Item 3 : High-level segment

Growth with jobs for poverty reduction

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
GROWTH WITH JOBS FOR POVERTY REDUCTION

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ZAMBIA
GROWTH WITH JOBS FOR POVERTY REDUCTION
PRESENTATION OUTLINE

- Introduction - The Problem
- Background - Factors at Play
- The Evidence - Facts and Figures
- What should be done - Remedies
- The Way Forward - Recommendations
INTRODUCTION

- It is undisputable that several countries in sub-Saharan region, including Zambia, have shown evidence of economic growth, on paper.

- The dilemma is that, in spite of the impressive economic growth, which theoretically should reflect improvement in the standards of living and a significant reduction in poverty, the reality is the opposite.

- Zambia is one country that reflects these economic features, as I will elaborate in a short while.

So why is neither poverty abating nor the standard of living for the majority of the population improving?
Some Historical Perspectives

- 1964- Zambia got Independence
- 1964-1968- Private enterprise with little participation by indigenous citizens which necessitated reforms
- 1964-1974- Massive construction of infrastructure
  - Roads, schools, Hospitals, Oil Pipeline (TAZAMA), Rail (TAZARA)
- 1969-1971- Economic reforms which brought about Nationalisation of industries including Mines
- 1969-1991- State owned Enterprises through
  - ZIMCO (Zambia Holding Company and Subsidiary Companies),
  - INDECO for Industries
  - FINDECO for Financial Companies which set-up new local Commercial banks which became the biggest retail bank
Some Historical Perspectives

- Two (2) separate Mining Companies of RCM and NCCM (Providing Competition)
- 1983- The two (2) Mining Companies consolidated to form one of the largest Mining Companies (ZCCM)
Some Historical Perspectives

- 1973- Copper prices collapse leading to an accumulation of US$7.2 Billion debt, while oil prices increased substantially
- 1973-1991- No IMF Support (Had its own challenges)
- 1991- Change of Government and ruling party a return to Multi- Partism
- 1991-2001- Privatisation of about 300 Parastatal Companies including Zambian National Commercial Bank Privatised, telecommunication and the Mines (ZCCM broken down into individual Mines)
- Massive redundancies resulted. Government of Zambia had to obtain a World Bank Loan to address part of the problem
- Resulting in reduced levels of industrialisation/ value addition
Some Historical Perspectives

- 2008- New Investment Law and Creation of ZDA to incorporate Investment Centre, Export Board, Zambia Export Processing Zones Authority, Privatisation Agency and SEDB

- 2011 witnessed peaceful change of Government and ruling Party

- Zambia has been consistent in implementing IMF/World Bank and UN programmes directed fiscal and macroeconomic management including:
  - Structural Adjustment Programme (SAP)
  - Poverty Reduction Strategy Programme (PRSP) and
  - HIPC

- The impact of these programmes to enhance industrialisation and employment creation, has been limited
FACTS AND FIGURES
MACRO-ECONOMIC ENVIRONMENT-GDP

Real GDP Growth (2000-2011)

GDP Growth Rate (%) vs Year (2000-2011)
### DISTRIBUTION OF THE POPULATION BY POVERTY STATUS AND RESIDENCE, 2006-2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Residence</th>
<th>Extremely Poor</th>
<th>Moderately Poor</th>
<th>Non-Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>42.7</td>
<td>20.1</td>
<td>37.2</td>
</tr>
<tr>
<td>2006</td>
<td>Rural</td>
<td>58.5</td>
<td>21.8</td>
<td>19.6</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>13</td>
<td>16.7</td>
<td>70.3</td>
</tr>
<tr>
<td>2010</td>
<td>Total</td>
<td>42.3</td>
<td>18.2</td>
<td>39.5</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>57.7</td>
<td>20.2</td>
<td>22.1</td>
</tr>
<tr>
<td></td>
<td>Urban</td>
<td>13.1</td>
<td>14.4</td>
<td>72.5</td>
</tr>
</tbody>
</table>

Poverty levels have remained high
MACRO-ECONOMIC ENVIRONMENT - Inflation

Inflation Trends (2000-2012*)
GDP contribution of the Manufacturing sector at constant 1994 Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>4.2</td>
</tr>
<tr>
<td>2002</td>
<td>5.7</td>
</tr>
<tr>
<td>2003</td>
<td>7.6</td>
</tr>
<tr>
<td>2004</td>
<td>4.7</td>
</tr>
<tr>
<td>2005</td>
<td>2.9</td>
</tr>
<tr>
<td>2006</td>
<td>5.7</td>
</tr>
<tr>
<td>2007</td>
<td>3</td>
</tr>
<tr>
<td>2008</td>
<td>1.8</td>
</tr>
<tr>
<td>2009</td>
<td>2.5</td>
</tr>
</tbody>
</table>
PLEDGED VS ACTUALISED INVESTMENT

Actualised Investment by Enterprises as Monitored by Zambia Development Agency (ZDA)

<table>
<thead>
<tr>
<th>Category</th>
<th>Second Quarter 2012</th>
<th>Second Quarter 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pledged</td>
<td>Actualised</td>
</tr>
<tr>
<td>Large Scale</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(US$ m)</td>
<td>149.2</td>
<td>42.6</td>
</tr>
<tr>
<td>MSMEs (US$ m)</td>
<td>0.507</td>
<td>0.562</td>
</tr>
</tbody>
</table>
POPULATION COMPOSITION OF BROAD AGE GROUPS BY REGION, ZAMBIA, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
<th>Total Percent</th>
<th>Urban Percent</th>
<th>Rural Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 15</td>
<td>5,943,169</td>
<td>3,852,021</td>
<td>2,091,148</td>
<td>45.4</td>
<td>48.6</td>
<td>40.5</td>
</tr>
<tr>
<td>15-24</td>
<td>2,725,757</td>
<td>1,525,983</td>
<td>1,199,774</td>
<td>20.8</td>
<td>19.3</td>
<td>23.2</td>
</tr>
<tr>
<td>15-64</td>
<td>6,803,054</td>
<td>3,816,400</td>
<td>2,986,654</td>
<td>52</td>
<td>48.2</td>
<td>57.8</td>
</tr>
<tr>
<td>65+</td>
<td>346,443</td>
<td>254,868</td>
<td>91,575</td>
<td>2.6</td>
<td>3.2</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Less than 600,000 are in formal employment against 6.8 million employable
Challenges

- Poor and inadequate Infrastructure
- Young population
- Lack of alternative and affordable credit
- FDI contribution to job creation has been minimal
- Negative impact caused by HIV/AIDS
OUR BIGGEST CHALLENGE

- Creating Quality 750,000 jobs per year,
  - 450,000 from the currently outstanding number of the unemployed youths and women, estimated at 4.5 million; and
  - the additional 300,000 that comes on to the job market, annually.

- Job creation and value addition have failed to keeping pace with population growth
Challenges

- About 70% of rural population depends on agriculture hence any environmental challenges such as draught can lead to increased poverty
- High dependence on one product (Copper)
- Lack of fulfillment of investment pledges
- Crowding out domestic resources
- Vulnerabilities caused by external factors
- Externalisation of profits// Forex regime demands
- Ease of remittances and movements
REMEDIES
Growth Process versus Growth itself

In terms of the impact of growth on employment creation, the *growth process* is more important than the *growth rate*. For any growth to impact on job creation and help reduce poverty, it needs to be broad-based and pro-poor.

The remedies need to be specific and address the identified inadequacies, of which have been adequately reflected in the UNCTAD “Economic Development in Africa Report of 2011”
### MAJOR SOURCE OF EMPLOYMENT

**Actualised Employment Monitored Enterprises by Zambia Development Agency (ZDA)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Second Quarter 2012</th>
<th>Second Quarter 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pledged</td>
<td>Actualised</td>
</tr>
<tr>
<td>Large Scale</td>
<td>1167</td>
<td>663</td>
</tr>
<tr>
<td>MSMEs</td>
<td>169</td>
<td>206</td>
</tr>
</tbody>
</table>

Employment creation not optional- it is mandatory. We just need to learn the *how*.
Remedies

- Major employment growth is in the informal sector and Micro, Small and Medium Enterprises

- Hence Zambia’s renewed focus or plans for the MSMEs sector as a means for value addition/industrialisation policy and economic Zones

- Intra-Africa Trade centres

- Industrial clusters

- Our MFEZs FDI policy direction will focus on multi-facility economic zones and districts

- Industrial clusters building on our existing natural agriculture and water endowment

- Both infrastructure and capital (human skills and finances) will be required to build capacity and enhance productivity and profitability
 Remedies

- Infrastructure- develop and maintain supporting infrastructure and institutions
- Promote efficient value addition production methods, quality control through establishment of Industrial Clusters at district level with support from institutions such as UNIDO, UNCTAD, ITC, among others
- Provision of ready markets, particularly regional markets, through initiatives such as Intra-Africa Trade Centres (IATCs)
- Access to technology and technical know-how, technical training in most productive and renewable areas- agriculture, agro-processing and hydro energy.
- Resource Royalties, especially in Mining need to benefit local population, hence the need for a formula on sharing Royalty Receipts with local authorities.
Need to work towards creating quality jobs the for the youth in view of the fact that 45% of the population are below the age of 15

- Attract responsible FDI to ensure Value Addition and inter-sectoral linkages building on what we already have within our country - minerals (copper, cobalt etc)

- Promote Cooperate Social Responsibility (CSR)

- Develop specific empowerment programmes to facilitate access to affordable credit for MSMEs (Group lending, establishment of Micro financing institutions) to support work in industrial clusters in districts to reach rural communities.

- Develop deliberate policies for the re-distribution of wealth through effective regulatory frameworks and programmes such as business linkages,

- Multilateral collaboration to reduce external risks of external shocks
CONCLUSION/ WAY FORWARD

- Policies, regulations frameworks and support infrastructure and institutions are key to ensuring that economic growth translates into employment creation and thus poverty reduction country.

- It is clear that a new Investment regime to foster industrial sector is necessary in order to ensure that FDI benefits the Local economy.

- Industrial transformation, an absolute necessity.

- We are here to learn the experiences of other regions and how we can make this industrialisation work for our population.
CONCLUSION/ WAY FORWARD

Other measures to benefit the current informal sector should include:

- Establishment of Industrial Clusters;
- Establishment of Intra-Africa Trade Centres.

These are intended to create increased economic activity by injecting resources among low-cost urban and rural population.
CONCLUSION

- It is hoped that multilateral institutions such as UNCTAD will support Zambia’s policies and regulations aimed at helping to translate this growth into jobs and poverty reduction.

- We need to learn addressing the ‘how’ to do it productively, profitably for all-investors, population and government.
Profiling Growth
To what extent is growth associated with changes in employment, output, or population?

Linking the Growth Profile to Poverty Reduction
To what extent are changes in the employment, output and population rates linked to poverty reduction?

Identifying Policies and Institutions that Matter
To what extent is a poverty reducing growth profile linked to the broader policy and institutional environment?
WE INVITE YOU TO COME AND INVESTMENT IN ZAMBIA AND HELP BRING ABOUT GROWTH THAT WILL CREATE QUALITY JOBS AND REDUCE POVERTY FOR OUR PEOPLE

Value addition Conference: 4-5 October 2012;
Business and investment Forum: 26-30 November, 2012
Thank you for your attention