

## Press Statement

30<sup>th</sup> December, 2022

### A BRIEF JCTR 2022 ANALYSIS AND 2023 EXPECTATIONS

#### Economic Milestones

In 2022 the government has managed to stabilize the economy by taming its own's appetite to borrow as a way of addressing fiscal deficit. Zambia leveraged on the international community, donor, investor and market confidence to stabilize the Kwacha and drive down the inflation. The IMF bailout package worked very well as an icing on the cake in turning the economy around. Now we look to the debt restructuring negotiations under the G20 Common Framework. We expect the negotiations to be successfully completed by the mid of 2023 to accord our country a new lease of life on a path of debt sustainability.

In 2022 people across the globe have been reeling under the pressure of the rising cost of living occasioned multiple crises of COVID-19 pandemic, climate change and the rising of commodity prices especially on petroleum products and food due to the Russia-Ukraine conflict. Here in Zambia we have not been spared by these external shocks. The major driver of the cost of living in Zambia has been the introduction of the cost reflective tariffs on the petroleum products back in November 2021. The new fuel pump prices had an immediate knock-on-effect on commodity prices. For instance for the JCTR Basic Needs and Nutrition Basket (for basic food items and essential non-food items) for a family of 5 in Lusaka exceeded K9,000.00 for the first time in January 2022. The cost of living has generally remained high throughout the year. It is hard to predict the trend of the cost of living in 2023. This will largely depend on the two factors (the performance of the Kwacha and the international oil prices) that ERB work with as they review the monthly fuel pump prices. Another important factor will be climatic conditions (floods or drought) in the 2022-2023 farming season which will inevitably affect the commodity prices of food items.

One of great success stories of 2022 is the job creation in the public sector with the recruitment of over 30,000 teachers and over 11,200 health professionals. This is very important when one considers that over 40,000 people and their dependents have been provided with a steady income stream and a life-line in a country where unemployment levels are critically high. According to the 2023 National Budget, there shall be no repeat of the job creation extravaganza of the same magnitude in 2023.

One of the key milestones of 2022 was the launch of the 8<sup>th</sup> National Development Plan as an economic blueprint aimed at improving living standards as well as reducing poverty and inequality by creating conditions for strong and inclusive growth and promoting an economic transformation and job creation through the implementation of interventions to enhance production and productivity in the agriculture, tourism, mining and manufacturing sectors.

#### Agriculture

The agriculture sector in Zambia remains very critical potential for economic growth and development. In the early 2000s, the agriculture sector contributed over 20 percent of GDP and created over 72 percent jobs in the country. In 2021, agriculture sector contribution to GDP stood at 2.96 percent<sup>1</sup> and created less than 48 percent of jobs in the country.

<sup>1</sup> <https://www.statista.com/statistics/457737/share-of-economic-sectors-in-the-gdp-in-zambia/#:~:text=This%20statistic%20shows%20the%20share,sector%20contributed%20about%2048.07%20percent.>

Besides the encouragement of the private sector participation in agriculture, the biggest conversation remains what vehicle or model will drive economic transformation in the agriculture sector in Zambia. In 2023, the government seeks to embark on a comprehensive input support programme, where in addition to providing input support, FISP will be reformed to include extension service support; irrigation development; access to finance; support to value addition; access to markets and storage and logistics. The programme will also ensure better targeting and equity in the provision of subsidies and services<sup>2</sup>.

Since the introduction of the FISP programme in the early 2000s, the FISP budgetary allocation has not correlated with the contribution of agriculture to GDP. In terms of agriculture budgetary allocation, between 2011 and 2023, the Government has allocated an average of K2.4 billion (USD145 million). Basically, the FISP has been increasing budgetary allocation to an extent that FISP and Strategic Food Reserve combined have been taking up over 75 percent of the total agriculture budget over the years. Besides the other challenges of FISP, such as road and irrigation infrastructure, markets, storage facilities, agro processing and value addition, mechanization, low quantities of inputs, crop diversification, climate smart agricultural practices, extension services, delays in distribution of inputs and lack of a consistent annual schedule for distribution of inputs, non-responsiveness of the agro ecological regional diversity, it is the lack of systematic graduation pathways for FISP beneficiaries which has become FISP's own greatest enemy. As the government embarks on a comprehensive input support programme in 2023, we expect to see a very well developed pathways or vehicle that will help farmers to systematically graduate within selected agricultural value chains following a sustainable financial model within a stipulated timeframe.

### **Mining, Manufacturing and Tourism**

In the 2023 budget, government has provided a wide range of concessions to the mining firms in order to unlock the mining sector. In 2023 we expect that these incentives will be extended to the Artisanal Small Scale Mining (ASM) which is very critical in the mineral resource exploitation in Zambia. According to the study by CTPD entitled "Appraisal of Zambia's Artisanal and Small-Scale: Gold Mining Sector", the ASM in Zambia is increasingly becoming an important source of employment for many who cannot get jobs in the formal sector. This sector is perceived by government as a potential source of tax revenue. Therefore we expect to see creation of enabling environment for the ASM ranging from removal of barriers to licencing, to increasing access to finance, market and technology and strengthening backward and forward linkages and value chains. We also expect to see the creation of enabling environment in a similar fashion in the Manufacturing and Tourism sectors.

### **Increased Allocation to CDF**

The over 60% increment of allocation of resources per each constituency from K1.6 million to K25.7 million in 2022 faced a very low utilization due to a number of barriers. With K28.3 per each constituency we expect to see unlocking and efficient utilization of CDF to increase economic activities at the community level in 2023. We hope the CDF guidelines for local authorities and delegating of powers to approve the CDF applications to Provincial Local Government Officers both issued provided by the Ministry of Local Government and Rural Development on 27<sup>th</sup> December, 2022 will help to unlock CDF and improve CDF uptake in 2023.

### **Governance Milestones**

The new administration is still in the process of transitioning to fulfill election promises such as strengthening electoral processes, amending the public order law and addressing human rights violations. In 2022 we have seen fulfilment of some of the election promises. For instance we have

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<sup>2</sup> 2023 National Budget Estimates – Ministry of Finance

seen the enactment of a few progressive pieces of legislation such as the Public Debt Management No. 15 of 2022, the Criminal Procedure Code (Amendment) Act of 2022 abolishing the death penalty and the Penal Code (Amendment) Bill No. 25 of 2022 which repeals section 69 of the Penal Code and effectively abolishing the crime of defamation of the President. We are aware that there is a bill on the public order which looks very progressive but we understand that it is still with the Law Development Commission. We are also aware that the consultative process is still in progress on the access to information bill.

However, we note with concern that so far there is no concrete roadmap on the constitutional reforms. We are aware that the government consulted various stakeholders at the beginning of the year with regards the process of constitutional reforms. Going into the next elections with the current gaps in the constitution could create a crisis as was demonstrated by Kabushi and Kwacha by-elections recently. Democracy thrives when there is a healthy and thriving opposition. Our concern is that at the moment it looks like the momentum is to paralyze the opposition.

### **Legal Reforms**

In 2023, we look forward to the enactment of a new and progress public order law. We are also looking forward to the enactment of a progressive access to information law in Zambia. In 2023, we expect to be presented with a concrete roadmap on the constitutional reforms. We also expect to see reforms around electoral process that take into consideration key recommendations from various stakeholders that monitored the 2021 General Elections to continue guaranteeing free, fair and credible electoral process in Zambia. We expect to see regulation of political parties and campaign funding. The country needs a legislation that compel political parties to state their source of funding to limit incidents of state capture or political paybacks in the post-election period.

In 2023 we expect to see real gains in arresting corruption across the board and in recovering assets. We would like to see that the teething procedural challenges of the economic and financial crimes courts are quickly overcome. We also would like to see a piece of legislation requiring mandatory asset declaration with a proper verification system overseen by the Anti-Corruption Commission. The Anti-Corruption Commission must also be mandated by legislation to conduct periodic lifestyle audits of the public office holders and civil service employees. The public procurement processes need a proper scrutiny and overhauling to close all the loopholes that are currently being exploited by opportunists, moles and cartels within the system. The JCTR 2023 wish list seems long but we believe that it is attainable. We wish you all a very productive 2023.

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