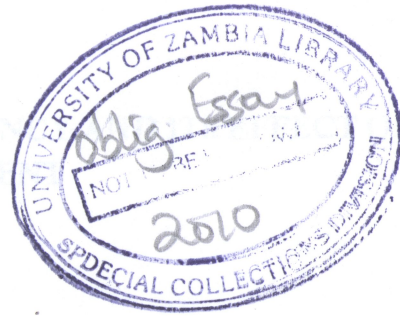


THE ZAMBIA DEVELOPMENT AGENCY AND ITS EFFECT ON INVESTMENT



BY

MUKUBESA AKAKANDELWA DOREEN

COMPUTER NO 2509055

Directed Development paper presented to the University of Zambia, law faculty in partial fulfillment of the degree of bachelor of laws (LLB)

THE UNIVERSITY OF ZAMBIA

SCHOOL OF LAW

P.O. BOX 32379

LUSAKA

2009/2010

**UNZA
2009/2010**

Obligatory Essay

On

**THE ZAMBIA DEVELOPMENT AGENCY AND ITS EFFECT OF ON
INVESTMENT**

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MUKUBESA AKAKANDELWA DOREEN

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DEDICATION

This work is dedicated to the Almighty and the only living God for His endless mercy that saw me to this level.

To my family as a whole, through whom it has been extremely easy and enjoyable to do my work. To you all I say, may the good Lord's countenance shine over you and may you dwell under an open heaven.

ACKNOWLEDGEMENTS

First and foremost, sincere thanks are tendered to the one and only living **God**, who provided me with divine health without which this massive work would not have been done.

He is my rock and fortress, my very present helper in times of trouble. My God, under whose wings I have a hiding place.

I am deeply indebted to **Mr. Lipalile Liboma** for typing and reading through this work, for comments that brought about perfection to this work.

I also gratefully acknowledge the support of my learned colleague **Newton Yambwa Imbula** for making sure that each chapter of this work was submitted to the supervisor accordingly.

My gratitude also goes to my family for their understanding during the time I was doing this work; a time when I was not there to attend to some of their genuine needs. They were simply marvelous.

Thanks are also due to the following people;

Mr. Roy Kapembwa, the senior investment promotions officer of Zambia development agency, on whose door my knock was constant in search for information for this work. To you sir, I'm saying thank you so much for opening your door and helped me with the relevant information which made it possible for me to complete this work.

Mr. Henry Sakala, the director of privatization department, whose courtesy was outstanding as I frequented his office in search for relevant information. To you sir, I say, keep on being good and the good Lord shall surely bless you.

Lastly, but certainly not the least, a big thank you to every person who in one way or the other made this work a success.

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I recommend that this Obligatory Essay prepared under my supervision

BY

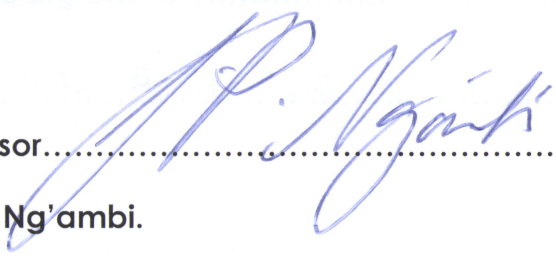
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THE ZAMBIA DEVELOPMENT AGENCY AND ITS EFFECT ON INVESTMENT

Be accepted for examination. I have checked it carefully and iam satisfied that it fulfils the requirements relating to the format as laid down in the governing Directed Research Essays.

Supervisor..........Date 9-04-2010.....

Mr. P.S. Ng'ambi.

COPYRIGHT DECLARATION

I, Mukubesa Akakandelwa Doreen, do hereby solemnly declare that this dissertation represents my own work, which has not been submitted for a degree at this or any other University.

Further, that other people's work has been fully acknowledged to the best of my knowledge.

Author's Signature :  (Mukubesa Akakandelwa Doreen)

Date: 9th April, 2010

TABLE OF LEGISLATION

Zambia Development Agency Act no.11 of 2006

Zambia Development Agency News letter 2008

Zambia Privatisation Act no.21 of 1992

Export Board of Zambia Act of 1985

Export Processing Zones Act of 2001

Small Enterprise Development Act of 1996

Zambia Investment Centre Act of 1992

ABSTRACT

With the desire to improve the living standards of the people through investment and job creation, the government following vast consultations decide to amalgamate the following five statutory bodies so as to pave way for the creation of Zambia Development Agency (ZDA). The amalgamated bodies were; Export Board of Zambia, Small Enterprise Development Board, Zambia Export Processing Authority, Zambia Investment Centre and Zambia Privatization Agency.

The Agency was established in 2006 by the Act of Parliament¹ and it became operational in 2007. It has been mandated to foster economic growth and development in Zambia through promoting trade and investment and an efficient, effective and coordinated private sector led economic development strategy.² The same is also responsible for developing an internationally competitive Zambian economy through innovations that promote high skills, productive investment and increased trade.³

The question left to consider now is if the Agency thus created has been effective enough to impact positively on investment inflows in the country. The consideration extends further to investigate whether or not the Agency as a one stop contact is well able to do the functions of the amalgamated five statutory bodies that were there before it.

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¹ Zambia Development Agency Act No.11 of 2006.

² As prescribed in the preamble of the ZDA Act No. 11 of 2006.

³ Ibid

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CHAPTER 1

THE INTRODUCTION OF THE ZAMBIA DEVELOPMENT AGENCY AFTER THE AMALGAMATION OF THE FIVE STATUTORY BODIES.

1.0. INTRODUCTION

The prevailing global economic downturn poses a major threat to the economy of the world and Zambia has not been spared because the effects of the economic downturn is being felt in all sectors of development. The mining sector has been badly hit as retrenchment of employees has continued to be rampant. The country therefore, yearns to mitigate the impact of the global crisis by employing multi response mechanisms. One of such attempts is to strive to retain investment the country has attracted. Dr Eastern Mambwe puts it “at a time such as this, when the whole world is going through an economic crisis which is affecting investment inflows negatively, it is important that the investments that are coming in are effectively and efficiently facilitated so that they can be retained within the country, because it is through increased investments and resulting employment opportunities that the country can mitigate the effects that the global economic crisis has had on Zambia”.¹

It is from this point of view that Zambia strives to retain investment inflows so as to replenish some portfolios that are folding. It has been observed that Zambia is reach in

¹ Former North Western Province Permanent Secretary (PS) speaking at the Royal Hotel when he opened a provincial business climate (BIZCLIM) sensitization workshop organized by the ZDA.

natural endowments yet her performance in attracting and retaining investments is discouragingly poor.

It is with this concern that the creation of the Zambia Development Agency (herein after referred to as the Agency) was seen imperative.

1. 1. STATEMENT OF THE PROBLEM

With the ever increasing population, the effect is that there is an increase in the number of investors that wish to invest in Zambia. This consequently calls for the creation of a one stop contact as a way of reducing bureaucracy. This research therefore, aims at considering whether or not the Agency thus created has impacted negatively or positively on investment in Zambia, and will extend to investigate whether the Agency as a one stop contact is well able to do the functions of the amalgamated five statutory bodies that were there before.

The issue thus to be considered by this work is whether or not the Agency is able to handle the work efficiently and also whether investment in the country has been or is being promoted following the creation of the Agency.

It is also the intention of this work to try and investigate how the Agency is tackling this huge responsibility before it. The research will also endeavour to project the future and see whether the current policies of the agency are adequate to bring about development that will put Zambia on the map.

1.2.OBJECTIVES OF THE STUDY

This research endeavours to examine the efficiency of the Zambia Development Agency in investment issues. It particularly seeks to look at the impact or effect of the Agency on

investment. It is important to outline strategies, policies and programmes put in place by the Agency as a way of promoting and spearheading investment and also to outline the rate of increase of investors in the country following the creation of the Agency. The research therefore, seeks to justify the creation of the Agency following the amalgamation of the five bodies.

1.3. THE ZAMBIA DEVELOPMENT AGENCY AND ITS MANDATE

The Agency was created in 2006 by the *Zambian Development Agency Act*² which became operational in 2007, after the amalgamation of the following five statutory bodies;

1. The Export Board of Zambia
2. The Small Enterprise Development Board
3. The Zambia Export Processing Authority
4. The Zambia Investment Centre
5. The Zambia Privatisation Agency

1. THE EXPORT BOARD OF ZAMBIA

The Export Board of Zambia (herein referred to as the Board) was a statutory body established in 1985 by an Act of Parliament, it was mandated to develop and promote non traditional exports from Zambia into the International market. The board was charged with the responsibility of broadening Zambia's export base and increase the country's foreign

² Zambia Development Agency Act no. 11 of 2006

exchange earnings. The first objective of this Board was to stimulate maximum growth of Zambia's export sector by lobbying government for incentives.

Secondly, the Board was tasked with the responsibility of exposing potential, emerging and established exporters to international commerce by providing accurate market information.

In addition to this, it was also charged with expanding Zambia's share of the global market.

Furthermore, it was the Board's duty to strategically position Zambian non traditional exports in target markets through the use of effective tools of promotion.

2. THE SMALL ENTERPRISE DEVELOPMENT BOARD

The Small Enterprise Development Board was established by the Act of Parliament in 1996 and it was charged with the responsibilities of promoting and developing micro and small business enterprises in the country through; First and foremost, it was charged with a duty of creating a conducive environment for the attainment of that purpose.

Connected to this, the Board did the formulating, coordinating and implementing policies and programmes for promoting and developing micro and small business enterprises. In the same vein, the provision of marketing support services to micro, small and medium enterprises (MSMEs) was done by the same. Further, it did the registering, collecting, researching and disseminating information relating to MSMEs. Furthermore, it ensured registering, monitoring and coordinating activities and programmes of promotional agencies engaged in MSMEs development and; Also, it rendered assistance in the development and upgrading of appropriate productive technologies for MSMEs and; Finally, it was involved

in the locating and developing industrial and commercial estates and common facilities for use by MSMEs.

The board ceased in 2007 following the formulation of ZDA.

3. THE ZAMBIA EXPORT PROCESSING AUTHORITY

The Export Processing Zones Act of 2001 provided for the establishment of an EPZ Authorities as well as EPZs and their licensing and regulation, giving free trade status to qualifying export producers. EPZ status was granted to new investment, incremental investment or existing enterprises exporting 80% or more of their production. Incentives in the form of tax exemptions would be granted to companies for a ten year period.

4. THE ZAMBIA INVESTMENT CENTRE

The Zambia investment centre was an autonomous institution which promoted, implemented, coordinated and facilitated both local and foreign direct investment policies and programmes. The centre used to advise Government on economic and investment affairs and provide businesses with an up to date insight on the investment climate while also identifying investment opportunities in selected target sectors of the economy, facilitating the investment process within the country and monitoring the implementation of the projects. ³The same has been very instrumental in the promotion of Zambia as a favourable investment destination, focusing in particular on projects which add value to

³ Zambia Review 5th Edition 2004 published by the ministry of commerce, trade and industry.

agricultural and mineral resources and increase employment , as well as those based on non traditional exports ,manufacturing and tourism.

A very important function of the centre was to facilitate institutional liaison arrangements, providing contacts within government, assisting and expediting in negotiation with government ministries, custom and export agencies, export and tourism board and the private sector. The centre issued both domestic and foreign investors with formal investment certificates and also helping them to fulfill the necessary formalities and regulations of doing business in Zambia.⁴Other services were to obtain approvals and assisting with authorisations and permits as well as evaluating projects and arranging proposal documents.

It had the capacity to give legal advice, prepare legal documents, draft contracts, help with staff recruitment, conduct market surveys and feasibility studies and arrange sources of finances. It also used to give advice in areas such as tax incentives, employment legislation and on the purchasing or leasing of land.

In this regard, the centre was to assist investors to find suitable sites, prepare leases as well as land purchase documents and overseeing the entire lease or purchase process up to the time of transfer.

⁴ IBID

5. THE ZAMBIA PRIVATISATION AGENCY

The Zambia Privatisation agency (herein after referred to as ZPA) was established as an autonomous agency by the Act of Parliament .It was charged with the following responsibilities;

Planning, implementation and control of the privatisation of the state owned enterprises in a transparent, efficient and effective manner.⁵ The Privatisation Act provided that the board of directors should ensure that the Agency's operations are consistent at all times with the government's privatisation policy and legislation.⁶

The Agency thus created undertakes all the services previously carried by these institutions and also other functions which are prescribed in the Act. The Agency thus fosters economic growth and development through promoting trade and investment,⁷ and efficient, effective and coordinated Private sector led economic development strategy⁸.The Agency endeavours to develop an internationally competitive Zambian economy through innovations that promote high skills, productive investment and increased trade.⁹ Before the creation of the Agency, an interested investor had to consult all five different statutory bodies highlighted above and this process was seen to be time consuming and tedious. The former commerce, trade and industry Permanent secretary observed that the Agency will address the high cost of doing business in Zambia and also with licensing of investors. He observed further that

⁵No 21 of 1992

⁶ IBID

⁷ Zambia development agency Act no. 11 of 2006

⁸ As prescribed in the preamble of the ZDA Act n0. 11 of 2006

⁹ IBID

the high cost of doing business and high levels of bureaucracy have continued to affect investment.¹⁰

1.4. CONCLUSION

With the merging of the statutory bodies mentioned above, the government of Zambia put the new institutional set up under the Ministry of Commerce, Trade and Industry so that the institution could save costs and improves service delivery. Through the concept of one stop shop, the Agency is a semi autonomous institution having its board of directors appointed by the minister of commerce, trade and industry. The board is made up of members of the public and the private sector and also civil society organization.

The Agency has formulated the following 14 broad objectives¹¹ in order to effectively execute its mandate, fulfill its mission and achieve its vision;

Firstly, it wishes to attract, retain and develop a highly motivated, disciplined, effective, efficient and healthy human resource. Secondly, it desires to implement the organizational structure and evaluate its effectiveness and efficiency in the implementation of the Agency's mandate and strategy. Thirdly, it intends to conduct research on a continuous basis on issues relevant to commerce, trade and industry, government and ZDA. Fourthly, it plans to promote export trade in order to help foster economic development and enhance the capacity of local exporters to produce products that meet international standards. Fifthly, it endeavours to improve investor confidence in the country so as to make Zambia an ultimate

¹⁰ IBID

¹¹ Zambia Development Agency News letter 2008.15

investment destination in the region. Sixthly, it pledges to continuously improve service delivery and performance levels of ZDA. Further, it wishes to attract and facilitate foreign and domestic investment. Furthermore, it plans to increase the geographical representation of ZDA. It also desires to provide and facilitate support to the micro and small business enterprises. Moreover, it plans to create a new and unique image of ZDA. Additionally; it endeavours to create effective and efficient channels of communication with all key stakeholders. Similarly, it wishes to implement the privatisation programmes as part of government's economic reform programme in order to promote private sector development and to undertake post privatisation monitoring. Tied to this, it intends to facilitate and promote development and operations of multifacility economic zones and industrial parks. Finally, it wishes to ensure that the ZDA Act is fully updated and consistency with both local and international law.

Broadly, the agency's functions are to further the economic development of Zambia by promoting efficiency, investments and competitiveness in business by promoting exports from Zambia and specifically to advise the minister of commerce, trade and industry on matters relating to industry. The agency also studies market access offers from trading partners and advises government on opportunities, develop entrepreneurship skills and business culture in citizens of Zambia and undertake economic sector studies and research on matters related to trade among other functions.

CHAPTER 2

2.0. INVESTMENT AND THE ROLE OF ZAMBIA DEVELOPMENT AGENCY

2.1. WHAT IS INVESTMENT?

Investment is the injection or commitment of capital (in the form of machinery, money or man power), into a business or service provision activity over a given period of time with a view to generate or realize something more in return. Farming, mining, putting money in the bank, building or any kind of business to mention but a few are all examples of investment. However, it is important to note that an investment can either produce positive or negative results depending on how it is run. This means that an investment requires the right quality of information on how it is to be run, skilled manpower to operate it and a conducive environment in which it is to operate for it to yield positive results and contribute to the development of the country. To a larger extent, investment climate influences the decisions of firms at all levels to invest. In other words, the more attractive the environment is, the more likely it is that investors will come.

A developing economy like Zambia which requires a lot of investment for it to grow and bring about development, needs to attain a conducive investment climate which is capable of attracting the needed investment. This calls for the government to come up with measures that will bring about a conducive environment for investment, seeing that the same cannot single handedly afford to invest effectively in all the different sectors of development due to inadequate resources.

In order to attract investment, Zambia has opened up her economy with a positive investment environment, where government's participation is minimised thus paving way for private sector participation.¹² However, there are certain key sectors of the economy where the government still plays a role in the ownership of companies like Zambia National Commercial Bank(Zanaco) where 51% shares is owned by the government. The remaining 49% is left in the hands of the local and foreign investors. Whether or not the private sector is involved, it is the responsibility of the government to make sure that the infrastructure is fully developed and maintained to spearhead and attract investment. To this effect the government of Zambia has began the process of rehabilitating the road network in the country which covers 38,763km. The world Bank has continued to show an impressive support for a five and ten year sector investment programme which is estimated at US \$411.9 and US \$860.3 million respectively¹³. The government also ensures that the legal framework for investment protection is established and promoted.

Thus, the law assures the investors that property rights shall be respected as it stipulates that no investment of any description can be expropriated unless parliament has passed an Act relating to the compulsory acquisition of that property. Also, in the event that government nationalises the private company, full compensation shall be made on market value and shall be convertible at the current exchange rate.¹⁴ Further, it ensures that there is peace and harmony in the country through the promotion of political stability and freedom of worship considering the diversity of religions that exist on the ground, as observed by Rashid

¹² Zambia-Africa new frontier investments and profits, Second Edition, 2009; p 43.

¹³ IBID.21

¹⁴ IBID.16

Limbada when he said that “Zambia has freedom to worship, even though the country is a Christian nation. The government of Zambia allows all religions to follow their own faith and flourish in the country. There is full harmony among all religions in the country. Here, all religious communities participate in the economic growth of the country. No religion has any bias from the society”.¹⁵

Furthermore, despite that Zambia has seventy three diverse tribes, all of them co-exist in harmony, which is another distinctive characteristic of Zambia. Daniel Nel observes “in comparison to many countries, the political situation in Zambia is stable and consistent”.¹⁶

The Zambian government works hard to put up some measures, indicating that will continue to make her economy a suitable or conducive environment for both foreign and local investment. The economy is open in such a way that investors are free to invest provided they meet the requirements of the law. This is evidenced by the words of the Minister of Commerce Trade and Industry, Hon. Felix Mutati who observes, thus, “Zambia welcomes domestic and foreign investors to make Zambia their profit centre in Africa, either by themselves or in joint collaboration with those who have the management and technological skills to manifest success.”¹⁷ Zambia like many countries of the world has shown great interest in investment promotion because it has many and great benefits that are associated with it which in turn will lead to economic growth and development.

¹⁵ Chairman of Makeni Islamic Society Trust.

¹⁶ Managing Director of Barclays Bank plc, investing in Zambia in 2006

¹⁷ Zambia-Africa new frontier investments and profits, Second Edition, 2009

2.2. The benefits of investment

The following are the benefits that follow investment and their impact on the economic development of the country.

Firstly, foreign investment creates an opportunity for the transfer of new technology from a country where it is made to the one where it is needed for use. In most cases technology is transferred from the developed world like Japan to a developing country like Zambia. Normally new technology is transferred in the form of machinery and technical expertise. These when properly handled are important keys that can help unlock the door of success. Foreign investors, for example, do not rely on traditional methods of production which are slow, instead they import modern machinery for use which will speed up and increase production. In the agricultural sector, for example, new technology in the form of tractors is used to plough the land and combine harvesters are used to harvest the crop, a task that would take so long if traditional methods like the use of hoes to clear the land and harvesting manually were implemented. All this improvement is because of the involvement of new technology which is brought into the country through investment. Another example from the recent past is Lumwana mine that was involved in the importation of heavy duty machinery for use in the mining industry.¹⁸

Secondly, investment also paves way for technical expertise to be brought to a host country in order to operate and maintain as well as teach the locals on how to run the new technologies brought into the country. Sometimes doors are opened for indigenous people

¹⁸ ZDA Spotlight, January, 2010.

to go abroad on capacity building missions. This is good for the host country's economy because even when the investor has pulled out, the knowledge given to the locals remains with them. In other words, it is an empowerment that remains theirs for ever.

Thirdly, investment sometimes creates opportunities for aid or loans to be given to developing economies like Zambia which are invested in the economy.¹⁹

Fourthly, it also leads to the creation of employment. The open nature of the Zambian economy paves way for foreign investors to come and set up businesses in the country. These business owners are encouraged to take advantage of the local people and provide them with the much needed employment. This would not only be of great benefit to the government but also to the local people who are directly involved with such businesses. Since the country is faced with a problem of high levels of unemployment, investment is the solution. According to Hon. Mutati, such investment would help the government create employment opportunities, thereby lessen the burden of unemployment.²⁰

Fifthly, Zambia is part of the global economy implying that she can not exist on her own but needs the involvement of other countries if her economy is to grow and consequently develop. There are certain economic ingredients that are not produced in the country such as oil, machinery and raw materials but can only be imported from outside. To do this, Zambia requires access to foreign exchange which can only be made possible if foreign

¹⁹ Zambia-Africa new frontier investments and profits, Second Edition, 2009.p.12

²⁰ <http://allafrica.com/stories/200903250311.html>

investment is promoted. It is for this reason that the government through ZDA is putting up measures that would attract as much investment as possible so that her foreign exchange reserve is built up.

Building up of a huge foreign exchange reserve through investment also helps to boost investor confidence because most investors know that they can change their currency position at any time without difficulty.²¹ With this assurance in mind, more investors will flock to the country and in the process add more to the foreign exchange reserve thereby making investment a necessity if the economy is to grow and bring about development.

Further, a developing country like Zambia needs competition that is stimulated by investment as foreign companies compete with local ones both for resources and also in the markets for products and services. Competition in turn is stimulated by the opportunity for local companies to export because this reduces their dependence on a limited range of domestic customers and enhances their production.²² Also as local companies compete with foreign ones for market, there is so much pressure on the local companies since they are in the process of being established. This means they need to work extra hard to ensure that they produce high quality products and offer services of a higher standard if they are to effectively compete with well established foreign companies. This will provoke the locals to further engage in research and development in an attempt to discovering new methods of doing business. This may in turn lead to new inventions and the discovery of indigenous

²¹ Business post, Tuesday December 22,2009.

²² Department of trade and industry(2006)international trade and investor –economic rationale for government support

technology that will help improve economic growth and development. By that, it is clear that investment can bring about the discovery of untapped potentials.

Furthermore, investment has the potential to add quality and increase production in such a way that surplus is exported and eventually bring revenue to the country. Zambia Electricity Supply Corporation (ZESCO), for example, is a good revenue earner through the sale of electricity to other countries. ZESCO exports power to South Africa, Namibia, Democratic Republic of Congo and Botswana.

Despite all the advantages associated with investments as highlighted above, Zambia in reality does not fully benefit from the same due to the following factors;

Firstly, most of the jobs created are on casual basis and they pay very little. A good number of these jobs are in the informal sector particularly small scale traders. The majority of the poor Zambians who are occupying these jobs are getting so little that they can only manage to feed their families. Some of them can hardly send their children to school. What is happening is that the business owners are making a lot of money but they are paying their workers little wages because the system we are operating in allows exploitation of man by man. While the rich business owners are getting richer the poor labourers who are the majority are earning very little in exchange for their labour.

Foreign investors for instance make sure that most of the high paying jobs are left to themselves and only a few Zambians are privileged to have them. A good example is in the mines, manufacturing industry like Zambia Sugar plc, to mention but a few.

Secondly, the technology transferred through investment does not fully benefit the economy in the sense that it has to be modified to suit the environment and resources for such a venture are scarce. This is because technology usually works well in places where it was invented. Further, even if the right technology ends up in the right place where it is really suitable, such inventions are already patented and thereby protected by the law to the extent that it can not be copied, modified or reproduced for a given period of time. Furthermore, technology transfer which comes through investment leads to a dependency syndrome. This is so because a host country tends to rely on foreign technology to such an extent that it does not do anything about creating and developing its own inventions. Research and development leads to the discovery, creation and development of new and indigenous inventions. These inventions will work effectively locally because they have been manufactured locally. The same inventions can be sold abroad thereby benefiting the inventor. Zambia, for instance, due to her lack of commitment in dedicating her resources to research and development has benefited very little or nothing at all.

Thirdly, in the financial industry, lending institutions tend to exploit the lender by charging quiet high interest rates. This puts the lender in debt in such a way that he is left with nothing to invest. This is so because every time the salary comes, part of it is directed to service the debt which in most cases takes a long time to be cleared. Since the lender still has to eat and take the children to school, he or she is forced to engage in more debt thereby being enslaved to it.

Fourthly, the government policy allows foreign investors to repatriate up to one hundred percent (100%) of what they make to their countries as an incentive. This, however, is not good enough for Zambia because huge reserves of money which could have been re-invested in the economy are sent abroad where they are utilised at the expense of poor Zambians.

Fifthly, investment also gives room to big multi national companies like Coca cola to come and do business in Zambia but this results in foreign companies taking away the market that was meant for ordinary indigenous businesses, because the later is too small to compete with the former. As such, most small scale businesses have ended up folding up. For instance the Bicycle Industry in Mansa, Tarino and Sweppes are such industries that have folded up in Zambia because of incapacities to compete with large foreign industries.

2.3. The Role of ZDA in investment

The government has realised that its role is to create a conducive regulatory environment as well as providing the basic infrastructure to enhance private sector investment.²³ Considering all the benefits that follow investment, it is evident that a developing country like Zambia can not move forward without involving herself in investment both domestic and foreign. With that in mind, the government of Zambia decided to embark on investment and that was how ZDA was formed with a mandate to promote as much investment as there could possibly be. All in all, the agency has a responsibility of playing a facilitative role in the whole process of investment. Instead of the investor passing through a complicated and

²³ Zambia-Africa new frontier investments and profits, Second Edition, 2009

frustrating process of having to be referred from one department to the other, it is the role of ZDA to ensure that all those bureaucratic procedures and requirements are streamlined.²⁴ This has been made possible through the creation of ZDA that has all the information regarding investment through its resource centre. In other words, ZDA is ready to provide correct advice or directive to would be investors. The Agency also makes sure that it welcomes all its clients with open arms, regardless of whether it is local or foreign investors, by making sure that they are attended to in a satisfactory manner. It also has the responsibility of making sure that it does not promote just any kind of investment but those that will have an impact on the economy and eventually take the country forward.

Similarly, the Agency promotes Zambian exports in a transparent, innovative, efficient and competitive manner that ensures stake holder and consumer satisfaction.²⁵ This calls for value addition on investments in the sense that what is produced should be of high standard. In response to the need for value addition on raw materials and to boost the manufacturing sector, the government has started setting up industrial parks all over the country. Thus an area of 2100 hectares located in the southern part of Lusaka has been successfully identified and designated to be a multifacility economic zone (MFEZ). This land is situated 15km away from Lusaka and approximately 35km from Lusaka International Airport. With the support from JICA and the Malaysian Kulim Hi-Tech Park (KTPC), the government is working on the development master plan for the launching of the Lusaka south multifacility zone. The said zone is projected to have the capacity to accommodate 50 to 60 zone enterprises with an output volume exceeding US \$1.5billion of which more than

²⁴ IBID.20

²⁵ IBID

US\$600million would be exported, at the same time employing more than 6000 local people. The zone is expected to be ready for investment by 2011.

Another zone is a total area of 4100 hectares located in Chambeshi on the Copper Belt Province and its known as the Zambia-China Corporation zone. With the support of both the governments of Zambia and China, the zone has been established by China Nonferrous Metal Mining Group. Thus, several enterprises which are mainly Chinese businesses have established themselves in the area and this includes a Copper smelter.

There is also a Lumwana Multifacility Economic Zone which is a project proposed to be centered on Lumwana Mine and will play a facilitative role on investments of US\$1.2billion by over 90 enterprises in various sectors, employing 13,000 people by the year 2020. The zone will be situated on 35,000 hectares of land on the Lumwana Mine area in Solwezi.

Also, Ndola and Kasumbalesa on the Copper Belt Province as well as Nakonde in Northern Province are the other areas that have been identified for similar purposes in Zambia.

Furthermore, the Agency writes recommendation letters to the immigration department to assist the companies with projects in a priority economic sector to obtain the necessary self employment and work permits for their expatriate staff.

2.4. The Agency's efficiency in investment

The Agency has also proved itself to be effective in equity ownership. Here, all projects which have been declared to be in a priority economic sector can be 100% foreign owned. However, the government is looking forward to foreign companies partnering with

Zambians under joint venture programme. To this effect, the Agency stands ready to help foreign companies find such partners.²⁶

The Agency further helps all investors to identify suitable land for purposes of economic activities and to facilitate proper allocation of that land in accordance with the law and regulations. It also makes sure that all the incentives in the form of allowances, exemptions and concessions for companies offered by the ZDA Act are being made available to the investors. The Act avails an investment threshold which every investor has to meet in order to qualify for fiscal and non fiscal incentives.²⁷ The Agency has also come up with aftercare services to ascertain how effective it has been since inception.

The ZDA, in an effort to promote investment is involved in the actual process of spearheading the privatisation of state owned companies. To this effect it plans, manages implements and controls the privatisation of the state owned enterprises. In other words, it oversees all aspect of the implementation of the privatisation programme. It further monitors the progress of the privatisation programme as well as post privatization activities to make sure it is in accordance with any agreement entered into for the privatisation of any state owned enterprises.²⁸

To a greater extent, the Agency has displayed its efficiency which is evidenced by the increase of both domestic and foreign investors as illustrated in the table below. Investors have always been there but the whole process of investment was too cumbersome, tedious

²⁶ IBID.38

²⁷ Zambia Development Agency Act.S. 56

²⁸ ZDA Act S.5.SS.k, l, m, n.

and frustrating because an investor would be referred from one place to another in order to get all the necessary requirements in accordance with the law. All this endless procedure was streamlined with the coming of the Agency which Agency operates as a one stop shop under which an investor gets all necessities pertaining to investment. Therefore, it could have taken an investor too long to settle but with the efficiency of the Agency, the process is handled well and quick. In acknowledging the efficiency of the Agency, the out going manager of Zambia Sugar Company, Mr. Paul Robillard laments “your technical team is a model and our partnership is good and shows how government can work with the private sector “²⁹This was spoken when the Minister of Commerce Trade and Industry, Mr Felix Mutati, visited the plant to check on the implementation of the expansion programme. The said Minister in recognizing the efficiency of the Agency and efforts of the Zambia Sugar Plc in meeting all the benchmarks of the Investment Promotion and Protection Agreement (IPPA) that was signed with the government and the ZDA, said that he was very proud of the company’s commitment and the delivery of benchmarks and that there was no place in Africa where a project of that magnitude had been delivered in two years³⁰.

Similarly, signing the five investments Promotion and Protection Agreements (IPPA’s) on behalf of the Zambian government, Minister of Commerce Trade and Industry, Mr Felix Mutati, said he was very impressed with the levels of investments that could easily be the highest in the region despite the credit crunch. He further observed that regardless of what was happening elsewhere in the world, it was pleasing to still attract investment valued at

²⁹ ZDA Spotlight, April 23rd 2009.

³⁰ IBID

over US\$160million in just one week. This action, he observes further, would create new job opportunities and rebuild the confidence in the efforts of growing the economy in the face of massive job losses in many sectors.³¹

2.5. Conclusion

The fact that Zambia is endowed with so much natural resources is reason enough for her to come up with a mechanism of taking advantage of the same. One such endeavour was the establishment of ZDA whose mandate is to further the economic development of Zambia by promoting efficiency, investments and competitiveness in business by promoting exports from Zambia and specifically to advise the Minister of Commerce, Trade and Industry on matters relating to industry. To this effect, the Agency has shown efficiency in discharging its duties and has been evidenced by the increase in investments both locally and foreign. The Agency therefore, is charged with a critical responsibility in stimulating the country's economic development by creating real wealth that impacts on the lives of ordinary people making them access schools, health care and other facilities easily.

The table below gives a comparative analysis of investment projects approved in the first quarters of 2007 and 2008.

³¹ IBID.3

Application Details	1st Quarter 2007	1st Quarter 2008	Variance
No. of applications Pledged	28	42	+14
Applications approved	27	39	+12
Approval Rate (%)	96%	93%	-3
Pledged investment(US \$)	121,700,000	467,115,000	+345,415,000
Pledged employment	1,319	1,773	+454

As shown by the table, the number of applications approved in the first quarter of 2007 was less by 14 compared to those approved in 2008 over the same period. The approval rate was 96% in 2007 while 93% approval rate was recorded over the same period in 2008. An increase in the value of pledged investment of US\$ 345, 415,000 was recorded in 2008 compared to the same period in 2007.

Source: Ministry of Commerce, Trade and Industry

CHAPTER 3

3.0 ZAMBIA DEVELOPMENT AGENCY (ZDA) POLICIES AND STRATEGIES ON INVESTMENT

3.1. INTRODUCTION

Following the peaceful changeover from a single party leadership to multi-party democracy, Zambia as a nation underwent a political transformation that ushered in phenomenal cross cutting reforms to the social and economic policies of the country. The government introduced and adopted policies aimed at highlighting the significant investment opportunities and also to improve the flow of investment into the country.³²In its continuous effort to promote private sector led development and investment, the Zambian government has strategically relied on the following features to attract the interest of foreign investors;

Firstly, it has labored to establish infrastructure such as energy, health facilities, communication facilities, banking facilities and a road network that provides easy access to neighboring countries. Secondly, the country harbours an expansive of underutilized and fertile land. Thirdly; the country has created a rule-based environment with conducive investment legislation. Fourthly, the country has abundance resources in the form of people and natural endowments. Lastly, Zambia is blessed with a peaceful and hospitable population without which investment would only be a dream and never a reality. The general economic climate is a pre-condition to retain and promote investment. As observed by the ZDA Board chairman when he points out to say that “our duty is to create an

³² A-Z of Business in Zambia ;the definitive guide to doing business in Zambia.19

enabling environment for business to take place.”³³ Another similar view is held by the Equinox president and co – founder of Lumwana copper mine in Solwezi, Mr. Craig Williams, who observes that the positive government policies and mining reforms have attracted his company to invest in the sector at a time when copper prices had fallen and most mines were just struggling.³⁴

One concrete example of such endeavours is the creation of ZDA whose responsibility is to foster development through promoting trade and investment and an efficient, effective and coordinated private sector led economic development strategy. ZDA is also mandated to develop an internationally competitive Zambian economy through innovations that promote high skills, productive and increased trade.

The idea to establish the one stop shop was born from consultations between the private sector and government on how to improve service delivery and enhance the business environment.

The Director of investment, promotions and privatization promises the nation as follows, “we will concentrate on promoting the opportunities where Zambia has competitive advantage and where the most jobs can be created because we realise that employment creation is the only way that incomes can be increased and poverty effectively combated.

³³ An interview with Mr. Luke Mbewe .ZDA Board chairman.

³⁴ ZDA Spotlight April 23 2009.1

Increased employment will also lead to the widening of the tax base and provide some relief to current tax payers.”³⁵

The investment promotion and privatisation is perceived to be the heart of the Agency, with the mandate to foster economic development in Zambia. The department strives to be efficient and effective in discharging its duty of facilitating investment by the private sector. Thus, it is the duty of the department to ensure that information on investment opportunities and regulatory requirements are readily available to the would-be investors. The department works closely with the government and the private sector in investment opportunities identification and as well as to actualizing the investments for the development of the country.

With this heavy mandate upon its shoulders, the Agency has put strategies to help it discharge its duties.

3.2. POLICIES

Currently there is no policy that has been put in place in order to direct the Agency on how to carry out its operations, but this is in the pipeline, being worked on by the government. Meanwhile the Agency works in compliance with the stipulations of ZDA Act.³⁶The government through the Ministry of Commerce, Trade and Industry from time to time does give directions to the Agency.

³⁵ An interview with Florence Mumba

³⁶ An interview with Mr. Roy Kapembwa, Senior investment promotion officer, ZDA.

Not having a policy in itself is a very big set back in the sense that it is close to not having a vision, without which people perish as the Bible comments.³⁷ Moving without a specific policy is as good as moving in darkness without anything to point to.

3.3. STRATEGIES

The Agency has embarked on so many strategies in order to discharge its duties. One of such endeavours is to try and attend business summits. To this effect, the Agency participated in the Annual Africa-Americas-Asia (AAA) Business summit. The summit was jointly organized by the commonwealth business council and the government of Mauritius in association with the United Nations Conference on Trade and Development (UNCTAD). The summit took place from 17th to 18th march, 2008 at Swami Vivekananda international convention centre in Pailles, Mauritius.

The summit whose theme was “enhancing south - south co-operation for greater economic growth” had its major objective which was to increase collaboration among southern economy nations. Another objective was to share views and experiences on policy issues that can facilitate increase in investment, trade flows and infrastructure development for sustainable development in the region. This business summit was very important as it can be deduced from the observation of Dr. Navindandira Ramgoolan³⁸, as he urges the developing countries to take full advantage of the unfolding south – south partnership by opening up their economies to investment and trade. He further emphasized that opening up Mauritius to foreign capital, ideas, expertise and technology had enabled its government to turn

³⁷ Hosea 4:6.

³⁸ Prime Minister of Mauritius

around the country's economy, which was previously sliding into a recession. Such business summit will open up doors to the country as the Agency participates in sharing views and experiences in policy issues that facilitate increase in investment.

However, looking at the meager resources available in the country, it is very costly to implement such a strategy effectively. It would rather be better if the ZDA could lobby to have such summits held in the country. This is so because the government has to fund all the trips abroad which is quite expensive, unlike a situation where everything was taking place in Zambia.

Another strategy put in place by the Agency is what is called joint venture partnerships. The Agency connects a person who may have land but has no money to develop the land to another person who has money but has no land. These two people are joined together to put up an investment.³⁹ Thus, foreign investors seeking joint venture partners can approach the Agency which operates a register of investors together with project profiles of domestic investors seeking foreign investor partnerships. These domestic investors have been screened and are bonafide Zambian businessmen.

This is evidenced by the existence of AIBT which is a joint venture between a Zambian company and Australian company. It offers university foundation courses, and full degree courses in communication, information technology, and business studies. It is a good example of education beyond borders and a leader in tertiary education.⁴⁰

³⁹ An interview with Mr Roy Kapembwa, the senior investment promotion officer, ZDA.

⁴⁰ ZDA Newsletter vol2 no.3 p 15

Another example is Indo – Zambia bank Ltd which is jointly owned by the government of Zambia and three banks from India (bank of Baroda, bank of India and Central bank of India).

There are other two Malaysian joint venture projects which are being implemented and these are assembly and manufacture of mobile phones and the other is a college for technical education.

Furthermore, Malaysian companies which are working with international partners visited Zambia in 2009, the purposes of the visit was to finalise investigations on the following;

Firstly, the repairing and maintenance of medical equipment. Secondly, the establishment of a Medical laundry. Thirdly, the possibility of having Diagnostic laboratories. Fourthly, the cost of establishing a plant that would assemble laptops and; Lastly, the possibilities of establishing universities and colleges coupled with vocational training.

The Joint venture partnership programme in itself is a very good and effective way of enhancing investment; however, a question may be posed as to how many landlords or landladies are aware of the existence of such a programme. There are a good number of land holders both in the rural and urban areas who wish to develop their land but have no means to do that, and have no knowledge of a Joint venture partnership programme.

An example could be had of Ms Inonge Lipalile⁴¹ a holder of five hectares of land in Kazungula and desires to put a lodge thereon. When interviewed as to why the project

⁴¹ An Interview with Ms Inonge Lipalile on 9th March, 2010.

seems stuck, when she could easily approach ZDA and enquire of the Joint venture partnering programme. To this, she expressed ignorance of the existence of the venture.

The Agency also holds seminars, workshops and meetings from which it benefits greatly as it learns other countries 'strategic plans to promote investment. One such meeting was conducted with the private sector with the support of the European Union for the purposes of promoting joint ventures and partnerships between local and foreign investors. This meeting took place in Lusaka on February 12th 2008 at Taj Pamodzi Hotel.

The aim of this meeting was to sensitise the public on the significance of joint ventures and to teach participants how to prepare proposals that will attract partners in foreign countries. The meeting also aimed at promoting and encouraging dialogue with the private sector as a basis for improving the business environment.

Businesses from the private sector were encouraged to submit their joint venture proposals so that the agency could market them to potential partners. There was also a case study for the successful joint venture company Australian Institute of Business and Technology, AIBT Zambia, was presented to give a success story of their partnership.

Another example was the Agro. Industry 2008 in the series of investment promotion meetings which was funded by the European Union (EU) Southern Africa Investment Promotion Programme (ESSIPP) and focuses on the agriculture, food and agro-related sectors in the 14 countries of the Southern African Development region by encouraging international financial, technical and commercial partnerships. The forum was a platform for promoters and entrepreneurs from the Southern African region to represent the carefully

selected range of new and high quality business development projects in the agriculture, food and agro-related sectors to interested European and other International African businesses.

European businesses and other International firms also had the opportunity to meet in one place with potential agro-business partners from all 14 countries of the SADC region. The main focus of Agro-Industry 2008 was the facilitation of one to one business meetings between European International and Southern African enterprises. To this meeting ZDA was represented by Investment Promotion Director.⁴²

Participants benefited in many ways but principally it acted as a venue to make the right business contacts with companies from European, International and Southern African countries interested in investing and establishing business and trading partnerships with SADC based companies and enterprises.

There were also round table discussions, workshops and other organized networking opportunities providing all participants with a focused platform to discuss and debate topical business issues.

Finally certain business ventures demonstrating sound, commercial and investment potential were eligible for additional assistance from other European Community programmes. Overall; the meeting equipped participants with skills in business and also exposed them to other organizational experiences.

⁴² ZDA News letter.17

The Agency also does what is known as land mark identification programme as one of their strategies. Here the Agency makes tours around the country in search of land that is not utilized or lying idle. Once the land is found, it can be allocated to a foreign investor and title deeds over the same could be obtained as long as he is an investor within the meaning of the ZDA Act or any other law permitting investment in Zambia.⁴³

The government has also embarked on an exercise to identify land for creation of land banks for purposes of investment activities. This will greatly improve the speed of land delivery.⁴⁴ Further, multi facility economic zones (MFEZ) have been approved by government to be established as industrial areas for both export oriented and domestic oriented industries, with the necessary infrastructure provided.

Nevertheless, these multifacility economic zones could only be beneficial to the economy if established in densely populated areas where business is booming. This is so because an investor as a business minded person would not want to risk his business by having it established in a place where only a few people would afford his products or services. It follows therefore, that these zones could only be placed in urban areas and not in rural places, thereby leaving out the later in development.

The Agency also does what is known as district investment opportunities identification programme. Here, it tours all the districts of the country in search of what seems to be a potential investment. Factors like weather, rainfall and geographical allocations are taken

⁴³ An interview with Mr Roy Kapembwa, senior investment promotion officer, ZDA.

⁴⁴ Zambia-Africa's new Frontier for investments and profits.²⁷

into consideration, for example, Mongu will be marked for investment relating to rice production, Mwinilunga for pineapple production while Mazabuka for Sugar production.

The Agency is also involved in local and outward missions where a developed country whose economy is doing fine is recognized and targeted for support. So far, countries like Malaysia, China, and India have been targeted and successfully cooperated with the Agency, in what is called south to south promotion.

The Agency also develops what is perceived to be a strategic link with international bodies for financial assistance and advise in general on how to attract and retain investment inflows. So far, Multilateral Investment Guarantee agency (MIGA), Japan International Cooperation Agency (JICA) and World Association Investment Promotion Agency (WAIPA) are such bodies that work closely with the Agency.

Nonetheless, the only danger is that the financial support comes with conditionalities such that in future the country might not be able to implement its own programmes due to the restrictions coupled with such assistance. Like it has proved to be with the financial assistance from the international lending institutions which has conditions attached to it, where the recipient country is limited to the whims and caprices of the donating country.

The Agency also in understanding the need to attract foreign direct investments, it has embarked on what is known as the triangle of hope which is a strategic action initiative for economic development. It is a medium and long term economic recovery program which was launched in 2005. This program was designed to assist the Zambian investment environment and to attract domestic and foreign investment to targeted economic sectors.

The triangle of hope was an initiative to ensure that three forces work together to ensure economic success, i.e. political will, civil service efficiency and private sector dynamism. To this effect, a Malaysian consultant was engaged to give advice to the government on the economic sectors that would make it possible for the initiative to take off with concrete results to point to. This was done with the support of the Japanese International Cooperation Agency (JICA), which help also made it possible for the government to set up 12 task forces to investigate and provide recommendations on how to uphold the taking off of the initiative. Recommendations were forwarded to the government and the poor land locked Zambia was advised to concentrate on agriculture and Agro based industries and also to improve administrative and physical infrastructure.⁴⁵

Another strategy is entering into investment promotion agreements with different enterprises from various sectors of development. The first such agreement was signed with Zamanita Limited in the sum of US\$27million. This was for the purposes of expanding and modernizing the current facilities so as to produce edible oils, margarine and animal feeds using cotton seeds, soya beans and sunflower.

The second agreement was signed with medical International Limited in order to construct a US\$ 40 million high tech hospital that would make it possible for the government to cut down on the US\$ 4 million annual budget spent to send people for treatment abroad.⁴⁶

⁴⁵ Zambia; Africa's new frontier for investments and profits .50

⁴⁶ ZDA Spotlight ,April 23 2009 .3

The third agreement was signed with ETC Bio-Energy which was to invest US \$56 million so as to establish a vertically integrated bio-diesel operation by means of growing jatropha in Mpongwe district of the Copperbelt.

The fourth agreement was signed with Progressive poultry limited which was to invest US\$ 18 million for the establishment of a modern state of the art broiler breeder farm and hatchery.

The fifth agreement was signed with JJ Transport for the operation of a fully fledged modern and efficient transport system which is capable of assuring quality techniques which includes satellite tracking.

Another strategy is what is known as the business linkage programme between national and multi-national companies (MNCs) which are partnering with the Zambian government. The purpose is to create linkages between the medium and small enterprises (MSEs) and large corporations in order to improve market access for medium and small enterprises. This programme is made possible with the support of the United Nations Centre for Trade and Development (UNCTAD) and the International Labour Organization (ILO). Other companies that are showing an interest in joining forces with the government to avail supplier opportunities are Tata, Zambia sugar, Zambia breweries and Zain.

Another strategy is the financial packages and sensitization programme and it is purposed to stimulate micro and small enterprises. These MSEs are encouraged to apply for certificates to ZDA, and this is yielding positive results with tangible evidence to show. Thus, in the year 2009 ZDA was able to approve 27 applications illustrating attractive investment valued

at K1, 409 587,950 and K1, 474, 912, 395. These MSEs currently employ 146 workers and expected to have additional 118 new job opportunities.⁴⁷

Another strategy is the one the government has embarked on in conjunction with JICA which is called business, trade and investment initiative. The purpose of this initiative is to stimulate the promotion of domestic and foreign business, trade and direct investments from China into Zambia.⁴⁸

Furthermore, Agro-industry which is the fifth in a series of investment promotion meetings. It is funded by the European Union (EU) Southern Investment Promotion Programme (ESIPP), and focuses on the agriculture, food and agri-related sectors in the fourteen countries of the Southern African Development community (SADC) region by encouraging international financial, technical and financial partnerships.

This forum was a platform for promoters and entrepreneurs from the southern African region to represent a carefully selected range of new and high quality business development projects in the agriculture, food and agri-related sectors to interested European and other international and southern African businesses.

The forum among others had these objectives;

Firstly, to promote sustainable and environmentally-friendly investment and Inter-enterprise Cooperation Agreements (ICAs) in the agro-industry sector and to increase the competitiveness of the region. Secondly, to focus increasingly on value-adding activities and

⁴⁷ZDA Spotlight, April 23, 2009. 3.

⁴⁸ Zambia; Africa's new frontier for investments and profits.15.

processing initiatives and less on purely primary agriculture production. And lastly, to support the SADC Agro-industry, and specifically EU-ACP investments and ICAs, by promoting investment opportunities and enabling entrepreneurs to negotiate and possibly conclude partnership agreements in this sector. In connection to this, having noticed that it is quite precarious to depend on mining industry too much, the government put in place a strategy aimed at promoting diversification of the economy in other potential avenues of economic growth.

To this effect the Citizens Economic Empowerment Commission (CEEC) has been created as a way of ensuring job creation and income growth in an effort to accelerate Zambia's economic agenda.

In the same effort, the government has observed that small and medium enterprises can be a catalyst to the national economic agenda because they encompass a large populace in various sectors. The government has thus come up with an initiative with the support of a consortium of cooperating partners called Business Development Services (BDS) voucher programme. The initiative is aimed at promoting micro, small and medium enterprises with business development services such as skills training and other business related techniques through the provision of grants which are directed to providers of those services who are providers of those services. These service providers are presumed to be reputable and competent individuals or private organizations with specialised business development skills and traceable track records. The ZDA has been tasked to provide policy and to coordinate the activities of the voucher programme.

3.4. CONCLUSION.

There is no doubt that investment is one of the main ingredients that can help bring about meaningful development that the country has been yearning for all these years. With the coming of Zambia Development Agency, the country saw massive inflows of investment which are likely to bring a tremendous achievement since the output of investment will always go to the creation of jobs and ownership. It will also bring hope, opportunities and uphold the desire for diversity of growing the economy. Despite having the desire to retain all the investments that have come in, it will not be possible without creating and maintaining a conducive environment. This calls for policies and strategies to be put in place in order to uphold such an environment.

CHAPTER 4

4.0. RECOMMENDATIONS TO ENHANCE ECONOMIC GROWTH AND DEVELOPMENT THROUGH INVESTMENT.

The ZDA's mandate is to further the economic development of Zambia by promoting efficiency investments and competitiveness in business by promoting exports from Zambia and specially to advise the Minister of Commerce, Trade and Industry on matters relating to industry. It further studies market access offers from trading partners and advises government on opportunities, develop entrepreneurship skills and business culture in citizens of Zambia and undertake economic sector studies and research on matters related to trade among other functions. The ZDA has done a lot to discharge its mandate but a lot needs to be put in place, and this chapter makes various recommendations;

Firstly, the ZDA has established an information resource centre in the heart of Lusaka. With the support of the European Union, the resource centre provides information support to the organisation's priority programmes and activities. It also acts as a reference centre and information base which helps with a provision of reference services to partner institutions abroad which includes Zambian foreign missions and it avails a network of reliable information providers specialised in the field of international trade and other related issues. It also produces specialised information materials, articles and system for trade information management. A recommendation in this respect is to try and establish this resource centre in all the provincial headquarters of the country. This is in pursuit of sensitising as many citizens as possible so that they come to learn of the existence of the

ZDA and the role it plays in spearheading investments thus enhancing development. This is the only way a villager in Shangombo District, for instance, who owns a large portion of land could be joined to a wealthy person who lacks land to put up an investment under Joint venture partnership. It is through the establishment of such resource centres in all provincial headquarters that could make as many citizens as possible (if not all) aware that Joint partnership programme does exist, so that they participate and earn greatly.

Secondly, the ZDA should intensify on their sensitisation programmes. The same should be extended to reach the remotest of all places, like Kaputa and Shangombo for instance. It is a notorious fact that only 6% of the land in Zambia is held on leasehold while 94% is under customary, held by local people who are headed by a particular chief. These local people should be reached by the ZDA and educate them on the benefits of holding land on a lease basis so that it could be easy to join an interested local person to a foreigner under a joint venture partnership programme. Such sensitisation programmes should be done with the aid of the radio and television stations and news papers. The media, which has proved to be an important tool through which messages could be conveyed, has to be embraced by the ZDA in order to try and make its existence known to all citizens.

Furthermore, ZDA should visit all the chiefs in all the districts of the country in order to make them aware of the benefits of having their customary land developed. There is a fear among rural people that holding land under leasehold means that the land has been forfeited to the state, a reason ZDA should visit rural places to make clear of such issues. It is through these sensitisation programmes that chiefs will not hesitate to give consent so that

customary land could be converted to leasehold in accordance with the law.⁴⁹ One such province to be targeted should be Western province where the land is presumed to be vested in the Litunga for the benefit of all Barotse people. Thus making it difficult to convert customary land to leasehold. All these uncertainties can be cleared by the ZDA as it tries to intensify on its sensitisation programmes.

In addition to this, ZDA should extend the coverage of its resource centre to cover Zambians leaving abroad and want to invest back home. In other words, ZDA should establish an international resource centre at all embassies in all potential countries and the same will try to address investment issues to foreigners and Zambians alike who are willing to invest in Zambia.

Sydney Mofya is one such Zambian leaving abroad and he states that he is willing to invest back home at a lower rate of return with a view that in the long run the return will be bigger, but he is not sure of what the return would be. There is also limited information to know viable lines of investment.⁵⁰

Another factor to be dealt with by the recommended ZDA international resource centre is risk or the perception of it. A proper risk assessment should be done and a comparison of investing in Zambia with the alternatives should be made. In the absence of such proper assessment, information could not be assessable and an investor would opt to invest in an environment with a lower return but with adequate information. Thus, potential investments are left unattended to as they appear very risky due to insufficient information.

⁴⁹ Lands Act of 1995

⁵⁰ An interview with Sydney Mofya, a Zambian in diaspora via e-mail on 20/02/10.

Thirdly, the government should ensure adequate and competitiveness in infrastructure in order to make the country a globally competitive investment and business location. Adequate resources and infrastructure should be made available in order to sustain the growth of industries. In this respect, a fund should be created and be set aside for developing industrial infrastructure, and perhaps this will guarantee a continued private sector participation in the development of industrial facilities. An example can be had from the Singapore government where a total amount of \$385.83 million had been set aside for developing industrial infrastructure.⁵¹

Tied to that point, the government should also venture to build research and development capabilities so as to bring about competitive industry which needs to be supported by a powerful intellectual and knowledge capital base. To this effect, some money should be allocated to strengthen the public sector research and man power development in areas such as science, engineering and intellectual property.

Private sector research and development should also be promoted and developed to an extent that it possesses capacity to provide project based grants to companies with a view of supporting the building and development capabilities.

Further, the ZDA must concern itself with promoting international trade by facilitating the internationalisation of the local companies and advancing Zambia's economic diplomacy. The same should seek to expand the country's economic space and provide opportunities abroad for local companies. Thus, ZDA should strive to promote international trade by

⁵¹ Singapore budget 2009, Expenditure overview.

advising the government to uphold the multi lateral framework of the World Trade Organisation (WTO) which continues to be the backbone of the country's trade policy. The WTO provides wide access to multiple markets governed by a rule-based global trading system. In connection to this, the government should continue to build linkages with potential trading partners through bilateral and regional free trade areas. To this effect, the following should be pursued even more;

Firstly, the Africa Growth and Opportunity Act (AGOA) which provides for trade preferences for quota and duty free entry into the United States for certain goods. It expanded market access for textile and apparel goods into the United States for eligible countries. Thus, AGOA countries have begun to export new products to that country.

Secondly, the Cotonou Agreement which provides for reciprocal trade agreement must also be given a priority. Under this agreement, not only the European Union provides duty free access to its markets for African, Caribbean and Pacific nations (ACP) exports, but also ACP countries do provide duty free access to their own markets for EU exports. Zambia should continue to be a signatory to this agreement for it aims to achieve free trade arrangements between the EU and ACP regional groupings.

Thirdly, double taxation agreements should also be looked into. The fact that some eligible tax payers find themselves liable to pay tax in more than one country in respect of the same income, adversely affect the international flow of financial and investment resources. Thus, the mechanism put in place by the international community to prevent or even mitigate the incidence of double taxation should be welcomed by the government. In principle, double

taxation agreements help to off set tax paid in one or two countries against the tax payable in the other, and through this preventing double taxation.

The government of Zambia should be alert and welcome these agreements because it is the presence or the absence of the same that have a great influence on the mind of the investor as to invest or not.

Fourthly, Everything But Arms (EBA) is also a very attractive initiative which the country must uphold. Under this, European Union initiative, all imports to the EU from the least developed Countries (LDCs) are duty free and quota free, with the exception of armaments.

Fifthly, the government should uphold regional agreements like Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), because through these a preferential tariff access to a potential market is availed. This can be evidenced by the Bata Shoe Company managing director, Mr. Glenn Ireton when he stated that, “Zambia Bata Shoe Company has established a new export market in Southern Africa with Zimbabwe emerging as a major importer of the company’s leather and finished products. Our company is now exporting to South Africa, Malawi and Zimbabwe. We managed to penetrate the regional market based on our specialised production and focused marketing arising from trade interface between countries in the COMESA and SADC region”.⁵²

In addition to this, another tangible step that the government needs to address is the law pertaining to corporate taxation, in particular depreciation. The law which pertains to

⁵² An interview with Mr Glenn Ireton, 22/02/10.

depreciation is likely to play a significant role as to whether to invest or not simply because it has a major effect on the net income and tax liabilities of the firm. Thus accelerated depreciation is an important incentive which could be offered as a way of attracting foreign investment as well as stimulating domestic investment. Accelerated depreciation is a practice whereby for tax purposes a firm is permitted to write off an asset over a shorter period than its actual service life.⁵³ It usually results in deferring income taxes from the early years of the asset in its service life until its later years. Accelerated depreciation causes larger amounts of income and lower taxes in these years, that is how taxes are deferred. The truth however is that taxes are deferred as small amounts of depreciation in later years result in larger amounts of income and higher taxes.

The understanding that in time all capital either wears out or become outdated, and the need to replace it arises, the law pertaining to depreciation allows a certain amount of production to be devoted to replacing such capital each year. Thus, the law permits recovery of capital even if in reality, an asset might be much more durable and lasts for a very long period. The sooner the deduction is allowed, the more attractive a given investment will appear to an investor.

In comparison with other tax based incentives, which have a tendency to reduce the tax net, such as the tax holiday, accelerated depreciation is attractive for both the treasury and the investor. To an investor, accelerated depreciation allows greater cash flow for the investment, this is especially during the early phases of the business venture. Thus, it amounts to an interest free loan. For the treasury, the allowance is like a loan (though

⁵³ Musgrave, R.A and Musgrave, P.B, Public finance in theory and practice. Macgrows-hill, Newyork, 1976.320.

interest free) which has to be paid at some time in the future. On the other hand, taxes forgone under a tax holiday scheme is forever forfeited and eventually may end up in some foreign country's treasury.⁵⁴

Furthermore, having realised the dangers of overdependence on mining industry the Zambian government thus yearns to promote diversification of the economy in other sectors like manufacturing and tourism for instance. To this effect, the government has introduced various development based programmes targeted at promoting small and medium scale enterprises with a realisation of the important role this business arena plays in the economy of the nation. In this respect, a recommendation is that the small and medium scale business should be properly harnessed for it to be a catalyst to the national economy. This venture however, requires competitiveness and profitability in order to effectively contribute significantly to the national economy. Thus, people in this sector should fully understand the modern global business techniques in order to sustain the enterprise. To this effect the government should come up with various programmes aimed at empowering micro, small and medium enterprises with business development services, such as skills training and other business related techniques.

In the same vein, the government should strive to create more incentives for the listed companies so that more companies could be listed so as to improve the efficiency of the stock market in Zambia. It's inevitable that the more the stocks on the market the wider the choice for people who want to invest in the Zambian stock market. Also as a way of widening the market, all the stock should be available online.

⁵⁴ Dr Ngosa Simbyakula, Excerpt from TAX LAW IN ZAMBIA: PRINCIPLES AND APPLICATIONS.P11, Unpublished.

CHAPTER 5

5.0. GENERAL CONCLUSION

The Movement for Multi Party Democracy (MMD), following an overwhelming victory in the 1991 elections, rapidly introduced and adopted policies that were aimed at highlighting the important investment opportunities, and this was coupled with improving the flow and impact of investments into the country.

Since then, the government has made concrete progress which is illustrated by the implementation of an ambitious set of economic reforms.

Added to this was significant efforts in the area of privatisation, deregulation of foreign exchange and trade liberalisation.

The government has also put in place a number of institutional reforms in public and social sectors and has come up with a broad strategy for growth and poverty reduction.

To this extent, Zambia is one of the most liberal economies in Africa with a liberalized trade and a regime of interest rate. Also a deregulated foreign exchange regime with absolutely no price controls and restrictions on shareholding structure and levels of companies registered in Zambia.

As it is today, the country is capable of boasting for a pro-business government which is really dedicated to an open and free market economy. The government also wishes to retain

policies aimed at promoting private sector development and to this effect, has managed to maintain a statutory regime that guarantees maximum protection of investments. As such, no investment of any description can be expropriated unless a Parliamentary Act relating to the compulsory acquisition of that property has been passed. Additionally, in case of expropriation, a full compensation shall be made to the market value and shall be convertible at the current exchange rate. The government has been striving to enhance a stable and predictable economic environment for sustainable investment in the economy, this is because it has been recognised that the general economic climate is pre-condition to developing trade and investment.

Chapter one traced the creation of the Zambia Development Agency (ZDA) and it further highlighted and discussed the five amalgamated bodies that were there before the Agency was created. The chapter also established a justification for the formation of the Agency as it discussed the duties that the Agency has to discharge. In addition to this, the objectives that have been formulated in order to effectively execute its mandate have been outlined.

Chapter two looked in detail at what investment is and it also investigated the role of ZDA in investment. The Agency's efficiency was also examined coupled with a closer look at the benefits associated with investment. The chapter proceeded to investigate whether or not Zambia stands to benefit from investments. It was further established that the Agency is efficient in investment promotion as well as spearheading the privatisation of state owned companies.

Chapter three discussed policies and strategies put in place in order to promote investment. It was established that currently there is no policy in place, however, the Agency carries out

its duties in accordance with the requirements of the ZDA Act. The chapter further investigated the strategies put in place by the Agency as it endeavours to discharge its duties and it was established that some of the strategies are very effective in investment promotion while others were too costly for the government to sponsor. It was in the same chapter that it was observed that the citizen at large is ignorant of the existence and activities of the Agency, particularly those in remote areas. It was further observed that a joint venture partnering programme is one strategy that appears attractive to Zambians who own land and wishes to develop it but have no means. These can approach ZDA for help.

Chapter four focused on recommendations that the Agency need to put in place as corrective measures. It is here where it was observed that the Agency has to broaden its sphere of influence to cover the remotest areas in the country. It was further highlighted that the Agency could resort to the use of the media so as to publicise its existence and activities.

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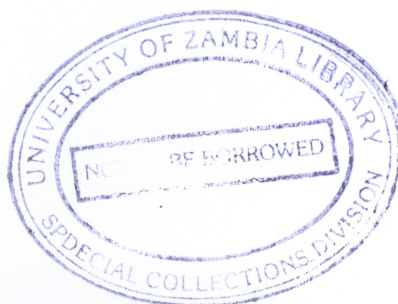
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