December 2016

The ZIPAR Quarterly

FISCAL FITNESS

ZIPAR
Zambia Institute for Policy Analysis & Research

Contents

Message from the

EXECUTIVE DIRECTOR

Compliments of the season! Welcome to this edition of the ZIPAR Quarterly. This issue brings to you an array of articles based on the ZIPAR in-depth analysis of the 2017 National budget and studies published during the course of the year. The main story is a reflection on the theme for the 2017 budget namely 'Restoring Fiscal Fitness for Sustained Inclusive Growth and Development". Borrowing from the realm of physical fitness, the author strives to expound the tenets of fiscal fitness and offers solutions on how Government can achieve this fitness in 2017. Other key stories relate to ZIPAR "More and Better Jobs" Flagship project which aims at helping Government respond to the Zambia's jobs challenge. One such article on one of the main papers from the flagship project which was presented during the 2016 IZA conference in Lusaka, Zambia gives you key highlights on the impact of the economic slowdown on jobs and the labour market in Zambia. I hope you will find this issue informative and will enjoy reading.

Attaining Fiscal Fitness

By Florence Banda-Muleya

As the Honourable Minister of Finance read out the 2017 budget speech on 11th November, he echoed the theme Restoring Fiscal Fitness for Sustained Inclusive Growth and Development several times. What does fiscal fitness mean for government budgets, and how can Government achieve it in 2017?

For starters, the budget presents national proposals of income and spending for the next year. It is a financial statement expressing Government's intentions and what it hopes to achieve – like New-Year resolutions for individuals. Government derives revenues primarily from taxes, levies, charges and fees while its expenditure includes outlays on goods and services, infrastructure and social sector investment, debt repayments etc.

An example of downsizing adopted in the 2017 budget is the cut on general public services from 9.3% of GDP in 2016 to 7.7% of GDP.

The budget may either be 'balanced' with revenue equal to expenditure; in 'surplus' with revenue greater than expenditure, or conversely in 'deficit'. For many years, Zambia has recorded fiscal deficits, with revenues being less than expenditures. With government spending persistently outpacing revenues, Government borrows money to cover the difference. Zambia's deficit – expressed as a percentage of gross domestic product (GDP) – has grown from 1.6% in 2011 to a projected 10% at the end of 2016.

Fiscal fitness like physical fitness is the ability to carry out tasks without undue stress. It is achieved through a combination of effective spending or sacrifice likened to having a good diet and increased income likened to exercise. Getting to fiscal fitness entails reduction of debt as increased revenue buffers both expenses and debt payments. However, gaining fitness does not come in a flash. It requires working towards building good drills such as reducing unplanned spending and increasing income by automating the collection of non-tax revenues. This gradual exercise ensures that targets – such as a lower fiscal deficit of 7% – are achieved at end of the fiscal year.

Accumulation of debt can be likened to excessive weight gain; it arises from undue spending in the absence of enough revenue. The bigger the difference, the more debt is acquired leading to fiscal unfitness. The consequences of this could be ailment of the economy manifested in a costly business environment, high interest rates and slow or no growth. This might lead to default on debt, similar to a heart attack, or a near collapse of the economy as it happened in Greece.

In 2017, overall expenditures are set to increase to K64.5 billion from K53.1 billion in 2016. Despite this, some good habits have been adopted towards fiscal fitness including reduced allocations in certain budget items with necessary expenses maintained whilst downsizing others. An example of downsizing adopted in the 2017 budget is the cut on general public services from 9.3% of GDP in 2016 to 7.7% of GDP. The partial wage freeze imposed on civil service hires is another sacrifice that is likely to slow growth of the wage bill hence expenditure. Nevertheless, more could be done to achieve fiscal fitness in 2017. Thinking hard on subsidies like electricity imports, reducing the allocation to the Farmer Input Support Programme and reprogramming some of the K2.9 billion to storage facilities for instance, and streamlining amounts such as road infrastructure (proposed to increase to K8.6 billion from K6.6 billion in 2016) to economic roads first, would all be crucial. If not revisited, these items will likely bulge the deficit in 2017 and compromise the economy's prospects for fiscal fitness. Another necessity for fiscal fitness is increasing revenue.

It works to supplement expenditure control, helping to clear off debt faster. The fiscal measures proposed for 2017 are intended to yield 18.1% of GDP in revenue, reducing from 20.1% of GDP in 2016. This realistically reflects the current economic malaise, however, steps towards revamping the VAT regime, expanding the rental income tax base, increasing advanced income tax and improving collections in trade tax among others have been taken.

Just as exercise requires variety and increased intensity so does the fiscus for it to be more efficient and sustainable; by improving voluntary compliance, intensifying automation and introducing further measures to widen the tax base. Going forward Government should, for example, promote use of debit cards in formal transactions and link the tax-online system to bank accounts including mobile money accounts. Additionally, incomes not currently taxed, such as proceeds from sale of shares on the stock market could be taxed. A 2% rate on such income would raise approximately K1.1 billion for Government.

The road to fiscal fitness is underway even though the 2017 budget seems to tolerate increased spending against less revenue. Fiscal fitness requires discipline to triumph over spending cravings. If Government incorporates gradual realistic changes by persistently applying spending controls and intensifying revenue collection, fiscal fitness can begin to be restored in 2017. Then as the Minister said, we will not spend what we do not have and we will not borrow what we cannot repay; that will improve our fiscal fitness going forward and the elusive debt reduction could begin.

Government Sets up Key Cornerstone for Fiscal Discipline

By Caesar Cheelo

The third pillar of the Zambia Plus economic recovery programme, which the Finance Minister launched in October 2016, focuses on improving economic and fiscal governance by raising the levels of accountability and transparency in the allocation and use of public finances. In line with this, the 2017 National Budget envisions fully rolling out the Integrated Financial Management Information System (IFMIS) by end 2017.

This is towards ensuring that all ministries, provinces or spending agencies are prohibited from spending outside the system, thus curbing the accumulation of arrears, and stemming financial misappropriation, irregularities, fraud and corruption. Therefore, once fully implemented, the IFMIS will be one of the key cornerstones for reestablishing fiscal integrity and credibility. It will partially determine whether the government succeeds or fails in its renewed quest for fiscal discipline and good governance.

In the recent past, the weaknesses in public financial management have cost the country dearly. Here are a few examples: firstly, one of Zambia's most pressing fiscal discipline challenges has been the government's propensity for unplanned spending.

This has created huge fiscal deficits. For instance, in 2015 the deficit was K17.3 billion (or US$1.7 billion). The deficit was not only accumulated from big budget items like fuel or electricity subsidies; a significant portion was from the unplanned, unauthorized spending of line ministries, provinces and other spending agencies. Public sector unplanned spending on overseas allowances (travel abroad), suppliers of goods and services, and public affairs and summit meetings (more travel abroad) jointly exhausted K565 million (US$57.1 million). This was 133% larger than the total approved budget for these three expenditure items. The cumulative overspend on the three items accounted for 3.3% of the 2015 fiscal deficit compared to off-budget spending on the ZESCO electricity subsidy, which was 2.1% of the deficit (or K364 million).

Secondly, the Auditor General's report for 2015 reveals that the top-three financial irregularities in the public sector in that year were: unvouched (or unsupported) expenditures worth K349.3 million (or 39.6% of total irregularities; undelivered materials worth K251.5 million (28.5%); and irregular payments of K115.4 million (13.1%). In total, these irregularities (a polite way of saying financial misappropriation, fraud and corruption) by authorizing officers in the civil service amounted to K716.2 million, which was twice the size of the ZESCO electricity subsidy in 2015.

Thus, IFMIS is seen as a salient system for reestablishing fiscal discipline and sound financial governance precisely because it is meant to address the issues highlighted above.

A word of caution, however; it is quite possible that the levels of fiscal indiscipline and irregular financial practice in the civil service have already become endemic. The Minister of Finance recently revealed that government officials have sometimes used electricity power outages as an excuse to go off the IFMIS and manually process unplanned unauthorized expenditures or to accumulate payment arrears. It is therefore not farfetched that IFMIS could continue to be circumvented through these perverse civil service worker innovations. Should this continue to happen, one of the country's key cornerstones for fiscal discipline could come unhinged and become ineffective.

In order to reduce the risk of an ineffective IFMIS, it will be imperative for the government to follow through with its 2007 budget intentions to introduce tougher punitive measures.

In addition, the government may want to institute faster-track options of applying the punitive measures. For example, summary dismissals and immediate reference of cases to law enforcement arms could be pursued without having to wait for one year for the Auditor General's Report and another year for the final verdict of the Parliamentary Accounts Committee of the National Assembly.

The IMF: Third Horseman or Zambia's Trusted Friend?

By *Caesar Cheelo*

When the Lamb opened the third seal, I heard the third living creature say, "Come and see!" I looked, and there before me was a black horse! Its rider was holding a pair of scales in his hand. Then I heard what sounded like a voice among the four living creatures, saying, "A quart of wheat for a day's wages, and three quarts of barley for a day's wages, and do not damage the oil and the wine!" (Revelation 6:5-6)

During 19-31 October 2016, Tsidi Tsikata led an International Monetary Fund (IMF) mission to Zambia to: "help assess the current economic situation and provide policy advice to restore macroeconomic stability and promote broad-based economic growth". During the mission, ZIPAR had the pleasure of informally meeting with Mr. Tsikata, a jolly but highly experienced and stern Ghanaian IMF veteran.

One of the most interesting things I observed during the IMF mission and in its aftermath was the flurry of running commentaries that ensued, especially on social media and in the print press. Virtually overnight several local economists and other observers came to the fore as experts on all things to do with the IMF. Rumours escalated that the IMF was highly dissatisfied with the level of seriousness of the Zambian authorities. They also claimed the IMF was worried that the country was too irredeemably damaged to be salvaged through a Fund-supported aid package.

Others claimed that the IMF had imposed conditionalities that were too heavy for the Zambian authorities to handle, including the privatization of state-owned enterprises like ZAMTEL and ZESCO, the enactment of media freedom laws and so on. The Zambian government had rejected the conditionalities and thrown out the IMF…
A third group of commentators readily predicted doom and gloom. They foresaw that the austerity under an IMF progamme would bring about widespread suffering as Zambia would be forced to remove subsidies against its will. They readily pointed to the IMF's Structural Adjustment Programmes of the 1980s and early 1990s, which, they believed had ushered in severe social sector budget cuts and brought about untold suffering, especially for the poor. Clearly, the IMF still conjures imaged of the Biblical Third Horseman of the Apocalypse, a symbol of a *great famine*, but in this case arising from forced austerity.

Perhaps the most interesting thing about all these rumours was that they were quite at variance with the discussions taking place between the IMF and the government. Firstly, the Zambian authorities launched the economic recovery programme dubbed *Zambia Plus* in Parliament on 20 October 2016, a day after the IMF mission landed in Zambia. There was clearly no time of the IMF to influence the programme at this stage, a programme that made it abundantly clear that Zambia Plus meaning that all solutions would be determined by Zambians while external partners – including the IMF – would form the *plus*, to be engaged for aid assistance. Contract to popular belief in some circles, the IMF respected this stance.

The IMF's post-mission Press Release stated that: "the mission and the authorities discussed a broad range of measures to create fiscal space for beginning to clear government's arrears, scale up social spending and reduce the fiscal deficit on a commitment basis in 2017." The removal of consumption subsidies as a fiscal space measure had already been on the government's agenda as evidences in both the Zambia Plus language to the National Assembly and well before that, the pronouncements of the Republican President during the opening of the First Session of the Twelfth National Assembly. On the other hand the issue of acknowledging and dismantling payment arrears came to be appreciated through the advice of the IMF, and was readily taken on board in the 2017 National Budget. This suggests that in some cases the government already had home-grown solutions which it was actively pursuing. On other issues – such as the problem of mounting payment arrears – it took the cue of the IMF a trusted friend.

Ultimately, the IMF concluding statement was an assurance that: "at the authorities' request, the mission will return to Zambia in early 2017 to conduct Article IV consultation and programme discussions", Article IV consultation being the kick-off of negotiations for an IMF-supported aid package. Consistent with this, the 2017 National Budget Address on 11 November 2016 clarifies that "Zambia has not yet discussed any programme with the IMF. Therefore, there are no conditions or financing arrangements that have been agreed upon. Discussions with the Fund will only be conducted in the first quarter of 2017 to augment our home-grown programme."

So what is the point of all these pieces of fact about what did and did not happen in relation to the IMF mission? Well, simply this: there is little benefit to be derived for Zambia from the spreading unfounded or unproven rumours. These can serve only to alarm the public, breed uncertainty and weaken confidence in public institutions.

Granted, the economy is in bad shape and the road to economic recovery will be challenging, particularly given the severity of past incidences of fiscal indiscipline coupled with the deep economic malaise from various external shocks. However, Zambia's pre-occupation between now and the Article IV consultations in early 2017 should be on preparing a sound, home-grown negotiating position. We should ensure that a credible programme is negotiated which create fiscal space for social sector and critical infrastructure spending, even in the face of austerity. Much as some will be cautious or even averse to treating the IMF as a trusted friend, preoccupying our minds with alarmist views that the IMF is the Third Horseman will similarly not help; preparing a sound negotiating position will. In its forth coming paper, ZIPAR will discuss the essential elements of an IMF-supported package for Zambia, within the context of the country's economic reality.

Tax Havens

By Florence Banda-Muleya

Tax havens have been at the centre of world news items in the recent past. Headlines have ranged from revelations of offshore accounts in the Panama papers to EU states uniting against tax havens. Economic experts including Thomas Piketty, Jeff Sachs, Nora Lustig and Angus Deaton have also warned that there is no economic justification for allowing tax havens and continued offshore financial secrecy. Indeed it is imperative to restrain the misuse of havens as they have serious ramifications on the development of third world countries.

What are tax havens?

Tax havens are geographical locations that offer foreign individuals or businesses, little or no tax on some types of income. Additionally, they provide little or no financial information to other foreign tax authorities by ensuring bank secrecy, remaining non-transparent and requiring little or no proof on economic activity for an entity to obtain legal status.

A tax haven may take the form of a main haven which includes localities that have very low or no taxes at all, on all corporate or business income. Alternatively havens may consist of locations with conventional tax systems, benefiting from double tax treaties, but levy little or no tax on receipts of foreign-source or passive investment income, also known as treaty-havens.

Why create a tax haven?

Most jurisdictions choose to become tax havens with a goal of attracting foreign direct investment, allowing for capital formation - a key to long-run prosperity and higher living standards in any economy. These countries choose to forgo taxes on foreign capital in order to gain resources for use within the domestic economy. From an economic perspective, these lower tax rates are critical because they reduce the tax bias against saving and investment and allow for growth. How does the good become bad?

Beneficiaries of tax havens are either Multi-National Companies (MNCs) or individuals who either require their money to be protected from taxes or double taxes, or more importantly, unwanted scrutiny. Tax havens undesirably, become the setups that provide this undue advantage, worse in case of an inquiry. For example, Tax havens may be used to shift profits - by allocating revenues and expenses in different countries in a way that minimizes the tax bill in a high-tax jurisdiction. A variety of techniques may be used including debt shifting, transfer pricing, contract manufacturing and mis-invoicing to reduce profit in the high-tax location.

Unfortunately, governments and their citizens in the high tax country do not benefit from these tax schemes, real economic activity dwindles, and in turn affects tax revenues. On average, very little tax is paid in the high tax country. For developing countries the UNCTAD in 2015, estimated revenue losses of $100 billion of annual tax and related this to inward investment stocks directly linked to offshore hubs or havens.

The Zambian Picture

Revenue loss has occurred in Zambia. This has resulted mostly from the shifting of profits and income into low-tax countries in the form of illicit financial flows (IFFs), which originate from legal entities or commercial activities. Taxpayers have managed to avoid and evade their tax liabilities by concealing taxable income in actions such as transfer pricing.
Tax avoidance has emanated and been perpetuated by the loopholes that exist in the legislation for the general business environment where as tax evasion in Zambia has been

propagated, according to Goredema (2011), by the dependence on the copper mining industry, which has direct consequences on the maximisation of gains from natural resources through transfer mispricing, company misreporting on production volumes or price, inflating of operational costs and acts of corruption.

The Global Financial Integrity (GFI) organisation illustrates in its 2012 report that IFFs in Zambia had been increasing, with an annual average of US$2,597 million being recorded over the period 2003 to 2012. In the same period, the country was estimated to have experienced total outflows amounting to US$25,969 million. The lowest and highest figures for the estimated IFFs were US$1,003 million in 2003 and US$4,272 million in 2012 (a figure almost equivalent to the external debt in 2014). This was largely driven by trade mis-invoicing, through the deliberate mis-reporting of the value of commercial transactions on invoices submitted to Customs Services as well as unaccounted for balance of payment movements.

Much of this upward trend could be attributed to capacity limitations of the Zambia Revenue Authority (ZRA) in detecting tax evasion in form of mis-invoicing as well as transfer pricing and an absence of policy directed at tackling illicit flows in form of capital controls. For instance, according to the Bank of Zambia, the weak regulated environments in the non-bank financial institutions and other business sectors such as real estate, coupled with the rent-seeking behaviour of MNCs, undermines the ability of the Government to raise revenue and impacts on the macroeconomic components such as poverty alleviation, job creation and domestic savings.

What has caused developing countries including Zambia to lose such large amounts?

Most developing countries, especially those that are resource rich, have been victims of losing money that could be used in development finance to tax havens. OECD Secretary General Angel Gurría, as quoted in the Guardian newspaper in 2008 stated that "Developing countries are estimated to lose to tax havens almost three times what they get from developed countries in aid. If taxes on assets hidden by tax dodgers were collected in their owners' jurisdictions, billions of dollars could become available for financing development."

Moreover, the rampant outflows have been perpetuated by weak governance systems and the associated inefficiencies in institutions such as the public service and the judiciary in developing countries. Where these institutions are unable to perform, corruption thrives. Apart from corruption, there continue to be huge distortions of government budgets that lead to inequitable growth, social exclusion and huge deficits that result in a lack of trust in authorities. This weakness is further exhibited in the low capacity of the governments to effectively formulate and implement sound policies to limit the vice.

These countries also exhibit weak tax administration, unfavourable exchange rates, and an absence of the rule of law which present opportunities for illicit financial flows to thrive (Abugre and Ndomo, 2014). Further, findings by the GFI also show that massive outflows of illicit capital in developing countries are not just due to sub-optimal policies but rather that such policies find synergy in deep flaws within the global financial system.

Stamping out tax havens

There is no simple quick fix solution in this matter because there is really no international tax system. What exist are separate and different national tax systems that incorporate features to deal with the issues on a piece meal basis. Since there is no World Tax Code or a World Tax Authority, there is practically no one in charge of countries tax choices. Most people have called for a more encompassing and effective institutional framework within which to develop and implement better and more feasible solutions to profit shifting, because by serving as a destination point for funds, tax havens undermine efforts to stem illicit financial flows from Africa and may encourage some African countries to also become havens and financial secrecy jurisdictions (ECA, 2013).

Conversely, in the absence of this framework, African countries and Zambia in particular will be required to adequately address the profit shifting and erosion of the tax bases by changing their tax laws. Some examples would be repealing or limiting tax deferrals, limiting the ability of the foreign tax credit to offset income, and addressing the ability of MNCs firms to transfer their incomes. Alternatively developing country governments may think of disallowing certain deductions along with including a number of other restrictions such as General Anti-Abuse Regulations (GAARs) and or Specific Anti-Abuse Regulations (SAARs) in their laws.

In the broader tax reforms governments may introduce provisions to address evasion by requiring increased information reporting by companies, and may seek information exchanges and sharing with foreign revenue authorities. They may also increase enforcement by using tactics such as shifting the burden of proof to taxpayers, increased penalties, and increasing resource skills in revenue institutions such as ZRA to deal with the tough international tax landscape. These measures are likely to help revenue authorities avoid inadvertently lose revenues to tax havens without accruing any meaningful economic benefits for the domestic economy.

Reversing rising income inequality in Zambia

By Felix Mwenge

The 2015 Living Conditions Monitoring Survey report has revealed that the gap between the rich and the poor in Zambia is widening. Zambia's Gini coefficient now stands at 0.69 up from 0.60 in 2010; much higher than the African average of approximately 0.43. The income disparity reflects the country's inability to distribute its economic growth fairly across the population and is officially measured by the Gini coefficient, a statistical measure of dispersion ranging from 0 to 1. A Gini coefficient of 0 depicts perfect equality and 1 captures extreme inequality in income distribution.

Income inequality has been creeping into the Zambian society without so much discussion. But we must be wary of its ramifications: high inequality means large numbers of people are left behind in the development process, which could yield political and social tensions and threaten the peace Zambia enjoys. High inequality also deprives lower income households of the ability to afford basic necessities like education, health care, food, and housing.

Rising inequality is undoubtedly rooted in scanty opportunities for gainful employment. While unemployment is well below 10%, about 84% of the employed are in the informal sector with low earnings.

Formal sector employees earn approximately two and a half times what informal employees earn. Agriculture, which employs nearly half of the population, is the lowest paying sector. The mining sector, while accounting for barely 2% of the employed population pays three times higher than agriculture. Furthermore, a lowly educated workforce reinforces polarisation in earnings: those with college education earn three times higher than those with primary education despite the former accounting for only 4% of the workforce compared to 40% with primary education. Similarly, those with university education, while accounting for less than 1% of the workforce earn six times higher than those with primary education.

Limited financial inclusion worsens income inequality. More than 60% of Zambians do not have a bank account while only 5% borrow successfully from a formal financial institution. These are usually large firms and wealthier households. Small businesses and poor households continue to face credit constraints due to prohibitive bank requirements thereby further entrenching inequality.

Reversing income inequality is therefore a matter of urgency and should start by creating more decent jobs. However, policies meant to support informal businesses to expand and become formal so as to provide more rewarding and assuring jobs don't seem to be bearing fruit so far.

The current minimum wage policy is useful in redistributing income as it is expected to raise income levels of certain groups to reflect the cost of living. However, its distributive effect in Zambia is yet to be established. Regardless, there is need for careful consideration so that such laws do not unnecessarily raise the cost of doing business and become a disincentive to job creation.

Direct money transfers to the poor have proved to be effective in reversing inequality. The Cash Transfer Scheme that Government is implementing currently is a commendable income reallocation mechanism. However, sustainability is a big concern given the Government's declining fiscal space amidst stagnating revenue but mounting expenditure. Zambia also needs to increase financial inclusion which has proved effective in redistributing income in many poor countries. The steady increase in mobile financial services, though not providing credit currently, is an important alternative to traditional banking which should be supported.

Overall, Zambia's income inequality challenges are not insurmountable, but they will need spirited and well thought out programmes and interventions.

Budget realistic, but recovery plan may face challenges

Secretary to Treasury Mr. Fredson Yamba unveiling the ZIPAR 2017 National Budget Analysis Report. On his immediate right is ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso and Ms. Avet Mulonga Hamuwele, ZIPAR Steering Committee member.

The Zambia Institute for Policy Analysis and Research (ZIPAR) has welcomed the Government's 2017 budget, which it says is realistic in the face of current challenging economic conditions. Overall, the budget presents some conservative and more realistic targets such as expected economic growth, job creation and inflation ZIPAR also welcome the Government's intention to "develop, publish and implement a robust medium term debt management strategy in 2017".

However, ZIPAR cautions that the Government's home-grown economic recovery plan is likely to face challenges given that the 2017 National budget does not spell out aggressive measures towards cutting overall spending. Spending on debt interest payments, Farmer Input Support Programme (FISP), road infrastructure projects, and so on is set to increase from the previous year's level.

In 2017, Government spending is set to increase by 2.3% of GDP compared to 2016. It is proposed to rise to ZMW64.5 billion or 27.7% of GDP from ZMW53.1 billion or 25.8% of GDP in 2016. Within this budget, Governments proposes to spend ZMW8.6 billion on road infrastructure projects compared to ZMW6.6 billion in 2016. On the FISP Government proposes to increase the allocation almost threefold from ZMW1 billion in 2016 to ZMW2.9 billion in the 2017/2018 agricultural season, targeting 1 million small-holder farmers.

In a comprehensive analysis of the 2017 budget titled: Walking a tight rope towards economic recovery, ZIPAR argue that the long 'shopping list' of road infrastructure and the subsequent increase in the road infrastructure is too large a scale given the current resource availability and economic circumstances. ZIPAR further raises questions about why FISP is proposed to be scaled up in this period when the Government recently announced that the programme will be reviewed because they face challenges with targeting. While the e-voucher system may resolve most of the implementation challenges under FISP, it is not likely to resolve the targeting challenges.
The Government announced some changes aimed at increasing revenue, such as increased road tolling and a raise in the top rate of Pay as You Earn (PAYE), these measures will only increase domestic revenue collections by 2% compared to the previous year. This is in consideration of the economic challenges the country is undergoing which does not leave so much room for government to increase revenues. Therefore, the Government needs to focus on structural reforms that grow the economy and yield more private sector contributions to tax revenues.

With increased spending and flat revenues the government deficit will increase to 7% of GDP in 2017. The overall stock of government debt will increase by close to US$2 billion next year. The cost of paying off this debt is likely to increase, unless such debts are used to finance projects that can generate revenue within a reasonable period to pay off the debts. The implication of this is that soon Zambia will need to use nearly one-third of its domestic revenues to pay interest on public debt and one-fifth on road infrastructure. When the public sector wage bill is added, there will be little domestic revenue left for other activities.

Other aspects of the budget analysed include **Economic diversification:** the Government is proposing a number of measures to boost production in agriculture beyond maize and support local production among industries away from mining of base metals. The measures include, for example, a Cashew Nut Infrastructure Support Programme in Western Province and a new Kafue Iron and Steel Economic Facility Economic Zone. These measures are more progressive when compared to the diversification measures in 2015.

Energy: An interesting twist to the budget in 2017 is the Government's bold decision to disengage from the petroleum sub-sector in order to increase efficiency. Procurement of finished petroleum products will be undertaken by the private sector from 1st March 2017. While the decision by the Government is commendable, implementing such a policy effectively will among others, require putting in place adequate measures to guarantee sufficient strategic reserves.

In order to address the economic challenges raised in the 2017 budget analysis, ZIPAR recommends that **To manage expenditure pressures** Government must prioritise road infrastructure projects and consider carrying out extensive project appraisals that take advantage of the availability of long term financing.

To boost tax revenue
Government must widen the tax base, improve compliance and administration and continue to reform the administration of non-tax revenue as this is an easy revenue source to administer. The budget response to **economic diversification** is still dominant in agriculture, mining and forestry sectors with not so much beyond this to include manufacturing of selected products which are low-hanging. In order to realise the goal of economic diversification, fostering local manufacturing should be prioritised in future budgets.

ZIPAR welcomes the construction of a motor vehicle assembling plant in Zambia

And urges Government to develop an automotive industry development plan

The Zambia Institute for Policy Analysis and Research (ZIPAR) welcomes Government's approval of the proposal by Gonow Zambia Limited to construct a US$175 million motor vehicle-assembling plant as reported in the Daily Mail of 8th November 2016. ZIPAR urges Government to quickly come up with an automotive industry development plan and a transparent incentives structure as this will set a clear direction for all future investments and minimise uncertainty in the industry.

Government must ensure that strong institutional and legal framework are in place to support the new industry. Further Government must consider setting up local incubation centres for production and supply of parts to make the assembly less dependent on imports which is a critical requirement for the sustainability of the industry.

The proportion of motor vehicles without roadworthiness certification has increased from 14% in 2006 to 32% in 2013

The expected motor vehicle assembly plant re-affirms ZIPAR's policy recommendations from a study on **"Used Motor Vehicle imports and the Impact on Transportation in Zambia"** in which the think tank pointed out the need for local manufacture of motor vehicles to complement all other measures proposed. Money is coward. It only flows in paths where risks are visibly lower than potential rewards. The ZIPAR study asserts that the benefits of local manufacture of motor vehicles are greater than the perceived risks. Demand for motor vehicles in Zambia has on average grown at 15% per year between 2006 and 2015 in response to some fundamental changes in the economy. The growth in demand was however, dominated by imported second-hand motor vehicles. Zambia still has no motor vehicle manufacture, making its economy totally dependent on the import market for its motor vehicles supply.

In the stated study, ZIPAR highlighted challenges emanating from the dependency on the used motor vehicles market such as the aging fleet, the increasing age at which used vehicles are being imported and truncated reliability. The proportion of motor vehicles without roadworthiness certification has increased from 14% in 2006 to 32% in 2013. This owes mainly to the tax considerations that make newer cars more expensive and favour purchase of older vehicles.

The above stated challenges have undesirable final impact on the maintenance expenditure of the consumers of the vehicles as well as on road safety. ZIPAR research findings however, show that motor vehicles purchased as new from manufacture last more than three (3) times longer than those from the second-hand market. With appropriate financing arrangements and a stable macroeconomic environment, many Zambians could in the medium to long term afford new vehicles.

Zali Chikuba, Research Fellow, Transport and Infrastructure Development states that as Zambia positions itself as a regional commercial hub, investing in auto assembly may not only benefit the domestic market but the entire SADC and COMESA regions. Gonow is expected to enjoy the first mover advantage in the local market and will only have the regional market to contend with as a less known manufacturer.

Gonow's proposed production of about 7,000 vehicles per year amounts to nearly 12% of the overall annual domestic demand for Zambia. The proposed scale of production may thus fail to sufficiently impact both the local and regional market and may limit the extent to which it can capitalize on the first mover advantage. There is therefore scope for more players to come and invest in the Zambian automotive as consortia or individual manufacturers. Further, Gonow and investors that may come onboard may have a chance of benefitting from infant industry protection measures that Government could offer. He added that:

"Well thought out motor vehicle assembly activities will not only accord Zambians easier access to new motor vehicles but will also create many jobs and contribute to economic growth. Local vehicle manufacture, at the right scale and cost structure, has potential to reduce the prices of motor vehicles in Zambia, increase tax revenue due to improved demand for high value motor vehicles and at the same time provide motor vehicles suitable to local conditions".

ZIPAR and FSDZ hosts masterclass for business Journalists

Business Reporters attending the Master Class training posing for a group photo with course facilitators in front of the FSDZ offices in Kabulonga.

ZIPAR and the Financial Sector Deepening Zambia (FSDZ) jointly hosted a masterclass for 25 business Journalists in Lusaka from 26-30 September 2016 to train them on analytical business news reporting that can stimulate healthy economic policy debates which can influence policy decisions in the country.

ZIPAR and FSDZ also wanted to promote economic literacy because research had proven that the media was the most efficient and effective avenue through which the masses could learn economics and finance

During the official opening of the master class, ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso reiterated that since the media sets the agenda on debates that influence attitudes, perceptions and decision making there was need for Journalists to take interest in economic policy developments in the country and facilitate policy dialogue among key stakeholders that can enhance economic governance in the country.

Dr. Kabaso noted that when it came to economic reporting, whether it is the national budget, digital financial services or policy developments Journalists in Zambia often found themselves selves reporting on technical subjects without an in-depth understanding of the topic. As a result, news reports many times lacked depth, understanding and context that can facilitate effective policy debates among stakeholders.

She however commended the efforts Journalists have made to give massive coverage to business news. She added that the training was conducted at an opportune time when much discourse surrounded the current economic challenges the country was experiencing. She said questions on how the country would pull out of the current economic down turn continued to linger on the minds of many Zambians who anxiously wait for information that was not only factual but easy to understand.

Therefore, ZIPAR and FSDZ also wanted to promote economic literacy because research had proven that the media was the most efficient and effective avenue through which the masses could learn economics and finance. She pointed out that due to lack of economic know-how many Zambians had missed opportunities offered by the new economy to invest in viable businesses that could help reduce poverty and inequality.

The Journalists who participated in the training were drawn from 19 media houses which included public and private newspapers, television and radio stations.

Lack of access to clean energy and secondary school education are part of the biggest contributors to poverty in Zambia

A new report highlights the importance of "Multidimensional poverty as a basis for formulating poverty reduction policies.

Permanent Secretary M&E, Ministry of National Planning Dr. Auxilia Ponga unveiling the ZIPAR Multidimensional measurement of poverty report. On her immediate right is ZIPAR Research Fellow Mr. Shebo Nalishebo, Mr. Patrick Nshindano, Executive Director CSPR and Natasha Okpara (then ZIPAR intern)

The report indicates that in Zambia, poverty is traditionally measured and understood from the perspective of money or income. People living in poverty are those who fall below a pre-defined income or expenditure threshold commonly referred to as a poverty line. The current poverty line stands at US$1.90 a day internationally.

However, the Researchers argue that in reality, poverty is about more than just money, incomes or expenditures. The poor do not only lack money, but other important basic needs and services whose absence may impact negatively on their well-being.

Often overlooked, but just as important is the ability to satisfy hunger or access sufficient nutrition. Other important aspects poor people lack are access to treatment for curable diseases, adequate clothing, shelter, clean water or sanitary facilities such as clean toilets.

To address the scale of the poverty challenge in Zambia, the ZIPAR report proposes an additional approach to measuring poverty which provides another picture of the poverty situation in Zambia. This approach is multidimensional in nature, which means it considers additional poverty indicators alongside the traditional income approach.

The report highlights some of the important aspects of human needs and the extent to which the population are lacking in them. These basic human needs include health, education and living conditions. In this regard, the poor are those who have no access to basic human needs such as health services, education, shelter, clothing, clean water and toilets.

Felix Mwenge, Research Fellow at ZIPAR said,

"Multidimensional poverty is currently being used in a number of countries around the world as a basis for formulating poverty reduction policies. The approach can become a useful tool in understanding other aspects of poverty in Zambia like never before. If data continues to be available this report would become a periodic report to be published as often as possible and its findings could fit into planning by the Government."

ZIPAR hosts international experts at conference to help address 'jobs challenge'

Earlier October 2016, in his post-election speech to Parliament, His Excellency President Edgar Lungu committed the government to "target to create one million jobs" in the next five years. To contribute to debates about how to achieve this goal, leading international experts gathered in Lusaka from 27-28 October 2016 to discuss how best to address the challenge of creating more and better jobs in Southern Africa.

The conference, called "Labour Markets in Southern Africa: Evidence and Policy Lessons", included international labour researchers, academics, senior World Bank officials as well as local Zambian experts. The conference was co-hosted by the German based, Institute for the Study of Labour (IZA), ZIPAR and the Institute for Social Research, University of Michigan, USA. The focus was on understanding the scale and nature of the jobs challenge and learning lessons from around Africa.

In one presentation to the event the **scale of the jobs challenge** was addressed by ZIPAR Researcher, Felix Mwenge. He presented the results from a recently conducted large survey of businesses and a nationally representative survey of the Zambian public. These surveys were part of ZIPAR's flagship *More and Better Jobs* project and they highlighted the scale of Zambia's jobs challenge.

A key finding presented was that 9.3% of Zambians said they lost a job and were unable to find a new one, while 2.8% reported going from having no job to acquiring one in the year before April 2016. Around a quarter of businesses surveyed reported instigating a recruitment freeze and one in five reported laying off staff. The hardest hit were the young. The survey revealed a clear generational effect. Of those who reported having lost a job and not finding another in the 12 months before April, 13.4% were under 25, compared to 6.4% aged 41-55.

More positively, there was evidence that the worst may be over. Some businesses appeared to have made difficult decisions about their workforce in 2015, and were better placed to withstand economic challenges. About 39% thought the economic situation would get better over next 12 months compared with 24% who thought it would worsen. In other conference presentations, international experts highlighted lessons and evidence from around Africa.

For example, **Jamele Rigolini,** a Lead Economist from the World Bank, discussed the potential 'demographic dividend' that Southern African countries could reap from a young and growing population. This dividend would, however, only be realized if good policies were pursued. This includes policy action to increase the number of jobs, but also the quality of those jobs – by increasing productivity.

Kathleen Beegle the World Bank Programme Leader for Ghana, Liberia and Sierra Leone of the World Bank, put the jobs challenge into a wider context. In the conference's keynote address she focused on wider trends in poverty and inequality across Africa. Poverty rates across the continent were possibly lower than some estimates suggested, but it remained the case that more people were poor today than in 1990. She argued there had been no systematic increase in inequality across the continent. However, the number of very wealthy Africans, including billionaires, was rising. In addition, inequality was higher in Southern Africa, including in Zambia.

Zambia must create 1.2 million new jobs in urban areas by 2025

A ZIPAR report highlights the importance of cities in tackling the jobs challenge


Mr. Gregory Randolph Deputy Director Just Jobs Network speaking during the Flagship Advisory Group pre-launch meeting for the Urbanisation report at Pamodzi Hotel Lusaka

Zambia's city populations are expanding at an average rate of nearly 4 percent per year and it is projected that Zambia must create 1.2 million new urban jobs by 2025 and 2.8 million by 2035.

A report published by ZIPAR, the International Growth Centre (IGC) and Just Jobs Network (JJN) this year states that the number of Zambian workers employed in agriculture fell steeply from 71.4 percent to 48.9 percent. Zambia is witnessing a shift as the workforce moves out of agriculture into services and industry between 2008 and 2014

The report which forms part of ZIPAR's on-going Flagship Project on "More and Better Jobs" shows that despite the country's high levels of economic growth, its labor markets are not creating enough jobs that can propel inclusive growth. This is having a big effect on cities for example between 2012 and 2014 purchasing power in Zambia's heavily urbanised provinces-Lusaka and Copperbelt declined. In Lusaka, urban workers earned nearly 17 percent less in 2014 than 2012.

In both Lusaka and the Copperbelt, the number of workers who work without pay in a family business or on a farm was growing faster than the number of paid workers. Most growth recorded in urban employment was in low productivity informal services. This is an early warning that productivity may not be rising fast enough to sustain continued job growth in the long run.

While the situation is likely to worsen with the current economic slowdown, there are some positive trends which could offset the declining rate of urban employment. For example, the construction sector employed 128 percent more workers in 2014 than in 2008. The hospitality sector also expanded formal employment by 63 percent in the same period. But these bright spots cannot outshine the warning signs of a severe lack of productive jobs in urban areas, outside the small, and shrinking, formal sector, which employs just over a quarter of urban Zambians.

The researchers propose policy changes which include **Strengthening efforts to recognize and upgrade informal settlements.** At present businesses operating in informal settlements with over 70 percent of Zambia's urban residents face difficulties which include poor connectivity to markets, limited space, poor infrastructure and technology. Government should address these challenges by recognizing and upgrading informal settlements.

The other policy recommendation is that Government should extend cluster-based industrial policy to urban areas and upgrade urban markets. The cluster approach to industrialization, which the Zambian government is currently pursuing in rural areas, is well suited to an urban economy. While the cluster approach can also succeed in rural areas there is significant scope to promote manufacturing activities in urban areas in order to create more jobs.

The researchers also recommend the need to **improve intra- and intercity connectivity and leverage new infrastructure investment to stimulate growth-intensive sectors.** Connectivity-both within the city and between centres of production is one of the keys to leveraging mass effects of urban economies to create more and better jobs. Effective public transportation networks can help MSMEs to move their goods to markets. Moreover, new investments in national road and rail infrastructure can be harnessed to support the growth of labor-intensive sectors and MSMEs.

Lastly, there is need to **Revitalize and diversify the Copperbelt to create a more dynamic, job-creating urban region.** The Copperbelt is one of the most important urban regions of Zambia, but today its economic fortunes are endangered, largely because of its overdependence on copper mining. Policy makers can reverse the province's down turn by building on its existing assets and engaging the right mix of interventions to create a vibrant urban labor market through diversifying its economic output.

Mr. Dennis Chiwele, IGC Country Manager said:

"In the recent past Urbanisation was viewed as detrimental to economic development in Zambia. But our report alludes to the fact that urban economies can be the very engine of growth. Government has to rethink how we can make urban centres vibrant by providing necessary infrastructure and services."

Gibson Masumbu, Research Fellow at ZIPAR said:

"With the process of structural transformation accelerating, Zambia's cities are assuming greater importance in ensuring its people have access to productive employment. Our report comes at a better time when the country is engaged in developing the Seventh National Development Plan. Policy makers should rethink how to model the growth trajectory of our cities. They should put in place interventions that will ensure city growth is accompanied by the creation of productive jobs with appropriate wages, and basic social protections."

Self-employed micro businesses and job creation: A missed Opportunity

By Felix Mwenge and Tamara Billima

In the face of the economic slowdown, Zambia's 'jobs challenge' is becoming more pressing. One big, but too often neglected, part of the response must be a focus on the smallest enterprises.

ZIPAR Research Fellow Mr. Gibson Masumbu (right) and Zambia Development Agency (ZDA) staff following a presentation by ZIPAR Research Fellow Mr. Felix Mwenge (not in picture) on the Self Employment report at ZDA offices.

This is because in Zambia's economy the smallest enterprises – household businesses or what economists call "micro enterprises" with very few employees – are widespread. In 2014 self-employed micro businesses accounted for 41% of total employed persons respectively. They must be a vital part of any jobs plan.

Yet, as part of its 'Flagship Project' on employment, recent ZIPAR research finds policies are not helping these enterprises. Instead, the policies tend to apply more to the needs of bigger businesses – those with more than ten employees.

Policy makers are working with an inaccurate understanding of the Zambian labour market.

The multiple licenses by different agencies of government do not only hinder self-employed micro businesses, but also reflect a lack of policy coordination which should be addressed

The official definition of micro-enterprises includes those with up to 10 employees and annual turnover of up to ZMW 150,000. Yet the majority employ fewer than four people while their turnover rarely exceeds ZMW 7,200 per year.

The missed opportunity could be large. Micro businesses are considered capable of creating employment of up to 10 persons, yet 86% of them had fewer than four employees in 2012.

More tailored policies for micro businesses, supporting them to create more jobs, are required. Many existing policies, based on the official definition, miss the point.
One classic example is that the current "Micro Small and Medium Enterprise" strategy aims to simplify the listing requirements on the Lusaka Stock Exchange for MSME's. Good as this may sound, the size and income levels of real-life micro-enterprises would not fit into this prescription. Access to finance, though a common problem even among SMEs, is an even bigger problem for micro businesses. They may not utilise funds through alternative sources such as the Citizens Economic Empowerment Commission (CEEC) because of their limited scale.

For example, the CEEC recently were exploring a 'franchise initiative' in the tourism sector as a way of broadening access to capital. But successful franchises need more than huge capital; they also need basic business know-how, which many micro enterprises lack.

A second example involves business licencing. Self-employed micro businesses are also not exempted from obtaining the multiple licenses required to run any Zambian business. Usually, business licensing is too fragmented and administered by multiple institutions and regulatory agencies of government. Operating a restaurant for example may require separate licenses from the Council, Ministry of Health, Zambia Environmental Management Agency, Fire Department and many others. Obtaining these may be too tedious for a micro business, especially one just setting up.

The multiple licenses by different agencies of government do not only hinder self-employed micro businesses, but also reflect a lack of policy coordination which should be addressed. Business reform efforts by the Private Sector Development Reform Programme to streamline many of the business licenses to a single business levy do not seem to have solved this problem entirely. As long as these remain, there is little hope for micro businesses.

Finally, we recommend, as a starting point, that future policies recognize and define self-employed micro business as a separate, unique and disadvantaged group of businesses. This will help underpin the development of tailor made policies.

If Zambia is to generate sufficient employment opportunities for all its population, the potential of micro-enterprises cannot be ignored.

ZIPAR AT THE GLOBAL AND AFRICA THINK TANK SUMMITS AND CONFERENCES

UNU-WIDER and the National Treasury of the Republic of South Africa Conference

ZIPAR Research Fellow Mr. Francis Ziba presenting a poster on the Super Markets study during the UNU-WIDER and the National Treasury of the Republic of South Africa Conference

ZIPAR joined the United Nations University World Institute for Development Economics Research (UNU-WIDER) and the National Treasury of the Republic of South Africa conference titled '**Growth and development policy – new data, new approaches, and new evidence'**, held in Pretoria, South Africa on 30 November – 1 December 2016. The conference brought together researchers, technical experts and policy makers to interrogate and debate implications of research findings from collaborative research programmes conducted by more than 100 researchers in the past three years aimed at spurring economic growth and improving development prospects in the Southern Africa Region.

ZIPAR presented a poster based on a study on the expansion of regional supermarket chains and implications for local suppliers. The study was a tripartite collaboration among ZIPAR, Centre for Competition Regulation and Economic Development (CCRED) based at University of Johannesburg and UNUWIDER. The study looks into the value chains for processed foods in line with the supply chains of Zambia's growing supermarket chains.

Global Think Tank Summit III

ZIPAR participated in the Global Think Tank Summit III held from 28-30 September 2016 in Montreal Canada. The theme of the Global Summit was **Responding to Globalization and Its Discontents: The Role of Think Tanks**. This Summit was hosted and organized by the Think Tanks and Civil Societies Program (TTCSP) at the Lauder Institute of the University of Pennsylvania and the Centre for International Governance Innovation (CIGI). The Summit featured keynote speakers and panels of thought leaders who presented a range of strategies and best practices for transforming public policy and institutions in a period of disruptive politics and increased social and economic turbulence. The ZIPAR Executive Director, Dr. Pamela Nakamba-Kabaso served as one of the two speakers who launched the round table discussion of a session entitled: *"Using Technology and Strategic Communications to Effectively Engage Policy Makers and the Public"*

SouthMOD Project Workshop

L-R: ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso, Research Fellow Mr. Shebo Nalishebo and UNU-WIDER's Mr. Antti Pelanteri posing for a photo during the SouthMOD project workshop in Finland

The World Institute for Development Economics Research of the United Nations University (UNU-WIDER) in collaboration with the Southern African Social Policy Research Insights (SASPRI) of South Africa and the University of Essex, UK conducted the SOUTHMOD project workshop in Helsinki, Finland during 10-11 October 2016. Participants and facilitators were drawn from Belgium, Ecuador, Ethiopia, Finland, Ghana, Mozambique, South Africa, Tanzania, Vietnam and Zambia. ZIPAR was represented by Dr. Pamela Nakamba-Kabaso, Executive Director, and Shebo Nalishebo, Research Fellow – Public Finance. The SOUTHMOD project workshop directly feeds into the study **"Microsimulation Analysis of Tax and Benefit System in Zambia"** which is being carried out by ZIPAR.

Third Africa Think Tank Summit Marrakesh

ZIPAR Knowledge Manager Ms. Euphrasia Mapulanga-Ilunga moderating a panel discussion on SDGs during the Think Tank Summit in Marrakesh

ZIPAR participated in the 3rd Africa Think Tank Summits under the theme "Creating a Sustainable Future for Africa think tanks in support of SDGs and Agenda 2063 in Marrakech, Morocco from 2 to 4 May 2016. The summit was jointly organized by the OCP Policy Center, the Economic Commission for Africa, and the Think Tanks and Civil Societies Program of the University of Pennsylvania (TTCSP). Euphrasia Mapulanga-Ilunga, Knowledge Manager represented ZIPAR at the summit attended by 120 participants from 85 think tanks from 45 countries. Discussions covered the preservation and development of African think tanks, including key aspects such as governance and capacity building, independence and financial sustainability, strategic communication, partnerships and cross-fertilization with other think tanks, governments and NGOs.

Participants also discussed how think tanks can help African policy-makers, influencers and populations face a number of common challenges such as fighting climate change, achieving the Sustainable Development Goals or ensuring countries benefit from free trade agreements, especially the CFTA (Africa's Continental Free Trade Agreement). Think tanks can do so by helping countries improve their data collection capacity, methodologies and indicators,

Third Pan African Capacity Development Forum Harare

The African Capacity Building Foundation (ACBF) commemorated its 25th Anniversary and held the 3rd Pan-African Capacity Development Forum (CDF3) during 3-5 May 2016 at the Harare International Conference Center (HICC) in Harare, Zimbabwe. The theme of the CDF3 was **"Developing Capacity for Africa's Economic and Social Transformation"**

ZIPAR Research Fellow Mr. Felix Mwenge attending to a visitor to the booth during the Third Pan African Forum in Harare, Zimbabwe

The Forum provided an excellent opportunity for ACBF to partner with institutions working for Africa's sustainable capacity development and provide an opportunity to showcase achievements made over the last twenty-five years in Africa's public and private sector and civil society which are contributing to the continent's effective transformation. The Forum also provided a unique opportunity to policy makers and development practitioners, to reflect on the priority capacity development avenues that will lead to effective economic and social transformation in Africa.

Exhibition: On the sidelines of the CDF3, ZIPAR was invited to exhibit its products and services. Other think tanks and policy institutes affiliated to and associated to the ACBF also took part in the exhibition. Felix Mwenge, Research Fellow conducted the exhibition for ZIPAR.

Fifth African-China Think Tank Summit China

ZIPAR joined the seminar for think tanks in Anglophone African countries at Zhejiang Normal University in China from 8 to 28 April 2016. Caesar Cheelo, Senior Research Fellow represented ZIPAR. The purpose of the seminar was to expose the participants to the key social, cultural, economic, political, demographic peace and security, international relations and other developmental issues in China through structured learning in lectures. Participants also participated in the China Africa Think-Tank Forum (CATTF) as a means to improving their understanding of nature and evolution of China-Africa cooperation. The participants were accorded the China Africa Think-Tank Forum. Some of the key lessons picked from the seminar were that Zambia and other countries should consider learning from Ethiopia about China-Africa cooperation, perhaps through research missions. More deliberate efforts in language based cultural exchanges will help to increase the efficacy and effectiveness of the envisaged China-Africa cooperation.

ZIPAR Senior Research Fellow Mr. Caesar Cheelo (in brown coat) having a light moment with other delegates on the Lake West during the Fifth African-China Think Tank Summit China

Third Africa Think Tank Summit Victoria Falls

The *Third Africa Think-Tank Summit*, hosted by the Africa Capacity Building Foundation (ACBF), was themed: "Creating a Sustainable Future for African Think Tanks in Support of SDGs and Agenda 2063". ZIPAR Senior Research Fellow, Caesar Cheelo participated in the summit. Some of the key lessons picked from the summit were that democracy had changed politics and therefore planning and strategic thinking in Africa shifted from being long-term developmental to short-term survivalist mentality in line with 4-5 year political cycles. Think tanks have a role to play in helping national Governments to recover long-term thinking and planning over, 10 year time horizons minimum.

Reconciling Africa's own developmental agenda (Agendas 2030 and 2063) with international agendas (e.g., Sustainability Development Goals, SGD) and bilateral agendas (e.g., Forum on China-Africa Cooperation, FOCAC) is an urgent imperative for African and think tanks should include this consideration on their work programmes. Research and policy advice on how to integrate the international, continent and bilateral development notions into national development plans (with minimal contradictions) will be demanding on national Government; they will need considerable technical support.

Shanghai Institutes for International Studies (SIIS) Exchange Scholar Programme

The ZIPAR Executive Director, Dr. Pamela Nakamba-Kabaso undertook an inaugural exchange scholar visit to the Shanghai Institutes for International Studies (SIIS) from 24 April to 1 May 2016. ZIPAR and SIIS signed an MoU for cooperation in October 2015 which will see the two institutions offer expert analysis and policy recommendations to the Government of the Republics of Zambia and China on social and economic development.

ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso presenting on China-Africa relations during the Scholar exchange programme at the Shanghai Institutes for International Studies in China

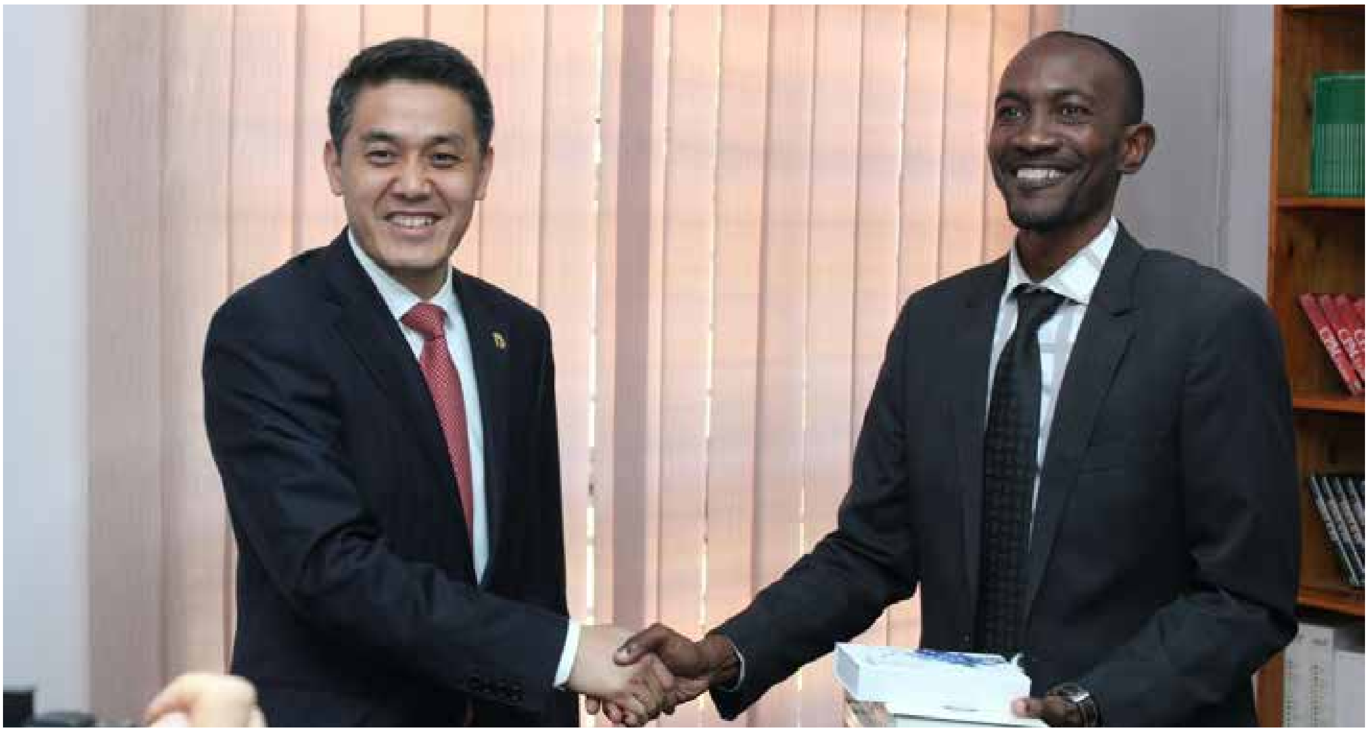
PHOTO FOCUS

ZIPAR Executive Director Dr. Pamela Nakamba-Kabaso flanked by Research Fellows making a submission on the 2017 National Budget analysis to the Parliamentary Committee on Estimates on 21 November 2016.

MPs of the Estimates Committee responding to Dr. Kabaso's submission on the 2017 National Budget analysis

Mr. Will Paxton of Kivu international flanked by Mr. Guy Lodge making a presentation on Advocacy and writing for policy influence during the mentoring workshop for ZIPAR Researchers and Knowledge Management unit on 6 December 2016 in the ZIPAR conference room.

ZIPAR Research Fellow Mr. Joseph Simumba making a comment on the 7NDP process during a consultative meeting with ZIPAR Researchers called by the Ministry of National Planning. Taking notes is Dr. Auxilia Ponga Permanent Secretary M&E and on her left is The Director Planning Mr. Chola Chabala



ZIPAR Senior Research Fellow Mr. Caesar Cheelo Shaking hands with the Director General at the Policy Planning Department, Ministry of Foreign Affairs, China after receiving a memento during a visit to ZIPAR to discuss China-Africa Relations particularly Zambia in May 2016

Part of the ZIPAR Management Team posing for a group photo with the Chinese delegation from the Policy Planning Department, Ministry of Foreign Affairs during a visit to ZIPAR to discuss China-Africa Relations particularly Zambia in May 2016

ZIPAR Research Fellow Mr. Zali Chikuba attending a visitor to the booth during the 90th Agricultural and Commercial Show in Lusaka in August 2016. Looking on is Mr. Thulani Banda ZIPAR Associate Researcher

ZACCI President Mr. Geoffrey Sakulanda unveiling the survey report on the impact of the economic slowdown on the labour market in Zambia titled "In the Eye of a storm" during the launch at the Radisson Blu Hotel on 21st June 2016

Zambia Institute for Policy Analysis and Research (ZIPAR)
P.O. Box 50782, Lusaka, Zambia
CSO Annex Building
Corner of John Mbita and Nationalist Road, Lusaka
Phone: +260 211 252559
Fax: +260 211 252566
Email: info@zipar.org.zm
Website: www.zipar.org.zm
www.facebook.com/OfficialZIPAR
Twitter: @ZiparInfo

"Working towards the formulation of sound economic policies".