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**DRAFT REPORT OF THE COMMISSION ON INVESTMENT,
TECHNOLOGY AND RELATED FINANCIAL ISSUES ON
ITS ELEVENTH SESSION**

Held at the Palais des Nations
from 8 to 14 March 2007

Rapporteur: Mr. Edward Brown (United Kingdom)

INVESTMENT POLICY REVIEWS: EXCHANGE OF NATIONAL EXPERIENCES

(Agenda item 5)

INVESTMENT POLICY REVIEW OF ZAMBIA

Chairperson's summary

1. The Investment Policy Review (IPR) of Zambia, the nineteenth in the series, was presented on 12 March 2007 in the presence of the Minister of Commerce, Trade and Industry of Zambia.
2. Countries which provided comments and feedback were Angola, representing the African Group, Benin, China, Japan, the Russian Federation, Senegal, Tunisia, the United Republic of Tanzania and Uganda. A representative from Dunavant SA also participated, giving his views on the investment climate in Zambia.
3. The secretariat presented the main findings and recommendations of the Investment Policy Review (IPR). The IPR found that Zambia had considerable investment potential and a record of political stability. FDI inflows had been responsive to market reforms and privatization policies but remained strongly correlated with copper prices. The IPR provided recommendations in four key areas in order for Zambia to significantly increase FDI inflows and bring about development benefits: addressing key weaknesses in the investment framework, ensuring high-quality infrastructure services, encouraging integration of foreign investors into the domestic economy and increasing coherence in investment promotion. Key recommendations included adopting a more integrated approach to the fiscal framework, streamlining procedures for the allocation of work permits, reviewing the privatization of ZESCO, promoting business linkages and making the Zambia Development Agency fully operational.
4. The Minister of Commerce, Trade and Industry of Zambia thanked UNCTAD for the IPR and its recommendations, and said that the IPR underpinned the Government's strategy to attract increased FDI and promote diversification. He stressed that the Government was committed to following through the recommendations outlined in the IPR. He informed the meeting of the steps taken over the past two years to improve the investment environment, including under the Fifth National Development Plan and Vision 2030. The measures had also enabled Zambia to create a stable economic environment, by reducing inflation and interest rates and stabilizing the exchange rate.
5. In 2006, the Government had launched the Private Sector Development programme (PSD) and a steering committee of all stakeholders had been put in place. The PSD had set up working groups with private-sector leadership on labour law reform, telecommunication reform, public-private partnership infrastructure development and administrative barriers in areas such as tourism and land acquisition. The groups were to address obstacles to investment and promote policy dialogue. Other actions under way included holding consultative discussions among stakeholders on liberalizing the international gateway, establishing the International Trade and Tariff Commission, and developing a multi-facility economic zone (MFEZ). The Government had also established the Zambia Development Agency, a one-stop body bringing together agencies dealing with investment and export promotion, MFEZs, privatization and small enterprise development.

6. One representative from the private sector commented positively on the improvements to the investment climate in recent years. He nevertheless urged the Zambian authorities to tackle a number of remaining bottlenecks for investment, such as high inflation, the strength of the Kwacha against the dollar, distortions in the trade regime and the policy focus on traditional export sectors at the expense of more dynamic ones such as cotton. The representative illustrated the positive impact that FDI in the cotton sector could have on the livelihood of rural families. He stressed the quality of the Zambian labour force, which was considered to be diligent and highly trainable, and offered examples of successful farmer training programmes to increase productivity and combat HIV/AIDS.

7. One delegate highlighted the need to nurture private-sector development in countries emerging from a long tradition of socialist policies, such as Zambia. The experience of the United Republic of Tanzania was cited as an example, and the positive results of public-private partnerships in fostering dialogue and building trust between the public and the private sector were stressed.

8. In addition to fundamental horizontal issues such as the state of infrastructure development in Zambia and the need to maintain a strong political and macroeconomic stability, a number of specific regulatory issues affecting investment were addressed. Those included the Government's intervention in land transfer issues, the level of taxes, the work permit system and the effectiveness of investment incentives. With regard to the latter, delegates noted that incentives should be selective, of limited duration and effectively monitored.

9. Delegates praised UNCTAD for the quality of the IPR and for its recommendations to improve the investment climate in Zambia and promote development. They called on UNCTAD and the donor community to support the Government of Zambia in implementing the IPR's recommendations. Follow-up technical assistance was seen as crucial to the IPR process, as countries usually lacked the ability to implement recommendations on their own. A number of projects to further assist Zambia were highlighted, including the Blue Book on best practices in investment promotion and the "Triangle of Hope" initiative. Some delegates emphasized that it was important to provide for funding for implementation projects from the beginning of the IPR process so that countries did not have to wait too long to benefit from follow-up technical assistance.

10. Delegates congratulated Zambia on the progress made in improving the investment climate over the past decade. They also underscored weaknesses in the economy and key constraints on investment. Finally, they called on Zambia to address forcefully issues related to transport, telecommunications, electricity, law enforcement and taxation.

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