent, and jumped to 11.1 per cent in 2014 following the unprecedented wage adjustments for public service workers. The inclusion of 3, 100 public service workers on the Government payroll and the planned recruitment of teachers, health personnel and agriculture extension workers in the short to medium term would further put pressure on the wage bill.

Dr. Kabaso cautioned that the deficit, which is mostly debt-financed, adds to the country's debt stock and increases interest payments.

"As the debt grows, it increases the interest on the debt which must be paid each year. Interest payments increased from 0.9 per cent of GDP in 2011 to 1.9 per cent of GDP in 2014. The payments are expected to increase in 2015. The interest payments for both the domestic and external debt in the 2014 national budget are higher than the entire social protection budget", said Dr. Kabaso.

Despite the diversification "song" away from copper, most of Zambia's export earnings are still from metals. The dependence on copper export earnings and the volatility of prices on the international market leaves the country vulnerable to commodity price shocks. A collapse of copper prices will have an adverse impact on the country's ability to repay loans.

There is need for continuous monitoring and evaluation of the utilization of borrowed funds to ensure that the selected projects generate resources commensurate with servicing the respective debt obligations.

Said Dr. Kabaso "We need not only borrow to invest the proceeds in the right type of high-return projects, but we also need to ensure that we do not have to borrow further just to service the debt".

Lukashya MP Hon. Elfreda Kansembe (centre) commenting on ZIPAR submission on the impact of deficits on the economy in February 2015

ZIPAR to lead **GREEN Economy** Initiative

By Euphrasia Mapulanga-Ilunga

On 6th October 2014, the ZIPAR Executive Director, Dr. Pamela Nakamba-Kabaso and the Research Fellow Human Development, Mr. Gibson Masumbu were among the six member Zambian delegation which participated in a two-week training on the Green Economy at the International Training Centre for the International Labour Organisation (ILO) in Turin, Italy.

The training provided a forum for over 100 participants from different countries to share experiences on implementing inclusive Green Economy approaches as a means for reducing poverty and ensuring more equitable sustainable development. Consequently, the Ministry of Finance (MoF) appointed ZIPAR as the Lead organisation in the technical working group to spearhead the development of a Green Jobs Projection Model for Zambia. The outputs from the model will inform various policy processes including the Seventh National Development Plan (SNDP).

The technical working group will, among other duties, provide informed guidance and advice on policies that promote sustainable development and poverty eradication through environmental protection and sustainability. Through this process, some economic analytical tools will be developed that include an input-output matrix and Social Accounting Matrix (SAM). ZIPAR will then use these tools to build an Employment Projection Model.

A green job is any job or self-employment that genuinely contributes to a more sustainable world. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; decarbonise the economy; and minimise or altogether avoid generation of all forms of waste and pollution. Green Jobs have also an aspect of decent work which offers adequate wages, safe working conditions, job security, reasonable career prospects and worker rights.

According to Mr. Masumbu, , the model will be key in informing the policy makers on the capacity of the economic sectors to create jobs and what policy options will be needed to make it happen. What is even more important is that by isolating green sectors in the economy, Government will be able to devise initiatives that promote decent work, employment creation and environmental sustainability.

Government is focusing on ensuring that growth is inclusive, environmentally sustainable and pro-poor so that the benefits of a stable macroeconomic environment, positive economic growth and single digit inflation bring about improved standards of living for the Zambian people. This will be achieved in part by strengthening existing macroeconomic and development planning tools that provide conceptual and methodological basis for analyzing and examining both the growth and the likely impacts of policy actions on income distribution especially the status of the poor households of the economy.

Mr. Masumbu also stated that green jobs employment projection model works towards achieving an environmentally sustainable, social and economic development. Given Zambia's high dependency on natural resources for economic growth, it has become imperative to promote the creation of green jobs as a way of generating employment and income opportunities with a reduced impact and an increased ability to cope with the challenges of climate change and scarce resources

Government is focusing on ensuring that growth is inclusive, environmentally sustainable and pro-poor so that the benefits of a stable macroeconomic environment, positive economic growth

Formal sector labour productivity declines by **3 percent**

Zambia's formal sector labour productivity- the amount of output per worker – fell by an average of 3 per cent a year between 2008 and 2012. This is according to new ZIPAR research.

Addressing the High Level Stakeholder Dialogue Event - Zambia's Way Forward: Job Creation to Promote Inclusive Growth jointly hosted by the Government of the Republic of Zambia (GRZ) and the Cooperating Partners Group (CPG), ZIPAR Research Fellow Mr. Shebo Nalishebo stated that economy-wide productivity increased by an average of 4.6 per cent a year, due to "improvements" in the informal sector. The seemingly increased productivity in the informal sector – averaging 5.4 percent per year - was due to output growing much faster than employment. Due to Government's emphasis on creation of decent jobs, Mr. Nalishebo observed that employment in the formal sector grew much faster than output, hence the decline in productivity.

Boosts in productivity in the informal sector still mask significant differences between the formal and informal sectors. Mr. Nalishebo showed that informal sector firms produced eight times less output for each worker than formal sector firms.

Despite the overall decline in productivity in the formal sector, the mining sector experienced productivity gains averaging 15.4 percent during the period 2008-2012. The huge capital investments in the sector in the last few years are largely responsible for this growth in productivity.

In concluding his address to the stakeholder dialogue event held from 24th to 25th November 2014 at Mulungushi International Conference in Lusaka, Mr. Nalishebo observed that to maximise future economic growth in Zambia, there was need to better understand productivity puzzles including how they affect different sectors of the economy.

"This study gives us a fresh perspective on the Zambian growth story especially that the data is broken down between the formal and informal economy. Understanding how to improve productivity is important because it will help Zambia's economy continue to grow. Our new analysis has revealed that government need not just pay attention to improving the welfare of the workers; they also need to consider reducing the cost of doing business for the firms to boost output and grow the economy", he said.

economy-wide productivity increased by an average of

4.6%

a year, due to "improvements" in the informal sector

Developing a Research Agenda on Youth Employment in Africa

SALDRU, ZIPAR and IDRC host joint International Conference

ZIPAR jointly hosted an international conference on Youth Employment with the Southern Africa Labour and Development Research Unit (SALDRU) and the International Development Research Centre (IDRC) from 1st-2nd December 2014 at Southern Sun Ridgeway Hotel in Lusaka.

The conference brought together 21 advisors and researchers from the United States of America and Africa to explore the viability and the details of developing a coherent and useful intervention that would have an impact on policy. Subsequently, ZIPAR will participate in a continent-wide effort that seeks to study policies and programmes for promoting successful transitions into the labour market by Africa's youth.

In her welcome remarks, the ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso emphasised the importance of discussing the problem of youth employment, a challenge that many African countries were grappling with. She revealed that Zambia had hosted many meetings and international conferences during the course of the year all with the focus of deliberating youth employment. It was therefore appropriate that researchers were gathered to develop a research agenda that would address this problem.

The SALDRU Director Prof. Murray Leibbrandt in his opening remarks stated that he was pleased to see a number of youths and researchers in the policy space present at the conference.

Ms. Martha Melesse from the IDRC stressed the importance of contextualising the youth employment problem, learning from different countries as well as understanding the definition of youth which was subjective. She added that even within the operational definition of youth, it was necessary to understand where the focus should be. She noted that although the diagnostic of the youth employment problem had been good, researchers had been shy on what must be done to inform policy.

ZIPAR sets out for Team Building for Success

Some ZIPAR staff solving a puzzle during a team building exercise in April. L-R: Chama Bowa, Mwanda Phiri, Florence B. Muleya and Antti Pelanteri

In a world where attention is focused on making the client happy, organisations or companies often forget about their most valued assets – the employees. Employees of any organisation work better when they are happy and feel they are part of a team to reach a common goal. On 8th April 2015, the ZIPAR team went on a two-day team building seminar at Protea Hotel in Livingstone. The seminar which was facilitated by Laura and Partners Consulting Limited employed exercises that enabled better communication and better relationships that will ultimately increase productivity in the organisation.

NEW STAFF

Mr. Caesar Cheelo-Senior Research Fellow, Macroeconomics

Caesar Cheelo joined ZIPAR in April 2015. He is an Economist with over 10 years of research and teaching experience. He holds a Master of Arts degree in Economics from the University of Nairobi, Kenya and a Bachelor of Arts degree in Economics from the University of Zambia. Caesar worked at the COMESA Secretariat as a Macroeconomist and University of Zambia Department of Economics as a Lecturer. On a part-time basis, he served as an Associate Editor on the Zambia Social Sciences Journal (ZSSJ) and the Southern African Journal of Policy and Development (SAJPD), and ad hoc Technical Advisor to Equilibria Consulting Ltd. Caesar is an experienced people and research programme manager, having worked with senior staff at policy, academic, research and funding institutions.

Mr. Felix Mwenge-Research Fellow, Human Development

Felix Mwenge joined ZIPAR in January 2015. He holds a Master's degree of Public Health in Health Economics from the University of Cape Town and a Bachelor's degree in Economics from the University of Zambia. He is currently a candidate of the Master of Philosophy (MPhil) in Development Policy and Practice at the University of Cape Town's Graduate School of Development Policy. Felix worked with the International Growth Centre as the Zambia Country Economist and the Clinton Health Access Initiative (CHAI) in Pretoria, South Africa as a Health Economist and Financing Analyst. He brings to ZIPAR a wealth of experience in International Development, Poverty and Inequality and Health Economics and Policy.

Mrs. Florence Banda-Muleya-Research Fellow, Public Finance

Florence Banda-Muleya Joined ZIPAR in January 2015. She holds a Master of Science degree in Trade Policy and Trade Law from Lund University and a Bachelor's degree in Economics from the University of Zambia. She worked with the Zambia Revenue Authority as a Supervisor in the Customs Services and the Domestic Taxes Division for seven years. Florence has written papers on measuring "Trade Tax Revenue", "Parallel Importation", and "Improving Standard Presumptive Tax".

Mr. Francis Ziba-Research Fellow, Trade and Investment

Francis Ziba joined ZIPAR in January 2015. He holds a Master of Science degree in Finance and Investments, an MBA in Financial Risk Management and has done ACCA and a BSc in Financial Economics. Francis worked with Barclays Global Investors (BGI) in London and Hong Kong as a Senior Investment Manager, Lehman Brothers, a Global American bank (now closed) as Global Market Specialist and the British Government under the Treasury Department as a Sovereign Debt Finance Officer. He brings to ZIPAR a wealth of experience in Trade policy, Global Banking regulation, Investment Management, and Portfolio and Strategy research where he formulates and analyses macro, sector and company fundamentals especially on growing the private sector participation in the real economy.

Ms. Malindi Msoni-Associate Researcher, Public Finance

Malindi Msoni joined ZIPAR in January 2015. She holds a Master's degree and honours degree in Economics from the University of the Western Cape, South Africa and a Bachelor of Arts degree in Economics from the University of Zambia. She worked with the University of the Western Cape Department of Economics as a Lecturer Assistant. Malindi was a recipient of an ERSA award for meritorious performance in Economics and was also given the honour of receiving membership to the Golden Key International Honour Society the world's largest collegiate honour society. She has written papers on "Policies to Alleviate Urban Congestion in Developing Countries" and "The Impact of Quantitative Easing on Capital Flows to the BRICS Economies".

Ms. Chama M. Bowa-Personal Assistant to the Executive Director

Chama M. Bowa joined ZIPAR in April 2015. Currently reading for a Master of Science in Public Relations and Communications, she holds a Bachelor's Degree cum laude in Development Studies from the Zambia Catholic University (ZCU). She worked with Cavendish University Zambia (CUZ) where she served in various positions ranging from Management Trainee, CUZ Corporate Office Administration Officer, and Executive Assistant to the Executive Director and Enrolment Officer. She brings a wealth of experience gained from her exposure in education, corporate, advocacy and research environments having also worked for the CopperBbelt Energy Cooperation in records management, Caritas Zambia in data entry consultancy and the Jesuit Centre for Theological Reflection (JCTR) in program support.

ZIPAR Research and Studies in 2015

Flagship Project

ZIPAR will soon be launching a flagship project that will anchor an important theme in the policy arena. This research project which will run concurrently with other short type studies will take place for a period of one year and five months. Look out for a special segment of the flagship project in the next issue!

Other studies

1. Macroeconomics and Monetary Policy

a) Foreign exchange rate market microstructure in Zambia

The focus of this study will be to examine the microeconomic structure of the foreign exchange rate market. The objective of the study is to develop a framework that will enable BOZ have an understanding of on-going market developments, identify trends, monitor and map potential risks. This study is expected to investigate the behaviour of foreign exchange market players and characteristics of trading activity such as order flow on exchange rate volatility. This will ultimately help in management and implementation of the exchange rate policy.

b) Causes and impact of wide interest rate spreads in Zambian banking sector

This study will seek to ask and find possible answers to the question "why is the gap between interest rate charged on loans and interest paid on deposits extremely wide and what the impact of this is?" The specific reasons associated with wide interest rate spreads are not clearly known. It is expected that the study will provide significant insights into bottlenecks and how policy intervention can be formulated to reduce the spreads.

2. Human Development

a) Employment projection modelling

ZIPAR has been tasked by the Ministry of Finance in collaboration with the International Labour Organization to lead in developing an employment projection model. ILO has initiated a green jobs economy concept that proposes that sustainable jobs can be created through adoption of strategies that are both environmentally friendly and have a high employment multiplier. Zambia has been implementing the Industrialization and Job creation strategy since 2012 that has set to create 1 000 000 jobs by 2016. However the pace at which jobs have been created since 2012 has been extremely slow. Therefore, there is need to provide input into the industrialisation and job creation strategy as well as explore opportunities which the green economy provide to the job creation agenda.

b) Employment creation strategies

The Human Development Unit has undertaken a number of studies that have addressed employment in Zambia. Notable among the studies that the unit has done include;

- Understanding Youth Labour Demand Constraints in Mining, Manufacturing and Construction Sectors in Zambia
- Understanding Dynamics Influencing Job and Wealth Creation in the Small Livestock Market in Zambia: Towards Policy Strategies for Rural Jobs and Wealth Creation Capacity of Self-employment to generate jobs in Zambia

A number of recommendations have ensued from the aforementioned studies that can be used by Government and other stakeholders to create jobs. The unit will adopt specific recommendations and develop detailed action plans that will be validated by key experts and will be presented to Government and stakeholders. It is hoped that this will address lacuna's that exist between research and policy implementations.

c) Up-dating poverty measurements

The Unit has done a number of studies on poverty measurements. These include;

- The Multi-dimensional poverty measurement for Zambia
- The welfare comparison of districts; in this study the unit developed a poverty map at district level

The studies above used 2010 data that were latest at the time. Therefore, there is need to update the studies by making use of latest reports produced in 2014 and 2015. These include the Zambia Demographic Health Survey and Economic Census.

3. Public Finance

a) Effects of corporate income taxation on employment

Employment creation is one of the key policy objectives of the Government. It can occur from new firm entrants and/or existing firms hiring more workers. Government's medium term employment objective is to create 200,000 decent jobs per annum. Consequently, an Industrialisation and Job Creation Strategy has been devised to operationalise this objective. In this strategy, the labour-intensive industries – agriculture, mining, manufacturing and tourism – have been prioritised. In 2013, Government only created 58,000 formal sector jobs in the first nine months of the year. Inconsistencies between the medium to long term plans and fiscal policies have led us to the assumption that Government may miss its employment targets.

Fiscal policy, through the design of the tax system, can deter employment albeit indirectly. Company taxes can affect employment by reducing investment and production, and by reducing labour supply to the extent that firms pass on these taxes to employees in the form of lower wages. In Zambia, different industries have been given tax incentives by the Government.

The study will investigate how company income tax incentives in agriculture, mining, and manufacturing affect employment decisions by employers and what can be done to use fiscal policy to drive growth in these industries.

b) Strategies for taxation of rental income: revenue potential and implementation challenges

ZIPAR will collaborate with ZRA in undertaking this study. Between 1994 and 2000 the Government introduced a withholding tax at a rate of 15% on rental income as a revenue measure. For the sake of the tax, rent is defined to mean "a payment in any form including a fine, premium or any like amount, made as a consideration for the use or occupation of or the right to use or occupy any real property including personal property directly connected with the use or occupation or the right to use or occupy such real property". The property on which the Withholding Tax is deducted must be situated in Zambia. The payer (tenant) is responsible for deducting Withholding Tax from gross rentals on the date of accrual of any amount due to the payee (landlord). The tenant should remit the amount so deducted to the Zambia Revenue Authority.

However, compliance has been low and the revenue contribution of the tax has also been insignificant. This is despite strong growth in the real estate sector since 2002. In 2014, the rate of withholding tax was lowered to 10% and made final. This was done to encourage voluntary compliance by excluding withholding tax on rent from turnover tax and also to minimise documentation. This study is therefore aimed at devising strategies for implementing tax reforms on rental income.

c) In-depth budget & expenditure review 2010-2014 and budget analysis for 2016

The budget review will analyse the economic performance for 2014, fiscal policy, revenue trends and tax proposals, asset and liability management, as well as medium term expenditure plans. The national budget for 2016 will be announced by the Minister of Finance in October 2015. The Public Finance Unit will provide a comprehensive review of the 2016 Budget outlook.

4. Trade and Investment

a) Companies' initial public offerings: Ramifications for LuSE and the Firm

This study is expected to be conducted in collaboration with the National Pension Scheme Authority (NAPSA) and the Lusaka Stock Exchange Company (LuSE). The study seeks to investigate the patterns of companies' initial public offering on the local bourse and how market liquidity is affected as well as firm performance. For a long time, it has been observed that public trading on LuSE has been limited due to low IPOs.

Simultaneously, large institutional investors such as NAPSA have repeatedly lamented on the lack of opportunities LuSE offers to expand their investment into companies operating locally.

This paradox begs the question why many companies especially the mining based companies that are rapidly growing are not publicly trading on LuSE. When the study is completed, it is expected to provide concrete evidence on the discussions and inform key interventions that can boost companies' participation on the local bourse. It can be anticipated that increased public trading will also improve the economic representation of LuSE, help price discovery, ensure indigenous citizens participate in the governance and profitability of companies operating locally and help increase the flow of foreign direct investment.

b) Impact Evaluation of innovation for SMEs project implemented by MCTI with support from UNDP

ZIPAR has been requested to assist MCTI to measure the impact of the project the Ministry is implementing with the support of UNDP entitled "promoting innovative, inclusive and equitable growth in Peri-urban areas of Zambia" or simply innovate for inclusive growth. This study has a well-rounded representation of responsible parties that cover government, the private sector and civil society. It is expected at the end of the project in 2017:

- MCTI will have developed and implemented strategies and programmes aimed at SMEs development, addressing poverty and inequality to generate evidence and lessons for a sustainable and equitable industrial policy
- SMES supported by CEEC and ZDA will have developed products meeting national standards
- SMEs supported by CEEC and ZDA will have invested in and adopted technological and social innovations

5. Transport and Infrastructure Development

a) Analysis of Self-Employment in Zambia's Construction Sector: People and Practices

This study seeks to characterize self-employment in the construction industry drawing heavily on experiences and practices in the construction of buildings division and civil engineering. Self-employment is important to the contemporary policy debate concerning employment creation and entrepreneurial development. Whereas in some groups, self-employment is seen as a panacea to the rising unemployment awareness, there are those who are of the persuasion that this occurs at the cost of real employment reforms for creation of decent jobs and only reinforces poverty. There are also concerns that growth in self-employment only leads to the creation of another grey class of workers referred to as dependent self-employed that still require social protection but have no access to it.

Given the above debate, the question that this study seeks to satisfy is whether the construction industry offers any real potential for accelerated and sustainable employment creation.

b) Assessment and Development of the Institutional Framework for Managing Road Transport in Lusaka

The management of transport, both private and public, in Lusaka is blemished by institutional challenges. There is fragmentation of actors in the transport system of the city. Each of these actors plays a vital role for the success of the overall transportation system. However, the actors often execute their roles in isolation form and at times in conflict with other actors. The problem partly lies in institutional misalignment and partly in resource capacities.

The study therefore seeks to carry out an assessment of the institutional provisions for the management of transport in the greater city of Lusaka with the view to inform institutional reforms for effective management of the transport system

c) National Housing Policy Review

The Ministry of Local Government and Housing commissioned ZIPAR to undertake a review of the 1996 National Housing Policy and to develop a new pro-poor National Housing Policy for Zambia and an accompanying National Housing Policy Implementation Strategy. This assignment will be undertaken by ZIPAR as Principal Consultants in association with Ground Force Land and Engineering Services (GFLES) as Associate Consultants.


ZIPAR staff merging their flames symbolising unity during a team building seminar at Protea Hotel in Living stone in April 2015. On the right: posing for a group photo after a session.


ZIPAR Research Fellow Shebo Nalishebo sharing a light moment with former Vice President Dr. Guy Scot during the MPs outreach event at Protea Arcades Hotel in Lusaka on 25th March 2015. On the right: ZIPAR staff pose for a group photo with MPs.


ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso flanked by Researchers making a submission on the Tax Amendment Bills 2014 to the Parliamentary Committee on Estimates in December 2014. ZIPAR suggested a balance between taxes on profits and royalties.


ZIPAR hosted international delegations in March and April 2015. Left: Jurists from the International Bar Association's Human Rights Institute (IBAHRI) collaborated with ZIPAR during a fact finding mission on taxation and human rights in March 2015. Here they pose for a photo with some staff. Right: The Trade Law Centre based in Stellenbosch in South Africa visited ZIPAR to share research experiences on Trade and Investment and Infrastructure Development. Here they pose for a photo with the ZIPAR Executive Director and Researchers

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