

**SPEECH BY HON. ALEXANDER CHIKWANDA, MINISTER OF FINANCE, AT THE IMF / ILO / GRZ CONFERENCE ON EMPLOYMENT, DECENT WORK AND DEVELOPMENT IN ZAMBIA, 20-21 MAY, 2012**

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**YOUR HONOUR THE VICE-PRESIDENT, DR GUY SCOTT, MP**

**YOUR EXCELLENCIES THE AMBASSADORS AND HIGH COMMISSIONERS ACCREDITED TO ZAMBIA,**

**HON. CABINET MINISTERS AND DEPUTY MINISTERS PRESENT,  
DISTINGUISHED GUESTS,**

**LADIES AND GENTLEMEN.**

FROM THE OUTSET LET ME RECORD MY PROFOUND GRATITUDE TO MY COLLEAGUE THE MINISTER OF INFORMATION, BROADCASTING AND LABOUR AND OUR COOPERATING PARTNERS, THE INTERNATIONAL MONETARY FUND AND THE INTERNATIONAL LABOUR ORGANIZATION FOR THE INITIATIVE TO ARRANGE A BROADLY REPRESENTATIVE CONFERENCE ON EMPLOYMENT, DECENT WORK AND DEVELOPMENT. OUT OF A LABOUR FORCE OF 6 MILLION, THE PEOPLE EMPLOYED IN THE FORMAL SECTOR IN ZAMBIA ARE FEWER THAN 700,000. THERE IS WORRYING DISCONNECT IN THE SENSE THAT WHILE THE POPULATION HAS INCREASED BY 330 PERCENT SINCE 1964, FORMAL SECTOR EMPLOYMENT HAS ONLY INCREASED BY 75 PERCENT.

THINGS ARE IMMENSELY COMPOUNDED BY A POPULATION DISTRIBUTION WHICH ENTAILS PEOPLE WHO ARE 30 YEARS AND BELOW REPRESENT 70 PERCENT OF OUR POPULATION. THIS CONCENTRATION OF THE POPULATION IN THE SENSITIVE AGE BRACKETS CONSTITUTES A TIME BOMB AND ONLY MASSIVE EMPLOYMENT CREATION AND OPPORTUNITIES CAN FORESTALL SOCIAL INSTABILITY AND SAFEGUARD THE INTERESTS OF POSTERITY. WE NEED A DETERMINED AND BOLD ASSAULT ON UNEMPLOYMENT AS A MORAL EQUIVALENT OF WAR.

IT IS MY ARDENT HOPE AND PRAYER THAT OUR DELIBERATIONS TODAY, WHICH BRING TOGETHER ALL OF THE KEY STAKEHOLDERS, WILL GIVE RISE TO A GREATER UNDERSTANDING OF THE CHALLENGES THAT WE FACE, THE POLICY OPTIONS AVAILABLE TO ADDRESS THESE CHALLENGES, AND THE CONCRETE STEPS THAT CAN BE TAKEN TO REDUCE UNEMPLOYMENT AND POVERTY THROUGH GREATER COOPERATION AND COORDINATION OF EFFORT.

I WAS REQUESTED TO ADDRESS YOU THIS MORNING ON THE TOPIC OF **“ZAMBIA IN THE POST CRISIS ERA: OPPORTUNITIES, CHALLENGES AND LESSONS LEARNT.”** HOWEVER, I HAVE ELECTED TO FOCUS MY REMARKS ON **THE IMPORTANT LINK BETWEEN MACROECONOMIC POLICY, RESOURCE ALLOCATION AND EMPLOYMENT CREATION.** IN SO DOING, I HOPE TO PROVIDE A MORE USEFUL REFERENCE POINT FOR THE DELIBERATIONS AT THIS CONFERENCE. IN THE SPIRIT OF ALLOWING FOR MORE TIME FOR THE EXCHANGE OF IDEAS AND SPIRITED DEBATE, I WILL KEEP MY REMARKS BRIEF.

## **DISTINGUISHED PARTICIPANTS,**

LET ME MAKE A BRIEF SUMMARY OF DEVELOPMENTS IN THE WORLD ECONOMY. GLOBAL ECONOMIC GROWTH REMAINS TENTATIVE, WITH SIGNIFICANT VARIATIONS ACROSS REGIONS. THE LATEST IMF PROJECTIONS ARE THAT GLOBAL GROWTH WILL SLOW TO 3.5 PERCENT IN 2012 FROM 3.9 PERCENT IN 2011 BEFORE REBOUNDED BACK TO 4.1 PERCENT IN 2013. HOWEVER, GROWTH IN THE ADVANCED ECONOMIES WILL REMAIN ANAEMIC AT 1.4 PERCENT IN 2012, LARGELY BECAUSE OF THE FINANCIAL AND FISCAL CRISIS IN EUROPE. IN THE EMERGING ECONOMIES, PARTICULARLY THOSE IN ASIA, GROWTH WILL REMAIN RELATIVELY STRONG AT 5.7 PERCENT IN 2012 AND 6 PERCENT IN 2013.

CHINA IS EXPECTED TO POST GROWTH RATES OF 8.2 PERCENT AND 8.8 PERCENT RESPECTIVELY OVER THIS SAME PERIOD. CHINA'S HIGH GROWTH RATE CONTINUES TO GIVE HOPE AND IMPETUS TO COMMODITY DEPENDENT COUNTRIES ON THE AFRICAN CONTINENT AND OTHER EMERGING COUNTRIES. IN SUB-SAHARAN AFRICA GROWTH IS PROJECTED TO BE ROBUST AT 5.4 PERCENT IN 2012 AND 5.3 PERCENT IN 2013. FOR ZAMBIA, GROWTH IS PROJECTED AT 7.7 PERCENT IN 2012 AND 8.3 PERCENT IN 2013, WELL ABOVE THE AVERAGE FOR SUB-SAHARAN AFRICA.

HOWEVER, THREE YEARS AFTER THE FINANCIAL CRISIS SIGNIFICANT RISKS TO GLOBAL GROWTH REMAIN, THE MOST IMPORTANT OF WHICH CENTRE AROUND THE PROSPECTS FOR EUROPE. A SECOND FINANCIAL CRISIS IN EUROPE, SHOULD IT OCCUR, IS LIKELY TO PUSH EUROPE INTO A DEEP RECESSION, SLOW GLOBAL TRADE, INVESTMENT FLOWS AND ULTIMATELY GROWTH.

THIS HAS SIGNIFICANCE FOR ZAMBIA AS A SMALL OPEN ECONOMY DEPENDENT ON COMMODITY EXPORTS. GLOBAL ECONOMIC DEVELOPMENTS IMPACT OUR ECONOMY THROUGH TRADE AND INVESTMENT FLOWS. STRONG GLOBAL DEMAND HAS DRIVEN COMMODITY PRICES HIGHER. CONSEQUENTLY, HIGHER COMMODITY PRICES AND A CONDUCTIVE POLICY ENVIRONMENT HAVE, IN TURN, PROVIDED THE INCENTIVE FOR INCREASED PRIVATE SECTOR INVESTMENT FLOWS, EXPORT GROWTH, AND ULTIMATELY RELATIVELY STRONG RATES OF ECONOMIC GROWTH.

IT IS ALSO IMPORTANT TO RECOGNIZE THAT, THE DIVERSIFICATION OF THE ECONOMY, THROUGH THE EXPLOITATION OF OUR AGRICULTURE AND MANUFACTURING SECTORS WILL DEPEND ON OUR ABILITY TO PENETRATE AND EXPLOIT REGIONAL AND INTERNATIONAL MARKETS.

ZAMBIA CAN THEREFORE PARTIALLY INSULATE ITSELF FROM THE GLOBAL RISKS I HAVE DESCRIBED BY STRENGTHENING ITS TRADE AND INVESTMENT TIES WITH REGIONAL AND EMERGING MARKETS WHICH ARE BETTER PLACED TO WEATHER GLOBAL SHOCKS.

**LADIES AND GENTLEMEN,**

ZAMBIA HAS POSTED AN AVERAGE GROWTH RATE OF 6.5% OVER THE LAST FIVE YEARS, BUT THIS GROWTH HAS LARGELY BEEN JOBLESS, WITH FEW FORMAL SECTOR JOBS CREATED. THE MAJORITY OF BUSINESSES IN ZAMBIA REMAIN SMALL AND INFORMAL, WITH LIMITED ACCESS TO POWER, INFORMATION AND COMMUNICATION TECHNOLOGY, FINANCE, AND MARKETS. THE LIMITED PROGRESS ON JOB CREATION IS REFLECTED IN HIGH POVERTY RATES, PARTICULARLY IN THE RURAL AREAS, WHERE POVERTY RATES ARE ESTIMATED AT AROUND 80%.

INADEQUATE OPPORTUNITIES FOR GAINFUL EMPLOYMENT ARE ALSO UNDERCUTTING ZAMBIA'S PROGRESS IN MEETING ITS MILLENNIUM DEVELOPMENT GOALS OR MDGS. MEETING THE MDG TARGETS RELATING TO POVERTY (MDG1), CHILD MORTALITY (MDG 4), AND MATERNAL MORTALITY (MDG 5), FOR EXAMPLE, REMAINS A SIGNIFICANT CHALLENGE IN THE ABSENCE OF SIGNIFICANT ADDITIONAL GOVERNMENT INTERVENTION. TO BE SUSTAINABLE THESE INTERVENTIONS CANNOT SIMPLY REVOLVE AROUND SOCIAL TRANSFERS, THEY MUST EMPOWER INDIVIDUALS, PARTICULARLY WOMEN, TO ENGAGE IN INCOME EARNING OPPORTUNITIES THAT ENABLE THEM TO MEET THEIR BASIC NEEDS NOW AND IN THE FUTURE. IN SHORT, WE MUST CREATE GOOD QUALITY JOBS.

**LADIES AND GENTLEMEN,**

IN ORDER TO ADDRESS THE CHALLENGES I HAVE JUST OUTLINED, THE GOVERNMENT IS COMMITTED TO SIGNIFICANTLY RAISING THE RATE OF ECONOMIC GROWTH TO AT LEAST 8 PERCENT OVER THE NEXT FIVE YEARS; AND TO ENSURING THAT THIS GROWTH CREATES AT LEAST 1 MILLION NEW FORMAL SECTOR JOBS.

THE MINISTRY OF FINANCE CAN SUPPORT THESE OBJECTIVES IN TWO KEY WAYS: FIRST, IT CAN SUPPORT POLICIES THAT PROMOTE THE GROWTH OF SECTORS IN WHICH ZAMBIA HAS A COMPARATIVE ADVANTAGE AND THAT HAVE THE GREATEST POTENTIAL TO CREATE GAINFUL EMPLOYMENT. THESE SECTORS INCLUDE AGRICULTURE, TOURISM, CONSTRUCTION, AND MANUFACTURING. IT IS PARTICULARLY IMPORTANT THAT THE ROLE OF THE PRIVATE SECTOR IN THESE AREAS IS ENHANCED THROUGH APPROPRIATE POLICY INTERVENTIONS.

THE SECOND WAY IN WHICH THE MINISTRY OF FINANCE CAN SUPPORT THE OBJECTIVE OF HIGHER ECONOMIC GROWTH AND JOB CREATION IS TO INCREASE INFRASTRUCTURE INVESTMENT IN ORDER TO ADDRESS THE CONSTRAINTS TO GROWTH. THESE INVESTMENTS WILL COVER THE HEALTH, EDUCATION, ENERGY, AND TRANSPORT AND COMMUNICATION SECTORS.

ULTIMATELY, GROWTH IS A FUNCTION OF LABOUR, CAPITAL AND TOTAL FACTOR PRODUCTIVITY. THE MINISTRY OF FINANCE THEREFORE HAS AN IMPORTANT ROLE TO PLAY IN BUILDING UP PHYSICAL CAPITAL THROUGH THE ALLOCATION OF RESOURCES TOWARDS INVESTMENT BOTH IN INFRASTRUCTURE AS WELL AS IN THE DEVELOPMENT OF HUMAN AND SOCIAL CAPITAL BY PRIORITIZING HEALTH AND EDUCATION EXPENDITURES.

IN ADDITION TO THESE TWO ROLES, THE MINISTRY OF FINANCE ALSO HAS A RESPONSIBILITY TO INCREASE THE PRODUCTIVITY OF CAPITAL AND LABOUR, THROUGH POLICY AND INSTITUTIONAL REFORMS THAT PROMOTE A MORE EFFICIENT AND ACCOUNTABLE PUBLIC SECTOR AS WELL AS A DYNAMIC AND ACCOUNTABLE PRIVATE SECTOR.

**LADIES AND GENTLEMEN,**

IT WOULD BE A DERELICTION OF MY DUTIES AS MINISTER OF FINANCE IF I DID NOT END MY COMMENTS WITH A CAUTIONARY TALE. THE PRIVATE SECTOR MUST REMAIN THE ENGINE OF ECONOMIC GROWTH WHILE THE PUBLIC SECTOR MUST SUPPORT ENTERPRISE DEVELOPMENT AND INNOVATION BY BRIDGING THE SIGNIFICANT INFRASTRUCTURE DEFICIT THAT ZAMBIA FACES AND STRENGTHENING GOVERNANCE AND ACCOUNTABILITY IN BOTH THE PUBLIC AND PRIVATE SECTOR.

FOR THIS TO OCCUR, WE MUST ENHANCE OUR ABILITY TO MOBILIZE BOTH DOMESTIC AND EXTERNAL SAVINGS SO THAT WE CAN MAKE THE NECESSARY LONG TERM INVESTMENTS THAT WILL INCREASE THE PRODUCTIVE CAPACITY OF OUR ECONOMY.

THIS, IN TURN, WILL PROVIDE FOR A HIGHER RATE OF LONG TERM GROWTH NEEDED TO SUPPORT A SIGNIFICANT POVERTY REDUCTION. BUT THIS WILL ONLY OCCUR IF ZAMBIA MAINTAINS AN OPEN ECONOMY AND IF WE ENTRENCH OUR CURRENT MACROECONOMIC STABILITY. IN THIS REGARD, WE MUST NEVER LOSE SIGHT OF THE NEED TO ENSURE THAT OUR FISCAL POSITION AND STEWARDSHIP OF THE PUBLIC PURSE CONTINUES TO PROVIDE A FIRM ANCHOR FOR MACROECONOMIC STABILITY.

I THANK YOU FOR YOUR KIND ATTENTION AND WISH YOU SUCCESS IN YOUR DELIBERATIONS.