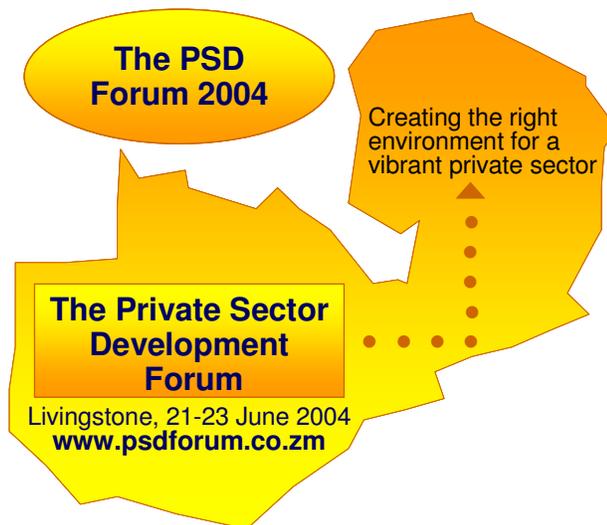


[www.psdforum.co.zm](http://www.psdforum.co.zm)



# THE PSD FORUM REPORT VOLUME I: MAIN REPORT

14<sup>th</sup> July 2004

Prepared by  
ICC - International Capital Corporation (Zambia) Limited

## TABLE OF CONTENTS

<b>1</b>	<b>PSD Forum 2004 – Historical context and background .....</b>	<b>3</b>
1.1	Historical context.....	3
1.2	Background to the Forum.....	4
<b>2</b>	<b>The preparation process and design features of the Forum .....</b>	<b>6</b>
2.1	The preparation process .....	6
2.2	Design features for the PSD Forum 2004 .....	7
<b>3</b>	<b>Summary of PSD Forum proceedings .....</b>	<b>8</b>
3.1	Plenary presentations and discussions .....	8
3.2	Breakout groups.....	8
<b>4</b>	<b>The PSD Reform Action Plan and Implementation Framework... ..</b>	<b>9</b>
4.1	Action plans by reform area .....	9
	<i>A. Policy environment &amp; institutions.....</i>	<i>9</i>
	<i>B. Regulations &amp; laws.....</i>	<i>11</i>
	<i>C. Infrastructure .....</i>	<i>12</i>
	<i>D. Business facilitation &amp; economic diversification .....</i>	<i>13</i>
	<i>E. Trade expansion .....</i>	<i>16</i>
	<i>F. Local empowerment.....</i>	<i>17</i>
4.2	Summary of overall implementation priorities .....	18
4.3	Classification of PSD Reform activities by type of donor support required .....	20
4.4	Implementation framework.....	22
<b>5</b>	<b>Response by HE President Levy Mwanawasa SC .....</b>	<b>25</b>
<b>6</b>	<b>Immediate next steps.....</b>	<b>29</b>
	<b>Annexes (see Volume II: Annexes) .....</b>	<b>30</b>

## 1 PSD Forum 2004 – Historical context and background

### 1.1 Historical context

Since the late 1990s, GRZ has attempted to implement a new approach to economic management, with a focus on trade liberalisation, privatisation, better governance and the promotion of economic growth. The economy has responded favourably, producing four consecutive years of growth, with real GDP rising at an average of 3.7 percent per annum between 1999 and 2002. However, private investment has remained at less than 6% of GDP during the last four or five years, which is barely enough to maintain capital stock, and with population growing at an average of 3 percent, these growth rates are not enough to seriously tackle poverty. Therefore, a key challenge facing the Government today is to provide an improved investment climate to sustain its current economic base and to attract new investment that will ensure diversified sources of growth.

This requires the Government to implement a comprehensive program of investment climate reforms on an accelerated basis, which will attract increasing local and foreign direct investment to underpin the growth and diversification agenda.

In addition, meeting this challenge requires that additional targeted measures be implemented to significantly improve the level and quality of infrastructure, especially in the utilities and transportation sectors. One of the key constraints on private sector growth in Zambia is the gap between the current level and quality of infrastructure provision and where it needs to be to adequately support a competitive and growing private sector. Zambia's location as a land-locked country means this "infrastructure deficit" in the transport sector, for example, is a particular constraint on growth. Yet the Government's resource constraints suggest that the deficit cannot be met from public resources. It is now necessary to begin developing and implementing plans to encourage private investment in infrastructure (PPI).

Another key factor contributing to limited private investment in Zambia is a change in the attitude of the Government toward the private sector. Specifically, the Government needs to resolve its ambivalence on the role of the private sector in its development strategy. The Government's behaviour in fiscal affairs requires more discipline to address the range of adverse impacts on private sector development that arise from macroeconomic instability - such as high interest rates and restricted access to capital for private firms. Furthermore, consultations between the Government and the private sector in policy formulation and implementation need to be more structured and comprehensive.

The Government also needs to address the perceptions of corruption and to improve the quality of service provision by public agencies to the private sector.

In addition, in order to ensure growth with equity, measure need to be taken to enhance local empowerment and the development of Zambia's SME sector. Lack of a small and medium enterprises (SME) development program, which provides business development services to local business, has also been identified as a major issue for private sector development in Zambia. Small firms often bear the brunt of the constraints on private sector growth – in particular, access to and cost of finance. There is clearly a need to develop an SME policy and a program of support services to this high potential business sector.

## 1.2 Background to the Forum

It is generally recognised that the trade liberalisation and privatisation process that occurred over the last few years, may have been done too fast and perhaps with insufficient consultations between the Government and the private sector. As a result, trade liberalisation and privatisation, although they played a major role in contributing to economic growth, have not been perceived to have been as effective and beneficial to Zambia as anticipated. The perception was amplified by the pull out of Anglo American Corporation from the traditional mining sector, and the realisation that Zambia must diversify in order to survive.

In this context, Zambia is now looking at a “third generation” of economic growth policies: beyond copper, and beyond privatisation. This third generation is focussed on diversification and infrastructure development. The Anglo American pull out was the “wake up call” that triggered the need for third generation economic planning emphasising the creation of the enabling environment to attract private investment, the importance of diversification, and the realisation that public resources alone are inadequate for infrastructure development. This wake up call also led to the realisation that the private sector must empower itself in assuming its role as the engine for economic growth by proactively preparing for and engaging in the process of public/private dialogue.

Third generation planning effectively started with the Copperbelt Diversification Conference held in Kitwe in June 2002. However, despite the development of a Strategic Plan for Diversification that emanated from the Conference, insufficient attention was paid to designing an adequate framework for implementing the diversification strategy. As a result, few proposals contained in the Strategic Plan were implemented. Since the Copperbelt Diversification Conference, a number of studies and stakeholder consultations have been conducted and reports produced<sup>1</sup>, which have generated a rich set of recommendations for private sector-led growth in Zambia.

---

<sup>1</sup> Zambia: the Challenge of Competitiveness and Diversification;  
Zambia Privatization Review – Facts, Assessments and Lessons;  
Financial Sector Assessment;  
Zambia Copperbelt Diversification Strategy;  
Agribusiness Sector Development;  
A Framework for Tourism Sector Development; and Gemstone Sector

But, most findings and recommendations were not widely disseminated, discussed with stakeholders, nor implemented to improve the investment climate.

In a bid to capture and utilize the key recommendations from these analytical reports, the Zambian Government, in partnership with the private sector through the Zambia Business Forum and with the support of the World Bank, decided to use the reports as the basis for preparing a Draft Private Sector Development (PSD) Reform Action Plan and Implementation Framework which, once finalised, would serve as the road map to creating the right environment for investment, infrastructure development and private-sector led economic growth.

The Draft PSD Reform Action Plan and Implementation Framework, collectively known as the Government's "**PSD Reform Programme**", would provide the background for planning and preparing the PSD Forum 2004.

## 2 The preparation process and design features of the Forum

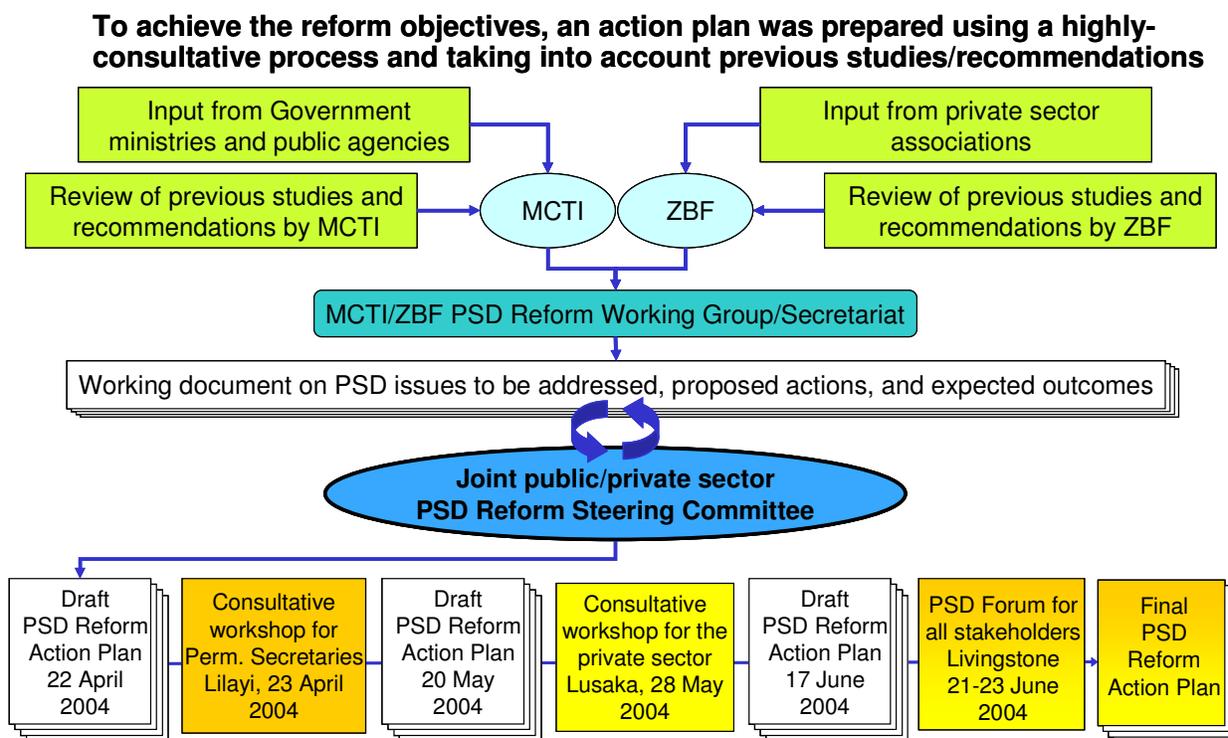
### 2.1 The preparation process

The preparation process for the PSD Forum 2004 effectively started with the commissioning of two new studies conducted with the assistance of the World Bank: The Investment Climate Assessment (ICA), see Annex 3, and The Administrative Barriers Study (ABS), see Annex 4.

The Ministry of Commerce, Trade and Industry (MCTI) and the Zambia Business Forum (ZBF) were tasked with reviewing the previous PSD-related studies conducted over the last two years, as well as the new ABS and ICA studies, with a view to extracting and consolidating a specific set of actions required for reforming private sector development. The Draft PSD Reform Action Plan and Implementation Framework were prepared by a ZBF/MCTI secretariat under the guidance of a PSD Reform Steering Committee. Members of the Steering Committee are listed in Annex 5.

The process used to develop the Action Plan and Implementation Framework is illustrated in Figure 5.

**Figure 1: The PSD Forum Preparation Process**



In addition to one-on-one consultations with key stakeholders, the Draft PSD Reform Action Plan was presented and discussed at two workshops that preceded the PSD Forum 2004, one for Permanent Secretaries and one for the private sector.

After the Private Sector Workshop, the PSD Reform Action Plan was refined and then presented to and endorsed by Cabinet for discussion and finalisation at the PSD Forum 2004, held Livingstone from June 21-23.

## 2.2 Design features for the PSD Forum 2004

Using the lessons learned from the 2002 Copperbelt Diversification Conference, the planning process for the PSD Forum 2004 incorporated a number of design features, which included:

- Consultation and broad ownership in the development of action plans
- “Mainstreaming” implementation through line ministries
- Monitoring progress of implementation at a high level
- Resource mobilisation for implementation based on a “menu of projects/programmes” that would require donor support.

The MCTI/ZBF Secretariat, with assistance provided by consultants from International Capital Corporation (Zambia) Limited (ICC) was then tasked with designing the Forum and managing the Forum logistics and facilitation. ICC’s terms of reference is contained in Annex 1.

The purpose of the Zambia PSD Forum was to provide a platform for public private dialogue and consensus-building among key stakeholders (Government and private sector) on the reform priorities that need to be implemented to improve the investment climate and encourage private investment in infrastructure.

The specific objective of the Forum was to review and finalise the PSD Reform Action Plan and to agree on the implementation structure. Advance copies of the draft Action Plan and proposed implementation options were posted on the Zambia PSD Forum website at [www.psdforum.co.zm](http://www.psdforum.co.zm) prior to the Forum. In addition, presentations made at the Forum were circulated on CD Rom at the end of the Forum. The finalised post-forum PSD Reform Programme (containing the background, objectives, action plan, priorities, implementation framework and prerequisites for success) was posted on the website after the Forum<sup>2</sup>. This final PSD Reform Programme is also contained in Annex 3.

To ensure effective dialogue, the Forum was limited to about 160 high-level participants from the public and private sectors, civil society and the donor community. To achieve the desired outcome of a final and agreed PSD Reform Programme, the format of the Forum combined plenary presentations/discussions with break out sessions during which participants reviewed and finalised the PSD Reform Action Plan and agreed on the optimal framework for implementation. The Forum agenda is contained in Annex 7 and the list of delegates in Annex 8.

---

<sup>2</sup> The website will be operational until June 2005

### 3 Summary of PSD Forum proceedings

#### 3.1 Plenary presentations and discussions

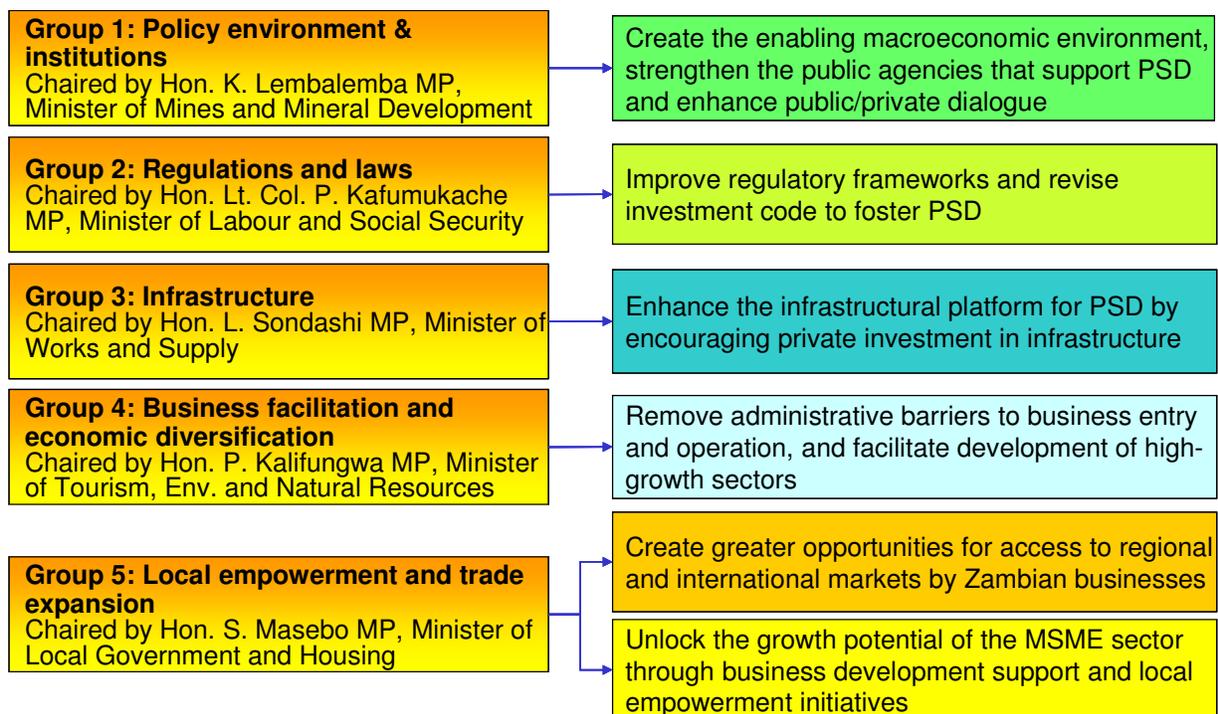
The PSD Forum 2004 balanced local public and private sector representation, while international perspectives were provided by speakers from Asia and other African countries. Plenary presentations on Zambian case studies in PSD as well as highlights of the ABS and ICA were also included.

Annex 6 contains highlights of the plenary presentations and summary transcripts of the discussions during Day 1.

#### 3.2 Breakout groups

However, the focus of the PSD Forum was on the Day 2 breakout groups during which action plans in six areas were reviewed and finalised and two proposed implementation framework options were discussed, and the preferred option selected and refined.

**Figure 2:** The six PSD Reform Areas for discussion in breakout groups



On Day 3 of the Forum the breakout groups presented their PSD Reform Action Plans and preferred Implementation Framework in plenary. The action plans and implementation frameworks as presented by the breakout groups are the subject of Section 4.

## 4 The PSD Reform Action Plan and Implementation Framework

### 4.1 Action plans by reform area

This section presents the PSD Reform Action Plan as finalised by the working groups together with the specific reform objective for each area.

#### A. Policy environment & institutions

##### *Reform objective*

“Create the enabling macroeconomic environment, strengthen public agencies that support PSD and enhance public/private dialogue.”

##### *Action plan*

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Macroeconomic policy uncertainty	•Reaffirm commitment by GRZ to market-based policies	•MoFNP/Parliament	•Predictable macroeconomic environment	•Dec 2004
	•Ensure operational independence of BOZ by implementation of the BOZ Act amended to incorporate best practices			•Dec 2004
	•Ensure delineation of responsibilities between BOZ and MoFNP: exchange rates, interest rates, and monetary policy should be left to BOZ, while fiscal performance is left to MoFNP as per draft FSDP submitted to Cabinet			•Dec 2004
	•Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations			•Dec 2004
2. High cost of capital / private sector crowded out of debt market by Government	•Continue to reduce Govt. borrowing as provided for in the medium-term expenditure framework	•MoFNP	•Significant reduction in interest rates/more credit available to private sector	•Dec 2006
3. Difficulty for SMEs to access finance	•Ensure implementation of the FSDP by appointing a committee to oversee its implementation	•BOZ	•Wider access to capital	•On-going
4. Lack of credit culture	•Establish the Credit Reference Bureau as called for in the FSDP	•BOZ	•Enhanced credit culture	•On-going
5. Long delays in dispute settlements	•Enforce Small Claims Court Act	•Attorney General's Chambers	•Lower credit risk	•Immediate

*Action plan (continued)*

Issue	Action	Lead resp.	Outcome/milestone	Timing
6. Corruption	•Ensure that the "Ministerial Code of Conduct" is observed	•Parliament	•Lower corruption index	•Dec 2005
7. Weak corporate governance	•Ensure the development and implementation of good corporate governance as per FSDP	•MCTI	•Lower risk premiums on Zambian businesses	•July 2005
8. Weakness of public agencies serving the private sector	•Create single Zambia Development Agency (e.g., rationalize and enhance effectiveness of ZIC, EBZ, ZPA, ZEPZA)	•MCTI	•One-stop-shop with more client-focused services	•July 2005
9. Bureaucratic procedures of public agencies	•Implement recommendations of the FIAS report (Admin Barriers) and define time limits for delivery of services	•MCTI	•Improved service provision to the private sector	•Dec 2005
10. Need to further enhance public/private dialogue	•Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD	•MCTI	•Joint ownership private-sector oriented economic development initiatives	•July 2005
11. Lack of HIV/AIDS workplace policy guidelines for the public/private sector	•Involve and encourage employees/ employers/ trade unions/ work-related institutions to initiate/implement HIV/AIDS prevention, treatment and care programs	•NAC	•Reduction in HIV/AIDS, STI, TB transmissions, reduced absenteeism, and increased productivity	•Jan 2005

*Priorities*

After finalising the action plan, participants in the breakout group assessed the *impact* on private sector development if the actions are successfully implemented against the *feasibility* of actually implementing the actions in terms of time, cost, complexity and willingness. For each action, impact and feasibility were scored on scale of 1 to 4, providing the basis for prioritising actions for immediate implementation.

Thus, actions that were deemed to have a high impact (3 or above) and a high feasibility of implementation (3 or above) were selected as priorities. For the first of the six areas of reform, i.e., policy environment and institutions, the following eight priorities emerged:

1. Reaffirm commitment by GRZ to market-based policies
2. Ensure BOZ operational independence by implementation of the BOZ Act amended to incorporate best practices
3. Ensure delineation of responsibilities between BOZ and MoFNP
4. Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations
5. Continue to reduce Government borrowing as provided for in the Medium-Term Expenditure Framework
6. Ensure implementation of the Financial Sector Development Programme (FSDP) by appointing a committee to oversee its implementation
7. Establish a credit reference bureau as called for in the FSDP
8. Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD

## B. Regulations & laws

### Reform objective

“Improve regulatory frameworks and investment code to foster PSD.”

### Action plan

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Lack of incentives to support economic diversification	• Provide incentives for accelerating investment in priority economic sectors	• MoFNP / MCTI	• Significant new investment high-growth sectors	• Dec 2005
2. Contradictions between Investment Act and related legislation	• Form review committee (including private sector) and review and amend all investment-related legislation to ensure alignment with revised Investment Act	• Attorney General's Chambers/MCTI	• Fully harmonised investment code	• Dec 2004
3. Complex and bureaucratic tax administration system	• Form review committee (include private sector) - same committee as for issue 2 • Implement comprehensive business process redesign project	• ZRA • ZRA	• More efficient/ business-friendly tax administration  • 100% adherence to performance standards	• July 2005 • July 2005
4. Cumbersome customs administration	• Analyse and simplify clearance procedures and set time-based targets			• July 2005
5. Bureaucratic immigration procedures	• Streamline procedures, and set clear approval criteria and time-based targets • Accelerate review of Immigration Act	• MHA	• Elimination of immigration "hassle factor"	• July 2005 • July 2005
6. Restrictive labour laws related to retirement and retrenchment	• Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 (retirement and terminal clauses)	• Min. of Labour	• Increasing competitiveness through labour flexibility	• Dec 2004
7. Limited availability of land for commercial/industrial use	• Review policy and procedures relating to acquisition/lease of traditional land	• Min of Lands/ MLGH	• Enhanced ability for new businesses to find locations	• July 2005
8. Lack of serviced stands	• Facilitate private sector development of serviced stands and industrial parks • Amend Local Government Act	• Min of Lands/ MLGH	• Reduced time lag for new business operationalisation	• July 2005 • July 2005
9. Slow land development approvals	• Streamline and decentralise approval process and set time-based targets	• MLGH	• Guaranteed period for land development approval	• July 2005

### Priorities

Based on the assessment of impact and feasibility of implementing the various actions, six priorities were agreed:

1. Provide incentives for accelerating investment in priority economic sectors
2. Form review committee (including private sector) and review contradictions between Investment Act and related legislation once the revised Investment Act is finalised
3. Review and amend all investment-related legislation to ensure alignment with revised Investment Act when it is finalised
4. Streamline procedures and set clear approval criteria and time-based targets for immigration procedures
5. Accelerate current review of Immigration Act
6. Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 to address restrictive retirement and termination issues

## C. Infrastructure

### Reform objective

“Enhance the infrastructural platform for PSD by encouraging private investment in infrastructure (PPI)”.

### Action plan

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Poor quality of telecommunication services	•Accelerate revision of the Telecom Act and the licensing framework	•MCT	•Improved quality through more private sector delivery of telecom services	•July 2005
2. High cost of telecommunication	•Liberalise the international telecommunications gateway	•MCT	•Lower costs through increased competition	•Oct. 2004
3. Lack of reliable and cost effective power supply	•Monitor the commercialisation of ZESCO •Review energy policy and create more competition •Complete the power rehabilitation project	•MEWD	•Efficiency and competitiveness through active private participation	•Dec 2004 •Dec 2004 •Dec 2005
4. Lack of investment and growth in provision of water supply and sanitation services; and solid waste management	•Promote PPI arrangements for public-private and/or private sector management of water supply and sanitation services, and solid waste management •Review water and sanitation act/NWASCO •Monitor the process of strengthening the autonomy of the regulator	•MEWD/ MLGH	•Improved access to reliable water supply and sanitation services, and waste management	•On-going  •Dec 2004 •Oct 2004
5. High transport costs due to limited development of road infrastructure	•Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads	•MCT/MWS/ MLGH	•More funding channelled into road infrastructure development/ maintenance	•On-going
6. Inadequate regulatory environment to support Government's decision to encourage PPI	•Develop a PPI road map that identifies priority infrastructure sectors which lend themselves to a PPI approach, and develop an appropriate regulatory and incentives framework	•MCTI and all infrastructure ministries + MOFNP/MOJ	•Policy and regulatory framework conducive to PPI	•July 2005
7. Inadequate accommodation due to lack of investments in housing	•Introduce Municipal Housing Bonds •Provide incentives to financial institutions involved in housing development	•MLGH/ MoFNP	•Increased housing stock	•Dec 2004 •Mar 2005

### Priorities

The eight priority actions identified to promote private investment in infrastructure (based on impact and feasibility) will help enhance the infrastructural platform for PSD:

1. Accelerate revision of the Telecom Act and the licensing framework
2. Liberalise the international telecommunications gateway
3. Monitor the commercialisation of ZESCO
4. Review the energy policy to create more competition
5. Complete the power rehabilitation project
6. Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads
7. Introduce Municipal Housing Bonds
8. Provide incentives to financial institutions involved in housing development

## D. Business facilitation & economic diversification

### Reform objective

“Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors.”

### Action plan

Of the six reform areas, business facilitation and economic diversification had the largest number of actions proposed:

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. (a) Complex and time-consuming company registration and licensing procedures	• Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery	• MCTI	• Reduced cost of establishing and operating businesses to expedite economic growth	• July 2005
	• Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time		• Improve efficiency, accountability and investments	• July 2005
(b) Complex tourism licensing procedure	• Review for rationalisation relevant legislation to support the rationalised licenses	• MTENR	• Effective and coordinated management of investments	• July 2005
	• Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) as opposed to One-Stop Shop to facilitate investment		• More conducive environment for investing in tourism products and services	• July 2005
2. Cumbersome and costly environmental impact assessment process	• Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (ECZ should be supportive to business)	• MTENR/ECZ	• Reduced cost of impact assessments and improved efficiency • One environmental permit at a reasonable cost	• July 2005

Issue	Action	Lead resp.	Outcome/milestone	Timing
3. Growth potential of the tourism sector not fully realised	• Publicise the Tourism Policy, advance development of the Tourism Master Plan,	• MTENR	• Increased revenue generation and employment in tourism	• Dec 2005
	• Enact the Tourism Hospitality Bill and ZNTB Bill	• MTENR		• Dec 2005
	• Set up Inter-Ministerial Committee on tourism	• MTENR	• Effective platform for quick resolution of issues	• July 2005
	• Promote domestic tourism	• ZNTB	• Increased domestic tourism	• Immediate
	• Allow airline operators to lift fuel directly from Indeni / source	• MTENR	• Reduced costs of air travel and encourage more flight stops here leading to more tourists	• July 2004
	• Improve infrastructure	• MTENR and all infrastructure ministries + MOFNP	• Improved access to tourism products and lower costs	• Ongoing
	• Reclassify tourism as a non-traditional export so as to be taxed at 15%	• MTENR	• Attraction of more investors in the sector	• Dec 2004

*Action plan (continued)*

Issue	Action	Lead resp.	Outcome/milestone	Timing
4. Underdeveloped traditional and non-traditional mining sector (gemstones)	•Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners	•MMMD	•Accelerated growth of the sector through structured linkages between mining and buying/processing	•Dec 2004
	•Operationalise the gemstone exchange	•MMMD	•Formalised sector with improved marketing of and income from gemstones	•July 2005
	•Update the fiscal/regulatory regime	•MMMD	•Improved operating environment and economic contribution from the sector	•July 2005
	•Implement the Diversification Task Force recommendations on the mining sector	•MMMD		•Dec 2005
	•Resolve issues relating to development agreements	•MMMD		•Dec 2004
5. Lack of market linkages between small-scale agricultural producers and processors	•Begin implementation of the agribusiness component of the SEED programme and involve the private sector	•MACO	•Increased agricultural production and added value	•Dec 2006
	•Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards		•Export beef into the region and other markets	•Dec 2005

Issue	Action	Lead resp.	Outcome/milestone	Timing
6. Narrow local manufacturing base and limited technology transfer	•Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries	•MCTI	•Widening of local manufacturing base, job creation, competitiveness, increased exports and eventually tax revenue down stream	•On-going
	•Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors			•Dec 2004
	•Revive tertiary / artisan skills training	•Ministry of Science & Technology	•Availability of skills to meet industry demand	•July 2005
7. Weak negotiating capacity on various trade and industry issues/protocols	•Provide trade negotiating skills training	•MCTI	•Improved terms of trade for Zambian industry	•On-going
	•Include private sector in negotiations			•On-going

*Priorities*

The breakout group assessed all proposed actions as having a high impact on PSD and a high feasibility of implementation. The actions can be summarised as follows:

**Business facilitation**

1. Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery
2. Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time
3. Review for rationalisation the relevant legislation to support the rationalised licenses
4. Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment
5. Rationalise and consolidate licenses required to operationalise tourism enterprises
6. Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (noting that ECZ should be supportive to business)

Economic diversification: Tourism

1. Publicise the Tourism Policy and accelerate development of the Tourism Master Plan
2. Enact the Tourism Hospitality Bill and ZNTB Bill
3. Set up Inter-Ministerial Committee on tourism
4. Promote domestic tourism
5. Allow airline operators to lift fuel directly from Indeni / source
6. Improve infrastructure to facilitate access to tourism products
7. Reclassify tourism as a non-traditional export so as to be taxed at 15%

Economic diversification: Gemstones

1. Develop strategy for expanding the industry and formalise the gemstone sector (including provision of funds to small scale miners)
2. Operationalise the gemstone exchange
3. Update the fiscal/regulatory regime
4. Implement the Diversification Task Force recommendations on the mining sector
5. Resolve issues relating to development agreements

Economic diversification: Agriculture

1. Begin implementation of the agribusiness component of the SEED programme and involve the private sector in its implementation
2. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards

Economic diversification: Manufacturing

1. Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries
2. Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors
3. Revive tertiary / artisan skills training

## E. Trade expansion

### Reform objective

“Create greater opportunities for access to regional and international markets by Zambian businesses.”

### Action plan

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Limited access by Zambian businesses to regional/ international markets	•Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy.	•MCTI	•Exports become an engine of economic growth & Zambian businesses increase their share of the global market	•Dec 2004 draft for discussion
	•Continue trade negotiation capacity building within Government Ministries, Missions, Business Associations and other non State actors	•MACO/MCTI		•Ongoing
	•Ensure completion of bi-lateral agreements with target neighbour markets: Congo DR, Mozambique, Angola, Tanzania	•MCTI		•July 2005
	•Export financing support – develop an export credit guarantee scheme, pre & post shipment finance facilities	•MCTI		•Dec 2004
	•Expedite trade facilitation mechanisms including removal of NTB with neighboring countries	•MCTI		•Ongoing
	•Enhance capacity of trade & investment promotion officers in missions abroad	•MCTI		•Dec 2004
•Establishment of liaison offices to facilitate trade activities at priority border points	•EBZ	•July 2005		

Issue	Action	Lead resp.	Outcome/milestone	Timing
2. Stop/start approach to EPZ legislation	•Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly	•MCTI	•Amendments made to EPZ Act based on sound strategic rationale	•Oct 2004
3. Lack of industrial infrastructure for export-oriented production	•Mobilise funding for development of EPZ industrial parks	•MCTI/ MoFNP	•Readily available facilities for location of EPZ activities	•Jul 2005
4. Lack of credible and internationally recognised certification standards	•Enhance capacity of Zambia Bureau of Standards in quality testing to international best practice	•MACO	•Improved quality and market acceptance of Zambian products	•Dec 2005
	•Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control	•MACO	•Increasing penetration of Zambian products in large markets	•July 2005
5. Limited knowledge of new export-market opportunities	•Launch awareness creation campaign on market access initiatives and of the quality standards required, e.g., COMESA, SADC, AGOA, EBA, Cotonou	•MCTI	•Expanding markets for Zambian businesses to compete in •Amendments made to EPZ Act based on sound strategic rationale •Readily available facilities for location of EPZ activities •Improved quality and market acceptance of Zambian products •Increasing penetration of Zambian products	•Ongoing

### *Priorities*

Based on impact and feasibility, five priorities were proposed to create greater opportunities for access to regional and international markets by Zambian businesses:

1. Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy
2. Enhance capacity of trade & investment promotion officers in missions abroad
3. Establish liaison offices to facilitate trade activities at priority border points
4. Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly
5. Strengthen capacity in the Ministry of Agriculture and Cooperatives to provide SPS services for export of fresh horticultural/floriculture products, livestock and aquaculture products, and enhance capacity for disease eradication/control

### **F. Local empowerment**

#### *Reform objective*

“Unlock the growth potential of the micro-, small-, and medium-enterprise (MSME) sector through business development support and empowerment initiatives.”

#### *Action plan*

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Lack of preferred procurement policy for local SMEs	•Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects	•MCTI	•Greater opportunities for local SMEs in public procurement	•Dec 2004
	•Develop preferred procurement policy for local businesses in tendering for government contracts	•MCTI		•Dec 2004
2. Limited business development capacity of local MSMEs	•Review existing support to and develop strategy for MSMEs development	•MCTI	•Increasing firm-level competitiveness	•On-going
3. Limited migration from informal to formal sector	•Develop incentives for voluntary migration from informal to formal e.g., South African Close Corporation Model programme	•MCTI	•Greater growth prospects for micro and small enterprises	•On-going
	•Organise business clinics to create awareness of the benefits of formal sector migration such as increased recognition and acceptance by formal sector customers, and easier access to credit	•MCTI		•On-going

## Priorities

Four priority actions were proposed to unlock the growth potential of the local MSME sector:

1. Negotiate with cooperating partners for mechanisms that will favour the participation and capacity building of local firms in tendering for donor funded projects
2. Develop preferred procurement policy for local businesses in tendering for government contracts
3. Review existing support to, and develop strategy for, MSMEs development
4. Develop incentives for voluntary migration from the informal to formal sector (along the lines of the South African Close Corporation Model programme)

Despite the prioritisation of actions in each of the six reform areas, the resulting number of actions was still significant. It was therefore deemed prudent to further categorise the various actions, which is the topic of the next two sections of this report.

## 4.2 Summary of overall implementation priorities

Several of the priority activities in the PSD Reform action plan listed in Section 4.1 above have already been initiated, but may require new/additional technical support or resources. These activities are summarised below (with responsibility for implementation indicated in parentheses for each action).

<b>Activities that have already been initiated (lead responsibility for implementation shown in parentheses)</b>
<b>Policy environment &amp; institutions</b>
➤ Reaffirm commitment by GRZ to market-based policies (Responsibility: MoFNP/Parliament)
➤ Ensure BOZ operational independence by implementation of the BOZ Act amended to incorporate best practices (MoFNP/Parliament)
➤ Continue to reduce Government borrowing as provided for in the medium-term expenditure framework (MoFNP)
<b>Regulations &amp; laws</b>
➤ Provide incentives for accelerating investment in priority economic sectors (MoFNP/MCTI)
➤ Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 to address restrictive retirement and termination issues (Min. of Labour)
➤ Accelerate review of Immigration Act (MHA)
<b>Infrastructure</b>
➤ Accelerate revision of the Telecom Act and the licensing framework (MCT)
➤ Complete the power rehabilitation project (MEWD)
<b>Business facilitation &amp; economic diversification</b>
<b>Economic diversification: Tourism</b>
➤ Publicise the Tourism Policy, advance development of the Tourism Master Plan (MTENR)
➤ Enact the Tourism Hospitality Bill and ZNTB Bill (MTENR)
<b>Economic diversification: Gemstones</b>
➤ Operationalise the gemstone exchange (MMMD)
➤ Implement the Diversification Task Force recommendations on the mining sector (MMMD)
<b>Economic diversification: Agriculture</b>
➤ Begin implementation of the agribusiness component of the SEED programme and involve the private sector (MACO)

However, the vast majority of activities are new and are likely to require mobilisation of technical and financial support for their detailed design and implementation:

<b>Proposed new activities (lead responsibility for implementation shown in parentheses)</b>
<p><b>Policy environment &amp; institutions</b></p> <ul style="list-style-type: none"> <li>➤ Ensure delineation of responsibilities between BOZ and MoFNP (MoFNP/Parliament)</li> <li>➤ Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations (MoFNP/Parliament)</li> <li>➤ Ensure implementation of the FSDP by appointing a committee to oversee its implementation (BOZ)</li> <li>➤ Establish the credit reference bureau as called for in the FSDP (BOZ)</li> <li>➤ Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD (MCTI)</li> </ul> <p><b>Regulations &amp; laws</b></p> <ul style="list-style-type: none"> <li>➤ Form review committee (including private sector) and review contradictions between Investment Act and related legislation once draft revised Investment Act is finalised (Attorney General's Chambers/MCTI)</li> <li>➤ Review and amend all investment-related legislation to ensure alignment with draft revised Investment Act when it is finalised (Attorney General's Chambers/MCTI)</li> <li>➤ Streamline procedures and set clear approval criteria and time-based targets for immigration procedures (MHA)</li> </ul> <p><b>Infrastructure</b></p> <ul style="list-style-type: none"> <li>➤ Liberalise the international telecommunications gateway (MCT)</li> <li>➤ Monitor the commercialisation of ZESCO (MEWD)</li> <li>➤ Review energy policy and create more competition (MEWD)</li> <li>➤ Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads (MCT/MWS/MLGH)</li> <li>➤ Introduce Municipal Housing Bonds (MLGH/ MoFNP)</li> <li>➤ Provide incentives to financial institutions involved in housing development (MLGH/ MoFNP)</li> </ul>

<b>Proposed new activities (continued)</b>
<p><b>Business facilitation &amp; economic diversification</b></p> <p><b>Business facilitation</b></p> <ul style="list-style-type: none"> <li>➤ Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery (MCTI)</li> <li>➤ Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time (MCTI)</li> <li>➤ Review for rationalisation the relevant legislation to support the rationalised licenses (MCTI)</li> <li>➤ Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment (MCTI)</li> <li>➤ Rationalise and consolidate licenses required to operationalise tourism enterprises (MTENR)</li> <li>➤ Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (MTENR/ECZ)</li> </ul>

<b>Proposed new activities (continued)</b>
<p><b>Business facilitation &amp; economic diversification (continued)</b></p> <p><b>Economic diversification: Tourism</b></p> <ul style="list-style-type: none"> <li>➤ Set up Inter-Ministerial Committee on tourism (MTENR)</li> <li>➤ Promote domestic tourism (ZNTB)</li> <li>➤ Allow airline operators to lift fuel directly from Indeni / source (MTENR)</li> <li>➤ Improve infrastructure to facilitate access to tourism products (MTENR and all infrastructure ministries + MOFNP)</li> <li>➤ Reclassify tourism as a non-traditional export so as to be taxed at 15% (MTENR)</li> </ul> <p><b>Economic diversification: Gemstones</b></p> <ul style="list-style-type: none"> <li>➤ Update the fiscal/regulatory regime (MMMD)</li> <li>➤ Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners (MMMD)</li> <li>➤ Resolve issues relating to development agreements (MMMD)</li> </ul> <p><b>Economic diversification: Agriculture</b></p> <ul style="list-style-type: none"> <li>➤ Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)</li> </ul> <p><b>Economic diversification: Manufacturing</b></p> <ul style="list-style-type: none"> <li>➤ Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries (MCTI)</li> <li>➤ Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors (MCTI)</li> <li>➤ Revive tertiary / artisan skills training (Min of Science &amp; Technology )</li> </ul>

### Proposed new activities (continued)

#### Trade expansion

- Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy (MCTI)
- Enhance capacity of trade & investment promotion officers in missions abroad (MCTI)
- Establishment of liaison offices to facilitate trade activities at priority border points (EBZ)
- Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly (MCTI)
- Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control (MACO)

#### Local empowerment

- Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects (MCTI)
- Develop preferred procurement policy for local businesses in tendering for government contracts (MCTI)
- Review existing support to and develop strategy for MSMEs development (MCTI)
- Develop incentives for voluntary migration from informal to formal e.g. South African Close Corporation Model programme (MCTI)

Implementation of the activities that have already been initiated will be accelerated. However, as the majority of activities have yet to be fully designed let alone initiated it will be necessary to mobilise external (i.e., development partner) support in order to accelerate their design and implementation.

### 4.3 Classification of PSD Reform activities by type of donor support required

This section provides a classification of the new activities into two categories. The first category includes activities that relate primarily to a requirement for policy development and/or decision making. As such, these types of activities can be handled through existing government policy procedures, and may only require limited, if any, technical/financial support from development partners

#### Activities of a policy nature can be handled through existing government policy procedures, and may only require limited, if any, technical/financial support from development partners

##### Policy environment & institutions

- Ensure delineation of responsibilities between BOZ and MoFNP (MoFNP/Parliament)
- Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations (MoFNP/Parliament)

##### Regulations & laws

- Review and amend all investment-related legislation to ensure alignment with draft revised Investment Act when it is finalised (Attorney General's Chambers/MCTI)

##### Infrastructure

- Liberalise the international telecommunications gateway (MCT)
- Review energy policy and create more competition (MEWD)
- Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads (MCT/MWS/MLGH)
- Provide incentives to financial institutions involved in housing development (MLGH/ MoFNP)

##### Business facilitation & economic diversification

###### Economic diversification: Tourism

- Set up Inter-Ministerial Committee on tourism (MTENR)
- Allow airline operators to lift fuel directly from Indeni / source (MTENR)
- Reclassify tourism as a non-traditional export so as to be taxed at 15% (MTENR)

###### Economic diversification: Gemstones

- Update the fiscal/regulatory regime (MMMD)
- Resolve issues relating to development agreements (MMMD)

###### Economic diversification: Manufacturing

- Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors (MCTI)

The remaining new activities provide the content of the second category, which consists of activities that can be defined as “stand-alone” projects with each one providing a discrete opportunity for technical and/or financial support by development partners. As such, this second category provides a “menu of options” for donors to select from in the context of providing PSD support that is directly linked to the Government’s overall PSD Reform Action Plan. This menu of options is provided below.

**“Menu” of specific new projects for development partners to select from (Menu A1 to F4)**

**A. Policy environment & institutions (Menu A1 – A3)**

1. Ensure implementation of the FSDP by appointing a committee to oversee its implementation (BOZ)
2. Establish the credit reference bureau as called for in the FSDP (BOZ)
3. Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue (MCTI)

**B. Regulations & laws (Menu B1 – B3)**

1. Form review committee (including private sector) and review contradictions between Investment Act and related legislation once draft revised Investment Act is finalised (Attorney General’s Chambers/MCTI)
2. Streamline procedures and set clear approval criteria and time-based targets for immigration procedures (MHA)

**C. Infrastructure (Menu C1 – C3)**

1. Monitor the commercialisation of ZESCO (MEWD)
2. Introduce Municipal Housing Bonds (MLGH/ MoFNP)

**D. Business facilitation & economic diversification (Menu D1 – D14)**

**Business facilitation**

1. Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and sanctions applied for non-delivery (MCTI)
2. Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time (MCTI)
3. Review for rationalisation the relevant legislation to support the rationalised licenses (MCTI)
4. Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment (MCTI)
5. Rationalise and consolidate licenses required to operationalise tourism enterprises (MTENR)
6. Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (MTENR/ECZ)

**Economic diversification: Tourism**

7. Promote domestic tourism (ZNTB)
8. Improve infrastructure to facilitate access to tourism products (MTENR and all infrastructure ministries + MOFNP)

**Economic diversification: Gemstones**

9. Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners (MMMD)
10. Resolve issues relating to development agreements (MMMD)

**Economic diversification: Agriculture**

11. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)

**Economic diversification: Manufacturing**

12. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)
13. Proactively promote strategic investments that stimulate development of local satellite manufacturing (MCTI)
14. Revive tertiary / artisan skills training (Min of Science & Technology )

**E. Trade expansion (Menu E1 – E5)**

1. Develop an export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy (MCTI)
2. Enhance capacity of trade & investment promotion officers in missions abroad (MCTI)
3. Establishment of liaison offices to facilitate trade activities at priority border points (EBZ)
4. Review/update EPZ strategy/business plan and revise/finalise EPZ legislation and incentives accordingly (MCTI)
5. Strengthen capacity in MACO to provide SPS services for export of fresh horticultural/floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control (MACO)

**F. Local empowerment (Menu F1 – F4)**

1. Negotiate with cooperating partners for mechanisms that will favour the participation and capacity building of local firms in tendering for donor funded projects (MCTI)
2. Develop preferred procurement policy for local businesses in tendering for government contracts (MCTI)
3. Review existing support to, and develop strategy for, MSMEs development (MCTI)
4. Develop incentives for voluntary migration from the informal to formal e.g. South African Close Corporation Model programme (MCTI)

A total of 30 stand alone projects thus make up the “menu of options” for supporting Zambia’s PSD effort in manner consistent with the PSD Reform Programme. Of these 30 stand alone projects, it is likely that development partners may prefer to group certain projects into “portfolios of projects” that relate to the development partner’s own policies and strategies for PSD support to Zambia so as to achieve implementation synergies. In addition, development partners may wish to combine their efforts to support a particular project or portfolio of projects to achieve further synergies.

To this end, it is envisaged that a donor meeting will be convened by the Government to discuss the menu of options, gauge the interest of the different development partners in supporting the various options, and define possible portfolios.

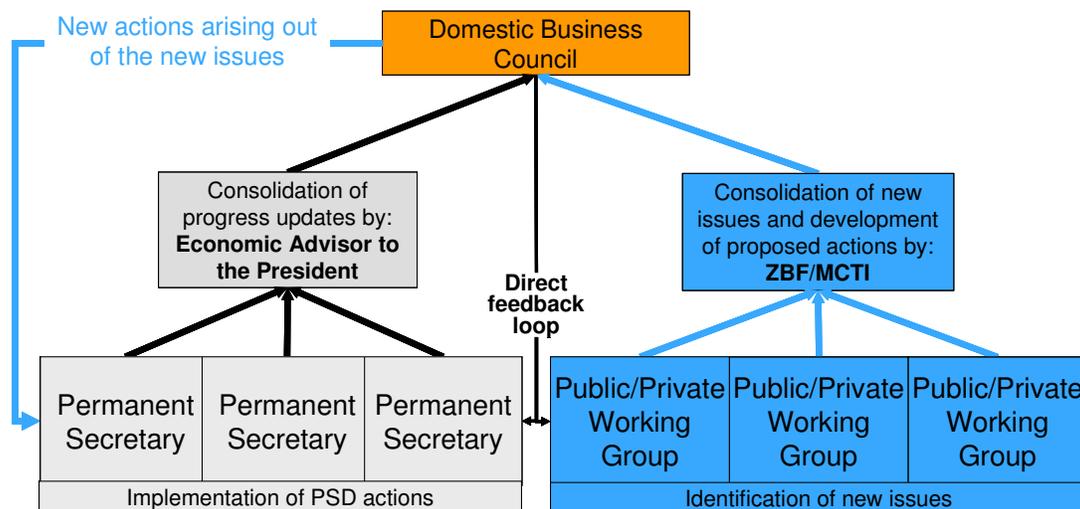
#### 4.4 Implementation framework

The PSD Forum recognised and consistently emphasised the importance of having a workable implementation framework as the ultimate factor in the success of the Government’s PSD Reform Programme. In particular, the need to ensure that implementation is “mainstreamed” through line ministries was emphasised. In this endeavour, two implementation frameworks were prepared in advance by the joint public/private sector PSD Forum Steering Committee for presentation and discussion at the Forum. Both options were designed to enable implementation of the PSD Reform Action Plan by mainstreaming implementation of actions through relevant ministries, by emphasising public/private dialogue, and by monitoring progress at a high level.

##### Option 1 – The Domestic Business Council Model

In addition to mainstreaming implementation, the first proposed implementation framework also provided for a parallel process for on going identification of new issues as they arise.

**Figure 3:** Option 1 - Implementation of the PSD Reform Action Plan through the Domestic Business Council



The responsibilities of the different participants in Option 1 are described below.

### ***Permanent Secretaries***

- Develop detailed work plans and supervise implementation of actions for which lead implementation responsibilities were allocated to the respective ministry in the PSD Reform Action Plan and/or for which new actions have arisen as a result of new issues
- Submit period progress updates to the Economic Advisor to the President

### ***Public/Private Working Groups***

- Can be permanent or ad hoc working groups dealing with sectoral issues (e.g., infrastructure), functional issues (e.g., trade), or thematic issues (e.g., local empowerment)
- Identify new issues arising in respective areas and present the issues and outline action plans to ZBF/MCTI

### ***Economic Advisor to the President***

- Receives progress updates from Permanent Secretaries and consolidates summaries to present to the Domestic Business Council

### ***ZBF/MCTI***

- Meet regularly to review new issues submitted by working groups and prioritise issues for presentation to the Domestic Business Council

### ***Domestic Business Council***

- Recommends corrective/preventive measures for feedback to implementing ministries to ensure adherence to work plans (based on regular presentations of progress updates by the Economic Advisor to the President), and approves new actions for ministries to implement (based on presentations of new issues by ZBF/MCTI)

For matters relating to important policy or strategic issues, the Domestic Business Council would submit recommendations to the Economic Restructuring Committee of Cabinet, which is chaired by H.E. President Levy Mwanawasa SC, for approval.

Option 1 was considered to have the necessary features for effective implementation. However certain requirements would need to be met to operationalise this approach:

### ***Special features***

- Accountability for implementation vested in implementing ministries through mainstreaming
- Joint public/private sector issues identification and action planning assured through the working groups
- High-level responsibility for PSD reform supervision and guidance shared by public and private sector through the Domestic Business Council reporting mechanism
- Corrective measures assured through the direct feedback loop to implementing ministries during Domestic Business Council meetings
- Transparency provided through the neutral progress monitoring and evaluation function of the Economic Advisor to the President
- Cabinet responsibility for approval of major policy or strategic issues assured through referral of decision-making to the Economic Restructuring Committee

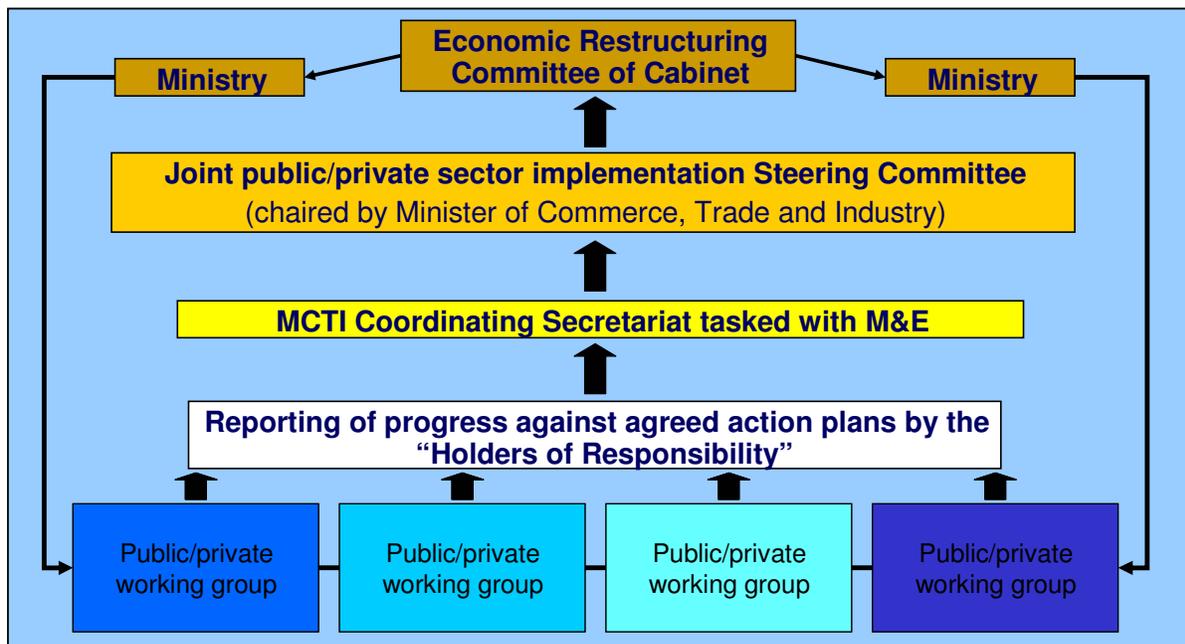
### **Operationalisation requirements**

- Resources will be required to strengthen capacity in the office of the Economic Advisor to the President for effective formatting, data collection and consolidation of progress reports
- Technical assistance and/or funding support will be required to ensure effective functioning of the public/private sector working groups
- Clarification will be required with regard to the composition of the Domestic Business Council (note: based on experience in other countries, international participation/insights would be a desirable feature of the Domestic Business Council)

### **Option 2 – The MCTI Steering Committee Model**

Option 2 also provided for mainstreaming implementation through line ministries. The main difference, however, was that monitoring responsibility would rest with one of those ministry (MCTI) rather than through a “neutral third party”.

**Figure 4:** Option 2 - Implementation of the PSD Reform Action Plan through MCTI



Three of the five PSD Forum breakout groups recommended Option 1 for implementation of the PSD Reform Action Plan. Option 1 was also endorsed by H.E. President Levy Mwanawasa, SC, in his closing remarks at the end of the Forum and will therefore be taken forward for further elaboration and refinement as the preferred implementation framework.

## 5 Response by HE President Levy Mwanawasa SC

The Republican President, H.E. Patrick Levy Mwanawasa S.C. provided the closing remarks in response to the summary of the PSD Reform Action Plans and Implementation Framework that was presented to him in plenary by The Hon. Minister Dipak Patel and Dr. Silane Mwenechanya of the ZBF on Day 3.

The President then commended the hosting of the Forum and noted various dialogue initiatives the Zambian Government had undertaken to partner with the private sector in economic development. These included the Zambia International Business Advisory Council and various dialogue meetings with the Zambia Business Forum and other private sector representatives.

The President further pointed out that it was now time to stop talking and start acting. He assured the private sector of his support and commitment to seeing the private sector assume its rightful role in the country's economic growth.

The President concluded by emphasising the three key success factors: "implementation, implementation, and implementation".

A full transcript of the HE the President's closing remarks is presented below.

CLOSING STATEMENT BY HIS EXCELLENCY,

MR. LEVY PATRICK MWANAWASA, SC

PRESIDENT OF THE REPUBLIC OF ZAMBIA AT THE PRIVATE SECTOR DEVELOPMENT FORUM HELD AT THE SUN HOTEL, LIVINGSTONE FROM 21ST TO 23RD JUNE, 2004

It is gratifying to address a high level gathering of Ministers, Chief Executives of Public and Private Organisations, Excellencies Ambassadors and High Commissioners accredited to Zambia and indeed Representatives of the United Nations System and Donor Agencies.

I am aware that the Minister of Commerce, Trade and Industry welcomed all of you to Livingstone, and for those who have come outside Zambia, to our country generally. However, I would like to take this opportunity to also welcome you all to Livingstone, our Tourist Capital on behalf of the Zambian people and Government and indeed on my behalf to the first ever Private Sector Development Forum.

Some of the foreign participants may have heard about the seven (7) wonders of the world before coming to Zambia. Even with your tight programme, I hope you had an opportunity to visit one of the wonders of the world, the Mighty Victoria Falls. Please do not end your sight seeing visits in Livingstone. You can also visit some of our nineteen (19) National Parks and view wild life.

The high level of your participation in the Forum is in itself a testimony of your firm support and confidence you have in my Administration's resolve and determination in supporting Private Sector Development, as we regard the private sector as an engine of growth, wealth creation and contribution to poverty reduction.

Chairperson,

Your Excellencies,

Distinguished Participants,

I would like, first of all, to seize this opportunity to thank, most sincerely, the Minister of Commerce, Trade and Industry, the Zambian Business Forum, the World Bank and indeed the Zambian private sector in general for coming up with an agreed "Action Plan for Reforming and Enhancing Private Sector Development in Zambia" which you had an opportunity to discuss and you agreed on a number of issues. I would like to express my profound gratitude to the resource persons who have agreed to come and assist us in servicing this important Forum. I recognise Mr. Schafer, World Bank Country Director for Zambia and Malawi, Heads of Missions accredited to Zambia and Heads of Donor Agencies and of the United Nations System who have come to assist us come up with forward looking and action oriented practical solutions to our deep rooted economic problems.

I have noted from the Action Plan that my Government will provide a legal and regulatory framework, create macroeconomic conditions and policies that address the concerns of both foreign and local investors. The challenge now is on the private sector to be proactive in its own development and should accordingly have a long-term investment perspective. I call upon the private sector to have greater involvement in the conceptualisation, adoption and implementation of investment and trade policies. Similarly, I call upon my Administration and regulatory agencies to be strong enough to engage and dialogue with the private sector in order to find solutions to our enormous economic challenges of our time.

It is, therefore, important that we create strategic alliances between the public and private sector, which alliance will work for the good of our people and economy. Unless there is genuine dialogue between the public and the private sector, we have very little chance of success in tackling economic challenges squarely. This momentum and team-work we have gained in Livingstone should not end here but should be nurtured and grow with time. No problem is too big if people are resolved and determined to scale them down. As we learnt at the Indaba no one amongst us is more clever than all of us.

The biggest challenges we face today are associated with the cost of doing business in the country and how to attract investments both local and foreign. When we recognised these development challenges, we did not shy away, we informed our cooperating partners and they graciously agreed to assist us by conducting two (2) studies, namely:

- (a) Administrative Barriers Study; and
- (b) Assessment of Investment Climate.

Allow me to mention that in the past numerous studies were conducted at our request by multilateral and bilateral agencies and indeed by our nationals whose recommendations we have not implemented. This situation should not be allowed to repeat itself.

The two studies were disseminated to both the Government and the private sector last month and most of the recommendations, I am told were found favourable and found space in the Reform Action Plan. The Reform Action Plan itself is a product of elaborate consultations. That is to say, all the key stakeholders had an opportunity to put across their view points and this is healthy.

Our economy today is faced with numerous developmental challenges and I am aware that we cannot do everything at once. However, I am happy to note that you have outlined a set of priorities, which, we in Government should implement immediately. The priority areas you have selected for immediate implementation have all been drawn from the six (6) Reform Areas.

However, the challenge for policy makers remains the ability to create a favourable business environment to increase household incomes and bring new ideas and innovations to the marketplace in the form of goods and services. This will be done through inter- alia, creation of an environment conducive to increased private investment in general, and foreign direct investment, in particular.

I have noted with satisfaction that in your deliberations, you took stock and reviewed the development challenges facing Zambia today. I understand that you took time to get to the bottom of our current development challenges and you have proposed how we should address them.

It is the duty of my Administration now to assess the strategies you have proposed for the way forward. I should state here that my Administration will not want to continue undertaking studies and analyses but would like to exert all our energies on implementation of the recommendations and the way forward. I agree with your proposal that a Steering Committee should oversee co-ordination and implementation of the Private Sector Development Initiative.

I am aware that it is not mere lack of well researched solutions to our development challenges, but more of lack of commitment and systematic implementation of programmes and strategies. This time round, I wish to assure you that my Administration stands a better chance to succeed. We have had enough lessons to learn from our past mistake. We made a mistake after the Copperbelt Diversification Workshop by coming up with a project type Task Force which was divorced from the mainstream Government structures. This time round, all the tasks will be mainstreamed in the day to day Government operations.

I want to end my closing remarks by posing a few questions. Has Government responded to the identified challenges facing Zambia today? Yes, we have started the process of improving the investment climate and ultimately, the cost of doing business in Zambia will come down. The Investment Act is being amended and the Minister of Commerce, Trade and Industry will present the Bill in Parliament during its next sitting for the July/August session.

Similarly, regulatory and institutional arrangements for business facilitation will also be reformed by establishing a Zambia Development Agency which should serve as a one-stop- shop.

Has the private sector responded to the challenges identified? To a large extent, yes but we shall judge them by the quality of investments that will flow into the country. In that connection, I would like to challenge the private sector to show that they too can do their part in contributing to sustainable development and the eradication of poverty in the country. As you invest more into the domestic economy you are assured of repatriation of your profits but I would like to urge you to plough back retained earnings into company operations so as to enhance your investments. That way more wealth will be created which will in turn lead to more jobs being created for our people. Here I want to state that we want to see more investments along the likes of Sun Hotel, CEC, ZAMBEEF, Zambian Breweries to mention but a few.

Chairperson,

Your Excellencies,

Distinguished Participants,

After Livingstone, my Administration will concentrate all its efforts on implementation of the Action Plan because this Forum marks the end of talk shops. From now on, its implementation, implementation, implementation.

With these remarks, I would like to end my statement by wishing all of you safe passages back home for those who are travelling out of the country. As for the private sector and my Administration, I wish to say that more work still awaits you.

I Thank You.

## 6 Immediate next steps

In addition to having an appropriate framework for implementation and progress monitoring of the PSD Reform Action Plan, a key success factor is to ensure that the momentum and goodwill generated by the PSD Forum is maintained through swift implementation of immediate post-forum next steps.

The following immediate next steps are proposed:

Next step	August 04				September 04				Responsibility
Presentation of this report to Cabinet	■								MCTI
Cabinet approval	■								Cabinet
Discussion with donors and definition of assistance programmes based on the "menu of options"	■	■	■	■					MCTI
Detail design of implementation framework			■	■					MCTI
Development of monitoring & evaluation system in the Economic Advisor to the President's office					■	■			Economic Advisor to the President
Detailed design, resource mobilisation, and launch of action plans by line ministries					■	■	■	■	PS of Ministry with lead responsibility
Detailed design, resource mobilisation and launch capacity building of public/private working groups							■	■	ZBF/MCTI
Formalisation and initial meeting of Domestic Business Council							■	■	ZBF/MCTI/ Economic Advisor

These immediate next steps would culminate in the first meeting of the Domestic Business Council, which would officially mark the launch of the on-going implementation of the PSD Reform Action Plans under the proposed implementation framework.

## **Annexes (see Volume II: Annexes)**

The following annexes are contained in a separate volume (Volume II) that accompanies this report:

1. The consultant's terms of reference for preparation, logistics and facilitation of the PSD Forum 2004
2. Zambia's Private Sector Development Reform Programme: Objectives, action plan, priorities, implementation framework, and prerequisites for success
3. An Assessment of the Investment Climate in Zambia: Executive Summary and Recommendations
4. Administrative Barriers to Investment: Executive Summary
5. PSD Forum 2004 Steering Committee members
6. Highlights of Day 1 plenary presentations and summary transcripts of discussions
7. PSD Forum 2004: Agenda
8. PSD Forum 2004: List of delegates