

**SUITABILITY OF MULTI-FACILITY ECONOMIC ZONES IN ATTRACTING  
FOREIGN INVESTMENT: THE CASE OF THE LUSAKA SOUTH MULTI-FACILITY  
ECONOMIC ZONE**

**BY**

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**A Dissertation submitted to the University of Zambia in partial fulfilment of the  
requirements of the degree of Master of Public Administration (MPA).**

**THE UNIVERSITY OF ZAMBIA**

**LUSAKA**

**2023**

## DECLARATION

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## APPROVAL

This dissertation of NCHIMUNYA APRONIA HAMANKOLO is approved as fulfilling the partial requirement for the award of a Master of Public Administration Degree by the University of Zambia.

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## ABSTRACT

This dissertation investigated the suitability of Multi-Facility Economic Zones (MFEZs) in attracting foreign investment. The general objective of this research was to examine the suitability of the MFEZ in attracting foreign investment. To do so specific objectives were investigated which are examining the suitability of the legal framework in attracting foreign investment at Lusaka South Multi-Facility Economic Zone (LS-MFEZ); examining the suitability of the administrative structures in attracting foreign investment at LS-MFEZ and assessing the extent to which the LS-MFEZ has attracted foreign investment in manufacturing activities

This research was a case study of the LS-MFEZ. This research used primary and secondary sources of data. Purposive sampling was used to select 47 participants. Of these, seven were key informants and the remaining 40 were respondents who are officials from investing companies. Questionnaires and semi-structured interviews were used to collect quantitative and qualitative data. Statistical Package for Social Sciences (SPSS) software was used to analyse quantitative data while narrative analysis was used to analyse qualitative data.

The finding from this research show that not all the laws, rules and regulations are favourable for investment. The research showed that most foreign investors were not happy with some of the laws, rules and regulations. The research established that most of the administrative structures at LS-MFEZ are suitable for attracting foreign investment. Furthermore, five major challenges were identified by the investors namely; long periods of connectivity to water and electricity, long procedures, transportation, high tariffs and high tax rate. There are also two major challenges faced by management at LS-MFEZ in attracting foreign investment. These are the long procedures taken by ZEMA and PACRA to issue permits and licenses and understaffing.

The research therefore, concludes that LS-MFEZ is suitable in attracting foreign investment. This can be attributed to some of the suitable aspects of the legal framework and administrative structures that have contributed to an increase in manufacturing activities. The research recommends enhanced collaborations with the private sector.

*Key Words: Multi-Facility Economic Zone, Foreign investment, Administrative Structures, Legal framework and Manufacturing activities.*

## **ACKNOWLEDGEMENTS**

I am greatly indebted to my Supervisor Dr Clever Madimutsa for his invaluable guidance during the study. I wish to acknowledge the tremendous contributions that the Lusaka South Multi-Facility Economic Zone (LS-MFEZ) management, officials from the Ministry of National Planning and Development, Ministry of Commerce, Trade and Industry, and Zambia Development Agency as well as LS-MFEZ investors rendered in order for my academic dream become a reality.

My gratitude also goes the Head of Department Mr Bbaala, the Postgraduate Coordinator Dr Malisase and all the members staff from the Department of Government and Management at the University of Zambia for their support.

I would also like to thank my family and friends for their encouragement and tireless support during my studies and in developing and completing this dissertation. I am grateful to my colleagues for their enthusiasm for my studies.

Above all, I thank the Almighty God for bringing me this far.

## **DEDICATION**

This dissertation is wholeheartedly dedicated to my beloved parents Hasys H Hamankolo Senior (late) and Mary Kandabilo Hamankolo, my brothers and sisters who have been my source of inspiration and gave me strength throughout the study when I thought of giving up, they continually provided their moral, spiritual, emotional and financial support.

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## ABBREVIATIONS

EPZs:	Export Processing Zones
FDI:	Foreign Direct Investment
GDP	Gross Domestic Product
GRZ:	Government of the Republic of Zambia
LS-MFEZs:	Lusaka Multi-Facility Economic Zones
MFEZs:	Multi-Facility Economic Zones
MCTI	Ministry of Commerce, Trade and Industry
MoF	Ministry of Finance and National Planning
PACRA:	Patents and Company Registration Agency
SEZs:	Special Economic Zone
SPSS:	Statistical Package for Social Sciences
USSEZs:	United States Special Economic Zones
VAT	Value Added Tax
ZDA:	Zambia Development Agency
ZEMA:	Zambia Environmental Management Authority

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# CHAPTER 1

## INTRODUCTION AND BACKGROUND

### 1.1 Introduction

The purpose of this chapter is to introduce the dissertation and its context. To achieve its purpose, the chapter presents the background of the research, statement of the problem, research objectives, research questions, significance of the research, conceptual framework, structure of the dissertation and the conclusion.

### 1.2 Background

Court and Hyden (2002) observe that in governance relations, the conduct of the government in formulating and implementing government policies and delivering social amenities has been known to have great ripple effects extending through social, economic and political spheres. The post-independence era of most African countries is characterised by nationalisation undertakings in which the government, albeit newly formed, takes on the sole responsibility of managing nearly all the affairs of the republic pertaining to the welfare of the citizens. This can also be seen in the acquisition of previously private owned property and enterprises by the state to make them not only state-owned, but also state-run (DiJohn, 2010). While governments were adopting what came to be known as the Old Public Administration, these ventures progressively came to be plagued by inefficiency owing to extremely strict adherence to bureaucratic mechanisms. This, undoubtedly, leads governments seeking to adopt and implement varied measures for the purposes of effectively managing these economic enterprises (Osborne, 2006).

In the spirit of industrialisation and fostering economic growth, many governments resorted to the liberalisation of their economies (Bloom, Mahal and King, 2001). This came with the need to adopt new measures that would aid the management of public affairs and enterprises. Among these approaches is the adoption of New Public Management and New Public Governance concepts. On the former, intra-governmental processes and management are emphasised with market-driven perspectives in the management of the public sector. They also focus on the various forms of decentralisation, increased market use and economic competition. The latter on the other hand, involves new public governance concepts that focus on the interplay of governmental relations and

relationships between the government and private sector entities in economic participation (Osborne, 2006).

This movement has evolved into the establishment of Multi-Facility Economic Zones (MFEZs) in a bid to boost economic activity, productivity and the delivery of basic social needs. According to Farole (2011), MFEZs are defined as spatially delimited areas within an economy that function with administrative, regulatory, and often fiscal regimes that are different (typically more liberal) than those of the domestic economy. There are various zones, including export processing zones (EPZs), economic processing zones (EPZs), free zones, foreign trade zones, and industrial parks. They differ in size, scope of business and objectives. However, MFEZs are generally open to all activities.

Jauch (2003), records that the history of MFEZs started in Europe. The first MFEZ was established in 1929 in Spain and the concept later spread to other regions such as Latin America, the Caribbean, Asia and Africa, mainly in low and middle-income countries. Special Economic Zones have been established to improve host countries' foreign investment-led, export-oriented industrialization strategies. In addition, many developing countries expect job creation and technology transfer as a result of establishing MFEZs (International Labour Organisation, 1998).

In Zambia, the MFEZ is a government initiative introduced in 2003 to stimulate industrial and economic activities in the manufacturing sector. This initiative was introduced to solve the economic crisis that had characterised the country at the time. Before the introduction of the MFEZ, Zambia's economy was less competitive with regard to the trade and manufacturing sectors. The aforementioned sectors are considered to have numerous positive spill-over effects in other sectors such as utilities, transport, agriculture and services. The aim of the zones is to create a platform for Zambia to achieve economic development by attracting world-class investment in the trade and manufacturing sectors, which for years have been lacking. World-class investment is the investment that is aimed at the manufacturing of goods whose standard is accepted by the whole world including developed countries. The MFEZ initiative emphasises political will, private sector dynamism and civil service efficiency and integrity as key forces that enable the economy to attain accelerated growth and development (Munuka, 2014).

The legislation governing the MFEZs is mainstreamed in the Zambia Development Agency (ZDA) Act No. 11 of 2006 under section 18 which accommodates the public-private model which is

referred to as Public Private Partnership. Currently, there are six areas declared as MFEZs or Industrial Parks and these are Chambeshi, Lusaka East, Lusaka South, Lumwana, Sub-Saharan Gemstones Exchange and Roma as Industrial Parks. Among the six MFEZs, five are privately managed, while the Lusaka South Multi-Facility Economic Zone. is managed by the government (Munuka, 2014).

According to the ZDA Act No. 11 of 2006, the main objective behind MFEZ is to enable the creation of a platform for attracting world-class investment. The specific objectives are:

- a) Establish an administrative structure that contributes to the creation of an ideal investment environment for attracting world-class investors.
- b) Create infrastructure that attracts world-class enterprises.
- c) To increase activities in the trade and manufacturing sectors (Republic of Zambia, 2006).

LS-MFEZ is a multi-purpose Special Economic Zone (SEZ) established in 2010. The zone became operational in 2013 and is located in Lusaka, about ten kilometres from the Lusaka Central Business District. It is the first and, so far, the only government-developed SEZ in Zambia. This is a hundred percent (100%) state-owned enterprise. The zone sits on two thousand one hundred (2, 100) hectares of land in the south-eastern outskirts of Lusaka and was designed to catalyse economic diversification and industrial development. It provides land for various uses, namely, industrial, commercial, residential, institutions, and recreational. Targeted industries consist of high-tech industries, agriculture and agro-processing, pharmaceuticals, electronics, education and skills training, and precious stones. Land is leased out to firms with electricity supply, internal roads, water and sewerage and ICT services. The Zambian government largely provides financing for both infrastructure and operations (Manchishi and Phiri, 2020).

### **1.3 Statement of the Problem**

Zambia has seen robust growth and increased Foreign Direct Investment (FDI) inflows over the past decades. In contrast, the manufacturing sector output has collapsed, and employment creation has been sluggish. Manufacturing value added as a percentage of Gross Domestic Product (GDP) grew from 9% from 1965 to 1970, to 21.6% from 1977 to 1993 and collapsed to 9.3% in the 1994 to 2013 period (World Bank, 2014). However, it is not clear whether the legal framework put in place by the Zambian government is suitable for attracting foreign investment at Lusaka South Multi-Facility Economic Zone. It is also not clear whether the administrative structures at Lusaka

South Multi-Facility Economic Zone are suitable in attracting foreign investment. Furthermore, it is not clear whether the foreign direct investment inflows experienced in the past decades have been channelled in the manufacturing sector at Lusaka South Multi-Facility Economic Zone.

## **1.4 Research Objectives**

### **1.4.1 General Objective**

To examine the suitability of the Lusaka South Multi-Facility Economic Zone in attracting foreign investment.

### **1.4.2 Specific Objectives**

- i. To examine the suitability of the legal framework in attracting foreign investment at Lusaka South Multi-Facility Economic Zone.
- ii. To examine the suitability of the administrative structures in attracting foreign investment at Lusaka South Multi-Facility Economic Zone.
- iii. To assess the extent to which the Lusaka South Multi-Facility Economic Zone has attracted foreign investment in manufacturing activities.

## **1.5 Research Questions**

### **1.5.1 General Question**

How suitable is the Lusaka South Multi-Facility Economic Zone in attracting foreign investment?

### **1.5.2 Specific Questions**

- i. How suitable is the Lusaka South Multifacility Economic Zone legal framework in attracting foreign investment?
- ii. How suitable are Lusaka South Multi-Facility Economic Zone administrative structures in attracting foreign investment?
- iii. Has Lusaka South Multi-Facility Economic Zone attracted foreign investment in manufacturing activities?

## **1.6 Significance of the Research**

The significance of this research is that it has provided information on the suitability of MFEZ in attracting foreign investment. The subject of MFEZ has been selected because it is one of the surest ways of industrialisation which fosters social economic development of the country (Republic of Zambia 2014). In this regard, MFEZs provides a conducive environment for the investment and development of manufacturing activities because of the legal framework guiding the operations and the readily available administrative structures (Republic of Zambia, 2006).

The information that has been provided by this research will be useful for governments, as this would aid them in adopting and employing management practices that would ensure the effective running of MFEZ. Effective management would pave the way to the meeting of MFEZs general objective in the economy (i.e. to ensure economic development). The research will also be a key source of information for government departments in charge of commerce, trade and industry, the line ministry charged with the mandate of establishing, managing and operating the MFEZs.

In addition to the foregoing, the research findings are relevant to the investing companies and potential investors in knowing the legal framework, administrative structures, and state of the MFEZs in general as they endeavour to engage in doing business with or in the MFEZs. This will also help establish the possible areas of improvement for the businesses already operating in the MFEZs and how the businesses can best circumvent the challenges. Last, but not least, the research findings will give relevant information on the performance of MFEZ to the public as the ultimate beneficiaries of the activities within the MFEZ. In doing so, the research will clearly show the extent to which manufacturing activities have increased.

## **1.7 Definition of Key Concepts**

**Multi-Facility Economic Zone:** This is a portion of land set aside for industrial, trading and manufacturing purposes with readily available administrative structures and physical infrastructure that act as an incentive to attract investors.

**Foreign Investment:** In this research, foreign investment will mean an investment that is made by foreigners in a host country. This includes investment by multinational corporations.

**Suitability of Multi-Facility Economic Zone:** The extent to which an MFEZ helps in attracting foreign investment

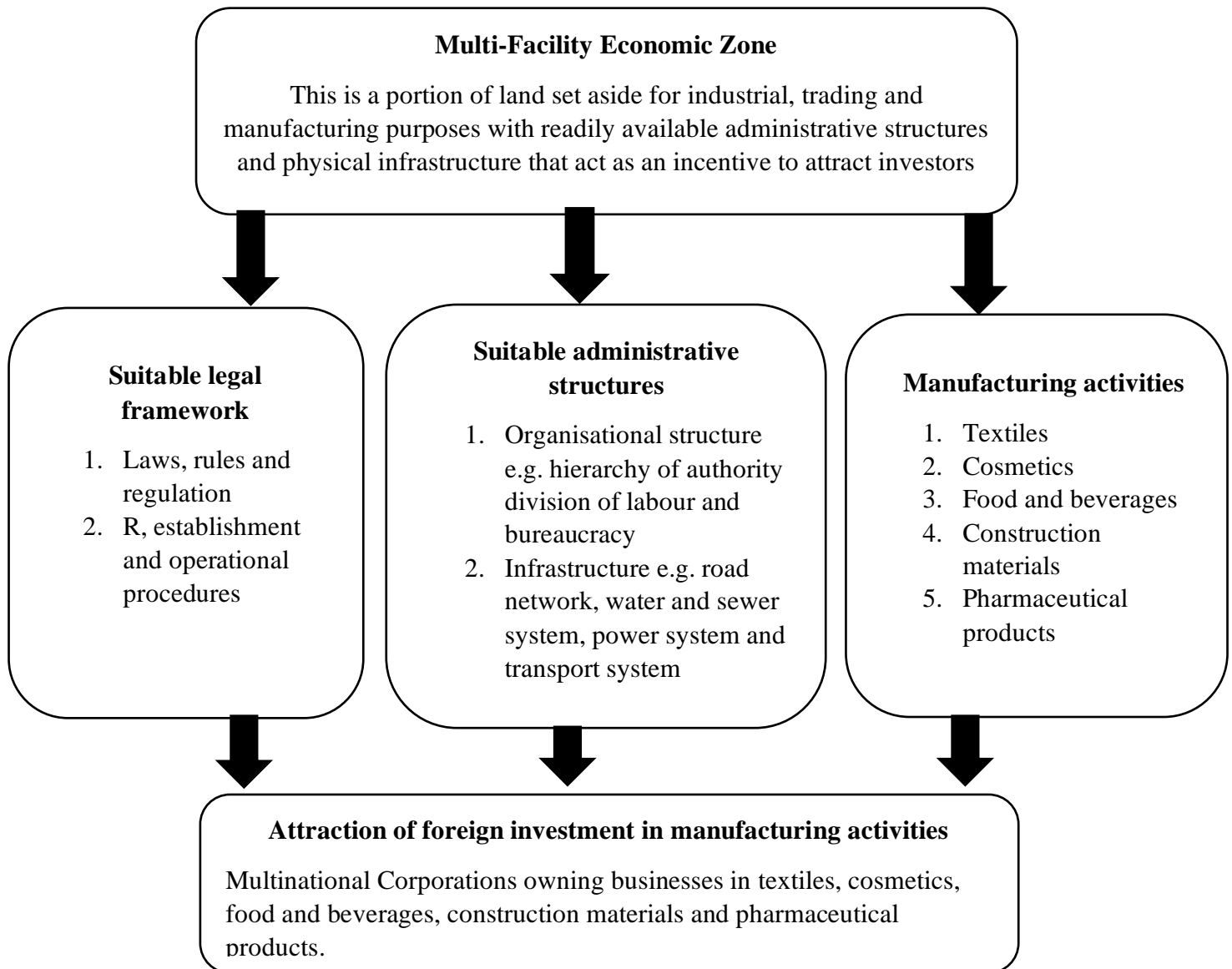
**Suitable Legal Framework:** in this context, it will mean the rules, laws and regulations put in place to guide the proper operations of the MFEZ.

**Suitable Administrative Structures:** In the context of this research, administrative structures will mean the organisational arrangements such as the hierarchy of authority, division of labour, bureaucracy and infrastructure such as road network, power system, water and sewer system, and road network put in place to achieve the objectives of MFEZ.

**Manufacturing Activities:** In this research, activities in manufacturing will mean smelting and refining copper, textiles and leather products, wood and paper products, construction materials, agro-processing foods and beverages.

## 1.8 Conceptual Framework

**Figure 1.1 Conceptual Framework of the Suitability of Multi-Facility Economic Zones on Foreign Investment Attraction in Manufacturing Activities.**



This conceptual framework explains how MFEZs lead to the attraction of foreign investments in manufacturing activities. In this regard, the conceptual framework explains the relationship of the key concepts in the research.

The first relationship is between MFEZs and the legal framework. If the laws, rules and regulations that guide the establishment and operational procedures in the zone are able to attract foreign investment, then the legal framework is suitable. However, if it is not suitable the foreign investors will not be attracted to invest.

The second relationship is between the MFEZs and administrative structures. If the organisational arrangements such as the hierarchy of authority, division of labour and bureaucracy and infrastructure such as road network, power system, water and sewer systems put in place are able to attract foreign investment then they are suitable. However, if these are not put properly, then they are not suitable and will not attract foreign investment.

The third relationship is between MFEZs and manufacturing activities. The MFEZ is designed to attract foreign investment in textiles, cosmetics, food and beverages, construction materials and pharmaceutical products. If the legal framework and administrative structures are suitable then foreigners will be attracted to invest in manufacturing activities. However, if they are not suitable then foreign investors will not be attracted to invest.

## **1.9 Structure of Dissertation**

Chapter 1 is the introduction and context of the research. This chapter presents the background of the research, the statement of the problem, the research objectives, the research questions, the significance of the research and the conceptual framework.

Chapter 2 is a review of the literature relevant to this research. The chapter starts by reviewing literature on the suitability of the legal framework in attracting foreign investment in MFEZ. It then reviews literature on the suitability of administrative structures in attracting foreign investment in MFEZs. Thereafter, it reviews literature on the extent to which MFEZs attract foreign investment in manufacturing activities. The chapter then draws lessons from the literature

Chapter 3 presents the methodology used to conduct the research. Specifically, the chapter presents the type of research, the site of the research, the research approach, research design, sources of data, population and sample size, sampling methods, data collection methods, reliability of data, validity of data, data analysis techniques, ethics applied when conducting the research and the limitations of the research.

Chapter 4 presents an analysis of the suitability of the legal framework of the LS-MFEZ in attracting foreign investment. This chapter looks at the laws, rules and regulations that govern LS-MFEZ. The chapter focuses on the aspects of the legal framework the stakeholders are happy with, why they are happy with them, and the legal aspects that the investors are not happy with and why they are not happy with them.

Chapter 5 presents an analysis of the suitability of the LS-MFEZ's administrative structures in attracting foreign investment. This chapter looks at the organisational structure and the infrastructure put in place at LS-MFEZ to attract foreign investment. The chapter focuses on the aspects of the administrative structures that the investors are happy with, and the aspects of the administrative structures that the investors are not happy with and why they are not happy with them.

Chapter 6 presents an assessment of the extent to which manufacturing activities have increased at LS-MFEZ. It focuses on the ownership of manufacturing activities, and the type of manufacturing activities being undertaken at LS-MFEZ. It also explains the challenges faced by investors to invest in manufacturing activities at LS-MFEZ, and the challenges faced by the LS-MFEZ management to attract foreign investment in manufacturing activities at the LS-MFEZ.

Chapter 7 presents the summary of the conclusions and recommendations of the dissertation.

## **1.10 Conclusion**

This chapter presented the background of the research. The background showed that even though the concept of MFEZ started from Spain in 1929, it was introduced in 2003 in Zambia. The statement of the problem showed that it is not clear whether the legal framework and the administrative structures put in place are suitable for attracting foreign investment. The general objective of the research was the suitability of the LS-MFEZ in attracting foreign investment. The general question of the research was how suitable is LS-MFEZ in attracting foreign investment. This research is significant because it has provided information on the suitability of MFEZs in attracting foreign investment. The key concepts in the conceptual framework are MFEZ, legal framework, administrative structures, manufacturing activities and attraction of foreign investment. This dissertation consists of seven chapters.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter is aimed at reviewing literature on the suitability of the Multi-Facility Economic Zones in attracting foreign investment. To achieve its objective, the chapter begins by reviewing literature on the suitability of the legal framework in attracting foreign investment in Multi-Facility Economic Zones. It then reviews literature on the suitability of administrative structures in attracting foreign investment in Multi-Facility Economic Zones. Thereafter, it reviews literature on the extent to which Multi-facility Economic Zones attract foreign investment in manufacturing activities. The chapter then draws lessons from the literature. Thereafter, it presents the gaps in the literature. Finally, a conclusion is given.

#### **2.2 Literature on the Suitability of the Legal Framework in Attracting Foreign Investment in Multifacility Economic Zones**

A dissertation presented by Nyangu (2012) on *Export-Led Industrialisation in Zambia: The case of Multi-Facility Economic Zones*. The study was essentially a desk review of both primary and secondary sources that included Parliamentary debates, statutes and scholarly journal articles. The review of statutes also involved an analysis of selected provisions in both the Export Processing Zones Act of 2001 and the Zambia Development Agency (ZDA) Act No. 11 of 2006 among others. In addition to this, respondents were interviewed and these included heads of selected government institutions such as the ZDA and Ministry of Commerce, Trade and Industry. The findings show that the ZDA Act comprised of investment incentives such as zero tax on profits made by business enterprises for a period of five years from the first year profits are made, zero percent tax on dividends for a period of five years from the year of first declaration of dividends, zero percent import duty on raw materials, capital goods and machinery including trucks and specialised vehicles for five years and deferment of Value Added Tax (VAT) on machinery and equipment such as trucks and specialised vehicles imported for investment. The research findings also show that there were extra incentives like exclusion of foreign suppliers to developers of the Multi-Facility Economic Zones (MFEZs), from the Reverse VAT charges and exemption from Customs

Duty on equipment, machinery and accessories and materials imported for development of MFEZs. The difference, however, was that for one to enjoy the additional incentives, they ought to invest in a MFEZ a minimum of USD \$500,000. This minimum financial threshold for investment in the MFEZ was way beyond reach for most of the local investors.

A dissertation is presented by Munuka (2014) titled *Critical Assessment of the Legislative Framework for the Public-Private models of Special Economic Zones in Zambia*. The study was a desktop and library-based research and includes review of legislation, textbooks, journals, case law and other relevant publications on Private Zone development, Public Private Partnership and Incentives Regime. The research approach was explanatory and analytical in nature. Primary sources of information included international treaties, and domestic legislation and policy papers, whilst secondary sources included information from books, articles, journals and reports from relevant local, regional and international institutions. The findings showed that the legislative framework does not generally discriminate between local and foreign investors. The incentives put in place were mostly fiscal and related to exemption from Income and, Customs and Exercise tax obligations. The study further showed the interplay between Special Economic Zones (SEZs) and Zambia's international obligations such as the regulation and control of movement of goods between SEZs and national territory control of smuggled goods, use of non-fiscal incentives and specialised labour regimes.

A journal article titled *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences* by Farole (2011), draws on research conducted across 10 countries, focusing on 6 countries in Africa (Ghana, Kenya, Lesotho, Nigeria, Senegal, and Tanzania), and four established zone programmes in other regions (Bangladesh, the Dominican Republic, Honduras, and Vietnam). The research included two components in each country, that is, a case study; based on secondary research and interviews with investors, zone developers and operators, regulatory authorities, government, and other stakeholders, and surveys of investors operating in the zones. The findings showed that effective legal and regulatory framework is a necessary first step for zone program development. A clear and transparent legal and regulatory framework codifies the program strategy and establishes the rules of the game for all stakeholders involved in the process. The framework helps in addressing difficult land issues, facilitating the provision of infrastructure, and ensuring compliance with labour and environmental standards. While its

presence is no guarantee of success, the absence of a solid legal and regulatory framework will probably condemn an SEZ program to failure.

A journal article by Bell (2016) titled *Special Economic Zones in the United States: From Colonial Charters, to Foreign-Trade Zones, Toward USSEZs*. This was desk research that used secondary data obtained from books, journals and reports. The article found that SEZs are demarcated geographic areas contained within a country's national boundaries where the rules of business are different from those that prevail in the national territory. Generally, different rules of business principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment; whereby the zone is given a business environment that is intended to be more liberal from a policy perspective and more effective from an administrative perspective than that of the national territory. The article found that prospective gains from SEZs might come from taxes, as would follow if SEZs helped a country by moving it towards lower net taxes, but higher net government revenue.

### **2.3 Literature on the suitability of Administrative Structures in Attracting Foreign Investment in the Multi-Facility Economic Zone**

A dissertation presented by Nyangu (2012) on *Export-Led Industrialisation in Zambia: The case of Multi-Facility Economic Zones*. The study was essentially a desk review of both primary and secondary sources that included Parliamentary debates, statutes and scholarly journal articles. The review of statutes also involved an analysis of selected provisions in both the Export Processing Zones Act, 2001 and the ZDA Act No. 11 of 2006 among others. In addition to this, people were interviewed and these included heads of selected government institutions such as the ZDA and Ministry of Commerce, Trade and Industry. The study also found that, contrary to international practice, the administration of MFEZs is placed in the ZDA, an institution already over-burdened with other responsibilities. As a result of this, there are unnecessary delays in decision making and service delivery. It is submitted that Multinational Corporations and international organisations are less likely to be attracted to a country where there is red tape.

Mwansa, Shaikh and Mubanga (2020) present a journal article titled *Investing in the Lusaka South Multi Facility Economic Zone*. The research adopted a mixed methods approach using a questionnaire, interviews, and focus group discussions. Interview respondents were selected using

snowball sampling. Since the study adopted a mixed research approach with a concurrent triangulation design, data was analysed through a thematic approach for the qualitative component and using descriptive statistics by means of the Statistical Package for Social Sciences (SPSS), for the quantitative part. The findings showed that the zone management firm appears to grapple with some key administrative issues of managing the zone, in addition to inadequate zone infrastructure. The findings relating to the general infrastructure revealed that in general terms, some of the infrastructure was adequate and some of it inappropriate. Results on road infrastructure indicated that not all the roads were in a poor state, some of the roads, especially those within the zone, were in good condition though needed upgrading. The issues relating to the poor state of road infrastructure mainly affected some of the roads leading into and out of the zone. The findings on Lusaka South Multi-Facility Economic Zone (LS-MFEZ) access to markets revealed that there was access to the market for some products and services of companies operating in the zone. Respondents felt more could be done to enable products from the zone to find a ready market with greater ease. The results on reliability of power supply revealed and confirmed that there was unreliable power supply in the zone. The telecommunication facilities according to the findings were adequate and of acceptable standard. The findings highlighted on water and sewerage services revealed that respondents were generally indifferent that there were poor water and sewerage services. The interpretation was that water and sewerage services were available to a certain level of standard.

Dube, Matska and Chiwunze (2020) in a book titled *Special Economic Zones in Southern Africa is Success Influenced by Design Attributes?* A case study of six Southern African countries Mauritius, Namibia, South Africa, Tanzania, Zambia, and Zimbabwe was then used to assess whether the said countries' SEZ programmes meet the ideal design features. It utilized a mixed methods approach. Purposive sampling and snowball sampling were used. The study established that key design attributes were missing in the said countries, hence creating problems in the implementation of SEZ programmes. The study identified the lack of developed SEZ geographic areas, especially the requisite on-site and off-site infrastructure, with dedicated authorities to provide such infrastructure, as the main drawback for SEZ programmes in failing countries. In terms of the suitability of the economic zone infrastructure as a vehicle for attracting investment in the economic zone, interim results according to participant's responses showed that there were some inadequacies with basic infrastructure. The study further established that in Zambia, there

were persistent power outages in the zone, which had a detrimental effect on machinery used for manufacturing goods for both the local and export markets. Power fluctuations also adversely affected reliability of Water supply by the Lusaka Water and Sewerage Company, the authorized Water utility service provider in the zone. Specifically, the LS-MFEZ road types leading into and out of the zone are all single-lane types, resulting in traffic congestion even before the zone is at full operational capacity. There are currently no plans to expand the two main excess roads.

Manchishi and Phiri (2020) present a working paper titled, *Special economic zones in Southern Africa: White Elephants or Latent Drivers of Growth and Employment*. This was a case studies premised on primary and secondary data drawn from an extensive review of online reports, policies, legal documents, and other e-resources; on-site SEZ visits; and key informant interviews. Primary data was collected from principal respondents by means of face-to-face interviews and electronic mail using semi-structured interview guides. Principal respondents included zone developers, regulators, government ministries, and investors. It was established that SEZs in the Eastern Cape of South Africa are largely latent drivers of growth, and employment was hampered by inadequate infrastructure financing and provision, and weak local supplier capabilities. SEZs in Lusaka, Zambia, face similar constraints but are further hampered by inadequate business service provision, burdensome regulations and business procedures, a fragmented incentive framework, institutional coordination failures, and a weak design that does not leverage strategic anchor industries for greater agglomeration economies, thus rendering them more of white elephants. Service provision is hampered by delays and poor services. The findings also show that there is poor delivery by public utility firms providing water and electricity. Labour challenges include skill shortages, while other challenges are purported to be poor policy coordination across government agencies.

Farole (2011) presents a study titled *Which Factors Matters for the Performance of SEZs?* The research bases on database SEZs in middle-income countries complemented by an in-depth survey of SEZ investors in 10 countries with a specific focus on the African region. The findings reveal that the transport and trade facilitation and infrastructure quality are the factors that appear to have a strong effect on performance. The findings also show that the access to market corresponds to high levels of investment.

A journal article by Frick and Rodríguez-Pose (2019) titled *Special Economic Zones in Emerging Countries a Catalyst for the Growth of Surrounding Areas?* The paper sheds light on the topic by examining the economic growth spill overs generated by Three hundred and Forty-six (346) SEZs in Twenty-two (22) emerging countries. The analysis used night light data as a proxy for SEZ performance as well as the economic performance of the surrounding area in order to overcome the lack of reliable economic indicators when measuring SEZ performance. It also relied on a novel data set on SEZ characteristics in order to understand how far they impinge on the economic fortunes of the surrounding areas. The results indicated that the characteristics of the manufacturing base in the country and political stability do not seem to have a facilitation effect on the performance of SEZ, but the proximity in location of the SEZ determines its performance.

Frick and Rodríguez-Pose (2019) present a study on *What draws investment to Special Economic Zones? Lessons from developing countries.* A comparative qualitative case study conducted using semi-structured, elite in-depth interviews with firms located in seven SEZs across the developing world to improve understanding of the ways in which SEZ policies influence investment decisions. The findings showed that the top factor for selecting a zone was infrastructure availability within the zone. Infrastructure referred primarily to a stable supply of Electricity, Water and, in one case, Gas. Firms in more high-tech industries put emphasised on the role of infrastructure for smooth functioning. Apart from the provision of general infrastructure, firms also stressed the convenience of pre-built factory units following firms' specifications.

A journal article by Nackhavong and Thanitbenjasith (2020) titled *Factors Affecting Investment Decisions in Special Economic Zones and Specific Economic Zones in Lao PDR.* The study used a qualitative method to understand feelings, perceptions, experiences and opinions of informants. The study population was divided into 2 groups: 1) executives for foreign policy, Ministry of Industry and Trade, Ministry of Planning and Investment 2) Representatives of the National Committee for the Protection of Special Economic Zones. The author employed purposive sampling to recruit Seven (7) persons from each group. The research tools were interview forms and in-depth interviews. Additional information on Foreign Direct Investment (FDI), SEZs and specific economic zones was studied and collected by the author from books, articles and related research in both domestic and overseas sources so that research results were used appropriately to the context. The findings showed that one of the important factors affecting decisions in SEZs in La PDR was low production cost. This included hydropower sources as it has abundant water

resource for cheap hydropower and the location of the zone also affects the investment decision in the SEZs.

Pakdeenurit, Suthikarnnarunai, and Rattanawong (2017) looks at *Location and Key Success Factors of Special Economic Zones in Thailand*. This paper selected different types of SEZs in Thailand with their locations and key success factors of SEZs provided. The paper presented all factors that were analytical or essential to the success of all types of SEZs in the world by re-examining all literature, which could be found in most of the academic databases. All of the factors from the review then underwent the correlation test. The regression model with Ordinary Least Square method was created. The findings indicated that there are eight factors which were found to be correlated to the success or survival of SEZs around the world. These factors are location advantage, industrial investment support, investment cost and value of trade, skill levels and availability of human resource, management and service, and stability and consistency of the government.

A study by Nazarczuk and Cicha-Nazarczuk (2021) titled *What are the Key Location Factors for Firms in Special Economic Zones? Evidence from Poland*. The survey was conducted on a sample of SEZs firms (155 entities out of 1300 actively operating in SEZs in Poland) and rerun on a sample of similar firms (equally-sized) operating outside the zone. Based on the data obtained from a survey on equally-sized and comparable two groups of firms: (i) in SEZs, and (ii) operating outside SEZs, the paper verified the magnitude of influence of particular location factors on a firms' decision on where to locate its establishments. Differences in the perception of factors were further tested with parametric and nonparametric statistical tests to reveal significant differences among them. The findings showed that possibility to locate within the SEZ, the proximity to outlet market costs of access to utilities such as electricity the availability of raw materials/semi-products at high-quality transport infrastructure and the proximity to firms that operate with availability of highly qualified staff.

#### **2.4 Literature on the extent to which Multi-Facility Economic Zones Attract Foreign Investment in Manufacturing activities**

A dissertation presented by Nyangu (2012) on *Export-Led Industrialisation in Zambia: The case of Multi-Facility Economic Zones*. The study was essentially a desk review of both primary and secondary sources which included Parliamentary debates, statutes and scholarly journal articles.

The review of statutes also involved an analysis of selected provisions in both the Export Processing Zones Act, 2001 and the Zambia Development Agency Act No. 11 of 2006 (the ZDA Act) among others. In addition to this, people were interviewed and these included heads of selected government institutions such as the ZDA and Ministry of Commerce, Trade and Industry. The findings show that 67% of the investors operating in the MFEZs were foreign while 89% of those that had set up or were about to set up as business enterprises in MFEZs (known as zone operators) were also foreign. This shows that there are more foreign investors than local investors carrying out manufacturing activities in the zone.

Sikozi, Siaminwe and Mwenda (2011) conducted a research titled *Multi-Facility Economic Zones in Zambia: Assessment of the Local Manufacturing Industry readiness*. The study utilised a questionnaire survey, a literature review, personal and telephone interviews (both structured and unstructured), and observations of process lines during industrial visitations to collect both qualitative and quantitative data. The sampling frame covered areas which were selected for the establishment of the MFEZs such as Lusaka, Copperbelt, Southern and North-Western Provinces. The study targeted active manufacturing firms located in towns in these provinces, and included Lusaka, Kabwe, Ndola, Chambishi, Solwezi and Livingstone. The research establishes that there were low levels of advanced technologies, weaker innovative capacity and lower human capital (skills) threshold in local firms.

A journal article titled *Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences* by Farole (2011), draws on research conducted across 10 countries, focusing on 6 countries in Africa (Ghana, Kenya, Lesotho, Nigeria, Senegal, and Tanzania), and four established zone programmes in other regions (Bangladesh, the Dominican Republic, Honduras, and Vietnam). The research included two components in each country that is a case study; based on secondary research and interviews with investors, zone developers and operators, regulatory authorities, government, and other stakeholders, and surveys of investors operating in the zones. The study indicates that against static measures of success, most African programs are American countries. Little evidence exists that shows African programs have made progress toward dynamic measures of success. None of the programmes studied shows signs of zones having played any significant role in facilitating, upgrading or catalysing wider reforms; and that integration between the zones and their domestic economies is limited and success in meeting

socio-economic objectives has also been elusive. Results from the surveys underscore the importance of the national investment climate, providing quantitative evidence for what has been observed anecdotally that the success of special economic zones is closely linked to the competitiveness of the national economy.

Malini (2011) presents a journal article titled *Dynamics of SEZs over EPZs: A Case Study of Santacruz SEZ*. A time series analysis was carried out to explain the metamorphosis based on secondary data collected from the Development Commissioner's Office of Santacruz SEZ. The analysis reveals that the introduction of the SEZs policy has had a significant and dynamic impact on the working of Santacruz SEZ. This, in particular, is visible not only in terms of higher export earnings but also in terms of increasing investor participation as reflected in the increase in the number of exporting units and competitiveness of Santacruz SEZ's exports, as measured in terms of unit productivity. Besides this, Santacruz SEZ has made quite impressive contributions to the total SEZs exports of the country in general and gems and jewellery exports of the country in particular. Despite this overwhelming performance, Santacruz SEZ seems to have failed to diversify its reach in the international market due to the constraints of its sectorial composition.

A journal article by Therith (2022) in *Cambodia* titled, *Effect of Investment Promotion through the Special Economic Zone Mechanism on the Distribution of FDI in Cambodia*. The study applied generalized methods of moments (GMM) to panel data constructed from 19 Cambodian provinces during 2015–2019. The results show that the number of SEZs positively affects both FDI inflow and diversification across the country, while capital invested in developing SEZs increases only the latter. Other SEZ variables, including the presence of SEZ, its intensity, and the age of the first established SEZ in a province, are mostly found to be positively associated with FDI and diversified FDI but not notably significant. Supportably, the existence of SEZ is confirmed to be significant by the t-test method, meaning that the SEZ province can attract more FDI than the non-SEZ one. Some provincial efforts and characteristics, including annual government expenditure, number of public relations, population density, population 18 years old and up, deep-sea ports, and international gates, likely significantly influence FDI inflow into the provinces of Cambodia. All in all, the SEZ mechanism attracts more diversified foreign investment activities, and it has a significant effect on the distribution of FDI in Cambodia.

Jensen and Winiarczyk (2014) in their study titled, *Special Economic Zones-20 Years Later*. The study used different panel data methods. The results of their study indicate that SEZs in Poland have been successful in a number of their objectives such as private business creation. The effects mainly came through foreign direct investment (FDI). The results further indicate that the effects on investment and employment were small or insignificant. Furthermore, despite high levels of FDI, the zones policy did not manage to overcome the legacy of backwardness or lagging regions.

## **2.5 Lessons Drawn from the Literature**

From the literature, there are five lessons that can be learnt. Firstly, it can be learnt that there are legal provisions that are suitable for attracting foreign investment in MFEZs. These are the tax incentives and nontax incentives, such as tax holidays, exemption on exercise duty on machinery and industrial property (Nyangu, 2012; Munuka, 2014; Bell 2016). Secondly, the literature shows that there are legal provisions that are not suitable for attracting foreign investment in MFEZs. These include the need for an investor to have a minimum capital threshold for them to invest in an MFEZ (Farole 2011; Nyangu, 2012). Thirdly, the literature shows that under administrative structures key infrastructure such as good road network, network and internet, water and sewerage are suitable for attracting foreign investment (Mwansa, Shaikh and Mubanga, 2011). Fourthly, administrative structures that cause unnecessary delays in service delivery, red tape, poor service provision by utilities are not suitable for attracting foreign investment in the Multi-Facility Economic Zone (Nyangu, 2012; Manchishi and Phiri, 2020; Dube, Matska and Chiwunze, 2020). Lastly the literature shows that Multi-Facility Economic Zones have to a greater extent attracted foreign investment in manufacturing activities which is attributed to the to the competitiveness of the national economy of a host country (Nyangu, 2011; Farole 2011).

## **2.6 Gaps in the Literature**

There are three major gaps in the literature. The first gap is that the literature does not show whether the legal framework put in place at LS-MFEZ is either or not suitable for attracting foreign investment. Secondly, the literature does not cover some of the aspects of the administrative structures such as hierarchy of authority, division. Lastly, the literature does not show to what extent have the LS-MFEZ attracted foreign investment in manufacturing activities.

## **2.7 Conclusion**

In conclusion, the reviewed literature show that there are some aspects of the MFEZ that are suitable for attracting investment and those that are not. The literature shows the literature some of the aspects of the legal administrative structures that are suitable and those are not. The literature also shows that MFEZs have increased investments in manufacturing activities. However, the literature does not show the extent to which the LS-MFEZ is suitable for attracting foreign investment in manufacturing activities. This is the gap this research attempted to fill.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the methodology that was adopted for this research. The chapter looks at the type of research, the site of the research, the research approach, the research design, the sources of data, the population and sample size, the sampling methods, the data collection methods, the reliability of data, the validity of data, the data analysis techniques and the ethics that were applied when conducting the research. The chapter then presents the limitations of the research. Finally, a conclusion is given.

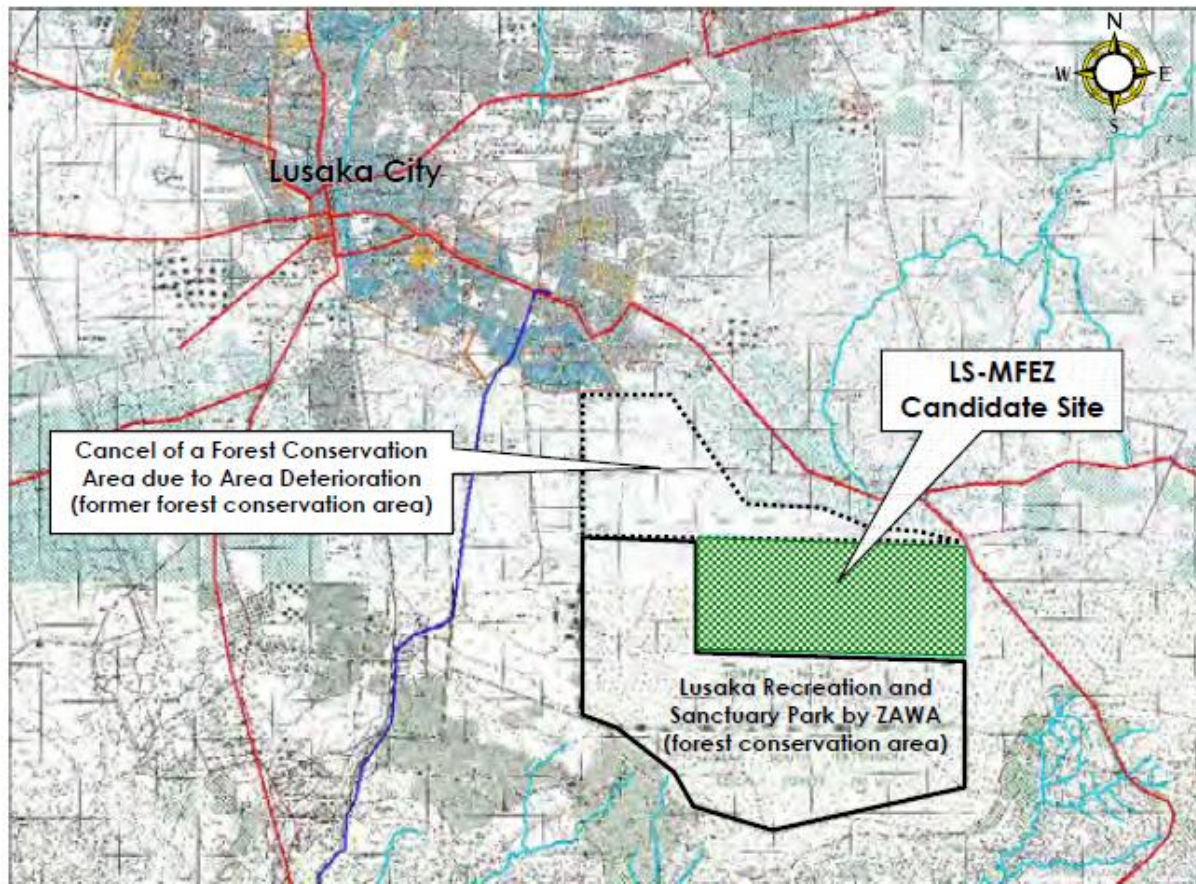
#### **3.2 Type of Research**

The type of research that was conducted was explanatory research. Explanatory research is defined as the type of research that aims at identifying the causes and effects of a phenomenon. Its goal is to explain the relationship between variables by identifying underlining mechanisms that influence them (George and Merkus, 2023). The kind of relationship that was investigated in this research involves the effect of Multi-Facility Economic Zones (MFEZs) on the attraction of foreign investment. In this regard, specific focus was on three relationships. These are: 1) The effect of MFEZ legal frameworks on foreign investment. 2) The effect of MFEZ administrative structures on foreign investment. 3) The ability of MFEZs to attract foreign investment in manufacturing activities. Explanatory research was chosen because it explains the nature of relationship between or among variable (George and Merkus, 2023).

#### **3.3 Site of the Research**

This research was conducted in Lusaka district focusing on specifically LS-MFEZ. LS-MFEZ was chosen because it is the only zone among the seven economic zones in Zambia that is publicly managed while the rest of the zones are managed by the private sector. Therefore, the choice of the LS-MFEZ gave the researcher the opportunity to understand government experiences in the process of managing MFEZs. The LS-MFEZ is located about ten kilometres south-east of Lusaka City. The exact location of this is shown in Figure 3.1.

**Figure 3.1: The LS-MFEZ site in the southern part of Lusaka City and other related areas**



**Source: Japan International Cooperation Agency (2009)**

### **3.4 Research Approach**

This research used a mixed methods research approach. A mixed methods research approach involves the use of both qualitative and quantitative approaches in collecting and analysing data in order to comprehend a particular research problem (Creswell and Clark, 2011). According to Creswell (2012), qualitative research approach, is the approach of data collection, analysis, and report writing that differs from the traditional, quantitative approaches. Qualitative research is described as an unfolding model that occurs in a natural setting that enables the researcher to develop a level of detail from high involvement in the actual experiences (Creswell, 2012). This research gave a detailed description and explanation of the findings relating to the suitability of LS-MFEZ in attracting foreign investment.

The quantitative approach focuses on the collection of quantitative data. It assumes a fixed and measurable reality and is concerned with issues that can be quantified or turned into statistics or numbers (McLeod, 2008). This research determined the extent to which LS-MFEZ has been suitable in attracting foreign investment through the quantification of the findings.

The reason for adopting the mixed methods research design is that a combination of qualitative and quantitative designs in research helps to complement the inadequacies attributed to either design in data collection, analysis and reporting (Doyle, Brady and Byrne 2009).

### **3.5 Research Design**

This research adopted a non-experimental design. Non-experimental research is research that lacks the manipulation of an independent variable. Rather than manipulating an independent variable, researchers conducting non-experimental research simply measure variables as they naturally occur either in the laboratory or in the real world (Cook, Campbell, Shadish and Shadish 2001). This design was ideal for this research because there was no baseline study conducted before the establishment of LS-MFEZ, making it difficult to compare the situation before and after the establishment of the MFEZ. The specific type of non-experimental design used in this research was the case study design. A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context. In addition, a case study allows a lot of detail to be collected that would not normally be obtained by other types of research. In this regard, the research was a case study of the LS-MFEZ. A case study narrows down a very broad field of research into one which is easily reachable and is considered useful when not much is known about a particular phenomenon (Shuttleworth, 2008). Through this research design, this research was able to collect detailed information about the suitability of the LS-MFEZ in attracting foreign investment especially in manufacturing activities. This research was conducted between 1st September, 2020 and 28th February, 2021.

### **3.6 Sources of Data**

This research used both primary and secondary sources of data. Primary data is data that is undocumented and is collected for the first time by the researcher (Surbhi, 2016). On account of this research adopting a mixed methods approach, primary sources of data in this research were collected from the key informants who are officials from the management structure in LS-MFEZ,

participating corporations and respondents who are officials from investing companies. Primary data was collected because it is original unique and aims to address a specific research problem at hand (Mesley, 2015).

Secondary data refers to data that has been collected, analysed and reported by other researchers (Surbhi, 2016). Secondary sources of data provide information and commentary from other researchers. Secondary data were sourced from documents such as government documents that related to the research topic. These documents included Acts of Parliament. Secondary data were collected to show what has been written before concerning the research topic at hand (Martins, Cunha and Serra, 2018).

### **3.7 Population and Sample Size**

The population from which the sample was selected comprised of officials from the Ministry of Finance and National Planning (MoF), Ministry of Commerce, Trade and Industry (MCTI), Zambia Development Agency (ZDA), LS-MFEZ board, LS-MFEZ management and LS-MFEZ investing companies. In this research, data was collected from a total sample of 47 respondents and key informants. Of these, seven were key informants and the remaining 40 were respondents who are officials from investing companies. Among the key informants, one was an official from the MoF, one from the MCTI, one from ZDA, two officials from MFEZ Board, and two officials from the LS-MFEZ Management. On one hand, a sample of seven key informants was chosen because it was large enough to provide qualitative data for this research. According to the specified sample size in qualitative research. The sample size is determined by the saturation of the information provided from the key informant (Shaheen, Ranajee and Pradhan, 2019). On the other hand, a sample of 40 officials from investing companies was chosen because it was large enough to provide quantitative data for this research. According to the central limit theorem a sample size equal or greater than 30 is adequate to provide a normal distribution of the population under consideration. The greater the sample size in quantitative research, the less margin of error (Hunn and Mathers, 2007). Therefore, this research had 40 respondents to reduce the margin of error.

### **3.8 Sampling Methods**

Purposive sampling was used to select key informants from government institutions and officials from investing companies. Clark and Creswell (2011) contend that purposive sampling method

involves the identification and selection of individuals or groups of individuals that are proficient and well informed with the phenomenon of interest. It is where the researcher includes cases or participants in the sample because they believe that they warrant inclusion. In this regard, the researcher used her own judgement to choose government officials and officials from investing companies that she considered knowledgeable of how the LS-MFEZ was being managed. This method of sampling was used because the research targeted managerial personnel, as they are the ones considered to have the information required by this research. This allowed the researcher to collect information from the best-fit participants in order to obtain specific data for the research (Clark and Creswell (2011)).

### **3.9 Data Collection Methods**

Qualitative data was collected using semi-structured interviews that were conducted with key informants while quantitative data was collected using a questionnaire administered to the officials from the LS-MFEZ investing companies. A semi-structured interview involves the researcher who asks the participant a series of predetermined but open-ended questions (Given, 2008). This data collection method was chosen as it allows for the collection of in-depth information from the respondents. In this regard, the researcher asked questions and at the same time wrote down the responses. On the other hand, a questionnaire is a method used to collect standardised data from large numbers of people (Hunn and Mathers, 2007). A questionnaire was given to the respondents who were required to read the questions interpret them according to their own understanding and write down the answers. This data collection method was used because it enables collection of quantifiable data from a large number of people within a short time.

Secondary data was collected through desk research from published documents. This was done by critical and analytical reading of relevant documents such as government documents. The adoption of this method in this research was premised on the fact that it provided insights about what exists in the body of knowledge on MFEZs (Martins, Cunha and Serra, 2018).

### **3.10 Reliability of Data**

This research used internal consistency to measure the reliability of both qualitative and quantitative data. Internal consistency is a measure of reliability that is used to evaluate the degree to which different test items that probe the same construct produce similar results (Phelan and

Wren, 2006). To ensure internal consistency, this research asked questions logically, that is, questions were grouped according to objectives, the answers to questions from the interview and the questionnaire were checked for any contradictions. This allowed only the use of questions in a research instrument that are logically related with their responses (Mwanje, 2001).

### **3.11 Validity of Data**

Content validity was used to ensure validity of both qualitative and quantitative data in this research. Content validity refers to the extent to which empirical measures of a concept accurately represent the concept. This involves the use of research instruments that bring out a representation of the full content of the subject under investigation (Ghazhil, Nordin, Hashim and Hussein, 2017). In this regard, the research instruments, namely, the semi-structured interview and questionnaire were structured in a way that they covered all aspects of the phenomena under investigation. On the one hand, the aspects of MFEZ covered in the research instruments were legal framework and administrative structures. On the other hand, the aspects of attraction of foreign investment covered in the research were type of manufacturing activity, initial business size and extent of business growth.

To ensure validity of secondary data, the sources were verified in line with who collected the data, when it was collected, the type of data collected, what is the data provider's purpose or goal and whether the data is consistent with data from other sources (Nueman 2003).

### **3.12 Data Analysis Techniques**

The qualitative data was analysed using the narrative analysis. Narrative analysis refers to a form of qualitative research in which the researcher focuses on a topic and analyses the data collected. It involves the researcher writing their findings, and then reviewing and analysing them (Murray 2018). The application of this method in this research was such that the issues brought out by the informants were manually examined in relation to MFEZ under investigation in this research. Quantitative data was analysed using the Statistical Package for Social Sciences (SPSS) software version 20.0. SPSS was used because it is user friendly (Muktadir 2021). It was used to generate simple descriptive statistics in form of frequencies, tables, graphs and cross tabulations.

Secondary data was analysed using content analysis. It involves the researcher searching for structures and patterns in the text which are broken down in controllable categories and logically

drawing inferences on the available evidence and intensity with which certain words have been used (Mwanje 2001). This research created the following categories: legal framework, administrative structures and manufacturing activities.

### **3.13 Research Ethics**

Ethical issues were considered when carrying out this research. Firstly, permission to collect data was sought from LS-MFEZ and the companies targeted as respondents within the research. With regard to informed consent, participants were informed, and agreed to participate in the study, meaning that participation was voluntary. In addition, the participants were duly informed about the research and allowed to ask questions about the research as and when the participants needed clarity. The participants' right to decline participation or the answering of any particular question was clearly explained to them with the intention that they feel comfortable in the process of data collection. Finally, confidentiality was also employed and participant's identities were protected and their responses kept anonymous.

### **3.14 Limitations of the Research**

In the process of conducting the research, a number of challenges were encountered which presented some limitations to the research. The following are the limitations of this research:

1. This research was conducted in a selected area of LS-MFEZ in Lusaka and did not include every member of the population which posed a challenge in generalisation of findings. This was mitigated by ensuring that the key stakeholders were represented in the sample. These included the management of the LS-MFEZ, the government through the appropriate ministries and the investors.
2. Similarly, due to the sensitive nature of some questions as they involved an Act of Parliament, there was a possibility of non-responses from participants for fear of being in bad books with the government. Questions such as the suitability of the Legal Framework and challenges faced by investors operating within LS-MFEZ. This was mitigated by employing patience, skill and caution making sure that the respondents understood that this was only for academic purposes and assuring them that their identity would not be revealed.
3. The research did not ask why investors were not happy with the tax and nontax incentives.

### **3.15 Conclusion**

This chapter presented the methodology that was adopted for this research. The type of research used was explanatory research. The site of the research was Lusaka District. The research adopted a mixed methods approach. Both primary and secondary sources of data were utilised in this research. The sample of the research was 47. Purposive sampling was used as a sampling method for key informants and respondents. Questionnaires and semi-structured interviews were used as data collection methods. The reliability of data was ensured through internal consistency and the validity of data was ensured through content validity. The data analysis techniques employed were narrative analysis and SPSS. The ethics that were applied when conducting this research are explained. Finally, the chapter presented the limitations of the research.

## **CHAPTER FOUR**

### **LEGAL FRAMEWORK AND FOREIGN INVESTMENT AT LS-MFEZ**

#### **4.1 Introduction**

This chapter presents and discusses the findings relating to the first specific objective which reads: To examine the suitability of the legal framework in attracting foreign investment at Lusaka South Multi-Facility Economic Zone (LS-MFEZ). To achieve this, the chapter proceeds by first discussing the laws, rules and regulations governing LS-MFEZ. Thereafter, it discusses the registration, establishment and operational procedures at LS-MFEZ. Finally, a conclusion is drawn.

#### **4.2. Laws, Rules and Regulations Governing LS-MFEZ**

There are various laws, rules and regulations that have been formulated to provide a legal framework for LS-MFEZ. This section focuses on the laws, rules and regulations governing the operation of LS-MFEZ. It explains the rules, laws and regulations put in place and discusses the aspects of the laws, rules and regulations stakeholders are happy with as well as those they are not happy with.

##### **4.2.1 Laws, Rules and Regulations put in Place**

From the interview with an official from Zambia Development Agency (ZDA), it was established that the development of Multi-Facility Economic Zones (MFEZs) in Zambia is not premised on a defined policy document on MFEZs per se. Rather, the initiative is embedded in numerous policy documents that came after the idea was conceptualised as a policy measure for achieving industrial development. There are two principal statutes governing the development of MFEZs in Zambia including the LS-MFEZ. These are the ZDA Act and Statutory Instrument No. 65 of 2006.

The ZDA Act provides for the development of MFEZs. ZDA is responsible for developing or facilitating the development of MFEZs by investors; administering, controlling, and regulating MFEZs; ensuring compliance with the MFEZ legal framework; monitoring and evaluating activities, performance, and development of enterprises operating in MFEZs; prescribing and

enforcing measures for activities within MFEZs, to ensure safety and efficiency; and promoting and marketing MFEZs (ZDA key informant).

The ZDA Act No. 11 of 2006 facilitated the establishment of the ZDA as a one-stop facility. Which ensured the following:

*Client focus, dialogue with the private sector and steered confidence in public sector support business; to provide for the functions and powers of the Agency; to attract and facilitate inward and aftercare investment; to provide and facilitate support to micro and small business enterprises; to promote exports and globalisation; to streamline bureaucratic procedures and requirements faced by investors; to facilitate industrial infrastructure development and local services; to promote greenfield investments through joint ventures and partnerships between local and foreign investors; to promote and encourage education and skills training so as to increase productivity in business enterprises; to encourage measures to increase Zambia's capacity to trade and enable business to participate in a competitive global environment; to ensure that the private sector takes advantage of and benefits from international and regional trade agreements; and to provide for matters connected with or incidental to the foregoing (Republic of Zambia, 2006:38).*

According to the ZDA Act which is supplemented by Statutory Instrument No. 65 of 2007, also called the MFEZs (General) Regulations 2007. The statutory instrument provides more specifics on the development and operations of an MFEZ and the obligations of the zone developer required to effectively and efficiently operate an SEZ. These include:

*Provision and maintenance of standard infrastructures such as factory buildings, warehouses, information and communication technologies (ICT), water and sewerage, reliable power supply, internal roads, and waste and water treatment. (Republic of Zambia, 2007:82).*

The LS-MFEZ was declared as a Multi-Facility Economic Zone on the 28th of June under Statutory Instrument No. 47 of 2010. The instrument prescribes the delimitation of the MFEZ, facilities to be provided and maintained, trading and production conditions, powers and obligations of the zone developer, prohibitions and other matters thereof for the effective and efficient operations of the MFEZ (Ministry of Commerce, Trade and Industry Key Informant).

Other than the Statutory Instrument and the ZDA Act, some regulations have been put in place by the LS-MFEZ management to manage the conduct within the zone and these include;

At the construction level, the surrounding of the company should be fenced in such a way that the activities within that company can be seen from the outside. This is for security purposes to discourage vices such as human trafficking and other illegal activities. The security department also periodically inspects the business to ensure that no illegal activities are happening within the zone (LS-MFEZ key informant).

LS-MFEZ also conducts routine inspections to ensure that;

The production of all goods and services is to be conducted within the MFEZ, which means no company is expected to produce outside the zone and bring the finished product within the zone. The zone is to be used for manufacturing purposes and not storage. This also allows the prohibition of unauthorized activities such as the production of any good or service that is considered harmful to the population, for instance, substances like marijuana and cannabis (LS-MFEZ key informant).

A LS-MFEZ key informant added that companies should also provide protective clothing for the employees within the zone. In that vein, LS-MFEZ management through the technical department carries out routine inspections among the companies operating in the zone to ensure that they adhere to the set standards of occupational health and safety. Management has the right to fine, revoke the license or take to court any investor who goes against the rules of operations.

There are also rights and obligations of investors in MFEZs which state that;

Investors should enjoy all the rights that any investor who invests in Zambia enjoys, this includes the right to determine how you manufacture goods, the right to property and the right to security and protection of one’s life and property. Management is also obligated to notify the investor if there are any incentives for investors who are investing within the zone (LS-MFEZ key informant).

#### 4.2.2 Favourable Aspects of the Laws, Rules and Regulations – Stakeholders’ Perspective

The research further investigated the rules and regulations that investors were happy with and those that they were not happy with. This subsection will focus on the aspects that the investors are happy with, while the next subsection will focus on aspects that the investors are not happy with.

The number of investors who were happy with both tax and non-tax incentives is depicted in Table 4.1.

**Table 4.1 Level of investor satisfaction with tax and non-tax incentives**

Level of Satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	3	19	20	83
Satisfied	12	75	2	8
Neutral	0	0	0	0
Unsatisfied	1	6	1	4
Very unsatisfied	0	0	1	4
Total	16	100	24	100

From table 4.1, it can be seen that amongst the foreign investors, 20 participants out of 24 (representing 83 percent) were very satisfied with tax and non-tax incentives as compared to local investors 12 out of 16 participants (representing 75%). This indicated that on top of the list, investors were happy with the incentives promised to them by government and management, these incentives were both fiscal and non-fiscal. Originally, fiscal incentives were very generous,

offering a 0% tax rate on dividends and profits for 5 years from the year of declaring dividends and commencing operations, respectively. 0% import duty rate for 5 years was another incentive on Capital goods, machinery including specialized motor vehicles. Non-fiscal incentives included investment guarantees and protection against state nationalization and the free facilitation of immigration permits, licences, land acquisition, and utilities (Republic of Zambia, 2006). The aim of providing incentives by the government was to attract investors to invest in the MFEZ. The results from this research are similar to Mubanga, Mwansa and Shaikh (2020) who stated that tax incentives play a major role in attracting investors. The tax incentives are therefore, suitable for attracting foreign investment,

**Table 4.2 Level of investor satisfaction with the provision of security within the zone**

Level of satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	8	50.00	10	41.67
Satisfied	8	50.00	14	58.33
Neutral	0	0	0	0
Unsatisfied	0	0	0	0
Very unsatisfied	0	0	0	0
Total	16	100	24	100

From table 4.2, it can be seen that all the participants both local and foreign investors (representing 100 percent) were satisfied with the regulation of the provision of security within the zone. Investors stated that they were happy with regulations that were put in place to enhance security within the zone. The main reason cited by the investors was that good security provides a harmonious environment for investors to operate peacefully and in a safe environment.

The results from this research can be justified by LS-MFEZ key informant who cited that;

The facility is well protected, there has never been reports of losses of life or property within the facility and most of the investors were satisfied with security

within the zone. Most of the investors were satisfied with the security and the cleanliness of the environment. To this effect, the government ensured that garbage was collected at regular intervals and no investor was allowed to interfere with the operations of another investor.

A Key informant from LS-MFEZ also explained that rules and regulations come in handy in managing the zone because they provide an enabling environment for business which is free from violence and conflict. After all, the rules help in maintaining order, discipline and sanity within the zone. He added that most investors commended the government on rules and regulations that guide operations within the zone, especially those involving penalties and punishment of offenders. The laws outline the penalties attached to a particular offence, for instance producing illegal goods leads to expulsion and to a jail term. This prevents investors from engaging in activities that might affect others negatively and render the environment not safe for operations. The government before approving an application for any investor, they cross check the products that a particular company proposes to be manufacturing from the zone, any business considered harmful to the environment is not allowed to operate within the zone. This implies that this regulation is suitable for attracting foreign investment. This finding is unique to LS-MFEZ.

#### **4.2.3 Aspects of the Laws and Regulations that the Investors are not happy with**

With regard to laws, rules and regulations that stakeholders were unhappy with: Government supervision of work among investors was received with mixed feelings by both local and foreign investors. The research established that 22 foreign and 14 local investors were against, 1 foreign and 2 local investors were comfortable with government supervision and only 1 foreign investor was neither for nor against government supervision of work within the plant as shown in Table 4.3.

**Table 4.3. Opinions of investors on government supervision of work within the plant.**

Level of satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	1	6	0	0
Satisfied	1	6	1	4
Neutral	0	0	1	4
Unsatisfied	4	25	20	84
Very unsatisfied	10	63	2	8
Total	16	100	24	100

Table 4.3 above summarizes responses from both local and foreign investors who were not happy with the government supervision at the facility. Among foreign investors, 20 participants (representing 84%) of the respondents were unsatisfied with the idea of the government directly supervising the work of the investors. While 10 local investors (representing 63%) out of 16 of the participants were very unsatisfied with the idea of government direct supervision within the zone. This implies that most of the foreign investors were unsatisfied with this aspect of management as compared to local investors.

On the other hand, a key informant from LS-MFEZ Cited;

That even though management supervision of work within the plant is seen as an invasion of privacy and an interruption of work. The law gives the government and management powers to supervise or revoke a license or permit of any investor who goes against the rules of operation (LS-MFEZ key informant).

This finding is unique to LS-MFEZ.

The other regulation that stakeholders were unhappy with was the provision of protective clothing to all employees. Results from this research showed that investors had mixed feelings as shown in table 4.4 below.

**Table 4.4 Level of Investor Satisfaction with the Provision of Protective Clothing**

Level of satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	0	0.00	2	8.33
Satisfied	2	12.50	1	4.17
Neutral	0	0	0	0
Unsatisfied	10	62.5	12	50
Very unsatisfied	4	25	9	37.5
Total	16	100	24	100

The results show that more of local investors 10 respondents (representing 62.5%) of the participants were not satisfied with the provision of protective clothing for all workers as compared to foreign investors 12 out of 24 (representing 50%). Among local investor, 2 out of 16 respondents (representing 12.5%) were satisfied with the regulation while to the 1 out of 24 foreign investors (representing 4.17%) were happy with the regulation. The majority of the investors were not satisfied with the regulation because buying protective clothing for all the employees was expensive for companies. This finding is unique to LS-MFEZ.

On the contrary, a key informant from the Ministry of Commerce Trade and Industry stated that, “The government of the Republic of Zambia takes the failure of the management to provide workers with protective clothing seriously and the company is first warned, if they don’t change then they will be fined.”

The key informant from LS-MFEZ also added that,

The rules at LS-MFEZ stipulate that all workers in the companies must wear protective gear to meet the safety standards of working in such environments. We always encourage and monitor companies to ensure that they adhere to these regulations for the safety of the Zambians working in these places (LS-MFEZ key informant).

This regulation is not accepted by most of the investors in the zone because of the financial cost it attracts. However, this is an important regulation that helps in adhering to occupational safety standards within the zone.

This finding is unique to LS-MFEZ.

The other regulation that stakeholders were unhappy with was the prohibition of bringing in goods produced elsewhere. Table 4.5 shows the level of investor satisfaction with the bringing of goods produced elsewhere.

**Table 4.5 Level of Investor Satisfaction with the bringing of goods produced elsewhere**

Level of Satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	2	12.50	4	16.67
Satisfied	4	25.00	1	4.17
Neutral	0	0	0	0
Unsatisfied	6	37.5	11	45.83
Very unsatisfied	4	25	8	33.33
Total	16	100	24	100

The results from this research indicated that more of the foreign investor were unsatisfied, 11 out of 24 (representing 45.83%) and 8 out of 24 were very unsatisfied (representing 33.33%) as compared to local investor, 6 out of 16 (representing 37.5%) were satisfied and 4 out of 16 (representing 25%) were very unsatisfied. Results from this research showed that most foreign investors had mixed feelings over this regulation.

A key informant from LS-MFEZ on the contrary stated that, “the rule strictly stipulates the production of goods and services within the MFEZ, in this regard no company is expected to produce outside the zone and bring the finished product into the zone” (LS-MFEZ Key informant). This is in line with the finding by Munuka (2014), who stated that special economic zones are obliged to control the movement of goods from and into the zone

This implies that even though the regulation has been received with mixed feelings by investors, especially the foreign investors, it is a good regulation for it allows for the control of restricted products within the zone.

### **4.3. Registration, Establishment and Operational Procedures in the LS-MFEZ**

For an investor to set up a business and start operations at LS-MFEZ there is a procedure that is followed. This section focuses on registration, establishment and operational procedures at LS-MFEZ. It explains the procedure taken to set up a business at LS-MFEZ and discusses the respondents' reactions to the procedures of setting up a business at LS-MFEZ.

#### **4.3.1 Procedure followed to Set up a Business**

A key informant from LS-MFEZ indicated that the procedure of establishing a business at LS-MFEZ consists of five stages;

Firstly, a checklist is given to the potential investor. The checklist has an interpretation of roles and procedures.

Secondly, the investor applies for a permit to operate within the zone. This involves an investor submitting a request to allow them to establish their business. This is on the condition that the company is registered with the Patents and Company Registration Agency (PACRA).

Thirdly, once the authority reviews the application and if satisfied, management issues the investor with a permit to operate. When the permission is granted, the investor is expected to apply for a license of operation through Zambia Environmental Management Authority (ZEMA)

Fourthly, when an offer is given to the investor, they are required to make a payment. Then ZEMA releases an environmental clearance to allow the investor to start with operations. This clearance allows the goods to be produced and the procedures in the production process are not harmful to other investors within the zone.

Lastly, a lease agreement of Forty (40) years is given to the investor and is subject to renewal.

The following are the processes which an investor needs to follow before getting a ZEMA certificate; 1. Screening 2. Scoping 3. Terms of Reference (TORs) 4. Review and Approval of

Report 5. Validity of a Decision Letter 6. Transferability of a decision letter 7. Compliance monitoring and auditing 8. Environmental Impact Assessment report structure 9. Identification of Developer 10. Project Description (LS-MFEZ Key Informant).

**4.3.2 Respondents’ Reaction to the Procedure of Setting up a Business at LS-MFEZ**

In ascertaining whether the procedure of setting up a business is efficient enough to attract world-class investment, the respondents were asked to highlight the areas of the procedure that they find challenging and the easy aspects of the procedure. The responses were with regard to ZEMA and PACRA registration processes. These responses are presented in Table 4.6.

**Table 4.6: Investors’ opinion on ZEMA’s business registration process.**

<b>Happy</b>	<b>Local</b>		<b>Foreign</b>	
	<b>Frequency</b>	<b>Percent</b>	<b>Frequency</b>	<b>Percent</b>
Yes	1	6.25	2	8.33
No	15	93.75	22	91.67
Total	16	100	24	100

Table 4.6 shows how investors feel about the requirements by ZEMA for them to register their businesses. The majority of the local investors that is 15 out of 16 (representing 93%) indicated that they were not happy with the current registration process demanded by ZEMA and foreign investors 22 out of 24 foreign investors (representing 92%) were also not happy with the current ZEMA registration process. From the statistics, it shows that it is clear that both local and foreign investors are unhappy and would rather invest in a place that has fewer processes. This finding is unique to LS-MFEZ. This implies that most investors especially the foreign investors are not happy with how the business registration is done.

**Figure 4.1: Reasons why people are not happy with the current ZEMA registration process**

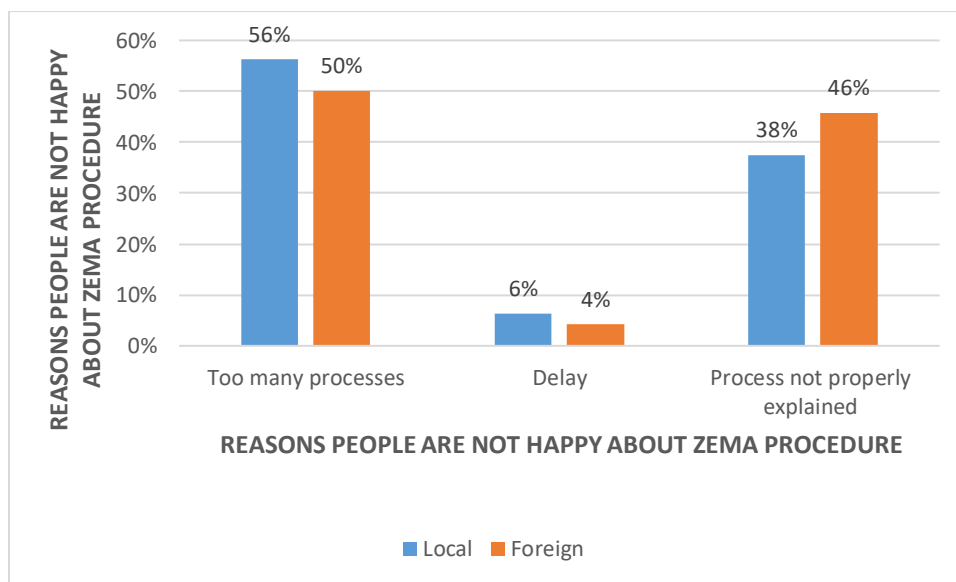


Figure 4.1 shows the reasons why people are not happy with the current ZEMA registration process. More than half of the local respondents 9 (representing 56%) out of 16 participants, said that there are too many processes as compared to the foreign investors 12 (50%) out of 24 participants. 1 out of 16 local investors (representing 6%) said there are delays as compared to the foreign investor 1 out of 24 (representing 4%). Almost half of the foreign investor, that is, 11 out of 24 (representing 46%) said the processes are not properly explained as compared to 6 out of 16 local investors (representing 38%). This finding is similar to Nyangu (2012) who submitted that Multinational Corporations and international organisations are less likely to be attracted to a country where there is red tape.

This means that most foreign investors find challenges with the process because it is not properly explained by the ZEMA. While most local investors find the registration process to have too many processes. This implies that the registration process used by ZEMA is not suitable to attract foreign

investment because of too many processes involved and the process not properly explained which causes unnecessary delays.

The procedure for registering a company begins with name clearance, which means they have to verify your company name to ensure that no other company has a similar company name. The second step is that you are required to present the following documents, which are, one documentary age, a certified copy of the Certificate of incorporation from the country of origin, the charter, statutes, regulations, memorandum and articles, or other instrument relating to a foreign company must be submitted and an authorised letter from the company in the country of origin. The third step is that if a foreigner owns the company, they should look for at least one local director, who should be 18 years and above, undischarged bankrupt under Zambian laws and of sound mind. The fourth step is that the company owner will be required to pay an amount of four thousand one hundred and seventy kwacha only (LS-MFEZ key informant). Table 4.7 shows the investors’ opinion on the PACRA registration process.

**Table 4.7: Investors’ opinion on the PACRA registration process**

<b>Happy</b>	<b>Local</b>		<b>Foreign</b>	
	<b>Frequency</b>	<b>Percent</b>	<b>Frequency</b>	<b>Percent</b>
Yes	3	18.75	5	20.83
No	13	81.25	19	79.17
Total	16	100	24	100

Table 4.7 shows how people feel about the current PACRA registration process. The majority of the local investor, 13 (representing 81%) of the participants said they were not happy with the current registration process. While 19 out of 24 foreign investors (representing 79%) said they were happy. Most of the foreign investors were not happy with the PACRA registration process because the procedures for registering a company are slightly different for a local and a foreign company. There are extra procedures required when registering a foreign company.

The procedure to register a company with PACRA is simple, but it was established that the authorities usually take too long to respond, often more than a month, yet rules stipulate that a response is to be given within 24 to 48 hours (officials from 34 out of 40 investors gave this reason). The research also established reasons why they were not happy as discussed below.

**Figure 4.2: Reasons why people are not happy with the current PACRA registration process.**

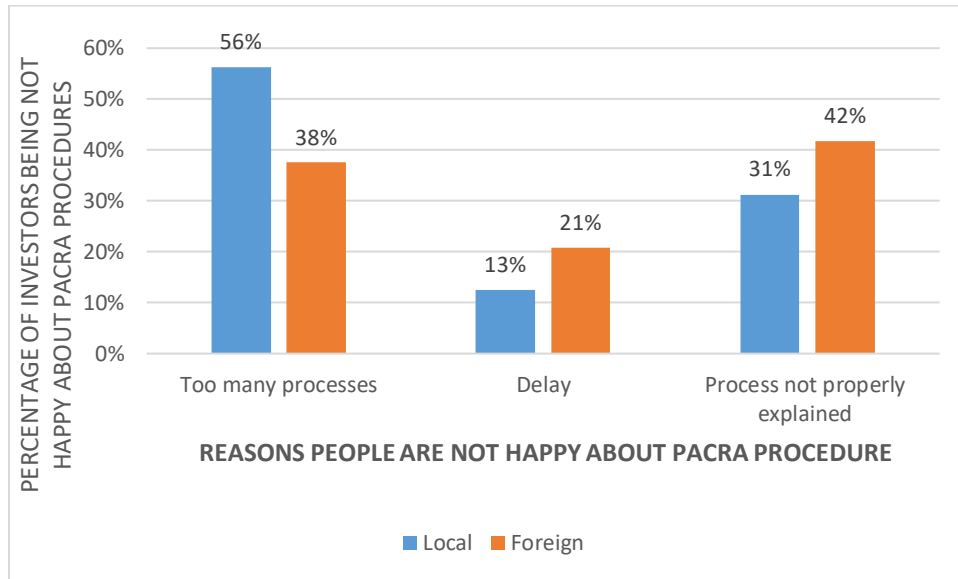


Figure 4.2 shows the reason why investors are not happy with the current PACRA registration process. More than half of the local respondents, that is, 9 (representing 56%) out of 16 participants, said there are too many processes as compared to 9 (representing 38%) out of 24 foreign investors. 2 out of 16 local investors (representing 13%) said there are delays as compared to 5 out of 24 foreign investors (representing 21%). More than one third of the foreign investor, that is 10 out of 24 (representing 42%) said the processes are not properly explained as compared to 5 out of 16 local investors (representing 31%). This finding is equally similar with Nyangu (2012) who submitted that Multinational Corporations and international organisations are less likely to be attracted to a country where there is red tape.

A key informant from ZDA added that among the rules and procedures, one major discouraging procedure was the length of time taken to give a licence and the operations permit. Many investors who wished to invest at the facility complained of the procedures in the process of obtaining a license. They described the process as tedious, there are too many formalities (ZDA key informant). This finding is similar to the finding by Farole (2011) who stated that a clear and transparent legal and regulatory framework codifies the program strategy and establishes the rules of the game for all stakeholders involved in the process.

Similar to the ZEMA process, most of the foreign investors find challenges with the PACRA process because it is not properly explained and delays. While most local investors find the registration process to have too many processes. This implies that the PACRA process is not a suitable for attracting foreign investment because of too many procedures that are not explained which delays the process.

#### **4.4 Conclusion**

In conclusion, the findings show that although some of the laws, rules and regulations are not in line with the desires of both local and foreign investors. The research showed that most of the foreign investors were not happy with some of the laws, rules and regulations such as government supervision of work within the zone, provision of protective clothing and the regulation of bringing in goods produced elsewhere. The only laws, rules and regulations that most foreign investors were happy with were tax and non-tax incentives and the provision of security within the zone. The research further showed that most of the investors were not satisfied with the procedures for setting up a business by government agencies such as the PACRA and the ZEMA. Lastly, the results from this research show that laws, rules and regulations that have been put in place are to favour both parties that is government and the investors because most of the investors are satisfied with the legal framework. Generally, it can be deduced from this chapter that the legal framework put in place at LS-MFEZ has been effective in attracting foreign investment in LS-MFEZ because there are more foreign investors 12 out of 20 companies at LS-MFEZ than the local investors who are 8 out of 20 companies.

## **CHAPTER FIVE**

### **ADMINISTRATIVE STRUCTURES AND FOREIGN INVESTMENT AT LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE**

#### **5.1 Introduction**

This chapter presents and discusses the findings relating to the second specific objective, which reads: To examine the suitability of the administrative structures in attracting foreign investment at Lusaka South Multi-Facility Economic Zone (LS-MFEZ). To achieve this, the chapter proceeds by first presenting and discussing the organisational structure of LS-MFEZ. Thereafter, the chapter presents and discusses the infrastructure at LS-MFEZ. Finally, a conclusion will be given.

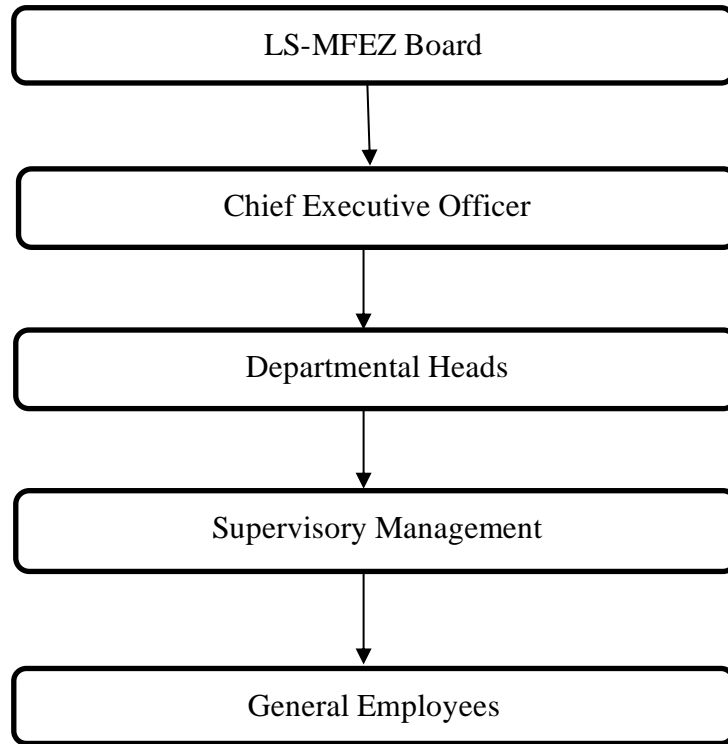
#### **5.2 Organisational Structure of LS-MFEZ**

The LS-MFEZ has an organisational structure put in place to manage the facility. This section focuses on three aspects of the organisational structure at LS-MFEZ. These are the management structure; aspects of the management structure investors are satisfied with and aspects they are not satisfied with.

##### **5.2.1 Management Structure**

The management structure at LS-MFEZ has five levels. These are the board, the chief executive officer, the departmental heads, the supervisory management, and the general employees (operators and clerks) as shown in Figure 5.1.

**Figure 5.1: Management Structure at LS-MFEZ**



**Source: Field data**

According to the LS-MFEZ key informant, LS-MFEZ is an organisation which is guided by a structure. He said “that the LS-MFEZ is managed by a board. LS-MFEZ board has eight members headed by the Minister of Commerce, Trade and Industry. These members are appointed by the minister from both the public and private sectors.”

From the information provided by the key informant, it is evident that the board is made up of members that represent both public and private institutions. This shows that there is a collaboration between the government and the private sector in the management of this economic zone. The collaboration helps in supplementing limited public sector capacities to meet the growing demand for investors.

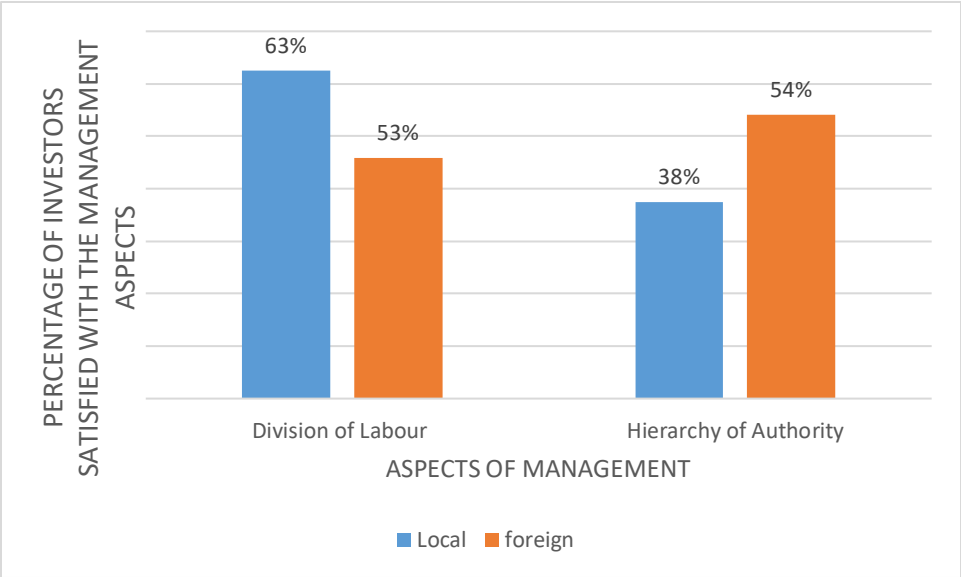
The overall role of the LS-MFEZ board is general management. The Chief Executive Officer is the head of the LS-MFEZ management team and is in charge of policy implementation. The management team comprises five departments. These are Risk and Audit, Finance, Technical Services, Marketing and Business and Support Services. Internal audits at LS-MFEZ are handled

by the Risk and Audit Department. The management of the financial resources at LS-MFEZ is the responsibility of the Finance Department. Maintenance is handled by the Technical Services Department. The facility's marketing and advertising on a local and international level are the responsibility of Marketing and Business Department. Within LS-MFEZ, the Support Services Department is in charge of all Administrative, general, and human resource tasks (LS-MFEZ key informant).

**5.2.2 Aspects of Management that Investors are satisfied with**

The research further investigated aspects of the management structure investors are satisfied with. The aspects of management that most of the investors are satisfied with are presented in Figure 5.2.

**Figure 5.2 Aspects of Management Investors are satisfied with**



From Figure 5.2, it can be noted that the highest level of satisfaction was with foreign investors. More than half of the foreign investors were satisfied with division of labour as compared to local investors. With regard to hierarchy of authority, more than half of the foreign investors were satisfied with this aspect as compared to local investors who only accounted for more than one third. The results from this research indicate that departments at LS-MFEZ manage their roles and responsibilities accordingly.

These results are in line with the narration from the LS-MFEZ key informant who said that “More foreign investors have invested at the MFEZ than local investors. Most foreign investors are influenced by the hierarchy of authority because it clearly outlines the chain of command with a well-defined path of communication”.

The research further investigated the reasons why investors were satisfied with the management aspects as shown in Figure 5.3 below.

**Figure 5.3: Reasons for satisfaction with the management aspects**

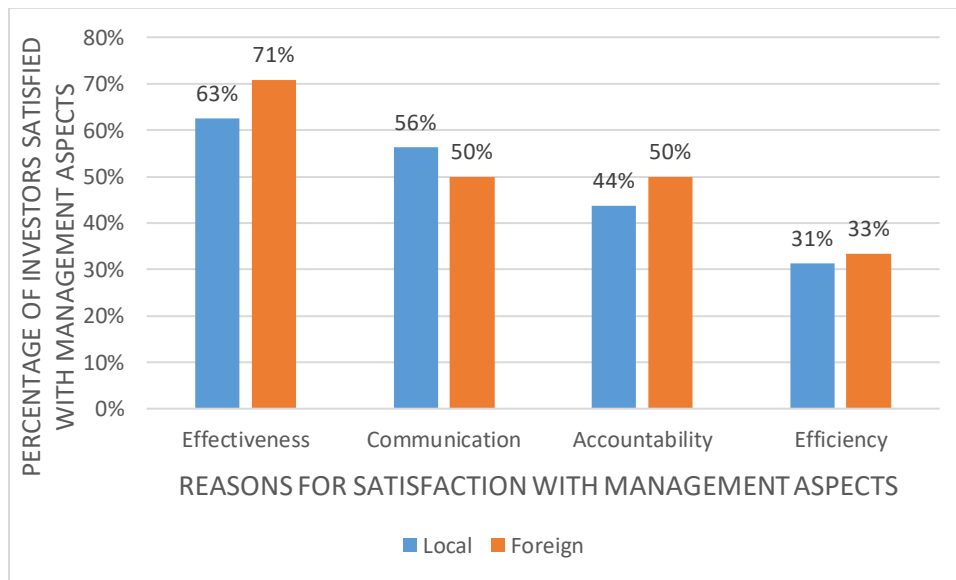


Figure 5.3 shows that most of the foreign investors were satisfied with aspects of management because of effectiveness, accountability and efficiency as compared to local investors. While majority of local investors were satisfied with communication as compared to foreign investors.

The key informant from LS-MFEZ stated that “the channel of the flow of information has been clearly outlined through the duties assigned to each office. This has also helped LS-MFEZ’s smooth operation because each office knows the dos and don’ts making LS-MFEZ more effective and efficient. Furthermore, “one thing which makes LS-MFEZ operate efficiently and effectively is because of the hierarchy of authority, this is because positions are well defined with regard to roles and responsibilities. This allows for smooth operation”.

The key informant from LS-MFEZ narrated that division of labour is very important for the smooth operation of an organisation. That is the reason why different departments carry out different specific tasks. The reason for the division of power is to reduce conflicts in the organisation to achieve the organisation's goal as a team. The LS-MFEZ key informant said that:

To manage the zone effectively and efficiently, we have put in place a proper system of division of labour and specialisation. Zone management is divided into departments that carry out specific tasks. This ensures the smooth flow of work and reduces conflicts within the zone. Division of labour and specialisation play a huge role in attracting both local and foreign investors because it creates an ideal environment for business “(LS-MFEZ key informant).

This implies that most foreign investors are interested in a structure that promotes or aids effectiveness and accountability. While local investors are more interested in a structure that enhances communication. This means that the two aspects of management are suitable for attracting foreign investment. This finding is unique to LS-MFEZ.

### **5.2.3 Aspects of the Management Structure that Investors are unsatisfied with**

Looking at aspects of the management structure investors were unsatisfied with; bureaucracy was the only aspect most investors were unsatisfied with.

Table 5.1 shows that there was a very high level of dissatisfaction with the bureaucracy applied in the management of the LS MFEZ.

**Table 5.1 Level of investor satisfaction with bureaucracy**

<b>Level of satisfaction</b>	<b>Local</b>		<b>Foreign</b>	
	<b>Frequency</b>	<b>Percent</b>	<b>Frequency</b>	<b>Percent</b>
Very Satisfied	6	38	4	17
Satisfied	0	0	5	21
Neutral	0	0	0	0
Unsatisfied	5	31	0	0
Very unsatisfied	5	31	15	63
Total	16	100	24	100

Table 5.1 the research discovered that majority of both local and foreign investors were unsatisfied with the bureaucracy, 10 out of 16 (representing 62 percent) and 15 out of 24 (representing 63 percent) respectively. While a small segment of both local and foreign investors, that is 6 out of 16 (representing 38 percent) and 4 out of 24 (representing 17%) were satisfied with bureaucracy respectively. Both local and foreign investors had the same level of dissatisfaction with the bureaucracy at LS MFEZ. More than half of the foreign investors were unsatisfied with bureaucracy, this implies that the bureaucracy applied in the management of LS-MFEZ is not suitable for attracting both local and foreign investors.

The research further established the reasons why investors were unsatisfied with bureaucracy as shown in Figure 5.4.

**Figure 5.4: Reasons for dissatisfaction with bureaucracy**

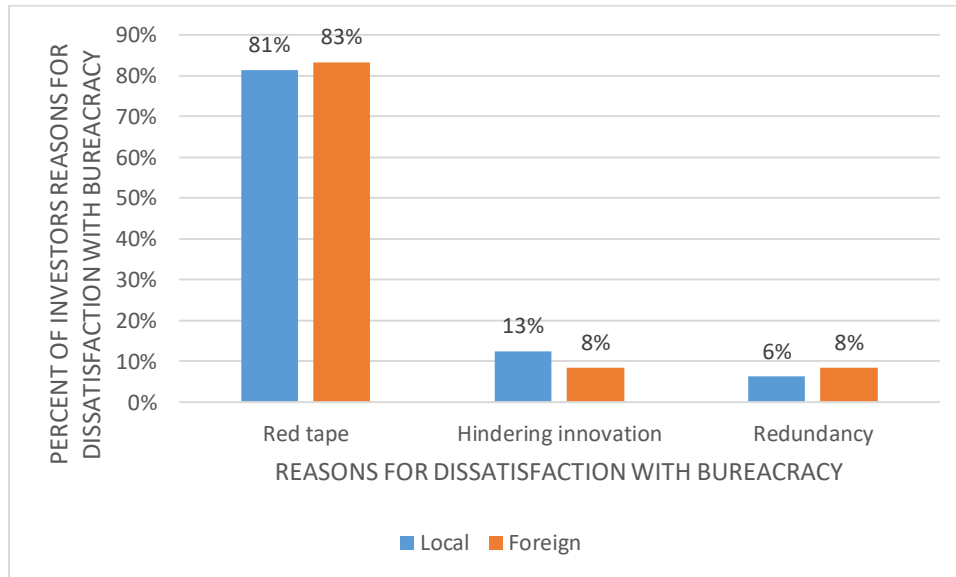


Figure 5.4 shows that majority of the foreign investors were unsatisfied with bureaucracy because of red tape (83%) as compared to local investors (81%). The red tape meant delays in accessing the services due to the processes and procedures required to access a service. The duration taken to access a service is long for instance ZEMA licences would take long to be issued. More of local investors (13%) were unsatisfied with bureaucracy because of hindering innovation as compared to foreign investor (8%). Hindering innovation in this research meant investors are restricted in terms of new ways of running their businesses. A highest number of foreign investors were unsatisfied with bureaucracy due to redundancy as compared to local investors. This meant that investors were required to take all necessary steps to get a particular service. Redundancy meant certain procedures are not necessary for the running of the business by investors.

A LS-MFEZ key informant stated that one of the complaints management receive from investors is that of long procedures and processes that are taken to access the service. This is usually at the time when an investor wants to set up a business. The key informant from LS-MFEZ narrated that “Investors complain a lot about the time taken to access the services and ask if there is no better way to shorten the procedures. But on our end, we need to follow protocol which seems to be cumbersome for the investors.” This finding is similar to Nyangu 2011who found that, the administration of MFEZs is placed in the ZDA, an institution already over-burdened with other responsibilities. As a result of this, there are unnecessary delays in decision making and service

delivery. It is submitted that Multinational Corporations and international organisations are less likely to be attracted to countries where there is red tape. This implies that foreign investors are more interested in a structure that does not cause unnecessary delays in accessing a service.

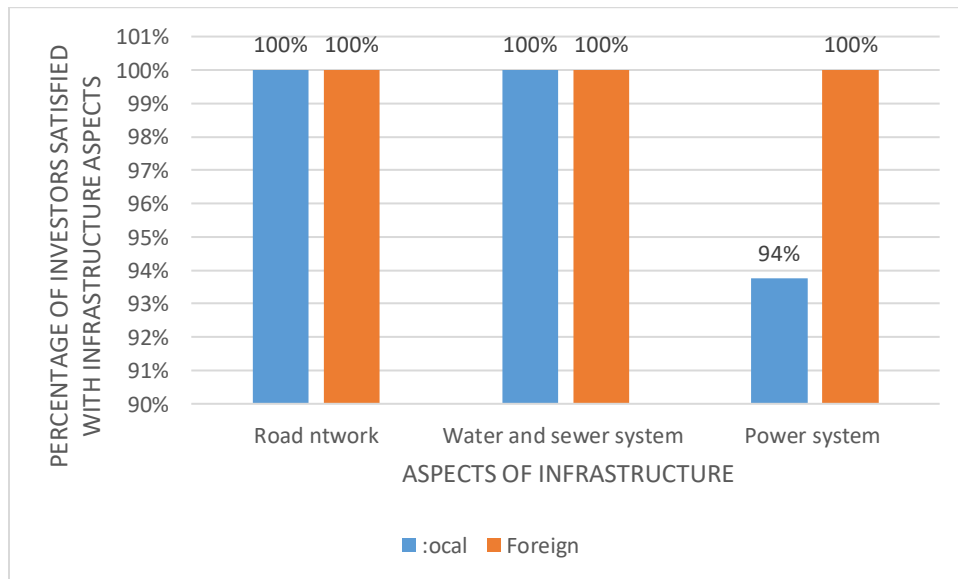
### 5.3 Provision of Infrastructure at LS-MFEZ

This section focuses on the provision of infrastructure at the LS-MFEZ as a strategy for attracting foreign investment. It will start with presenting aspects of infrastructure investors are satisfied with and then followed by aspects of infrastructure investors are not satisfied with.

#### 5.3.1 Aspects of infrastructure stakeholders are satisfied with

The research investigated aspects of infrastructure investors were satisfied with. Therefore, this subsection focuses on aspects of infrastructure investors were satisfied with. The aspects of infrastructure that most of the investors are satisfied with are presented in Figure 5.5.

**Figure 5.5: Level of satisfaction with infrastructure aspects**



From Figure 5.5 it was established that all respondents among foreign and local investors were satisfied with the road network and water and sewerage system. All of the foreign investors were satisfied with the power system as compared to local investors (94%). The results from the research show that there was no variation in terms of which aspects of infrastructure investors were more

satisfied with, because two aspects of the infrastructure, that is, the road network and the water and sewerage system both scored 100% while the power system scored 94%. This entails that most investors are satisfied with the given aspects of infrastructure. This means that the aspects of infrastructure presented above are conducive for investment and therefore attract foreign investment.

The findings from this research are contrary to the findings of Mwansa, Shaikh and Mubanga (2020). Their findings showed that the zone management firm appears to grapple with some key administrative issues of managing the zone, in addition to inadequate zone infrastructure. The findings relating to the general infrastructure revealed that in general terms, some of the infrastructure was adequate and some of it inappropriate. Results on road infrastructure indicated that not all the roads were in a poor state, some of the roads, especially those within the zone, were in good condition though needed upgrading.

The research further investigated the reasons why investors were satisfied with the road network as shown in Figure 5.5.

**Figure 5.6: Reasons why investors are satisfied with the infrastructure aspects**

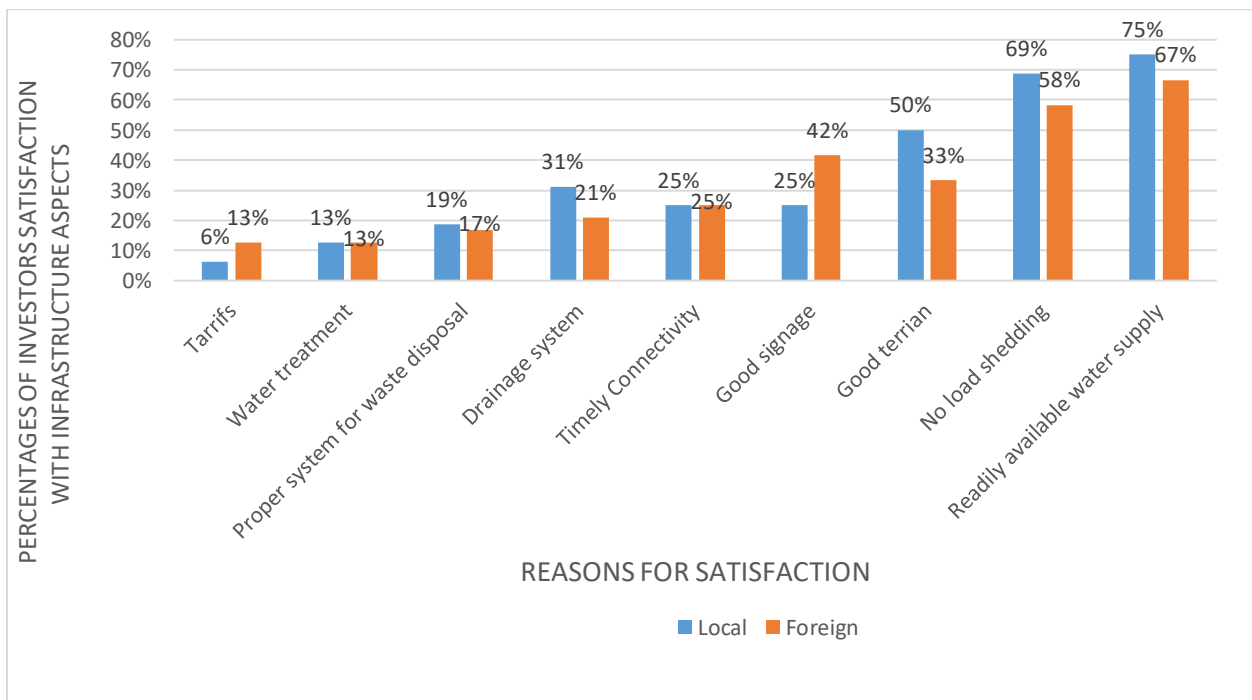


Figure 5.6 more foreign investors were satisfied with the aspects of infrastructure because of electricity tariffs (13%), good signage (42%). While some aspects of infrastructure that meet the preference of investors among the local investors are a proper system for waste disposal (19%), drainage system (31%), good terrain (50%), no load shedding (69%), and readily available water supply (75%). This means that good signage, readily available water supply and no load shedding have the ability to attract foreign investment. The results from this research show that some aspects of infrastructure that meet the preference of most foreign investors.

The findings in this research are contrary to the findings by Chiwunze (2020) who indicated that in terms of the suitability of the economic zone infrastructure as a vehicle for attracting investment in the economic zone, results according to participant's responses showed that there were some inadequacies with basic infrastructure in Zambia. there were persistent power outages in the zone, that had a detrimental effect on machinery used for manufacturing goods for both the local and foreign markets. Power fluctuations also adversely affected reliability of Water supply by the Lusaka Water and Sewerage Company, which is the authorized Water utility service provider in the zone.

### 5.3.2 Aspects of infrastructure stakeholders are unsatisfied with

Among the aspects of infrastructure investors were unsatisfied with, the transport system was the only aspect most investors were unsatisfied with.

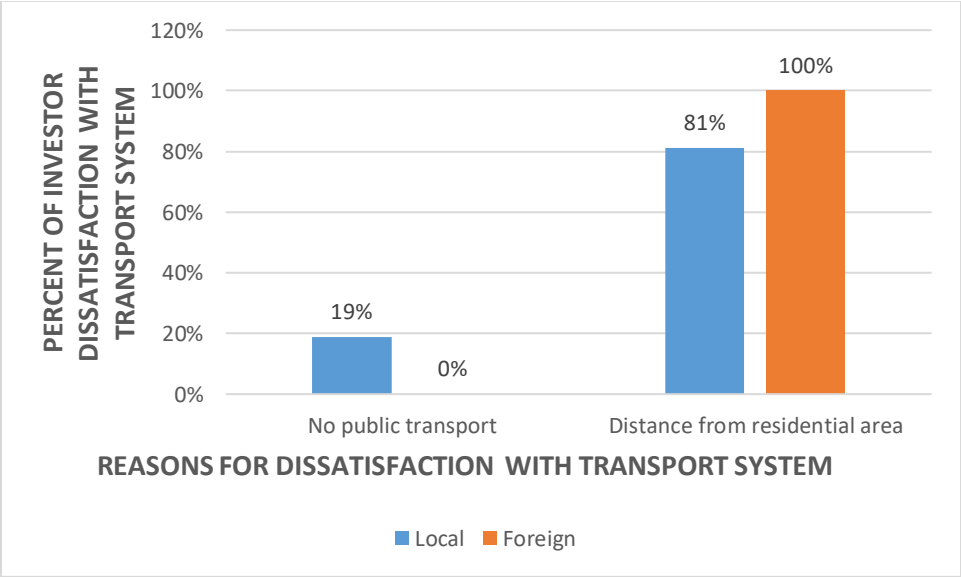
**Table 5.2: Level of investors' satisfaction with the transport system**

Level of satisfaction	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Very Satisfied	2	13	5	21
Satisfied	5	31	3	13
Neutral	0	0	0	0
Unsatisfied	4	25	10	42
Very unsatisfied	5	31	6	25
Total	16	100	24	100

Table 5.2 shows that most foreigners were unsatisfied with this aspect of infrastructure compared to the local investors at LS-MFEZ. This means that the transport system as an aspect of infrastructure is not suitable for attracting foreign investment.

The research also examined the reason why investors were unsatisfied with the transport system as shown in Figure 5.7.

**Figure 5.7: Reasons for dissatisfaction with the transport system**



The 25 investors that expressed dissatisfaction with the transport system as an aspect of the infrastructure had two reasons to give. To start with, 24 out of 24 investors (representing 100 percent) of foreign investors were unsatisfied with the distance from residential areas to the LS-MFEZ area as compared to 13 out of 16 (representing 81 percent) local investors. While only 3 out of 16 (representing 19 percent) indicated that they were unsatisfied with transport system due to lack of public transport from residential areas. The distance from the residential areas to LS-MFEZ is long which makes people without vehicles face challenges in accessing the area. Long distances from residential areas to the LS-MFEZ area show a low level of dissatisfaction. Results from the research imply that most of the investors show a higher dissatisfaction level with no availability of public transport. These findings are similar to Pakdeenurit, Suthikarnnarunai, and Rattanawong (2017) who stated that one of the key factors that determine an investment decision is the location advantage of the zone. The findings by Nazarczuk and Cicha-Nazarczuk (2021)

equally shows that investors prefer to invest in a zone that has high-quality transport infrastructure and distance from residential areas.

This means that a zone with a good transport system is one with available public transport and one that is not very far from residential areas. This implies that the transport system at LS-MFEZ is not suitable for attracting foreign investment.

#### **5.4 Conclusion**

The research established that most of the administrative structures at LS-MFEZ are suitable for attracting world-class investment. This is attributed to the fact that most of the foreign investors were satisfied with most of the management aspects and infrastructure aspects. In terms of the management structure, the majority of investors were satisfied with the hierarchy of authority and division of labour. This means that these aspects of management are suitable for attracting world-class investment. Though with a small variation, both local and foreign investors were satisfied with the hierarchy of authority. This means that most aspects of management structures are suitable for attracting foreign investment. The only management aspect established in this research that most foreign investors were unsatisfied with was bureaucracy. This means bureaucracy as an aspect of management structure is not suitable for attracting world-class investment. In terms of infrastructure, foreign investors were satisfied with almost all the aspects of the infrastructure available at LS-MFEZ, which are the road network, power system, and water and sewer system. The only aspect they were unsatisfied with was the transport system. This means most of the aspects of the infrastructure at LS-MFEZ are suitable for attracting foreign investment.

## CHAPTER SIX

### LUSAKA SOUTH MULTI-FACILITY ECONOMIC ZONE AND ATTRACTION OF FOREIGN INVESTMENT IN MANUFACTURING ACTIVITIES

#### 6.1 Introduction

This chapter presents and discusses findings relating to the third specific objective which reads: To assess the extent to which the LS-MFEZ has attracted foreign investment in manufacturing activities. To achieve this, the chapter will start by looking at the ownership of manufacturing activities at LS-MFEZ. It will then examine the ability of the investors to expand their businesses at LS-MFEZ. Thereafter, it will present the challenges faced to attract foreign investment at LS-MFEZ. Finally, a conclusion is given.

#### 6.2 Ownership of Manufacturing Activities

This section focuses on the ownership and the type of manufacturing activities at LS-MFEZ. The details of these activities are discussed below.

##### 6.2.1 Ownership of manufacturing activities at LS-MFEZ

**Figure 6.1: Type of ownership of manufacturing activities at LS-MFEZ**

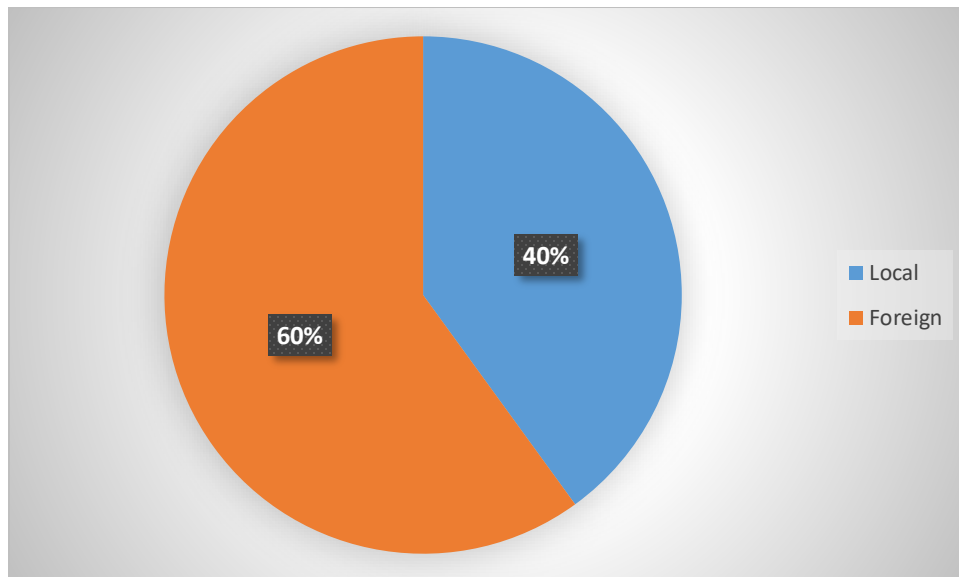


Figure 6.1 shows that most of the investors undertaking manufacturing activities at LS-MFEZ are foreigners. That is, 12 out of 20 investors (representing 60 percent). Local investors only account for 8 out of 20 (representing 40 percent). However, there is a small difference in terms of the

number of local versus foreign investors at LS-MFEZ. The finding in this research is similar with the finding by Nyangu (2012) that indicated that 67% of the investors operating in the MFEZs were foreign while 89% of those that had set up or were about to set up as business enterprises in MFEZs (known as zone operators) were also foreign.

This means that there are more foreign investors than local investors at LS-MFEZ. Which implies that LS-MFEZ has attracted foreign investment in manufacturing activities.

### 6.2.2 Types of manufacturing activities at LS-MFEZ

The types of manufacturing activities by investor group are shown in Table 6.1

**Table 6.1: Type of manufacturing activity by investor group**

Manufacturing Activities	Local		Foreign	
	Number	Percent	Number	Percent
Construction Materials	3	50	3	50
Food and Beverages	1	33.3	2	66.7
Cosmetics	0	0	2	100
Tobacco products	1	50	1	50
Chemical fertiliser	1	100	0	0
Sanitary ware	0	0	1	100
Plastic ware	0	0	1	100
Energy	1	100	0	0
Agro-processing	1	100	0	0
Pharmaceutical Products	0	0	2	100
Total	8	40	12	60

Table 6.1 shows that foreign investors dominated in the manufacturing of food and beverages, cosmetics, sanitary ware, plastic ware and pharmaceutical products. While the local investors dominated in the manufacturing of chemical fertilizer, energy and agro processing. Both local and foreign investors have the same level of participation in the manufacturing of construction materials and tobacco products. From the results, it can be seen that on one hand, foreign investors dominated in the manufacturing activities that utilise high technology and huge machinery, and

also large capital investment. On the other hand, local investors dominated manufacturing activities that utilise low technology and does not require a large amount as capital investment. The finding is similar with the finding by Sikozi, Siaminwe and Mwenda (2011) the targeted active manufacturing firms located in the following towns; Lusaka, Kabwe, Ndola, Chambishi, Solwezi and Livingstone. The research established that there were low levels of advanced technologies, weaker innovative capacity and lower human capital (skills) threshold in local firms.

### 6.3 The ability of the investors to expand their businesses at LS-MFEZ

The ability of investors to expand their businesses is examined by comparing the initial size of the businesses of both local and foreign investors and their status. The initial size of these businesses is shown in Table 6.2.

**Table 6.2: Size of the initial business by investor group**

Initial Business Size	Local		Foreign	
	Frequency	Percent	Frequency	Percent
Large Scale	2	12.5	4	16.7
Medium Scale	4	25	18	75.0
Small Scale	8	50	2	8.3
Micro Scale	2	12.5	0	0.0
Total	16	100	24	100.0

Table 6.2 shows that most of the foreign-owned businesses started as medium or large businesses (75% and 16.7 %, respectively of the foreign-owned businesses) compared to locally-owned businesses where most of them started as small or micro businesses (50% and 12.5%. respectively of the locally-owned businesses). Investing opportunities such as having a minimum capital threshold for one to investment favoured more of the foreign investors because they could afford the minimum capital required to invest compared to the local investors. The exemption on import duties also allowed the foreign investors to move machinery from their country to Zambia at minimal cost. This finding indicates that the initial investing opportunities at LS-MFEZ favoured foreign investors. The research findings are similar to Nyangu (2012) who stated that there were extra incentives like exclusion of foreign suppliers to developers of the MFEZs from the Reverse

VAT charges and exemption from Customs Duty on equipment, machinery and accessories and materials imported for development of MFEZs. The difference, however, was that for one to enjoy the additional incentives, they ought to invest in a MFEZ a minimum of USD \$500,000. This minimum financial threshold for investment in the MFEZ was way beyond reach for most of the local investors. The research further investigated the extent of business growth by investor group at LS-MFEZ as shown in Table 6.3.

**Table 6.3: Extent of business growth by the investor group**

Growth of Business	Local		Foreign	
	Count	Percent	Count	Percent
Increased Significantly	7	43.7	9	37.5
Increased slightly	4	25	6	25
Remained unchanged	2	12.5	6	25
Reduced slightly	2	12.5	3	12.5
Reduced significantly	1	6.3	0	0
Total	16	100	24	100

The data in Table 6.3 shows that while majority of the businesses owned by both local and foreign investors grew, much of the growth occurred in the locally-owned businesses ( $43.7 + 25 = 68.7\%$ ) compared to  $37.5 + 25 = 62.5\%$  for foreign-owned businesses. The rate of stagnation is higher among foreign-owned businesses than the locally-owned. The rate of decline is higher among local investors ( $12.5+6.3=18.8\%$ ) as compared to foreign-owned business 12.5%. This finding indicates that the rate of growth for foreign-owned businesses is higher than the stagnation or decline. The finding further indicates that the business growth is higher for locally owned businesses than foreign-owned. This means that with the passage of time, investment opportunities at LS-MFEZ started to favour local investors than foreign investors. The results show that most of the foreign investors are facing expansion problems. The first reason is because of the regulatory environment in Zambia. Most of the investors were not happy with some of the regulations put in place. These regulations can be difficult for foreign investors to understand and comply with. This can create challenges for foreign companies looking to expand their businesses. The second reason is the type

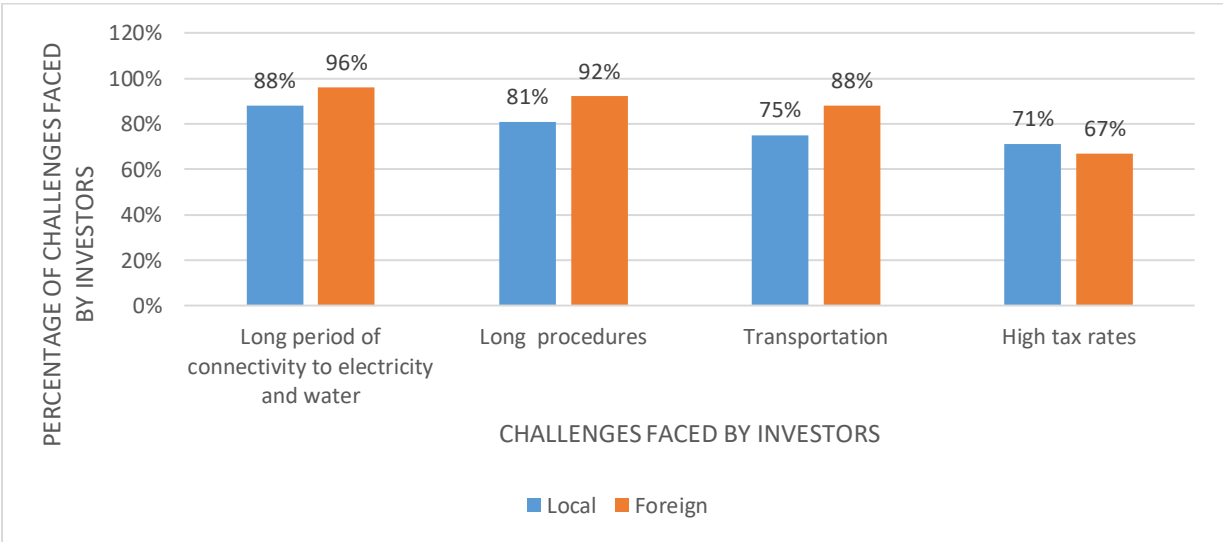
of infrastructure especially the transport system. Most of the foreign investors were not satisfied with the transport system. The transport system at LS-MFEZ is inadequate. This is particularly challenging for investors who may have used more developed transport systems in their home countries. The third reason is the market, the foreign investors lack knowledge on the local market and culture. This makes it difficult to understand the needs and preferences of the local consumer. As a result, foreign investors may find it a challenge to expand their businesses. These findings are unique to LS-MFEZ.

**6.4 Challenges Faced at LS-MFEZ**

The challenges faced at LS-MFEZ presented in this section relate to those faced by investors in manufacturing activities and those faced by LS-MFEZ management in attracting foreign investment in manufacturing activities. The details of these challenges are presented below.

**6.4.1 Challenges faced by Investors in Manufacturing Activities at LS-MFEZ**

**Figure 6.2 Challenges faced by investors at LS-MFEZ**



The data in the Figure 6.2 shows that despite majority of the investors facing a lot of challenges, the situation is worse for foreign investors. This is evident in the challenges such as long periods of connectivity to electricity and water, long procedures, transportation and high tariffs. However, in the area of taxes, the challenge is worse for local investors. This means that foreign investors enjoy some tax relief compared to their local counterparts. Most of the foreign investors face more

challenges with procedures compared to local investors because the process of setting up a business has extra steps for a foreign investor. With regards to connectivity, the local investors may have established social networks locally that helps them to get things done fast compared to foreign investors.

#### **6.4.2 Challenges Faced by LS-MFEZ Management.**

There are two major challenges faced by management in attracting world-class investment at LS-MFEZ. The first challenge is the long procedures taken by ZEMA and PACRA to issue permits and licences. The key informant from LS-MFEZ said:

For any investor to be confirmed, they have to register with PACRA and they have to go through ZEMA which assesses the business to ensure it has no negative effect on the environment. This seems to be hectic on the side of investors and by the end of the procedure investors are demotivated from continuing with the investment (LS-MFEZ key informant).

The second challenge is that the management at LS-MFEZ is understaffed. The key informant from LS-MFEZ said:

We have a shortage of management staff here at LS-MFEZ. There is a need to have sufficient staff, especially in the maintenance department. The less man-power leads to delays in attending to queries from the investors. Some employees are overburdened with the workload, which lowers their productivity (LS-MFEZ key informant).

This means that for a zone to be managed efficiently and effectively, there is need for enough labour. This finding is similar to Manchishi and Phiri (2020) who stated that most zones face labour challenges such as skill shortages, while other challenges are purported to be poor policy coordination across government agencies.

## 6.5 Conclusion

The research established that most of the investors undertaking manufacturing activities at LS-MFEZ are foreigners. It was further established that there are several manufacturing activities at LS-MFEZ. These include construction materials, food and beverages, pharmaceutical products, tobacco, cosmetics, chemical fertilizer, sanitary ware, plastic ware and energy. Foreign investors dominated in the manufacturing of food and beverages, cosmetics, sanitary ware, plastic ware and pharmaceutical products. While local investors dominated in the chemical fertiliser, energy and agro-processing.

The research further established in terms of initial size of business, most of the foreign owned businesses started from medium and large as opposed to the local owned businesses that started as small and very small. The findings indicate that the initial investing opportunities at LS-MFEZ favoured foreign investors. It was further established that there was increase in manufacturing activities for both local and foreign investors at LS-MFEZ, but much growth was observed among locally owned businesses as compared to foreign businesses. This means that with the passage of time, investment opportunities at LS-MFEZ started to favour local investors than foreign investors. Furthermore, five major challenges were identified by the investors namely; long periods of connectivity to water and electricity, long procedures, transportation, high tariffs and high tax rates. Amongst the aforementioned challenges, most of the challenges faced by foreign investors as compared to local investors are: long periods of connectivity, long procedures, transportation, and high tariffs. Whilst the challenge of high tax rates was faced by more local investors as opposed to foreign investors. This means that foreign investors enjoy some tax relief as opposed to their local counterparts.

The research also established that there were two major challenges faced by management at LS-MFEZ in attracting foreign investment at LS-MFEZ. These challenges are the long procedures taken by ZEMA and PACRA to issue permits and licences and understaffing.

## CHAPTER SEVEN

### SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

#### 7.1. Introduction

The purpose of this chapter is to present a summary of the conclusions and recommendations of the dissertation. In order to achieve its purpose, the chapter begins with a presentation of conclusions. Thereafter, recommendations are given.

#### 7.2. Conclusions

The conclusions are presented in line with the objectives of the research. The first specific objective of the research was to examine the suitability of the legal framework for attracting foreign investment at the Lusaka South Multi-Facility Economic Zone (LS-MFEZ). The conclusions regarding this specific objective show that some of laws, rules and regulations are not favourable for investors. The research showed that most of the foreign investors were not for the idea of some of the laws, rules and regulations such as government supervision of work within the zone, provision of protective clothing and the regulation of bringing out goods produced elsewhere. The only laws, rules and regulations that investors were happy with were tax and non-tax incentives and the provision of security within the zone. The research further showed that most of the investors were not happy with the procedure for setting up a business such as PACRA and ZEMA processes. Lastly, the results from this research show that laws, rules and regulations that have been put in place favour both parties the government and the investors. Generally, it can be deduced from this chapter that the legal framework put in place at LS-MFEZ suitable for attracting foreign investment at LS-MFEZ because there are more foreign investors than local investors.

The second specific objective of the research was to examine the suitability of the administrative structures in attracting foreign investment at LS-MFEZ. The conclusions regarding this specific objective show that most of the administrative structures at LS-MFEZ are suitable for attracting foreign investment. This is attributed to the fact that most of the foreign investors were satisfied with most of the management aspects and infrastructure aspects. In terms of the management structure, the majority of foreign investors were satisfied with the hierarchy of authority and division of labour. This means that these aspects of management are suitable in attracting foreign investment. Even though, with a small variation investors were satisfied with the hierarchy of

authority by both investor groups. This means that most aspects of management structures are suitable for attracting foreign investment. The only management aspect established in this research that most foreign investors were unsatisfied with was bureaucracy. This means bureaucracy as an aspect of management structure is not suitable for attracting foreign investment. In terms of infrastructure, most of the foreign investors were satisfied with almost all the aspects of the infrastructure available at LS-MFEZ which are the road network, power system, and water and sewer system. While the only aspect they were unsatisfied with was the transport system. This means most of the aspects of infrastructure at LS-MFEZ are suitable for attracting foreign investment.

The third specific objective of the research was to assess the extent to which the LS-MFEZ has attracted foreign investment in manufacturing activities. The conclusions regarding this specific objective show that most of the investors undertaking manufacturing activities at LS-MFEZ are foreigners. It was also established that there are several manufacturing activities at LS-MFEZ. These include construction materials, food and beverages, pharmaceutical products, tobacco, cosmetics, chemical fertilizer, sanitary ware, plastic ware and energy. Foreign investors dominated in the manufacturing of food and beverages, cosmetics, sanitary ware, plastic ware and pharmaceutical products. While local investors dominated in the chemical fertilizer, energy and agro-processing.

The research further established in terms of initial size of business, most of the foreign owned business started from medium and large as compared to the local owned business where most of them started as small and very small. The finding indicates that the initial investing opportunities at LS-MFEZ favoured foreign investors. It was also established there was increase in manufacturing activities for both local and foreign investors at LS-MFEZ but much growth was observed among locally owned businesses as compared to foreign businesses. The rate of decline was higher among locally owned businesses as compared to foreign opened businesses. This means that with the passage of time, investment opportunities at LS-MFEZ started to favour local investors than foreign investors.

Furthermore, five major challenges were identified by the investors namely; long periods of connectivity to water and electricity, long procedures, transportation, high tariffs and high tax rate. Among the challenges, most of the challenges were faced by foreign investors as compared to local

investors which are long periods of connectivity, long procedures, transportation, and high tariffs. While the challenge of high tax rates was faced by more local investors as compared to foreign investors. This means that foreign investors enjoy some tax relief as compared to their local counterpart.

The research also established that there were two major challenges faced by management at LS\_MFEZ in attracting foreign investment at LS-MFEZ. These challenges are the long procedures taken by ZEMA and PACRA to issue permits and licences and understaffing.

The general objective of the research was to establish the effectiveness of the MFEZ in attracting foreign investment. The general conclusion of this research is that MFEZ has been effective in attracting foreign investment. This can be attributed to some aspects of the legal framework put in place and administrative structures that have contributed to an increase in the manufacturing activities

### **7.3. Recommendations**

The recommendations are in two categories. These are policy recommendations and areas for future research.

#### **7.3.1. Policy Recommendations**

1. It was revealed that some foreign investors were not satisfied with long procedures at ZEMA and PACRA when setting up business. Therefore, LS-MFEZ management should ensure that ZEMA and PACRA are proactive in the service delivery so that it is favourable to investors.
2. It was also revealed that transport system was not suitable for the foreign investors. Hence, LS-MFEZ should start providing transport for people to access the area at a minimal cost which will be suitable for the foreign investors.
3. The reintroduction of tax incentives, the government had promised investors tax incentives like tax holidays. However, the incentive must take such a form where during an economic boom the tax rate must be high but during the time when the businesses are not doing fine the tax rates must be reduced. This way the government will make enough during economic boom and help them finance their budget at the same time the investor will be

given room to pick up and grow their business during had time when they pump most of their profits into their business.

4. The other recommendation is that time wasting must be lessened; this is possible if they reduce on formalities and bureaucratic procedures. The management must ensure that they attend to issues as they come and never let issues pile up. Red tape has been considered by many to hinder progress as it prevents innovativeness and quick-effective decisions.
5. There is need to enhance collaborations with the private sector. The private sector tends to have more ideas and are very efficient as such they would bring on board something desirable thereby enhancing the attraction of world class investment to the facility.

### **7.3.2 Areas for Future Research**

Although this research provides valuable insights into the effectiveness of LS-MFEZ in attracting foreign investment. This study was confined to the public economic zone leaving out the experiences from the private economic zones. Therefore, other studies can conduct a comparative on the effectiveness of attracting world class by private and public multi-facility economic zone.

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## **APPENDICES**

### **Appendix i: Interview guide for officials from Lusaka South Multi-Facility Economic Zone management**

THE UNIVERSITY OF ZAMBIA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES

Dear Respondent,

I am Nchimunya Apronia Hamankolo, a post-graduate student at the University of Zambia in the school of Humanities and Social Sciences carrying out a study on the effectiveness of multi-facility economic zone in attracting world-class investment: the case study of Lusaka South Multi-Facility Economic Zone. This study is purely an academic exercise and is meant to enable me to partially fulfil the requirements of the Degree of Master of Public Administration [MPA].

You have been selected to complete this questionnaire and I would be very grateful if you would spare a few minutes to respond to the questions. Please answer the questions to the best of your knowledge and be assured that the information you will offer will be kept strictly confidential. However, you are free to withdraw at any time from the study without giving reasons.

Date of Interview:

Start Time:

Stop Time:

Thank you in advance.

PART1. BACKGROUND INFORMATION

1. Name of the organisation

.....  
.....

2. Position of the informant

.....  
.....

3. Highest education qualification

.....  
.....

4. Number of years worked in the organisation

.....  
.....

5. Gender of informant

.....  
.....

6. Age of informant as of last birthday

.....  
.....

PART 2. INSTITUTIONAL FRAMEWORK OF LS-MFEZ

7. What measures have been put in place to attract world class investors at LSMFEZ?

.....

8. Who are the key players in the process of attracting foreign investors in the LSMFEZ?  
Please explain.

.....

9. What role does each player play? Please explain.

.....

PART 3. ADMIMSTRATIVE STRUCTURES AT LS-MFEZ

10. What administrative structures have been put in place to manage the LSMFEZ? Please explain.

.....

.....

11. What role does each player play in the administrative structure? Please explain.

.....

.....

12. Do you have any challenges working under this structure? If yes what are the challenges? Please explain.

.....

.....

13. What is the ratio between local and foreign investors operating in the LSMFEZ? Please explain.

.....

14. Which category are you happy with and why? Please explain.

.....

.....

15. Which category are you unhappy with and why? Please explain.

.....

.....

.....

16. What challenges do you face in attracting world class investors in LSMFEZ? Please explain.

.....

PART 4. INFRASTRUCTURE AT LS-MFEZ

17. What infrastructure has been put in place to attract WCI) Please explain with regards to:

a). Road network

.....

b). Transport

.....

c). Electricity

.....

d) Water

.....

18. What challenges are faced in providing infrastructure in the LSMFEZ? Please explain

.....

PART 5. MANUFACTURING ACTIVITIES AT LS-MFEZ

19. Which activities are dominated by foreign investors? Please explain

.....

20. Which activities are dominated by local investors? Please explain

.....

21. What challenges do you face in improving manufacturing activities in the LSMFEZ? Please explain

.....

22. In your opinion, what do you think should be done to enhance world class investment in the LSMFEZ? Please explain

.....

END OF INTERVIEW

THANK YOU.

**Appendix ii: Interview guide for officials from Lusaka South Multi-Facility Economic Zone board**

THE UNIVERSITY OF ZAMBIA  
SCHOOL OF HUMANITIES AND SOCIAL SCIENCES  
DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES

Dear Respondent,

I am Nchimunya Apronia Hamankolo, a post-graduate student at the University of Zambia in the school of Humanities and Social Sciences carrying out a study on the Effectiveness of Multi-Facility Economic Zone in Attracting World-Class Investment: the case study of Lusaka South Multi-Facility Economic Zone. This study is purely an academic exercise and is meant to enable me to partially fulfil the requirements of the Degree of Master of Public Administration [MPA].

You have been selected to complete this questionnaire and I would be very grateful if you would spare a few minutes to respond to the questions. Please answer the questions to the best of your knowledge and be assured that the information you will offer will be kept strictly confidential. However, you are free to withdraw at any time from the study without giving reasons.

Date of Interview:

Start Time:

Stop Time:

Thank you in advance

PART1. BACKGROUND INFORMATION

1. Name of the organisation

.....  
.....

2. Position of the informant

.....  
.....

3. Highest education qualification

.....  
.....

4. Number of years worked in the organisation

.....  
.....

5. Gender of informant

.....  
.....

6. Age of informant as of last birthday

.....  
.....

PART 1: ROLE OF THE INSTITUTION

7. What is the major role of the board in the organisation? Please explain.

.....  
.....

8. What is the composition and background of the board? Please explain.

.....  
.....  
9. Is the Board elected or appointed? Please explain.

.....  
.....  
10. What is the tenure of office for board members? Please explain.

.....  
11. What Strategic plan is the organisation working with? Please explain.

.....  
12. How often is the plan evaluated? Please explain.

.....  
13. Who are the main stakeholders the board works with? Please explain.

.....  
14. How does the board evaluate the performance of management? Please explain.

PART 2. INSTITUTIONAL FRAMEWORK OF LS-MFEZ

15. What measures have been put in place to attract world class investors at LSMFEZ?  
.....

16. Who are the key players in the process of attracting foreign investors in the LSMFEZ?  
Please explain.  
.....

PART 3. ADMIMSTRATIVE STRUCTURES AT LS-MFEZ

17. What administrative structures have been put in place to manage the LSMFEZ? Please  
explain.

.....  
.....  
18. What role does each player play in the administrative structure? Please explain.

.....  
.....  
19. What is the ratio between local and foreign investors operating in the LSMFEZ? Please explain.

.....  
.....  
20. Which category are you happy with and why? Please explain.

.....  
.....  
21. Which category are you unhappy with and why? Please explain.

PART 4. INFRASTRUCTURE AT LS-MFEZ

23. What infrastructure has been put in place to attract WCI) Please explain.

.....  
.....  
24. What challenges are faced in providing infrastructure in the LSMFEZ? Please explain

PART 5. MANUFACTURING ACTIVITIES AT LS-MFEZ

25. What is the ratio between trade and manufacturing activities in the LSMFEZ? Please explain.

26. Which activities are dominated by foreign investors? Please explain

.....

27. Which activities are dominated by local investors? Please explain

.....

28. What challenges do you face in improving trade activities in the LSMFEZ? Please explain

.....

END OF INTERVIEW

THANK YOU.

**Appendix iii: Interview guide for officials from the Ministry of Commerce, Trade and Industry, Ministry of National Development Planning, Zambia Development Agency, Ministry of Finance**

THE UNIVERSITY OF ZAMBIA

SCHOOL OF HUMANITIES AND SOCIAL SCIENCES

DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES

Dear Respondent,

I am Nchimunya Apronia Hamankolo, a post-graduate student at the University of Zambia in the school of Humanities and Social Sciences carrying out a study on the Effectiveness of Multi-Facility Economic Zone in Attracting World-Class Investment: the case study of Lusaka South Multi-Facility Economic Zone. This study is purely an academic exercise and is meant to enable me to partially fulfil the requirements of the Degree of Master of Public Administration [MPA].

You have been selected to complete this questionnaire and I would be very grateful if you would spare a few minutes to respond to the questions. Please answer the questions to the best of your knowledge and be assured that the information you will offer will be kept strictly confidential. However, you are free to withdraw at any time from the study without giving reasons.

Date of Interview:

Start Time:

Stop Time:

Thank you in advance

PART1. BACKGROUND INFORMATION

1. Name of the organisation

.....  
.....

2. Position of the informant

.....  
.....

3. Highest education qualification

.....  
.....

4. Number of years worked in the organisation

.....  
.....

5. Gender of informant

.....  
.....

6. Age of informant as of last birthday

.....

PART 1. THE ROLE OF THE INSTITUTION

7. What is the major role of the institution in the LS-MFEZ? Please explain.

.....  
.....

8. What activities are carried out by our institution to attract world class investment in your institution?

.....  
.....  
9. What challenges do you face as an institution in carrying out your role in the LS-MFEZ?  
Please explain.

.....  
.....

PART 2. INSTITUTIONAL FRAMEWORK OF LS-MFEZ

10. What measures have been put in place to attract world class investors at LSMFEZ?

.....

PART 3. ADMIMSTRATIVE STRUCTURES AT LS-MFEZ

11. What administrative structures have been put in place to manage the LSMFEZ? Please explain.

.....

12. What role does each player play in the administrative structure? Please explain.

.....

.

PART 4. INFRASTRUCTURE AT LS-MFEZ

13. What infrastructure has been put in place to attract WCI) Please explain with regards to:

a). Road network

.....

b). Transport

.....

c). Electricity

.....

d). Water

.....

**PART 5. MANUFACTURING ACTIVITIES AT LS-MFEZ**

14. What is the ratio between trade and manufacturing activities in the LSMFEZ? Please explain.

.....

15. Which activities are dominated by foreign investors? Please explain

.....

16. Which activities are dominated by local investors? Please explain

.....

17. How has the LS-MFEZ contributed to the increase or decrease of trade and manufacturing activities in the country

18. In your opinion, what do you think should be done to enhance world class investment in the LSMFEZ? Please explain

.....

**END OF INTERVIEW**

**THANK YOU.**

**Appendix vi: Questionnaire for officials from Lusaka South Multi-Facility Economic Zone investing companies**

THE UNIVERSITY OF ZAMBIA  
SCHOOL OF HUMANITIES AND SOCIAL SCIENCES  
DEPARTMENT OF POLITICAL AND ADMINISTRATIVE STUDIES

Dear Respondent,

I am Nchimunya Apronia Hamankolo, a post-graduate student at the University of Zambia in the school of Humanities and Social Sciences carrying out a study on the Effectiveness of Multi-Facility Economic Zone in Attracting World-Class Investment: the case study of Lusaka South Multi-Facility Economic Zone. This study is purely an academic exercise and is meant to enable me to partially fulfil the requirements of the Degree of Master of Public Administration [MPA].

You have been selected to complete this questionnaire and I would be very grateful if you would spare a few minutes to respond to the questions. Please answer the questions to the best of your knowledge and be assured that the information you will offer will be kept strictly confidential. However, you are free to withdraw at any time from the study without giving reasons.

I thank you in advance.

**INSTRUCTION**

Please tick the appropriate answer to the question. Where the question asks you to write the answer, please do so in the space provided.

Date of Interview:

Start Time:

Stop Time:

I thank you in advance.

PART A. BACKGROUND INFORMATION

1. What is your gender?

1. Female [ ]

2. Male [ ]

2. Name of the organisation

.....  
.....  
.....  
.....  
.....  
.....

3. What is your highest education qualification?

1. Primary [ ]

2. Secondary [ ]

3. Tertiary [ ]

4. How long have you been working in this organisation?

1. Less than a year [ ]

2. One year [ ]

3. Two years and above [ ]

5. What is your age as of last birthday?

1. 15 to 24 [ ]

2. 25 to 34 [ ]

3. 35 to 44 [ ]

4. 45 and above [ ]

6. What is your type of Ownership?

1. Local [ ]

2. Foreign [ ]

7. In which year was your business established at LSMFEZ?

1. 2010 [ ]

2. 2011 [ ]

3. 2012 [ ]

4. 2013 [ ]

5. 2014 [ ]

6. 2015 [ ]

7. 2016 [ ]

8. 2017 [ ]

9. 2018 [ ]

10. 2019 [ ]

11. 2020 [ ]

Part A: Legal framework

8. What is your level of satisfaction with current legal framework at LS-MFEZ

<b>Legal framework</b>	<b>(1)Very satisfied</b>	<b>(2)Satisfied</b>	<b>(3)Neutral</b>	<b>(4)Dissatisfied</b>	<b>(5)Very dissatisfied</b>
Tax and non-tax incentives					
Provision of security					
Supervision of work with the plant					
Provision of protective clothing					
Bringing goods produced elsewhere					

9. Are you happy with the ZEMA business registration?

1. Yes [ ]

2. No [ ]

10. If no to Q9, why are you not happy?

.....  
.....

11. Are you happy with PACRA registration process?

1. Yes [ ]

2. No [ ]

12. If no to Q11, why are you not happy?

.....  
.....

**PART B. ADMINISTRATIVE STRUCTURES AT LS-MFEZ (Management Structure)**

13. What is your level of satisfaction with the Hierarchy of Authority?

1. Very satisfied [ ]

2. Satisfied [ ]

3. Dissatisfied [ ]

4. Very dissatisfied [ ]

14. State your reasons for dissatisfaction or satisfaction with Hierarchy of authority?

.....

15. What is your level of satisfaction with the Division of labour?

1. Very satisfied [ ]

2. Satisfied [ ]

3. Dissatisfied [ ]

4. Very dissatisfied [ ]

16. State your reasons for dissatisfaction or satisfaction with division of labour?

.....

17. What is your level of satisfaction with the Bureaucracy?

1. Very satisfied [ ]

2. Satisfied [ ]

3. Dissatisfied [ ]

4. Very dissatisfied [ ]

18. 2. State your reasons for dissatisfaction or satisfaction with Bureaucracy?

.....

#### PART C. ADMINISTRATIVE STRUCTURES AT LS-MFEZ (Provision of Infrastructure)

19. What is your level of satisfaction with the Road network?

1. Very satisfied [ ]

2. Satisfied [ ]

3. Dissatisfied [ ]

4. Very dissatisfied [ ]

20. State your reasons for dissatisfaction or satisfaction with Road network?

.....

21. What is your level of satisfaction with the water and sewer system?

1. Very satisfied [ ]

2. Satisfied [ ]

3. Dissatisfied [ ]

4. Very dissatisfied [ ]

22. State your reasons for dissatisfaction or satisfaction with water and sewer system?

.....  
.....

23. What is your level of satisfaction with the power system?

- 1. Very satisfied [ ]
- 2. Satisfied [ ]
- 3. Dissatisfied [ ]
- 4. Very dissatisfied [ ]

24. State your reasons for dissatisfaction or satisfaction with power system?

.....  
.....

25. What is your level of satisfaction with the transport system?

- 1. Very satisfied [ ]
- 2. Satisfied [ ]
- 3. Dissatisfied [ ]
- 4. Very dissatisfied [ ]

26. State your reasons for dissatisfaction or satisfaction with the transport system?

.....  
.....

**PART D. MANUFACTURING ACTIVITIES AT LS-MFEZ**

27. What is the type of manufacturing activity at your company?

.....

28. What was your initial business size?

- 1. Very mall [ ]
- 2. Small [ ]
- 3. Medium [ ]
- 4. Large [ ]
- 5. Very large [ ]

29. To what extent has your business grown at LS-MFEZ? Increased significantly

- 1. Increased slightly [ ]
- 2. Remained unchanged [ ]
- 3. Reduced slightly [ ]
- 4. Reduced significantly [ ]

30. What challenges do you face operating in the LS-MFEZ? Please explain

.....  
.....  
.....

31. What do you think should be done to improve the business environment in LS-MFEZ? Please explain.

.....  
.....  
.....  
.....  
.....

END OF INTERVIEW

THANK YOU.