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Buckle up for National Airline!

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Message from the **EXECUTIVE DIRECTOR**

Welcome to Issue 9 ZIPAR Quarterly. This edition brings to you very interesting articles on a number of topics that have dominated the policy discourse in the past few months. Our cover story is on the widely debated re-establishment of a national airline. The former national airline graced the skies for the last time more than two decades ago before it was grounded due to various reasons among them financial mismanagement. The news of re-instating the national airline has been received with mixed feelings ranging from renewed hope to outright scepticism by stakeholders. Those who are hopeful believe a national airline is key to unlocking the potential of a number of sectors such as tourism. The sceptics have questioned the value of owning a national airline when most airlines in the Sub Saharan Africa are loss making and a burden to their treasury. Notwithstanding these mixed feelings, a national airline, Zambia Airways (2014) Ltd is taking off again. Thus, our lead article titled; "Buckle up for the National Airline" endeavours to provide some recommendations on what the airline should consider if wanting to stay afloat this time around.

In addition to the national airline story, another interesting piece to read is on the Urgency of Urban Public Transport Reforms in Zambia. Many individuals are shunning the public transport system because it is ineffective and have poor service quality. The Government is committed to correct the situation and has revised the transport policy and I am delighted to state that ZIPAR was actively involved in its development. As the policy received Cabinet approval and is earmarked for an official launch, our article outlines policy recommendations that the Government should consider to facilitate institutional preparedness for the reforms.

Well, as indicated earlier, this edition is loaded with several other topical issues ranging from what the African Continental Free Trade Integration entails for Zambia, Jobs in the Gulf and China-Zambia Relations in development cooperation. These and many more stories are a must read!

Buckle Up for the National Airline!

Malindi Chatora

After 24 years of absence, the national airline is scheduled to return to the skies in the third quarter of 2019, at an initial cost of US$ 30 million. The re-launch of the national airline, which was scheduled to coincide with Zambia's 2018 Independence Day commemorations, has been postponed twice and is now expected in the third-quarter of 2019. Unlike its predecessor which was wholly owned by the Government of the Republic of Zambia (GRZ), Zambia Airways (2014) Limited will be operationalised through a joint venture between GRZ and Ethiopian Airlines Limited (EAL), sub-Saharan Africa's (SSA) only profitable airline. GRZ will control 55 percent stake through the Industrial Development Corporation (IDC), while EAL will control the rest.

The Government has valid reasons for championing the re-launch of the national airline. If successfully operated, the Zambia Airways could create at least 500 direct and indirect jobs, with prospects for additional employment as the airline expands. In addition, GRZ envisages that the airline will contribute to increased air traffic flows within and around the country that will in turn increase tourist arrivals, hotel and restaurant revenues, conference fees and overall business activity for tour operators. By creating direct and indirect linkages to other economic sectors, GRZ expects that the national airline will contribute to overall economic growth. Further, the country's strategic centrality in the region where it is surrounded by eight countries will provide the airline strategic connectivity to the region and the world at large.

Notwithstanding these GRZ-anticipated 'wins', the re-instating of the national airline has been received with scepticism. Stakeholders have questioned the value of owning a national airline other than national pride, when most airlines in SSA including Southern Africa's largest airline – South African Airways (SAA) – are struggling and rely on government bailouts. For example, the South African government has spent close to US$2 billion on SAA in the last five years. Despite this support, SAA has continued to make losses and declared bankruptcy in September 2018. Political interference has been cited as one of the major impediments to SAA's strategic direction, as the government remains the company's largest shareholder.

Similarly, Malawi Airlines, which has also partnered with EAL, is yet to break-even after 4 years of operations. This is at odds with projections in the business model floated during the tender process, which indicated the airline would break-even by the second year. The Board and Management of Zambia Airways will do well to carefully examine the experiences of Malawi Airlines to identify the reasons behind the airline's delay in breaking-even.

While Zambia Airways will require an initial investment of US$30 million, the Ministry of Transport and Communication's Permanent Secretary revealed that close to US$48 million will be required for operations in the first year. So far, EAL has committed US$13.5 million towards aircraft leasing and GRZ US$11.5 million to cover operating costs for four months. This leaves a deficit of nearly US$23 million which the airline envisages will be covered by revenue from ticket sales. However, with growth projected to be slower in the domestic (4%) and global (3.5%) economy, demand for air travel may not be sufficient to generate substantial revenue. Therefore any shortfall will most likely have to be covered by IDC.

While the general poor performance of airlines in SSA is concerning, many stakeholders are more anxious about the ability of the Board and Management of Zambia Airways to run the airline as an autonomous business. Government interference and politically motivated appointments reportedly put a serious drag on the performance of the pre-1994 Zambia Airways and contributed to its downfall. The SAA experience is another recent example of the pitfalls of government interference in the running of a national airline.

Since the Government has already committed to re-establishing Zambia Airways, the airline should look to its strategic partner for some inspiration. Although established through a joint venture with Trans World Airlines, EAL is now wholly owned by the Ethiopian Government. The airline owes much of its success to its business and management model which ensures that it operates completely autonomous from government influence. The airline operates like a private company and strictly ties personnel emoluments to company performance and profits.

Zambia Airways if successfully operated has potential to transform many sectors of the economy including tourism and contribute to employment creation. However, these benefits can only accrue if the Government fervently holds on to its promise to allow the airline to run as a commercially viable business.

The Urgency of Urban Public Transport Reforms

By John Mututwa and

Malindi Chatora

In 2017, the Government through the Ministry of Transport and Communications (MTC) announced its intentions to reform the public transport sector. In part, the announcement was made against the backdrop of urban public transport problems such as poor service quality, inefficient route configuration and unaffordable passenger fares characterizing service provision in most urban centres in Zambia. These problems have caused many commuters to shun public transport and resort to walking and cycling, and private motor vehicles for those that can afford.

Around the world, urban public transport systems include buses, cable cars, trams and light trains etc., operating on fixed schedules, routes and fares. In Zambia, like in many developing countries, public transport is mainly road based, dominated by intra-city minibuses. Usage of high occupancy vehicles or big buses for urban public transport in Zambia became rare following policy reforms that suspended import duty on buses, resulting in an influx of relatively cheaper minibuses. This followed the privatisation and subsequent liquidation of the loss-making, state-owned, United Bus Company of Zambia in 1995 as part of the general economic reforms of the 1990s.

The removal of import duty on minibuses soon led to the increase in overall supply of public transports services. However, service quality begun to decline as the market became more and more deregulated. Now, over two decades after the reforms, research shows that Zambia's urban public transport system is unsatisfactory and does not meet the international standards of convenience, reliability and affordability for commuters.

Reforms to introduce managed bus services and switch to higher occupancy vehicles announced by the Government are not only important but also urgent. Apart from the aforementioned problems, Zambia is also urbanising rapidly at a rate of 4.3 percent annually. The country's urban population is projected to reach 11 million people by 2030. The rise in urban population will translate into increased demand for transportation services, including public transport. In addition, as cities like Lusaka, Ndola and Kitwe grow and their inhabitants become richer, the number of private motor vehicles, per 1,000 inhabitants will continue to grow and soon reach unsustainable levels, causing increased road traffic congestion and air pollution. Thus, the necessity for efficient urban transport networks and a well-regulated public transport system, accessible to all – rich or poor – cannot be overstated for these cities to remain functional.

Towards ensuring successful reforms, major changes in the regulatory framework are likely to be inevitable. Firstly, public transport provision and regulation will have to be devolved to councils as recommended in the new draft National Transport Policy and the wider Decentralization Policy. This is because councils, unlike central government authorities or agencies that share some of the critical public transport functions, have more spatially widespread structures and in principle, have better understanding of public transports needs of their jurisdictions.

Nonetheless, although the proposal to decentralise management of urban public transport to councils is commendable, the councils may still need to be adequately resourced for them to fulfil this mandate and other related responsibilities. Research by the World Bank in 2002 showed that local authorities were often cash-strapped and institutionally ill-prepared for such new functions as managing certain services.

Secondly, enhanced coordination among institutions with a mandate in public transport will be vital. This is because the responsibility of managing public transport in Zambia is diffused across a number of institutions – MTC, Road Transport and Safety Agency, Road Development Agency, local authorities and Zambia Police – with overlapping mandates, with risks of causing confusion and inertia for change. The lead institution should be clear to all as should be the roles that each party is expected to play. The lead institution can help streamline responsibilities and reduce overlaps of mandates by acting as a secretariat to all institutions with a public transport mandate.

Lastly, MTC will do well to widely consult current public transport providers e.g. minibus owners, on their possible integration and participation into the new system. Wider consultations are essential to establish a sense of ownership among current stakeholders and thus to garner their support for the reforms.

As we await the launch of the draft National Transport Policy, ZIPAR will continue to engage stakeholders in order to gain more understanding on the right institutional set-up for the delivery of public transport services in Zambia.

What Does African Continental Free Trade Integration Mean for Zambia?

Mulima Mubanga and

Shimukunku Manchishi

The African Union (AU) is keen to accelerate regional economic, political and social integration through the establishment of an African Continental Free Trade Area (AfCFTA) aimed at substantially removing all restrictions to trade and investment on the African continent. Zambia signed the AfCFTA agreement on 10th February 2019 almost a year after the March 2018 launch of the trade agreement at an extraordinary summit of the AU held in Kigali, Rwanda.

Zambia is a member of COMESA, SADC and Tripartite FTAs. An FTA is a trading area where customs duties and quotas have been eliminated on goods and/or services from one country entering another. Despite belonging to the three FTAs, Zambia's participation in intra-Africa trade leaves much to be desired. The country's current export pattern is in raw and refined copper, a commodity that is not on demand in Africa accounting for 75 percent of exports.

Under the AfCFTA Agreement, Member States will commit to progressively remove tariffs on 90 percent of goods from all African countries with whom they do not yet have pre-existing FTAs. This will make it easier for businesses to trade within the continent and benefit from an envisaged wider market of 1.2 billion people.

In recent years, the services sector has become a key contributor to the GDP of various African countries, Zambia inclusive. The Agreement also seeks to see more member States open up their services sectors giving opportunity to providers of these services to trade within the continent. In the initial phase of the negotiations, five priority sectors considered among the most dynamic and fastest growing sectors in Africa have been identified to be liberalised. The sectors are business services, financial, transport, tourism and telecommunications.

While market access opportunities are being created, non-tariff barriers (NTBs) have been identified as a major impediment to intra-Africa trade. NTBs are restrictions to trade that do not involve duties or taxes. The Agreement will also work towards addressing challenges related to NTBs.

From an economic perspective, the AfCFTA will offer opportunities for Zambia to penetrate markets outside the COMESA/SADC bloc. According to International Trade Center Statistics, the COMESA/SADC bloc currently accounts for about 99 percent of Zambia's intra-Africa trade while countries outside this bloc account for the remaining 1 percent. In particular, Central and West Africa as well as parts of North Africa present an opportunity for Zambia to export products once tariffs are eliminated under the AfCFTA.

In order for Zambia to meaningfully benefit from the AfCFTA and access these markets, the country needs to accelerate industrialisation and diversification agendas in line with the Seventh National Development Plan. Sectors such as agriculture and manufacturing are key in this regard as they will position Zambia to realise greater benefits. At present, the bulk of Zambia's exports are raw mineral or agricultural products. These products are similar to products exported by other countries within the continent. This lack of complementarity and differentiation of export products explains, to a large extent, the low levels of intra-Africa trade. A move towards value addition through industrialisation will ensure that Zambia's exports are diversified thereby creating an opportunity for export of value-added products to other African countries.

Beyond diversification and industrialisation, Zambia also needs to address challenges related to infrastructure and logistics which will make it easy for business persons to transport their products from the rural to urban areas. In fact, the development of infrastructure should be a concerted effort at continental level where we need to see the acceleration of the trans-Africa highway initiative, a road network connecting major cities in Africa with the aim of facilitating trade.

In addition to opportunities for the export of Zambia's products to new markets, the AfCFTA will allow for importation of consumables and inputs for industry from countries outside COMESA/SADC into Zambia. Importation of products will be beneficial to consumers in Zambia as it will lead to increased competition resulting in better quality products at a lower price for end consumers. This will also provide consumers with a greater variety of goods, as they will gain access to products from different countries.

For producers, this will facilitate cheaper importation of inputs in the production process and also spur innovation owing to entry of competition. Therefore, the Government needs to accelerate the industrialisation agenda and also improve the business environment in order to make local firms more competitive and ready for the ensuing competition from the AfCFTA.

Free trade offers great benefits for Zambia to diversify and grow the economy, creating jobs and raising incomes. However, to realize the potential gains, we have to go beyond simply signing and eventually ratifying agreements such as the AfCFTA to implementing them and promoting growth sectors.

Jobs in the Gulf: Opportunity or Adversity?

Felix Mwenge and

Tamara Billima

Miselo Bwalya

The Government's recent announcement to facilitate the recruitment of 1,000 Zambians to work in the United Arab Emirates (UAE) and Kuwait has been received with mixed feelings. The jobs, which are targeting maids, drivers, waiters and waitresses, appear relatively lucrative as workers are expected to receive up to K13,000 a month, 14 times the stipulated minimum wage for maids in Zambia.

However, the general public has expressed concerns based on international reports of the abuses that workers in the Gulf suffer. Some members of the public have also expressed concerns about the low skill requirement of the jobs on offer while others think that the Government should focus on creating employment at home instead of sending young Zambians abroad. Nonetheless, the Minister of Finance maintains that the Gulf presents an opportunity for the Government to create employment for Zambians who can go and make an honest living.

Strange as it may seem, the announcement by the Minister of Finance represents one of the responses of many developing countries to the problem of rising unemployment. As the work force grows at rates faster than employment, migration is a common option especially for young people. Today, there are about 150 million migrants working in countries across the globe far from their homes. Worker migration is therefore not a new phenomenon.

Working abroad tends to be beneficial financially and is among the reasons individuals decide to migrate. Often, the wages of migrants tend to be significantly higher abroad than in their home countries. This leads to considerable welfare improvements for their families through remittances. Globally, migrant remittances have generally helped to improve the standards of living of their families at home. Some of the benefits also accrue to the rest of the economy. Assuming a strong culture of support by migrants towards their families at home, remittances are important financial capital flows that tend to be relatively stable and less volatile.

Another important issue concerning migrant workers is the level of their skills and qualifications. Migration can result in the absorption of skills, knowledge and technology that could be transferred back to migrants' home countries when they return there. This can have considerable positive impacts on productivity and economic growth. However, this is relatively more feasible if migrant workers are skilled and well qualified and return home while still in their productive years.

The benefits of labour migration notwithstanding, the 1,000 jobs advertised in the Gulf region are peculiar because of the internationally reported abuse of migrant workers in that region. The Human Rights Watch, Amnesty International and the BBC have separately pointed out various abuses that migrant workers in that region are subjected to. Some of the abuses include unpaid wages, confinement to houses, and abnormal working hours reported to be as long as 21 hours in some cases. Some workers have also complained about physical or sexual assault by employers.

According to the Human Rights Watch, the Gulf region also employs a system known as the 'kafala' system which ties migrant workers to their employers indefinitely. This system implies that migrant workers cannot leave their employers without facing punishment for "absconding," including fines, prison, and deportation. Furthermore, unlike in other parts of the World, the UAE's labour law excludes domestic workers. This means workers in this category face legal and practical obstacles to labour related conflict resolution. Countries in Asia such as Indonesia, the Philippines, India, and Sri Lanka have in some cases banned recruitment of their citizens to the Gulf entirely owing to these concerns.

A survey of Tanzanian migrants conducted in 2017 also revealed further concerns about working in the Gulf region. Most women described humiliating treatment, including physical and sexual abuse from male members of the household with some women being raped in some cases.

Based on the above, it is clear that there are some cases of abuse in the Gulf region. Although allowing people to go there may partly address high unemployment in Zambia and result in additional benefits at the micro and macro levels as outlined, the costs are likely to far outweigh the perceived benefits, particularly from a human rights and human dignity perspective. It would therefore not be in the best interest of Zambian citizens who may be sent there.

In conclusion, there is no problem with Zambians working abroad. However, the Government should ensure that Zambian citizens go to areas that respect labour laws and promote decent work and workers' rights; from the existing evidence, the Gulf region does this selectively. It is also important to strengthen the implementation of existing strategies to create decent jobs as a country even as we consider opportunities outside the country. Equally, the economy will derive relatively more economic benefits if the Government fosters more migration of skilled and qualified workers than of low skilled ones. Thus, in addition to implementing job creation strategies, the Government should also accelerate skills development for Zambia to have a large pool of skilled Zambians who can compete for jobs globally.

Evidence in Pursuit Of IMF Deal – ZIPAR

By Pamela Nakamba-Kabaso

Caesar Cheelo

It appears that fueling the on-going debate about how relevant an International Monetary Fund (IMF)-supported programme is for Zambia is a big Zambian resolution for 2019. Given the divergent views, mixed messages and spates of misinformation surrounding the topic, it seems only fitting for ZIPAR to keep contributing to the debate. Based on several studies since 2016, we have frequently reiterated that IMF support is critical for Zambia, both for the cheaper sizable financing it promises and the customized technical support that comes with the money.

In determining the significance of an IMF-supported programme, it is essential to understand that although Zambia has not defaulted on any of its debt service obligations, the country is currently under considerable duress from the weight of a heavy debt overhang. But does the evidence corroborate this claim?

Well, in 2018, the fiscal authorities planned to spend K4.2 billion as external debt interest payments. Because of the huge external debt and the resultant increase in debt service obligations, they ended up spending K6.2 billion. This was 49 percent or K2.0 billion over-budget. Conversely, over the same period, three socially oriented programmes – Social Benefits (pensions, social cash transfer and so on), Strategic Food Reserve, and Water and Sanitation – experienced a combined 66 percent (or K2.0 billion) budget cut.

Essentially, to avoid the onerous consequences of external debt service default, among other things, Zambia opted to further marginalize its poor and vulnerable people, and to compromise its food security position. The socio-economic distress from the debt overhang is abundantly evident. In fact, many would argue that the debt-related stress signifies an emergent silent social crisis.

Clearly, we should not wait for a full blown debt crisis to manifest itself through defaults on debt service obligations before seeking debt relief. The authorities must, as they have intimated in the recent past, act now and act decisively in securing IMF financing. They should hold fast the recent Ministerial pronouncement that the Ministry of Finance will bolster preparations for the IMF Article IV Consultations slated for the first quarter of 2019.

If Zambia ultimately succeeds in clinching an IMF deal, how should the country plan to harness and leverage the support?

Well, for starters, the sizable financing could be used to partially offset the country's external debt service dues in the short-term. External debt service is a Balance of Payments item, implying that Zambia should be eligible for IMF-financed debt service relief. Debt service relief would help immensely to sustain critical social and infrastructure spending.

Secondly, as principal amounts on external loans fall due, Zambia could use IMF standby facility financing to amortize as much of the external debt as possible, replacing the relatively more expensive commercial loans with cheaper IMF debt financing. Zambia could pursue a standby facility as a viable option for refinancing the Eurobonds when they fall due.

From the foregoing, Zambia should fervently pursue a funded IMF programme. The authorities are on the right track and should not limit their pursuits to technical support alone.

Of course, technical assistance is important too. However, it is well documented that IMF technical support tends to be more potent when underpinned by a funded economic programme than when the assistance comes without IMF money on the table. Zambia needs potent technical support, both as an external accountability mechanism and as a signal to international agencies (Moody's, Standard & Poor's and Fitch) that the country is improving its creditworthiness.

The quick evidence presented thus far underscores that ultimately professionalism, objectivity and a culture of evidence-based, not legally regulated, commentary will be cardinal for fostering a well-informed and policy-relevant IMF programme debate.

In this regard, firstly, institutions with convening capabilities would do well to offer themselves as inclusive platforms for bringing structure to the on-going IMF debate and for fostering professionalism, evidence focus and objectivity. Fostering a well-organized, inclusive debate that builds professional consensus would do much more for consistent policy and public literacy messaging.

Secondly, the importance of objective professional commentary based on concrete, traceable and verifiable evidence cannot be overemphasized. The evidence, whether drawn from one's own research or from research conducted by other reputable parties, must be integral to all commentary. The current proliferation of off-the-cuff expert opinions must be corrected through insistence on well-grounded, evidence-based commentary. Reliance on evidence will reduce the risk of sending mixed, erroneous and misleading signals to policy-makers and the general public.

Ultimately, our view is that by pursuing an IMF financial support programme, the Zambian authorities are doing the right thing. The evidence bears them out and so they must ardently stick to their pursuit.

ZIPAR lauds Ministerial statement on 2019 budget execution

and warns of imminent economic challenges in 2019

By Caesar Cheelo

The Ministry of Finance recently issued a Ministerial statement (http://www.mof.gov.zm/?p=5943) instructing ministry officials to prepare for the International Monetary Fund (IMF) and to improve their execution of the 2019 National Budget. ZIPAR welcomes this statement. We laud the Minister for putting her directives to the ministry on record in the public domain. This gives the general public the opportunity to scrutinize the ministry's progress in implementing the budget, encouraging important transparency and accountability tenets. Inter alia, the statement calls for professionalism, integrity, innovation, and diligence in budget execution. If followed through, these elements will be decisive for restoring fiscal discipline and fostering overall budget credibility.

However, Zambia is likely to face strong headwinds and choppy waters in 2019. The fiscal authorities will therefore need to up their game in order to navigate the economy through the imminent challenges. Among the many potential threats in 2019, we believe two are particularly crucial in the context of the ministerial statement, namely: the pressures of a mounting debt overhang; and the credibility risk of another failed attempt to woo the IMF.

Firstly, Zambia's public debt has grown tremendously, increasing from 18.9 percent of GDP in 2010 to 53.9 percent in June 2018 according to the Ministry of Finance. The mounting debt is underpinned by a persistent weakening of the overall fiscal balance, with a deepening deficit from 2.4 percent of GDP in 2010 to about 7.4 percent in 2018. The IMF projects that this will deepen further to 10.6 percent by the time the first Eurobond falls due in 2022.

The most significant underlying problem of the large debt overhang is that it now imposes a heavy debt service burden. In December 2018, the Ministry of Finance released a total of K4.3 billion under that year's budget. Of this, a staggering K1.5 billion (or 35 percent) went to external and domestic debt service, dwarfing the K1.1 billion (26 percent) released to various Government programmes, projects and public service delivery in that month. The debt service amount was even greater than the K1.3 billion (30 percent) released for the wage bill. With the debt service burden dominating the fiscal profile, the deceleration of public debt accumulation and the dismantling of arrears, which the ministerial statement has emphasized, will be imperative for reducing the stresses from the overhang.

Secondly is the credibility risk should Zambia fail for a third year in a roll to convince the IMF that its fiscal plans are credible enough to warrant the Fund's support. The ministerial statement is clear in directing "the Ministry of Finance to implement a well-structured engagement strategy and clean up all the required data sets in preparation for Article IV Consultations" slated for the first quarter of 2019.

A few things are worth clarifying regarding engagements with the IMF. For starters, the forthcoming Article IV Consultations are a routine monitoring function of the IMF. They will focus on discussing recent economic developments and prospects for Zambia. This does not imply an actual negotiation towards an IMF-supported programme. The most that the Zambian authorities can do is to propose milestones and a timetable for the negotiations as a way to re-introduce the negotiation motion. This will entail addressing the IMF's concerns, which caused it to walk away from the negotiating table back in August 2017. Back then the authorities unveiled ambitious borrowing plans when they should have been planning fiscal policy restraint. The IMF, then, believed that the borrowing plans threatened Zambia's debt sustainability. Now, the authorities have less than three months to clean up their act and get ready to reactivate the negotiations.

Once the engagement resumes in earnest, the negotiations are likely to be quite challenging. The fact that Zambia has delayed its inevitable fiscal adjustment means that the adjustments, once applied, will be that much more painful to sustain. Non-statutory budget items such as infrastructure projects, which have hereto enjoyed protected public spending, may come to a crashing halt. Staying the course of the negotiations will take stamina or what the Americas call "true grit" on the part of the authorities.

A successful negotiation will ultimately mean an IMF-supported programme, with sizeable and relatively cheaper (standby) financing that could be used to offset the external debt principal payments on the Eurobonds as they fall due. A Fund-supported programme will also win over international investor confidence, possibly swaying the adverse sentiments against Zambia's domestic and international bonds and improve their performance. Finally, this may attract new foreign direct investments and donor aid to Zambia.

Conversely, a failed negotiation will further erode Zambia's already weakened international credibility and economic reputation. This will imply a deterioration of the country's prospects to securing favourable terms and conditions under any debt refinancing negotiations. Securing IMF support in 2019 could be a make or break affair for Zambia.

We send good tidings to the ministry, and wish them great skill and tenacity in navigating the choppy waters ahead in 2019.

Goods and Services Tax in the Shadow of VAT

By Florence Banda-Muleya and

Mbewe Kalikeka

As dust settles from the bombshell of reintroducing Sales Tax now known as Goods and Services Tax (GST) in the 2019 Budget, the scale of its implementation challenge becomes clearer. Brought to light by increased debate over the pros and cons of GST, the Government's selling point of simplicity of administration is certainly not convincing enough. Our view leans towards making VAT more efficient, however, the policy decision for GST was taken. Thus this article serves to visualise how best GST can be implemented in Zambia.

No clear-cut description has been given of what form GST will take, neither has a departure from the VAT targeted amount been announced. Surprisingly, the reintroduction of GST has happened at a point when VAT is out-performing other taxes and is currently the biggest source of revenue for the Government. The authorities' withdrawal of VAT stems from the fact that the tax-type has not been without challenges. Until 2016, Zambia's VAT history was poor with the tax recording negative intakes in certain years.

Tables only turned with the introduction of various VAT administrative strategies in 2017, including the appointment of withholding agents, the introduction of electronic fiscal devices and the establishment of pre-refund audit requirements. VAT collections rose from 3.7 percent of GDP in 2016 to 5.8 percent in 2017, and by mid-year 2018, about three quarters of the annual VAT target was collected.

However, this VAT performance was not a true reflection of collections, as the pre-refund audits led to backlogs in VAT repayments. Indeed, the Zambia Revenue Authority (ZRA) has lamented that they have been struggling with VAT refunds, requiring an approximate K800 million every month.

The GST resolves the VAT refund challenge, because while VAT is charged at all levels of production with resellers paying tax to the vendor and reclaiming VAT paid on business inputs, GST is applicable to only final consumption sales at each level and not on goods to be used in production.

Thus, GST can be considered less complex for Government's revenue collection. Herein lies the attraction: with only a single collection point, at retail stage, all tax collected is non-refundable, settling the refund challenge. Moreover, VAT and GST can supposedly yield equal amounts of revenue for the Government.

Though resolving the refund issue, GST suffers other setbacks that may end up reducing revenues. We highlight these key issues worth the Government's consideration in GST design.

First, by disposition, GST does not have the sort of self-enforcing mechanism exhibited in VAT, where purchasers help enforce VAT as they insist on correct invoices from suppliers to claim input VAT. Thus, compliance levels under GST are fragile. With taxes collected only at final point, the Government remains at the mercy of retailers who are responsible for remitting the tax collected from the consumer to the authorities.

Retailers may not remit the full amount of the tax since there is no third party to confirm with, or may choose to not charge the tax entirely because of its tediousness, or in a bid to boost their sales. Withholding agents and fiscal devices can remedy this evasion, but will require more enforcement vigour.

Second, GST can lead to cascading or the "tax on tax" effect, stemming from the tax burden falling on production inputs, which VAT avoids through refunds. Failure to address this 'tax on tax effect' can result in sellers passing on the tax cost accrued, to consumers. This may lead to economy-wide inflationary pressures and jeopardise the macroeconomic objective of keeping inflation within 6 to 8 percent.

Additionally, price increases will impact industry's costs of production, and in turn result into slower economic activity (maybe below the 4 percent growth target) hence lower revenues. Mitigating cascading will require a lower GST rate, combined with use of resale and exemption certificates.

Finally, transition to GST poses challenges. The Government will face system changes, will need to train staff and agents and confront other administrative costs in a short time period. Malaysia, which switched to Sales Tax on 1st of September 2018, estimated these requirements to cost US$6 billion, about 2 percent of GDP in lost revenue. With fiscal consolidation steering up through perceived increased revenue mobilisation, the Government needs to create a provision for more implementation time and lost tax revenue.

So, while GST presents an opportunity, it also poses risks to revenue which must be mitigated. Ministry of Finance and ZRA in collaboration with ZIPAR and other stakeholders will have to think through the design of compliance systems, how to reduce the cascading effect through resale and exemption certificates, consider what tax can be applied sustainably for services and review the transition period.

Trump's Beggar-thy-neighbour Trade Policy

Mwanda Phiri and

Shimukunku Manchishi

In what was seen to be part of his many usual controversies, in November 2018, President Donald Trump stirred the pot with a beggar-thy-neighbour policy against China that finally ignited what analysts had predicted would result in a new trade war with China. That is, the US President sought to fix America's economic problems, namely the loss of manufacturing jobs in steel industries, at the expense of China and other countries exporting steel and aluminium to the US. By invoking Section 232 of the Trade Expansion Act of 1962, the President essentially acquired carte blanche to take protectionist measures against imports that threatened to impair the US national security. He imposed a 25 percent and 10 percent tariff respectively, on imports of steel and aluminium from China, a move that was not taken lying down by China. China retaliated in kind with its own tariffs on US exports of goods to China namely soybeans, beef, whiskey and off-road vehicles.

Interestingly, the spat over aluminium and steel is not the genesis of the trade dispute between the US and China. The two countries have had a long-running economic competition with one another over control of the world order. In recent years, tensions have escalated due to America's growing trade deficit with China which it accuses of artificially undervaluing its currency so that Chinese exports become cheaper and hence more competitive. Conflicts relating to Intellectual Property (IP) such as inventions, literary and artistic works and designs also lie at the root of the trade war between the two countries. The US has constantly accused China of IP theft, forced technology transfer and cyberhacking for commercial gain. The US Commerce Department estimates that the country loses US$600 billion annually to IP theft and China is the biggest culprit. Even before Trump, the US threatened to impose tariffs on China following IP violation during the Bush and Clinton administrations.

While known for his unpopular statements, one cannot help but ponder Trump's rationale for the protectionist measure and associate it to the social divides on free trade. On the one hand economists unanimously advocate for free trade while the majority of the public on the other hand, are anti-free trade. In 2002, scholars Mayda and Rodrik found that more than half of over 20,000 individuals surveyed in 23 countries were in favour of trade restrictions.

And why is this so? These perceptions are premised on fears that wage inequality will rise and jobs will be lost as a result of free trade. However, in international trade, free trade is generally recognised as the gold standard that maximizes consumer welfare. And while some industries that open up to trade are affected by the increased competition and may be forced to lay off some workers, the underlying assumption is that these '*laid-off workers*', will quickly adjust their skills and obtain employment in other sectors. However, this seldom happens that quickly if at all for some countries. Free trade thus generates losers and winners.

Which brings us back to Trump's contention with imports. Although Trump's approach is less than desirable, the argument may have some validity. Free trade tends to displace a country's production and employment when the country in question opens up to fierce competition from other countries. However, the problem with Trump's beggar-thy-neighbour move is that it triggers a series of tit-for-tat measures which eventually result in stalemate. Neither country benefits and in the process, bystanders are also adversely affected.

For instance, most US imports from China are manufactured by US firms in China while other imports are intermediate inputs in the manufacturing process. Hence, tariffs hurt America's commercial interests. When President George W. Bush imposed similar tariffs on selected steel products in 2002, imported steel became more expensive to the detriment of American companies that use steel to produce cars, trucks, buildings, highways, home appliances and many other goods in the US.

Further, the trade war between China and the US has a bearing on China's demand for copper and consequently, Zambia's balance of payments and economic performance more generally. This effect is channelled through the trade war's effect on international market sentiments, investment decisions and overall, China's economic performance. Being the world's largest consumer of copper, such negative developments discourage investments and this dampens China's demand for industrial metals such as copper and consequently, copper prices. And a fall in copper prices is detrimental for Zambia whose major export commodity is copper.

The trade war thus serves as a reminder to policy-makers. Certainly, free trade provides wider consumer choices and lower prices, access to cheaper inputs for production, innovation and improved efficiency and technology gains, competitiveness, and economic growth. But, it also comes with adjustment costs which should not be ignored so easily. Therefore, policy-makers need to give greater attention to trade redistributive policies that aim to compensate workers temporarily losing their jobs due to free trade. This will ensure a fairer and more equitable redistribution of the benefits from free trade and minimize tariff escalation.

A Fleeting Lifeline from China: What FOCAC 2018 Entails for Zambia

By Pamela Nakamba-Kabaso

Caesar Cheelo

In September 2018, Chinese President Xi Jinping made an impressive and generous offer of US$60 billion in financial support to African countries over the next three years. Since then the African continent cannot stop talking about China. Some observers are keen for Africa to benefit from the funding galore. Others are worried that the financial bonanza is actually a spring-trap set to ensnare African states into inadvertently giving up their sovereignty.

On that note, it might be a good idea to understand what this US$60 billion financial support really entails for Africa and Zambia, lest the continent's borrowing enthusiasts go laughing all the way to the nearest Chinese bank to borrow some more.

Reports pursuant to the Forum on China-Africa Cooperation (FOCAC) held in Beijing in September 2018 are that President Xi pledged: U$15 billion (25 percent of the total pledged support) in grants, and concessional and interest-free loans; US$20 billion (33 percent) in credit line financing; US$10 billion (17 percent) in development financing; U$5 billion (8 percent) in funds to buy imports from the continent; and US$10 billion (17 percent) pledged on behalf of Chinese companies who will be encouraged to invest in African countries.

So what does all this mean, especially for Zambia, a heavily indebted poor African country? Based on an assessment of each of the five components of FOCAC 2018, the following is noteworthy:

Above all else, given Zambia's current circumstances, when presented with any financing option, yes even FOCAC, our first instinct should be: "we already owe too much; let us not borrow more!" To the extent possible, we should avoid borrowing more until we have a handle on the current debt challenges.

However, realistically speaking, some amount of borrowing will be inevitable despite our dire fiscal and debt situation. Given this inevitability, the US$15 billion pot of funds for grants, interest-free loans and concessional loans should probably be at the front and centre of any "borrow-from-China" plan. These funds would impose the least amount of additional debt service burden to Zambia since they entail relatively low interest payment obligations.

The US$20 billion credit line is the largest pot under FOCAC 2018. However, Zambia should avoid this pot like the plague! By definition, a credit line is a non-concessional, commercial lending option. Zambia simply cannot afford any more non-concessional borrowing now and over the next three to five years. Thus, tempting as the option might be (considering that commercial loans are usually the easiest to access) Zambia must stay away from this pot.

The development financing option (US$10 billion) would typically be quite attractive for Zambia. However, drawing lessons from the country's failure to account for the utilization of the debt proceeds from the three Eurobonds, totaling US$3.0 billion, Zambia must come to terms with the fact that we are not prudent in using development financing resources. This development financing option is yet another poison chalice, which Zambia should avoid.

The U$5 billion earmarked for Chinese entities to buy imports from the continent is welcome, but now puts pressure on countries like Zambia to restructure their economies quickly and establish value-added export lines. If, for instance, Zambia remains dependent on the export of the primary commodity exports like copper, the benefits from the import purchases pot will be meager.

Finally, the US$10 billion that President Xi pledged on behalf of Chinese companies as foreign direct investment (FDI) into Africa tops the list as the best financial support option under FOCAC 2018. If Zambia can improve its business environment and reclaim a spot as one of African's most attractive FDI destinations, it could benefit considerably from the proceeds of this pot. The financing will be indirectly available for private Zambia businesses that are worthwhile for China and for joint public-private partnerships. However, it will be outside the control and influence of the fiscal authorities, thus being insulated from risks of fiscal slippage and misappropriation. Moreover, if well-targeted to Greenfield projects (as opposed to mergers and acquisitions), the FDI will protect itself from possible nationalisation sentiments in the future. That is, the risk that someone down the road will claim that China took over strategic assets of national interest, which should be nationalised, will be averted.

Thus in closing, our view is that Zambia should focus on attracting FDI, attracting China to import from the country, and to a much lesser (and more calculated) extent, accessing grants, concessional loans and interest-free loans. These options should be pursued in that order of priority under FOCAC 2018. The country should stay clear of the development financing option and especially credit line option. Of course, all five financing options are quite fleeting for Zambia currently, given the prevailing economic situation. In particular, the huge debt overhang should impose natural borrowing constrains over the medium term.

Child stunting high in the wealthiest households

By Tamara Billima,

Felix Mwenge and

Miselo Bwalya

When we think about malnutrition, we tend to associate it only with the poor. This is because globally, the poor suffer from higher rates of malnutrition than the non-poor. However, evidence shows that in Zambia, wealthier households are currently facing a high risk of malnutrition. The 2013-14 Zambia Demographic and Health Survey (ZDHS) shows that as high as 28 percent of stunting cases are among the wealthiest households in the top 20 percent of wealth brackets. While it is lower than the stunting incidence of children in the poorest households at 47 percent, it is nevertheless high considering malnutrition is highly correlated to poverty. This finding, which is counterintuitive, has important implications for policies that are aimed at ending malnutrition in Zambia. It also implies that whereas past interventions to end child malnutrition have mainly focused on the poor, they now have to include wealthier populations.

Malnutrition results from insufficient or excessive intake of nutrients. Undernutrition is the insufficient intake of nutrients results in stunting, wasting and underweight. On the other hand, over-nutrition which is excessive intake of nutrients results in obesity. Globally, malnutrition is responsible for 35 percent of deaths among children under the age of five. In terms of economic consequences, it represents losses of 11 percent of gross domestic product (GDP) every year in Africa and Asia according to the 2016 Global Nutrition Report. In Zambia, the National Food and Nutrition Commission cites malnutrition as a major public health problem that contributes to a significant number of deaths among children under five.

Zambia's biggest malnutrition concern for many years now has been stunting which is classified as low height-for-age. At 40 percent of all under-five children, Zambia's stunting rate is categorised among the highest globally and implies that 2 in every 5 children under the age of five is too short for their age. The effects of stunting last a lifetime as it delays mental development in children which consequently affects school performance and reduced intellectual achievement. This may result in reduced economic productivity and earnings later in adulthood.

Worryingly, stunting developed during the first two years of life is generally irreversible. After the age of two, stunted children who experience rapid weight gain also have an increased risk of obesity later in life which may increase the chances of heart disease, hypertension, diabetes and stroke. This reality raises concerns about the high rates of stunting that Zambia has.

Wealthiest households are assumed to afford appropriate and adequate nutrition for their children and have access to what can be seen as the 'best' health care in the country through private health providers. To have children from wealthier households equally suffering from undernutrition as poor households, is of great concern and needs to be understood clearly.

However, very little is known from literature about stunting in wealthier households making it difficult to point out the causes. Notwithstanding, the general causes of stunting could be inappropriate infant feeding and care practices, poor sanitation, inadequate breastfeeding in the first 6 months of a child's life, generational stunting and inadequate under-five health services especially in the private sector.

The focus on poor households in addressing undernutrition could imply that public health facilities tend to emphasize more on nutrition and under-five care compared to private health facilities. Anecdotal evidence shows a stark difference between the type of services provided for under-five care between private and public health facilities. Public health facilities provide a wealth of information to expecting and lactating mothers ranging from nutrition in pregnancy to information on a starter pack for expecting mothers.

The Government has also embarked on several nutritional programmes targeted at expectant mothers and infants such as the 1st 1000 Most Critical Days Programme, Management of Severe Acute Nutrition and Maternal, Adolescent, Infant and Young Children programme which extends beyond the expecting mothers and infants. All these efforts are made through public health facilities.

In conclusion, more attention must be given towards the feeding of children under the age of five in wealthier households as anecdotal evidence suggests that this is currently left to care givers who might not be very knowledgeable on nutrition. Further, the poor attitude towards under-five clinics and obtaining information on nutrition from health facilities among wealthier households has contributed to the prevalence of stunting.

Despite several interventions from the Government and Cooperating Partners, stunting has remained relatively unchanged since 1992. Concerted efforts must be made by both the Government and households to reduce child stunting. Targeting of interventions should include wealthier households and not only poor households. There is also need to strengthen the provision and coordination of under-five services, especially those on nutrition between private and public providers. Further, the World Bank recommends providing health and nutrition education and micronutrient fortification and supplementation as a shorter route to better nutrition. This must be promoted in both private and public health facilities.

China-Zambia Relations in Development Cooperation

"Towards Concluding Some Unfinished Business"

In Zambia, the conversation around China-Zambia relations has increasingly dominated debates at different levels in the recent past. Clearly, there is some unfinished business that needs to be dealt with and hopefully concluded.

Panelists at the Zambia-China Relations policy seminar on 6 December 2018. From Left-Right: Michael Nyirenda, president ZACCI, Caesar Cheelo ZIPAR Senior Research Fellow, Meng Zhiguo, Planning and Investment Promotion Manager-ZCCZ and Chen Si, Commercial Manager Sinohydro.

On 6 December 2018, ZIPAR hosted a policy seminar on China-Zambia relations in development cooperation at the Taj Hotel in Lusaka. To ZIPAR, the topic is not new as the Institute has been carrying out analysis on the subject, the key one being a study conducted in 2016 titled: "Trade Developments and Impacts of China-Zambia Relations". Based on the study, ZIPAR convened a policy seminar which attracted 82 participants from the Zambia Chamber of Commerce and Industry (ZACCI) and the Association of Chinese Corporations in Zambia (ACCZ).

The seminar aimed to inform and enhance the debate and understanding about China-Zambia relations as well as begin to shape the narrative on this topic that promotes mutual benefits on both sides. The policy brief presented at the seminar explored China-Zambia relations in the context of China's global presence, taking a closer look at developments in trade and investment.

It examined China's plans for Africa and the world, and how Zambia fitted into that dynamic. It also considered the social and cultural aspects of the relationship between the two countries. On the last point, it confronted some of the positive and negative aspects of the sometimes, similar and other times, disparate business cultures, behaviours and practices of Chinese and Zambian private sector players operating in Zambia.

The seminar provided policy suggestions among them; the need for China and Zambia to establish a common local content policy in line with Zambia's industrial policy that would enhance the capacity of local firms to participate in opportunities created by Chinese firms. Mechanisms for ensuring the implementation, monitoring and evaluation of the policy were also suggested.

"China and Zambia should establish robust public information sharing systems, to dispel misconceptions and misunderstandings about the presence of Chinese investments and debt in Zambia. Information guidelines in both English and Chinese on how to do joint ventures, co-access FOCAC 2018 US$10 billion earmarked for Chinese company investments in Africa should be made available", were other policy recommendations.

In addition, ZIPAR proposed that China and Africa should establish a common platform such as a Sino-Africa stock exchange through which investment vehicles, companies and project operators can be listed, and equity options offered to allow mutual investments.

Learning from China, African countries and Zambia in particular were encouraged to invest in science, technology, innovation investments and reforms. China faces an aging population while Zambia and Africa are projected to have a youthful population. In cognisance of its aging population, China adopted a Science, Technology, Talent and Education Reform and Development (STTERD) Plan (2006-2020). This plan is focused on Science, Technology, Engineering and Mathematics (STEMs). By 2015, China had trained 154 million STEM skilled persons (more than 10 times Zambia's entire 2015 population).

Given the projected demographic transition, ZIPAR advised African countries, Zambia included, to plan for deep-rooted reforms in education, skills development and talent discovery. "They should undertake comprehensive, systematic and time-bound reviews of their education, skills development and talent development sub-sectors and systems, benchmarked against leading world economies like China".

Institutional Preparedness for Urban Public Transport Reforms in Zambia

ZIPAR convenes policy seminar for Government and private sector

From Left to Right: John Chiluwe, Director Transport Ministry of Transport and Communications, Maambo Chilobya, Statistician-Ministry of Commerce and Industry and Sydney Mbewe, CEO, Bus and Taxi Drivers Association of Zambia during the Public Transport Reforms Policy Seminar on 4th December 2018.

ZIPAR on 4 December 2018 convened a private policy seminar dubbed the "Institutional Preparedness for Urban Public Transport Reforms in Zambia" at the Taj Pamodzi Hotel in Lusaka. The seminar was held in anticipation of the revised transport policy which received Cabinet approval and was earmarked for an official launch.

The policy, in which ZIPAR was actively involved in its development, elevates the public transport agenda by focusing on improving its administration down to the local level. ZIPAR thus found it an opportune time to begin preparations for the reforms considering the amount of information that is already available and the political will that has been exhibited in the recent past.

The policy seminar aimed to contribute to the process by identifying means by which the reforms can be delivered in a manner that minimises possible losses to all players and also considers the current fiscal environment. The presentation made during the seminar was based on a ZIPAR study that examined the readiness of institutions in Zambia for urban public transport reforms.

The study recommended remedial measures to improve public transport including the enhancement of bus regulations, the introduction of higher occupancy vehicles, the institution of a common ticketing system for passengers and the rearrangement of bus routes.

Earlier in 2013, ZIPAR had conducted a study titled; "***Trip Modelling and Cost Analysis for Urban Public Transport Systems for the City of Lusaka***", which described the public transport system in Lusaka as being ineffective, and having poor service quality, an inefficient route configuration and unaffordable passenger fares which resulted in most individuals shunning the system.

The seminar attracted 19 participants from key Government ministries and agencies and private sector.

From Left to Right: ZIPAR's Executive Director Dr. Pamela Nakamba-Kabaso, Fanizani Phiri, Asst. Director-Ministry of Local Government and Anthony Chewe, Principal Licensing Officer- Road Traffic and Safety Agency following proceedings during the Public Transport Reforms Policy Seminar on 4th December 2018.

ILO commissions ZIPAR to conduct Future of Work Study

ZIPAR's Felix Mwenge, Research Fellow presenting findings of the Future of Work Diagnostic Study during a validation meeting at ILO Zambia Office on 6th February 2019.

ILO recently commissioned ZIPAR to carry out a study on the Future of Work (FOW) in Zambia. The FOW Initiative was launched by the ILO Director-General at the 104th Session of the International Labour Conference (ILC) held in Geneva in June 2015.

The FOW initiative seeks to have a better understanding of the drivers of change in the world of work and the implications for governments, workers and employers. It also aims to provide a constructive forum for the exchange of ideas and information among key stakeholders in the formulation of policies and new approaches.

The objective of the study is to inform national dialogue on the FOW in Zambia. The study will help deepen the understanding of the impact of transformational drivers on the world of work in Zambia including advancement in technology, digitization, globalization, climate change and changes in employment relationships. This study generates relevant information to support meaningful dialogue to position the ILO and it constituents to effectively address Zambia's future dynamics in the world of work.

The study commenced in September 2018 and data collection was carried out between November and December, 2018 in 6 towns namely Lusaka, Kitwe, Ndola, Solwezi, Livingstone and Choma. ZIPAR's scope of work included review of literature on employment and labour relevant to Zambia and the southern African region. The Institute also held consultations with a wide range of stakeholders including Government ministries and agencies, universities and colleges, technological solution companies and Technical, Education, Vocational and Entrepreneurship Training institutions. Others were mine owners, mining communities, businesses, farmers, traditional leaders, and NGOs.

The study focused on the four ILO thematic centenary conversations namely: work and society; decent jobs for all; organization of work and production; and governance of work.

Stakeholders listening to the presentation on findings of the Future of Work Diagnostic Study by Felix Mwenge, Research Fellow-ZIPAR during a validation meeting on 6th February 2019.

ZIPAR's Dr. Pamela Nakamba

Country Winner of CEO Global's Most Influential Women

ZIPAR congratulates its Executive Director, Dr. Pamela Nakamba for her achievement as the country winner in the Business and Professional Service category of CEO Global's Most Influential Women in Business and Government, 2018/19 SADC North Awards. Her leadership is simply professional, transformative and inspiring.

Courtesy Call to the Chinese Ambassador

On 22 January 2019, ZIPAR Executive Director, Dr. Pamela Nakamba accompanied by researchers from ZIPAR met His Excellency Mr. Li Jie, Ambassador of the People's Republic of China to Zambia. The meeting was held at the Embassy and focused on how to strengthen objective research on China-Zambia relations and how to enhance cooperation between ZIPAR and the Embassy.

ZIPAR's Executive Director Dr. Pamela Nakamba-Kabaso (3rd from left) accompanied by Researchers posing for a picture with His Excellency Mr. Li Jie, Ambassador of the People's Republic of China to Zambia after a meeting on 22nd January 2019.

ZIPAR at International Meetings

ZIPAR at the 2nd International Forum on Belt and Road and Global Governance Summit

ZIPAR participated in the 2nd International Forum on the Belt and Road and Global Governance Summit on 14th October 2018 in Shanghai, China. Ms. Nakubyana Mungomba - Research Fellow was part of a joint delegation of scholars and think tanks from countries along the Belt and Road routes invited by the China Centre for Contemporary World Studies (CCCWS) on a visit from 12th to 20th October, 2018.

The purpose of the visit was to enhance the exchanges and cooperation in the area of the Belt and Road Initiative (BRI) between think tanks of China and of related countries. The tour was organized by the Silk Road Think Tank Association (SRTA).

During the visit, the delegation took part in the 2nd International Forum under the theme; "BRI and Global Governance: New Practices, New Ideas" held at Fudan University. The Forum featured presentations from a number of countries and key note speeches from renowned speakers including the former president of the African Development Bank, Donald Kaberuka.

The delegation also took part in the 2018 Silk Road Business Leaders' Summit held at the Zhangjiajie Country Garden Phoenix Hotel on 16th October 2018. The Summit attracted more than 400 participants from 80 countries, including former politicians, Government leaders, diplomats, representatives of international organizations, and business associations.

The delegation comprised of 14 participants from South America, Asia, Africa and Europe who also attended several meetings with various companies and entities that are working towards supporting the BRI.

Ms. Nakubyana Mungomba, ZIPAR Research Fellow (2nd from right) in a group photo with other delegates to the 2nd International Forum on Belt and Road and Global Governance Summit in October 2018, Shanghai, China.

ZIPAR at the SADC-ILO Joint Sector Meeting

ZIPAR represented by Senior Research Fellow Caesar Cheelo participated in the SADC-ILO Workshop on Job-Rich Growth for Poverty Eradication: Policy Coherence to Maximize Decent Employment Creation and Productivity Growth held from 26th to 28th November 2018 at Hilton Hotel in Windhoek, Namibia. Cheelo made a presentation on lessons from Zambia on using Macroeconomic policies for economic restructuring.

Senior officials from SADC Ministries of Labour, Finance/Economic Development, National Planning, Trade and Industry, as well as Employers and Workers Organizations participated in the workshop. The meeting aimed to create consensus on how to achieve coherence and harmonised action on employment and productivity across monetary, fiscal, exchange rate, trade, investment, sectoral, and labour market policy making. This would in turn provide clear policy guidance to SADC Members on how to promote streamlined and coordinated pro-employment policy responses across line ministries in their efforts to promote decent jobs and increased productivity for all and in particular youth and women.

SADC and ILO were impressed with the presentation by the ZIPAR Senior Research Fellow and they extended another invitation to Cheelo to make a presentation titled; "Case for Pro-Employment Macroeconomic Policy Frameworks in SADC" at the Labour and Employment and Social Partners: Senior Officials Meeting NIPAM in Windhoek Namibia from 4-6 March 2019.

Based on this and another presentation by ILO, the Senior Officials (Permanent Secretary level) and Social Partners are recommending for the approval of the (higher level) Council of Ministers of Labour and Employment and Social Partners to direct the SADC Secretariat to develop a draft comprehensive SADC Employment and Labour Policy Framework. The framework should among other things, take into account, alignment with macroeconomic frameworks in SADC, and support the resolution of impediments to growth and job creation.

ZIPAR participates in Seminar on National Ethnic Policy and Management for Zambia

ZIPAR Research Fellow Zali Chikuba (2nd from left) in a group photo with other delegates to the seminar on National Ethnic Policy in Changsha, China, September 2018.

The ZIPAR Research Fellow in Transport and Infrastructure Development, Zali Chikuba was part of a 14 member Zambian delegation which attended a seminar on National Ethnic Policy in Changsha, China from August 29 to September 18, 2018.

The seminar was sponsored by the Chinese Government and it aimed to equip participants with an understanding of the Peoples' Republic of China (PRC), the current situation and perspectives of national policies and practices of China. The Seminar was conducted using a combination of theory and study tours.

The meeting among other things enhanced the Research Fellow's knowledge on how ethnic diversity can be used to transform a nation into a rapidly growing economy. Part of the key recommendations to the Zambia Government by the Research Fellow was the need to put in place specific legislation and policies that discourage ethnic segregation and promotes shared prosperity of all ethnic groups.

Government was also advised to develop engagement policies and strategies in order optimise its benefits from the Chinese economic diplomacy.

ZIPAR at the Wilton Park's 12th Annual Conference

ZIPAR's Research Fellow for macroeconomics, Nakubyana Mungomba, participated in the 12th annual meeting in Wilton Park's International Futures series held from 13-15 February 2019 in West Sussex, United Kingdom.

The theme of the meeting was "Managing future global challenges: the role of emerging powers." The meeting aimed to explore the future of global challenges ranging from security and conflict to trade and governance. The rise of China and other emerging powers which are among the drivers of change in the international system was deliberated. The meeting observed that while the need for collaborative solutions is compelling; the obstacles to achieving them can appear formidable.

ZIPAR's Mungomba made a presentation on Development Assistance. The presentation addressed the following questions: Which state and non-state actors will be involved? Who will be the funders of global development? How does this play out? What will the needs be? Is there a role for the Belt and Road Initiative (BRI) and development?

ZIPAR participates in the USA International Visitors Leadership Programme

ZIPAR's Executive Director Dr. Pamela Nakamba-Kabaso receiving a certificate of participation in the IVLP from an Official of the Public Affairs Office at the US Embassy in Lusaka on 28th February 2019

The ZIPAR Executive Director, Dr. Pamela Nakamba participated in the International Visitors Leadership Programme (IVLP) on Transparency and Ethics in Government in the USA from 15th October to 2nd November 2018. The programme was held in various cities in five States namely Washington, DC; Sacramento and San Francisco, California; Kamalazoo, Michigan; Chicago, Illinois; and Miami, Florida.

The IVLP is a programme sponsored by the U.S. Department of State. The objectives of the meetings were to examine the decentralized and self-regulating nature of the U.S. federalism and how it promotes transparency and ethics in Government; and to explore the role of citizens, traditional and new media, academia, and civil society in fostering transparency and accountability in Government.

Further, the meetings aimed to highlight the mechanisms that enable citizens to foster good governance, ethical standards and accountability at the local, state and federal levels. Lastly, the meetings also aimed to analyse grassroots actions that have resulted in honest, transparent, and fair practices in Government.

The ZIPAR Executive Director highlighted three key lessons from the programme. These were independence and objectivity of institutions; strong accountability at all levels of government including non-state actors; active participation by citizens and local communities in decision making.

Dr. Nakamba observed that following the above stated tenets was very important in fostering transparency and ethics in government in order to achieve efficient service delivery, effective and efficient utilization of resources. Adhering to the principles would also facilitate a peaceful and enabling environment for growth and development.

A total number of 18 participants who participated in IVLP programme were drawn from 16 African, Anglo-phone and Franco-phone countries.

ZIPAR's Executive Director Dr. Pamela Nakamba-Kabaso moderating a session at the Northwestern University, Illinois when participants met students under the programme of African Studies.

ZIPAR at the On Think Tanks Hub Geneva

ZIPAR Executive Director Dr. Pamela Nakamba participated in a conference organised by the On Think Tanks (OTT) and foraus-Swiss Forum on foreign policy in Geneva from 4-7 February 2019.

The OTT Conference was an opportunity to explore a range of issues of great interest to think tanks and the broader evidence informed policy field. The main theme for the 2019 Conference was "Public Engagement".

During the conference, Dr. Nakamba in the company of Ana Patricia Munoz of Grupo Faro, Gurucharan Gollerkeri of PAC India and Scarlet Varga of Bruegel convened a session titled; Looking on the bright side of life: are think tanks really facing a perfect storm?

In this session, representatives from Latin America, Africa, Asia and Europe reflected on the biggest challenges and opportunities facing think tanks in the regions over the next five years. Together, they co-developed a full picture of what think tanks can expect going forward and some practical responses to a rapidly changing context.

ZIPAR's Executive Director Dr. Pamela Nakamba-Kabaso in a discussion on the future of think tanks in Africa during a break away session at the On Think Tanks Hub Geneva.

PARLIAMENTARY SUBMISSIONS

ZIPAR appeared before five Parliamentary Committees between 10th October 2018 and 1st February 2019 as follows:

Zambia's Preparedness to Re-establish a National Airline

ZIPAR on 21st January 2019 appeared before the Parliamentary Committee on Transport, Works and Supply to submit a memorandum on "Zambia's preparedness to Re-establish a National Airline". Some of the key messages from the presentation were that the current economic environment was not the right time to re-establish the national airline given the high debt levels and subdued growth in the economy. Therefore, the Government was advised to focus on restoring macroeconomic stability by bringing debt within sustainable levels and ensuring exchange rate stability before re-establishing the national airline.

ZIPAR Research Fellow, Malindi Chatora (in red jacket) accompanied by other Researchers presenting on Zambia's preparedness to re-establish a National Airline to the Parliamentary Committee on Transport, Works and Supply on 21st January 2019.

A Member of the Parliamentary Committee on Transport, Works and Supply posing a question to ZIPAR's Research Fellow, Ms. Malindi Chatora during the presentation.

In the advent of more favourable economic and fiscal conditions for launching the airline, ZIPAR advised Government to seriously consider honing the existing private airlines that have already amassed expertise in servicing local routes, as opposed to competing against them. This will save the existing jobs in the private airlines and mitigate instances where the national airline would have to look beyond Zambian nationals to fill critical positions.

The Effects of Trade Balance Deficit and High Debt Stock on the Budget Performance in Zambia

ZIPAR appeared before the Budget Committee and presented a paper on the "Effects of Trade Balance Deficit and High Debt Stock on the Budget Performance in Zambia" on 31st January 2019.

Some of the key messages in the paper indicated that both the trade balance and debt have consequences for budget performance. For the trade balance, the persistent trade deficit that has existed since 2013 has resulted in a reduced ability to earn foreign exchange to meet the cost of imports, which directly impacts on the country's stock of foreign reserves. This also in turn affects Zambia's ability to meet interest payments on external debt.

ZIPAR Research Fellow Nakubyana Mungomba (middle) presenting a paper on the Effects of Trade Balance Deficit and High Debt Stock on the Budget Performance in Zambia to the Budget Committee on 31st January 2019.

On debt, as servicing obligations increase, it crowds out spending in other areas of the budget, including social sector spending and the use of goods and services. These are aspects that directly affect not only budget performance, but also the functioning of the Government. Moreover, as the Government attempts to move from external to domestic borrowing in its debt management strategy and to reduce the threat of exchange rate risks, this also crowds out credit to the private sector, further reducing economic activity and growth.

ZIPAR made policy suggestions that included the need to implement a robust diversification agenda aligned to the National Industrial Policy (NIP) (2018) to enhance sectoral linkages and promote diversification of production. This will move the economy towards diversifying away from copper dependency and reduce exposure to external shocks.

Analysis of the 2019 National Budget

The oral presentation was made on 10th October 2018 to the Expanded Parliamentary Committee on Budget. Some of the key messages from ZIPAR's submission were that fiscal restraint or austerity had become a resounding necessity for Zambia. The presentation pointed out that debt payments will be a dominant area of spending in 2019. External and domestic debt payments will together increase by K9.3 billion in 2019, representing an increase of 66%.

ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso accompanied by Researchers presenting the analysis of the 2019 National Budget to the Expanded Parliamentary Committee on Budget on 10th October 2018

As a percentage of GDP, debt payments are projected to increase by as much as 3.2 percentage points from 4.7% in 2018 to 7.9%. Interest payments alone will take up 4.7% of GDP, almost one percentage point higher than in 2018. The depreciation of the kwacha against the US Dollar will further increase the cost of debt servicing.

ZIPAR reiterated several measures that needed to be undertaken including; indefinite postponement of the contraction of all pipeline debt until the debt is brought back to moderate risk of debt distress. The think tank also recommended that Government cancels some of the contracted loans that were not yet disbursed to reduce the debt service costs.

The Teaching of Computer Studies in Zambia; and A review of the Quality of Higher Education in Zambia

Miselo Bwalya ZIPAR Associate Researcher (in checked tie) responding to a question during a presentation on Teaching of Computer Studies in Zambia; and A review of the Quality of Higher Education in Zambia to the Parliamentary Committee on Education, Science and Technology on 1st February 2019.

ZIPAR appeared before the Parliamentary Committee on Education, Science and Technology on 1st February 2019 to present a paper titled: The Teaching of Computer Studies in Zambia; and A review of the Quality of Higher Education in Zambia.

One of the key challenges highlighted in the ZIPAR paper on teaching of computer studies was limited ICT infrastructure in schools. Learners share computers with many other students reducing the quality of teaching and in some cases computers were not available. ZIPAR recommended that the Government should provide infrastructure and teaching equipment for ICT in all Zambians schools. The teaching of computer studies must be complimented with essential services such as reliable electricity. ZIPAR also observed that public schools in rural area that are off the electricity grid are immediately disadvantaged in the teaching of computer studies.

On higher education, one of the issues noted was the apparent confusion on the mandates of the various regulators in the sector such as the incidence between the Health Professions Council (HPCZ) of Zambia and the Higher Education Authority. The HPCZ ordered the Copperbelt University to discontinue two programmes at the school of medicine citing failure to meet set standards such as inadequate number of lecturers, gross over-enrolment of students and engaging unregistered and unlicensed lectures among others. The HEA overturned the decision by the HPCZ and the case was referred to the Attorney General for adjudication.

One of the recommendations from ZIPAR was that the legal framework on higher education should be reviewed to ensure that there are no overlaps and duplication in the functions of the regulators.

Maximising Revenue Collections from Mining Activities in Zambia

Dr. Bernard Tembo, ZIPAR Research Fellow (in grey jacket) making a presentation titled Maximising Revenue Collections from Mining Activities in Zambia to the Budget Committee on 31st January 2019.

ZIPAR made a presentation titled **"Maximising Revenue Collections from Mining Activities in Zambia"** to the Budget Committee on 31st January 2019. In the 2019 national budget, the Government proposed changes to the mining fiscal regime. These changes have been necessitated because of a widely held view that the mining sector has not been contributing its fair share to Government revenue.

Notable changes have been proposed to the structure of the Mineral Royalty Tax (MRT), particularly for Copper. Apart from the changes in the structure of MRT, the Government has also proposed changes to the export duty for gemstones and manganese, gold and other precious metals from 10% to 15%.

In terms of the MRT for copper, the Government has introduced two additional tier rates (from the current three tiers) and also increased the existing rates across the tiers by 1.5 percentage points.

Besides the changes in the structure and rates of the MRT, for all categories of minerals, the MRT will now be a non-deductible levy for income tax purposes. Non deductibility of the levy implies that mining companies will now not be allowed to deduct the cost of the royalty from their taxable income. This is contentious and was one of the key reasons why the Windfall tax was hotly contested as well.

While the proposed changes in the MRT and general mining taxation regime imply increased income for the Government, they also translate into loss of income for the mining sector. Depending on the extent of these income losses, the first instinct of the mines would be to reduce production, and this would negatively affecting production outputs from the mining firms. Reduced output from the mines would in turn translate into reduced MRT income for the Government.

Some of ZIPAR's recommendations were that Government must allow for negotiation and give explanations for their reasoning, especially that it was also not very clear in which other countries the non-deductibility of MRT is implemented.

In order to effectively address the issue of MRT rate setting, ZIPAR advised the importance of conducting a study and wide stakeholder consultations as is being done with the Energy Cost of Service Study. This study could be spearheaded by a Committee made up of different stakeholders, from the Government, mining companies, communities, researchers and academia, the general public and others. Such an approach has proved effective in Australia. By following a process as described above, a clear and predictable framework of how the MRT rates are determined would be designed and development. Not only would this promote transparency in the determination process, but also result in buy-in from all stakeholders.

China-Zambia Relations Vis-a- Vis Trade and Investments

ZIPAR appeared before the Parliamentary Committee on National Economy, Trade and Labour Matters on 31st January 2019 to present on "China-Zambia Relations Vis-a- Vis Trade and Investments".

ZIPAR's presentation examined the subject of Chinese migration into Zambia and Zambia's debt contraction from China.

On migration, the main question addressed was whether or not the current migration of Chinese workers into Zambia was a serious threat to the country's working class. One key revelation was that the officially documented number of Chinese migrants and workers in Zambia constituted only a small share of Zambia's population and labour force, estimated at less than 1%.

As a share of Zambia's total population and labour force in 2017, the stock of Chinese migrants is very negligible at 0.01% and 0.03% respectively. Zambia's documented migrants are largely from Congo DR, Zimbabwe, Malawi, Tanzania, Rwanda and India.

Thus one may be inclined to conclude that contrary to public sentiments, the number of Chinese workers is not as high as widely claimed and therefore not a major threat to Zambia's working class. However, a particular challenge with understanding Chinese migration is that developing an accurate estimate of Chinese population in Zambia remains a challenge due to unreliable statistics and high number of temporary migrants.

Notwithstanding the seemingly low number of Chinese migrants, a major concern is that large Chinese companies seem to have a bias toward Chinese workers on account of language, cultural differences and limited skills by Zambian workers. The preference for Chinese labour while justified in some instances marginalises Zambian workers and precludes them from holding higher positions which are more rewarding.

On Zambia's debt contraction from China, ZIPAR noted that China is increasingly being perceived as a predator and a threat to Zambia's debt sustainability owing to the unique and complex configuration of its debt. China's debt is largely project-specific comprising of large infrastructure projects such as airports, roads and buildings whose economic viability is not well vetted and thus could present future repayment challenges.

ZIPAR Research Fellow, Mwanda Phiri presenting on China-Zambia Relations Vis-a- Vis Trade and Investments to the Parliamentary Committee on National Economy, Trade and Labour Matters on 31st January 2019. Looking on is Caesar Cheelo ZIPAR Senior Research Fellow.

One of the challenges cited by ZIPAR was lack of transparency regarding debt contracted from China and the lack of regard for the state of governance or institutions which could lead to financial misappropriation, corruption, slippage and wastefulness. However, the think tank observed that China could potentially be a good creditor for Zambia as long as the many risks associated with the debt can be managed with the right governance systems, strong institutions and transparency.

Members of the Parliamentary Committee on National Economy, Trade and Labour Matters listening to the presentation on China-Zambia Relations Vis-a- Vis Trade and Investments

PHOTO FOCUS

ZIPAR co-hosted a Goods and Services Tax (GST) Consultative Workshop in partnership with the Ministry of Commerce, Trade and Industry (MCTI) and the Ministry of Finance (MOF) targeted at the private sector. Delegates were drawn from member organisations of the Zambia Association of Manufacturers (ZAM) and Zambia Chamber of Commerce and Industry (ZACCI). The workshop aimed to get input into what goods and services should be exempt from paying the GST formerly known as Sales Tax.

ZIPAR's 2019 Research and Studies

Macro-economic Policy Unit

a) Using Indexes to Assess Elements of Financial Soundness & Investor Perception in Zambia

The study will comprise the undertaking of two exercises to construct and assess a Financial Conditions Index (FCI) and an Investor Perceptions Index (IPI) and set the groundwork or foundation of the construction of the Banking Services Cost and Quality (BSCQ) Index, and a Commercial Banking Infrastructure Density (CBID) Index. The study will be implemented in collaboration with the Bank of Zambia.

b) China-Zambia Relations Revisited

In 2016, ZIPAR undertook a study on China-Africa Trade Developments and Impacts: Case of Zambia-China Relations. As a follow-up, the 2019 study on China-Zambia relations will broadly assess how Zambia is preparing itself to take advantage of opportunities and mitigate threats associated with the arise of Chinese interests in the country. It will assess Zambia and China's offensive and defensive economic, political and legal interests. It will use political economy and institutional economics analysis, focusing on the period 2010-2018.

c) Ever Changing Times: Zambia's Growth Story, told through an Extension of the Macro-economic Performance Assessment Framework (MPAF)

Since 2015, Zambia has continued to experience persistent, and in many cases worsening, Macroeconomic and external sector conditions. The 2018 rapid assessment policy brief entitled 'A Sobering Macro-economic Outlook' revealed that Zambia's growth prospects will weaken and push the country back to low income status by 2022 should the economic conditions prevailing between 2014 and 2017 persist. Understanding the long-term drivers of Zambia's growth is therefore imperative. As such, in 2019, the MPAF will incorporate three key sub-activities namely; Building internal skills in DSGE modelling through in-house and external trainings; Continuing to build and stable the MPAF database and; Undertaking an econometric analysis of the long-term determinants of growth of Zambia, using authentic international time-series data for the period 1964-2018.

d) Evaluating the Economic Stabilization and Growth Programme (ESGP) 2017-2019

Following Zambia's experience of an economic mini-crisis in 2015, in September 2017, the authorities launched the ESGP 2017-2019 (or Zambia Plus). The ESGP was expected to be implemented over 2017-2018; although strictly speaking, the programme could only apply to 2018 and 2019 since it was launched towards the end of 2017. Zambia Plus was premised on the idea of "Restoring Fiscal Fitness for Sustained Inclusive Growth and Development" and was meant to serve as the Medium Term Expenditure Framework (MTEF) for the period 2017-2019. Key questions, therefore, are: how well did Zambia do in terms of implementing the ESGP in 2018? What were the "game changers" and "missed opportunities" in the implementation of the Programme? The ESGP evaluation will involve systematic policy content and programme analyses, to answer these questions.

Human Development Unit

a) Multi-dimensional Poverty Measurement

The project aims at exploring the 2015 LCMS to use it to measure poverty and inequality using multi-dimensional approaches. The work is significant as it provides a robust way of measuring national development from a broader perspective other than monetary.

b) Analysis of the Institutional Framework of the Youth Development Fund in Zambia

The study will analyse the institutional framework that was set up to implement the Youth Development Fund (YDF) and the role it played in shaping the Fund and the final outcomes of the program. Given that the institutional framework was at the bedrock of the running of the YDF program, a detailed analysis of how it worked would provide important insights for designing of future youth empowerment programs.

c) Factors influencing the success of the Youth Development Funded Enterprises in Zambia

In 2014, the Government allocated a total of K16 million to the Youth Development Fund (YDF). The objective of the fund was to help reduce youth unemployment. This amount represents a 63% real growth of the fund within just 3 years of its existence. Over the same period the number of youth beneficiaries nearly doubled, from 265 to 519. Although the YDF has continued to increase in terms of both resources and number of beneficiaries, it has not created enough jobs to meet the objective. An evaluation of its impact shows that only 742 jobs were created over a period of 4 years and the YDF did not significantly improve the welfare of its beneficiaries. In view of the foregoing, the study will analyse factors that influenced successful youth businesses as well as failures in order to inform policy.

d) Explaining the high levels of Child Stunting among Wealthy Households in Zambia

Child malnutrition is one of the critical challenges that Zambia currently faces. The common measures of child malnutrition include stunting, underweight, wasting and obesity. The highest rate in Zambia of the child malnutrition indicators is stunting and will be the focus of this study. The study will investigate the underlying causes of stunting especially among the wealthiest households and provide policy recommendations on how to address the problem.

e) Scoping Analysis of the Labour Market Information System in Zambia

Labour markets thrive on strong and up to date information systems. A strong and up to date labour market information system is useful not only for tracking job growth but also for mapping where jobs are and the sectors that are contributing to job growth. Relevant information is key to giving an accurate depiction of the labour market as it benefits both the job seekers and the employers and ultimately leads to good decision making. Unfortunately Zambia still lacks a strong and robust labour market information system. The aim of this study is to undertake a scoping analysis of the existing labour market information system, its attributes, gaps, weaknesses and opportunities. The study will also provide the kind of information that can be obtained from the current system and assess its appropriateness and relevance.

Public Finance Unit

a) Towards 2022: Refinancing Zambia's debt

Zambia's public debt continues to be topical. As the country gets closer to repaying its first Eurobond principal in 2022, a redemption strategy is in the pipeline. Therefore, there is scope for ZIPAR to input into the Eurobond Redemption Strategy centred on refinancing the debt that the Government is putting in place. What exactly should the strategy look like? What types of debts should be obtained to minimise the risks? Should the interest rate be refinanced? If yes, what kind of compounding effects would be faced? These are the some of the critical questions that beg answers that ZIPAR will endeavour to provide. Moreover, it will be imperative to understand the legal and regulatory gaps amongst other, that led to Zambia current debt levels as well as to take a forward looking position by analysing what debt position Zambia would find itself in if it continued on the

current debt trajectory.

b) Mid-year Budget Reviews and analysis of the 2020 National Budget

In order to improve and track fiscal policy formulation, management and the general fiscal health of the economy, ZIPAR commenced quarterly budget performance reviews. In 2019, instead of quarterly reviews, ZIPAR will undertake half-yearly reviews (second half 2018 - first quarter, first half-2019 –third quarter), as well as the analysis of the 2020 Budget Speech in the fourth quarter of 2019.

c) State of Fiscal Decentralisation – Part II: to be commissioned by UNICEF

UNICEF wishes to support a follow up study on fiscal decentralisation in 2019. This is based on the preliminary outcome of the 2018 fiscal decentralisation study which identifies a major weakness on the part of Central Government in implementing the decentralisation programme.

d) MicroZAMOD for 2019: to be commissioned by UNUWIDER

ZIPAR will update the 2017 MicroZAMOD model to 2019. Additionally, stakeholder engagements including trainings will be undertaken.

Trade and Investment Unit

a) Commercial Banks' Performance: A financial ratio and Competition analysis

For business firms that are envisaged to drive economic growth and employment creation, access to financial services, particularly loans, is indispensable to their growth. Given the seemingly unjustified prices of financial products and services, this study seeks to analyse the degree of market competition in Zambia's banking sector and infer how the market concentration of diversification potentially impacts consumer welfare. The competition analysis will provide a starting point towards understanding what could be some of the underlying factors that contribute towards the high prices of products and services charged by commercial banks. Other important factors that will be considered will include financial performance of commercial banks in order to understand whether or not the profit margins generated by commercial banks are justified.

b) A Diagnostic Analysis of Zambia's Industrial Revolution

This study has been motivated by the need to enhance the quality of industrial policies following the EQuIP methodological framework developed by the United Nations Industrial Development Organization (UNIDO), and the German Development Cooperation (GDC) through GIZ. The EQuIP framework aims to support the development of effective industrial policies in developing countries for inclusive and sustainable industrial development. Industrialisation remains the widely recognised stepping stone for economic growth that comes with strong employment creation, poverty reduction and economic development multiplier effects. However, to industrialise, Zambia needs a strategic and effective industrial strategy that can drive this process. The first stepping stone to designing such a strategy requires an industrial diagnostics that provides critical information on the characteristics of Zambia's industrial landscape.

c) Africa Continental Free Trade Area (AfCFTA) Rapid Impact Assessment Phase II – Stakeholder Engagement

African leaders launched the African Continental Free Trade Area (AfCFTA) on 21st March 2018 in Kigali, Rwanda. Zambia recently signed the AfCFTA. The aim of the AfCFTA is to create a single continental market for goods and services with free movement of businesses and investments which will culminate in the establishment of the Continental Free Trade and the African Customs Union. The objective of Phase II of the AfCFTA impact assessment is to facilitate public dialogue on the expectations and envisaged opinions on the AfCFTA from industry players, youth, women, Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs) among others and consequently, guide Zambia's position during the AfCFTA negotiations. The study will focus on in-depth stakeholder engagement with relevant stakeholders, businesses and Government departments involved in trade related aspects; including behind the border issues such as competition, investment and intellectual property rights.

Transport and Infrastructure Development Unit

a) Situation Analysis of the Aviation Industry

This study was requested by the Ministry of Transport and Communications (MTC) to ZIPAR to conduct a Situation Analysis of the Aviation Industry. This study is purposed to feed into the formulation of the nation's Aviation Strategy as proposed in the National Transport Policy for 2018, in which the Government intends to turn Zambia into a regional hub of air transportation by 2026.

b) Feasibility Study and Proposed Solutions for Decongestion of Traffic in Lusaka City

The levels of traffic congestion in Lusaka city have become a major concern not only for the Government but all road users. Not only does traffic congestion increase travel time and hence reduces time spent working, it also increases the amount of fuel used by vehicles as well as the wear and tear on vehicles and roads. Responding to these concerns, the Government launched the Lusaka Decongestion Project (LDP) which aims to decongest the city by building and expanding roads, fly-over bridges and overpasses. However, reducing traffic congestion requires much more than just increasing road capacity. Thus Government has continued to search for additional solutions to traffic congestion and has awarded a contract to the joint venture between ROM Transportation Engineering Limited and ZIPAR to undertake a feasibility study of possible solutions for reducing traffic congestion in Lusaka City.

Emerging Themes Unit

(a) Street Vending and public health

Public health has constituted a strong concern in Zambia's efforts to eliminate street vending. For example, street vending of fruit, vegetables and other foodstuffs is identified as a risk factor for the transmission of diseases such as cholera. But street vending continues to thrive and is ubiquitous in Zambia. The study is critical given the continued reliance of many urbanites on street vending.

(b) Characterisation of households in Zambia: water supply and sanitary conditions

Considering that one of the potential impacts of climate change (in Zambia) is reduction in water supply, this study will seek to understand the current water supply and sanitary conditions in Zambia's residential sector. Thus, creating a baseline from which to analyse how the economy would be impacted by climate change via its impact on labour (in the residential sector). This study will analyse primary statistics from CSO's Living Condition Monitoring Survey (LCMS) datasets.

(c) Development and implementation of economic models

The Unit will spearhead development of economic models, a multi-unit and multi-year effort. Of immediate importance is the completion of the SAM and Employment Projection model, which feeds into an output of the Human Development Unit. The other models of interest are the Input-Output, CGE and DSGE models. It is envisaged that the CGE will be ready for use for the 2020 Budget analysis. All these models will be developed using a platform (software) that is readily accessible, this will make it easier to use and maintain them.

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