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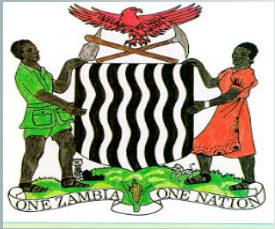
Growth with jobs for poverty reduction

Monday, 17 September 2012

Mr. Robert K. Sichinga, MP

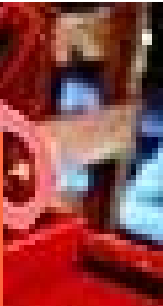
Minister – Commerce, Trade and Industry of Zambia

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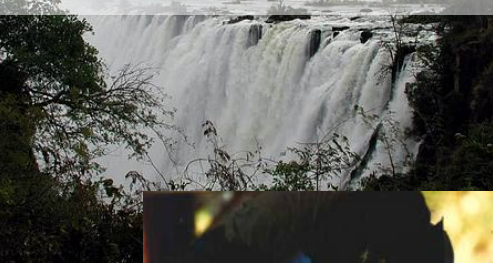
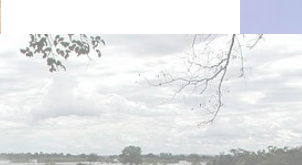


GROWTH WITH JOBS FOR POVERTY REDUCTION

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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-Sahara 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





DISTRIBUTION OF THE POPULATION BY POVERTY STATUS AND RESIDENCE, 2006-2010

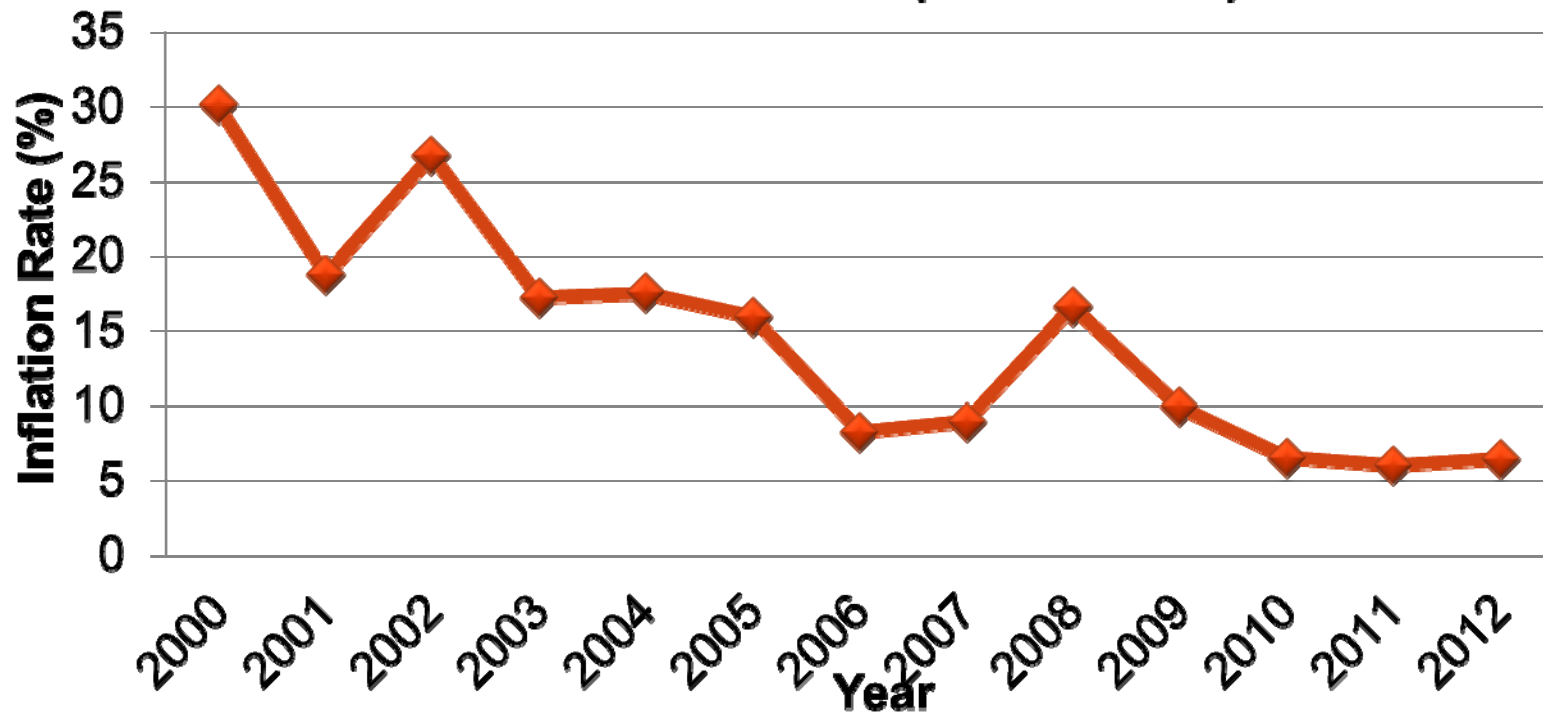
Year	Poverty Status			
	Residence	Extremely Poor	Moderately Poor	Non-Poor
2006	Total	42.7	20.1	37.2
	Rural	58.5	21.8	19.6
	Urban	13	16.7	70.3
2010	Total	42.3	18.2	39.5
	Rural	57.7	20.2	22.1
	Urban	13.1	14.4	72.5

Poverty levels have remained high



MACRO-ECONOMIC ENVIRONMENT-Inflation

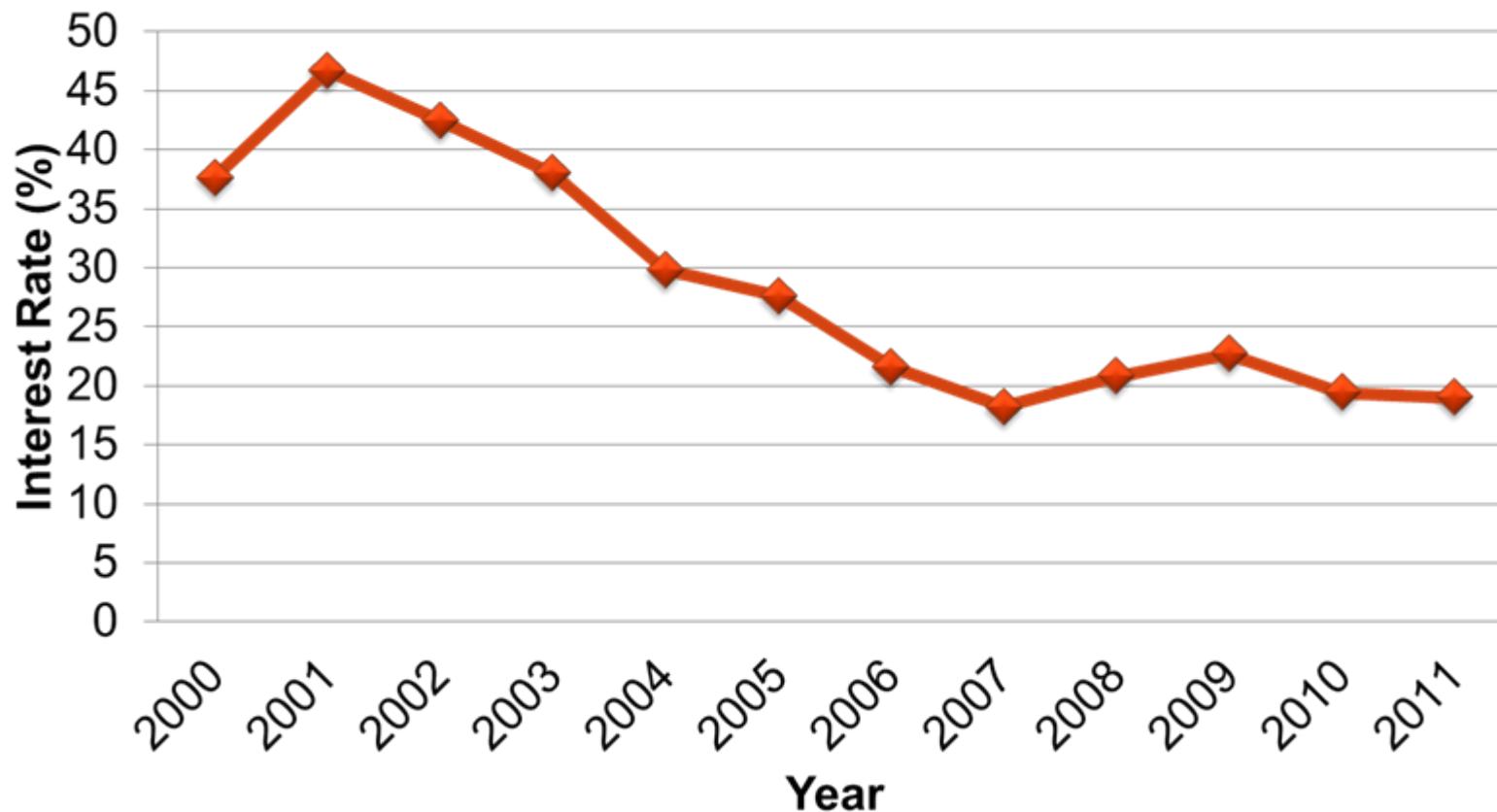
Inflation Trends (2000-2012*)



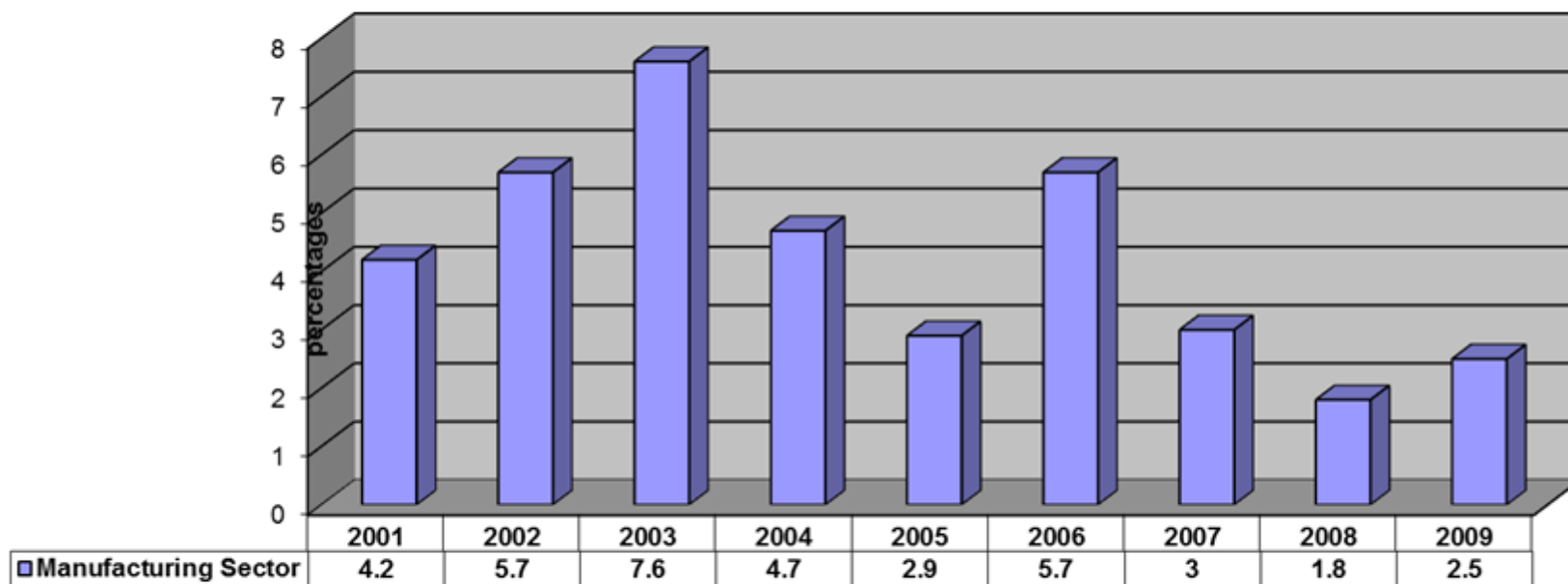


MACRO-ECONOMIC ENVIRONMENT-Interest rates

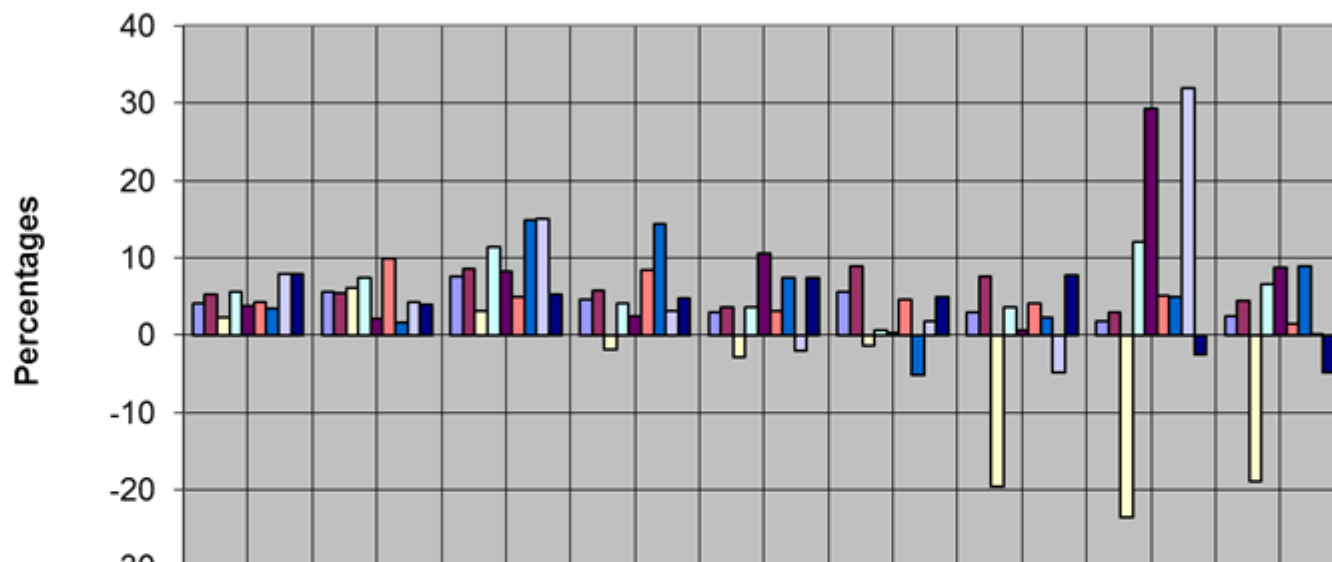
Interest rates (2000-2011)



GDP contribution of the Manufacturing sector at constant 1994 Prices



Manufacturing contribution to GDP at Constant 1994 Prices



	2001	2002	2003	2004	2005	2006	2007	2008	2009
Overall Manufacturing sector	4.2	5.7	7.6	4.7	2.9	5.7	3	1.8	2.5
Food ,Beverages, and Tobacco	5.3	5.4	8.6	5.8	3.6	8.9	7.6	3	4.4
Textile and leather Products	2.3	6.2	3.2	-1.9	-2.9	-1.3	-19.5	-23.6	-18.9
Wood and wood products	5.7	7.5	11.4	4.2	3.6	0.7	3.7	12.1	6.6
Paper and Paper products	3.8	2.2	8.2	2.5	10.6	0.3	0.7	29.3	8.8
Chemicals,rubber and plastics	4.3	10	4.9	8.5	3.2	4.6	4.2	5.2	1.5
Non metallic mineral products	3.5	1.7	14.9	14.4	7.4	-5.2	2.3	5	9
Basic metal products	8	4.3	15.1	3.1	-2	1.9	-4.8	32	0.1
Fabricated metal products	8	4	5.3	4.8	7.4	5	7.8	-2.5	-4.8

PLEDGED VS ACTUALISED INVESTMENT



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

Category	Second Quarter 2012			Second Quarter 2011		
	Pledged	Actualised	Rate (%)	Pledged	Actualised	Rate (%)
Large Scale (US\$ m)	149.2	42.6	29	499.5	137.2	27
MSMEs (US\$ m)	0.507	0.562	111	0.245	0.121	49



POPULATION COMPOSITION OF BROAD AGE GROUPS BY REGION, ZAMBIA, 2010

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

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)

Category	Second Quarter 2012			Second Quarter 2011		
	Pledged	Actualised	Rate	Pledged	Actualised	Rate
Large Scale	1167	663	57	6505	2883	61
MSMEs	169	206	122	167	86	39

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 out 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

