United Nations Conference on Trade and Development
Japan Bank for International Cooperation

Blue Book on Best Practice in Investment Promotion and Facilitation

Zambia

UNCTAD

Ministry of Commerce, Trade and Industry

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UNITED NATIONS CONFERENCE
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Trade and Industry

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PREFACE

The Blue Book for Zambia comprises ten measures that can be implemented over a period of twelve months and that are intended to move the country towards best practice in investment promotion and facilitation. To date, Blue Books have been implemented by the governments of Cambodia, Ghana, Kenya, Laos, the United Republic of Tanzania and Uganda.

The project was carried out by the United Nations Conference on Trade and Development (UNCTAD) with funding from the Japan Bank for International Cooperation (JBIC). The contents of this Blue Book were initially developed through consultations with a number of existing foreign investors in Zambia, private sector associations and relevant government bodies. An initial draft of the Blue Book was discussed by a group of investors and government representatives at a stakeholder workshop on 8 September 2006 in Lusaka, Zambia. The workshop was jointly hosted by UNCTAD, JBIC and the Ministry of Commerce, Trade and Industry.

The Blue Book was produced by Lena Chia and Ian Richards, under the direction of Khalil Hamdani. Yukata Yamada provided support and feedback and Diego Rei, research assistance. Within Zambia, support was given by Dorothy Tembo, Chalimba Phiri, Gideon Lintini, Chola Mwitwa and Dennis Lengwe.

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ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BIT	Bilateral investment treaty
COMESA	Common Market for Eastern and Southern Africa
DTT	Double taxation treaty
FDI	Foreign direct investment
GDP	Gross domestic product
GGIP	Good Governance in Investment Programme
ICT	Information and communications technology
IPA	Investment promotion agency
ISP	Internet service provider
IT	Information technology
JBIC	Japan Bank for International Cooperation
LDC	Least developed country
MCTI	Ministry of Commerce, Trade and Industry
MIGA	Multilateral Investment Guarantee Agency
MFEZ	Multi-facility economic zone
MFN	Most favoured nation
PSDP	Private Sector Development Programme
SADC	Southern Africa Development Community
SI	Statutory Instrument
TNC	Transnational corporation
TOH	Triangle of Hope
TRIPS	Trade-related aspects of intellectual property rights
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency for International Development
ZAMTEL	Zambia Telecommunications Company Ltd.
ZDA	Zambia Development Agency
ZIC	Zambia Investment Centre
ZITC	Zambia International Trade Commission
ZRA	Zambia Revenue Authority
$	United States Dollar

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INTRODUCTION

The Government of Zambia has, in its own words, committed itself to "create a vibrant private sector that would be exposed to competitive best practices at the international level" (PSDP Brief).

As part of this, it has drafted a private sector development action plan, an investment promotion programme called the Triangle of Hope, and will, over the next two years, increase capacity in a number of institutions through the Millennium Challenge Account. It also passed legislation to establish the Zambia Development Agency, a body intended to facilitate investment.

The UNCTAD Blue Book on Best Practices in Investment Promotion and Facilitation for Zambia focuses on strengthening the country's investment climate. It identifies a number of practical measures, drawing from the Investment Policy Review of Zambia and different action plans, that can be implemented within a year. These measures are incremental in nature, involving minor legislative or regulatory changes, and are designed to help Zambia move towards best practices in competing investment destinations.

Promoting investment, both domestic and foreign, is key to Zambia's objective of creating a vibrant private sector. FDI can bring much-needed capital, technology, management techniques, knowledge of foreign markets and new organizational systems. In whichever size or form, from software development to manufacturing, it can also add vigour to Zambia's private sector, stimulate local suppliers and help nurture a future generation of Zambian entrepreneurs. The measures proposed in the Blue Book will help improve Zambia's investment framework, attract more FDI, and benefit the economy.

Several measures require financial support from Zambia's development partners, and for this, existing donor coordination mechanisms should be fully used. There is also a need for appropriate monitoring to ensure smooth implementation. For this, the Ministry of Commerce, Trade and Industry should develop a quarterly reporting procedure to measure implementation by different partners.

MEASURE 1 / RATIFY OUTSTANDING BILATERAL INVESTMENT TREATIES AND NEGOTIATE NEW ONES

A / Rationale and country context

Zambia has signed BITs with twelve countries (Belgium-Luxemburg, China, Croatia, Cuba, Egypt, Finland, France, Germany, Ghana, Italy, the Netherlands and Switzerland). However, according to available information, many of these BITs have not yet been ratified. This can undermine the very purpose of these treaties, which is to give certainty to the legal framework on investment. It may consequently send negative signals to the international investment community regarding Zambia's commitment in the area on investment promotion and protection.

Bilateral investment treaties (BITs) are reciprocal agreements between two countries that encourage, promote and protect foreign investment. BITs typically cover the: scope and definition of investments; national treatment and MFN; fair and equitable treatment; compensation in the event of expropriation; guarantees of free transfer of funds or profits; and dispute settlement (both state-state and investor-state).

BITs are important policy tools available to developing countries to attract foreign investors. By signing these treaties – which provide protection and favourable treatment to foreign investment and foreign investors under international law – signatory countries send a signal of their commitment to provide a stable, transparent and predictable investment climate. BITs can also complement or reinforce existing national codes on investment, including the ZDA Act, which replaced the Investment Act.

The Ministry of Commerce, Trade and Industry has submitted its outstanding BITs for ratification by the Cabinet Office and is awaiting approval. It is also currently negotiating BITs with the United Republic of Tanzania, South Africa and Nigeria.

B / Benchmarking and best practice

Mauritius is using FDI as a vehicle to diversify its economy, through attracting investment into higher value added manufacturing, the services sector, and making it a regional hub for businesses and financial services. It has signed 35 BITS, 13 have been ratified. The contracting parties include its major investors, the UK and France.

Sri Lanka has attracted FDI into diverse sectors and has signed 25 BITS, 23 of which have been ratified. The contracting parties include India, Japan and the UK.

South Africa has several TNCs operating in the mining and manufacturing sectors. It has signed 33 BITs, 19 of which have been ratified. The contracting parties include the United Kingdom and the Netherlands.

C / Action plan

1. Ratify all outstanding BITs.

2. Complete negotiations with South Africa.

3. Widen the network of BITs by identifying a priority list of countries with which to initiate BITs negotiations. A suggested approach could be to target countries based on expected inflows or outflows of FDI. BITs negotiations could then be facilitated by UNCTAD upon request.

D / Key performance indicators

1. All outstanding BITs ratified by August 2007.

2. BITs negotiation completed with South Africa by June 2007.

3. BITs negotiation round completed by January 2008.

E / Financial implication

1. No cost.

2. No cost.

3. On the negotiation rounds, meeting facilities and UNCTAD facilitation would cost $8,000.

MEASURE 2 / SET UP THE ZAMBIA DEVELOPMENT AGENCY

A / Rationale and country context

Zambia is reorganizing its economic development efforts through the merger of a number of related agencies. This should be accomplished as soon as possible in order to reinforce ongoing national reforms on private sector development.

The Zambia Development Agency Act provides for the establishment of the Zambia Development Agency (ZDA). The ZDA will act as a one stop facility and will combine the former functions of the Zambia Investment Centre, the Zambia Export Processing Zones Authority, the Zambia Privatization Agency, the Export Promotion Board and the Small Enterprises Development Board. Its main purpose will be private sector development through the promotion of investment, exports and production.

The Act was passed in May 2006, but the agency as a single institution has yet to be established. A number of organizational matters need to be resolved. These include the structure of the agency, the composition of its board, and the harmonization of personnel policies.

B / Benchmarking and best practice

The ZDA is a concrete manifestation of the private sector development programme. But while the merger is complex, it is vital that the Ministry of Commerce, Trade and Industry maintain the momentum towards implementing "an effective and coordinated private sector led economic development strategy."[1] The creation of the ZDA is central to this.

A speedy establishment of the ZDA will send out a clear signal to investors of the government's commitment to the systematic promotion of investment.

C / Action plan

1. Constitute the board, which will mark the establishment of the agency.

2. Define the structure of the agency and the functions of each department.

3. Resolve personnel matters.

4. Hold the first board meeting.

D / Key performance indicators

1. Constitute the board by May 2007.

2. Define the structure of the agency and the functions of each department by May 2007.

3. Resolve personnel matters by May 2007.

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[1] Preamble to the Zambia Development Agency Act.

4. Hold the first board meeting by July 2007.

E / Financial implication

Arrangements for funding the ZDA are set out in the Act.

MEASURE 3 / TRAIN GOVERNMENT INSTITUTIONS DEALING WITH INVESTORS IN CLIENT-ORIENTATION

A / Rationale and country context

Interviews with the private sector in Zambia revealed that the necessary customer orientation in government departments is generally lacking and that more could be done to increase transparency in the investment process and improve the quality of services offered. The challenge is therefore to improve public service delivery and train staff to be service providers. Encouraging an attitude of change within the civil service towards a more client-oriented service culture will strongly benefit Zambia.

A client charter is one simple and cost-effective instrument, identified by UNCTAD's Good Governance programme that can be used by institutions, including investment promotion agencies (IPAs), to set service standards in public delivery and improve on these standards in order to satisfy clients. A good set of standards enables the organization to compare its performance in terms of service delivery with IPAs in other countries. At the same time, government officials with a specific understanding of investment issues will provide better customer services to investors and understand their needs under different situations.

At the very least a charter should bring about a fundamental change in the outlook and behaviour of officials and employees of public institutions so that they serve the public genuinely and with due regard. A client charter for investors should not be restricted to the investment promotion agency, but should encompass all institutions with which investors are required to undertake formalities. These range from business registration, taxation, customs, immigration and land to labour, electricity, utilities and telecommunications.

B / Benchmarking and best practice

The Uganda Investment Authority, as part of its successful investment promotion programme, has introduced client charters following a recommendation from the 1999 UNCTAD Investment Policy Review. The first stage of this process entailed providing training in customer care to heads of government agencies and front desk officials. Subsequent stages involved each government agency preparing its own client charter during a workshop. The client charter included a vision and mission statement to ensure that all officers from the top of the organization to entry-level understood and were unified in the agency's purpose. The client charter also specified the types of services offered by the agency, set standards for service delivery time, and clearly delineated the charges for each type of service. Each organization was then expected to display the client charter near the reception desk and on the institution's website and to promote the charter in the media and in interactions with other government agencies.

Feedback from the Uganda Investment Authority on the impact of the implementation of the client charter stated, "the effect of the client charters was immediately felt. Staff in the organizations recognized and bought into the organizations' vision. They had clear services they were responsible for and had clear timelines to beat. It also informed investors on the available services and how long they should take. Staff members were eager to exceed expectations. Networks were created in the process of producing the client charters."

In Ethiopia, a similar training programme enabled staff at the investment promotion agency to develop a client charter and to set out ways in which performance in meeting the targets of the charter could be monitored. An extract from the Ethiopian charter is produced below:

Client Charter (extract) – Ethiopian Investment Commission

Services	Time	Cost (birr)
Issuance of Investment Permit Certificate		
Domestic and existing foreign companies	7 days	205-705
Foreign:		
Individual		
Investment permit	7 days	205-705
Registration	7 days	56-705
Business organization		
Investment permit	9 days	205-705
Registration	9 days	106
Writing a recommendation letter regarding incentives		
Customs duty exemption	3 days	Free
Income tax holidays	3 days	Free
Issuance of a business licence (if all documents are completed)	2 days	206
Issuance of work permits to expatriate staff	2 days	100
Approval and registration of technology transfer agreements related to investment	25 days	Free
Approval for buying an enterprise or shares in an existing enterprise by a foreign investor	5 days	Free
Registration of export-oriented non-equity-based foreign investment collaborations	2 days	Free
Renewal of investment licence	4 days	100-350
Registration of amendments relating to commercial registration (if all documents are completed)	5 days	56
Response to complaints	10 days	Free

C / Action plan

1. Introduce “Client Charters” in the ZDA's investment promotion unit through a three-day training workshop:

Module 1. Service excellence training: To allow participants to review international investor service best practices and evaluate their own service delivery;

Module 2. Developing service standards specific to the IPA: To enable participants from the IPA to evaluate their existing service delivery methods and standards;

Module 3. Designing a client charter: To set clear, uniform and transparent service delivery standards for the future.

Module 4. Agreement on a monitoring and evaluation mechanism that involves reviews on a regular basis of the client charter implementation standards. This will include assessing the agreed standards against what is happening on the ground. Incentives for all staff should be included, such as annual appraisals and team related incentives on effective implementation of the client charter.

UNCTAD has provided client charter training to Ethiopia, Lesotho, the United Republic of Tanzania and Uganda. In the case of Uganda and Ethiopia, client charters were introduced as one component of UNCTAD's Good Governance in Investment Promotion (GGIP) programme.

2. ZDA to help develop client charters and facilitate training for two more key government bodies dealing with investors.

D / Key performance indicators

1. Initial client charter and training for the IPA by April 2007.

2. Charter and training for two further government institutions by November 2007.

E / Financial implication

$10,000 per institution training, comprising $5,000 for the trainer and $5,000 for travel.

MEASURE 4 / ESTABLISH THE ZAMBIA INTERNATIONAL TRADE COMMISSION

A / Rationale and country context

In discharging his duties, the Minister for Commerce, Trade and Industry is required to take decisions on a range of issues related to the import of goods and services, such as tariffs, anti-dumping duties, countervailing measures and safeguards. The nature of these decisions and the manner in which they are taken affect the trade environment and in turn investors, who rely on certain imported inputs for their manufactures and services.

In order to provide the Minister with a systematic mechanism for making recommendations on these issues, the Attorney-General's Department with support from UNCTAD, has prepared legislation to establish the Zambia International Trade Commission (ZITC). ZITC will base its recommendations on public inquiry, allowing all interested parties to present their case. Transparency will be the mainstay of the Commission and will heighten public awareness of the effects of Zambian trade and related policies and possible changes therein. This is consistent with literature on public choice, which argues that transparency increases the likelihood of decisions that are in the broad public interest, benefiting both Zambian and foreign investors, and reduces the dangers of undue influence by special interest groups or individuals. ZITC will also have a strong research capability.

ZITC is envisaged as a statutory authority without the power to make binding decisions. This is contrary to the views in some sectors of the private sector which would like the ZITC to have powers. Such powers would be unique among similar agencies worldwide and would amount to usurping the legislative power, especially where this would entail making a decision on a matter with revenue implications.

The Bill to establish the ZITC has been passed by the Cabinet and subsequently by the Council of Ministers, headed by the Minister of Justice. It now needs to be tabled in Parliament.

B / Benchmarking and best practice

The legislation was drafted following study of similar legislation in a number of countries, in particular, Australia, Bangladesh, Canada, India, South Africa, the United States and Zimbabwe. Discussions were also held with authorities in Australia and Bangladesh. The key ideas were mainly drawn from the Australian Productivity Commission and the South African International Trade Administration.

The detail of the functions is being kept relatively simple, following the Australian model rather than that of South Africa, whose legislation makes unnecessarily detailed references to SACU and other trade agreements.

C / Action plan

1. Table the ZITC Bill in Parliament.

2. Hold the first meeting of the ZITC.

D / Key performance indicators

1. ZITC Act passed into law by August 2007.

2. First meeting of the ZITC by November 2007.

E / Financial implication

None to pass the law.

Cost of establishing ZITC is dealt with by the legislation.

MEASURE 5 / PROMOTE PRIVATE SECTOR PARTICIPATION IN THE OPERATION OF THE INTERNATIONAL VOICE GATEWAY

A / Rationale and country context

International call costs in Zambia are among the highest in the region, not all connections (incoming and outgoing) are successful and calls are often of poor quality. This has been frequently cited by investors as contributing to the high cost of doing business in the country.

All international calls are currently routed through an international gateway operated by ZAMTEL. However, this gateway is unable to provide for the required traffic because of a lack of investment in equipment and the fact that ZAMTEL has no competition which could provide the incentive to do so.

High-quality and low-cost international calls contribute to a competitive business environment. Many countries in the region have liberalized their international gateways, granting licences to incumbent mobile operators.

The Government of Zambia has recognized the importance of this, and has responded with the following:

Statutory Instrument 19 of 2002 was issued by the Ministry of Communications and Transport, which allows private operators to acquire an international gateway licence for $12 million.

A reiteration of this policy by President Mwanawasa in September 2005.

The international data gateway for internet traffic is fully liberalized; ISPs make use of satellite connections.

B / Benchmarking and best practice

For phone operators who wish to operate an international gateway, the issue is the licence fee, which is very high, both compared to the region and globally:

- In Uganda, Celtel paid $50,000. For MTN, the licence was bundled with the GSM licence.
- In Kenya, the current incumbents, Celtel and Safaricom, each paid $214,000. Since receiving the licence on 19 July 2006 Safaricom has reduced the price of its international calls by up to 48 per cent.
- In Malawi, the licence fee is $50,000 for the first year and $35,000 a year thereafter.
- In Cameroon, Côte d'Ivoire, Gabon and Niger the international gateway licence is bundled with the GSM licence.
- South Africa is a special case. Vodacom is 50 per cent owned by Telkom, the fixed-line operator, and therefore uses the parent company's gateway. The second gateway is operated by the government-owned Sentech but provides effective service to MTN.

C / Action plan

The licence fee should at least be aligned to regional best practice. A report, commissioned by the government and prepared by Analysys, Squire Sanders and Patmat Legal Practitioners, entitled *Advisory services for fair competition and liberalization of the international gateway*, recommended a fee of $100,000 for the first year and $50,000 a year thereafter to be awarded in the first instance to incumbent operators.

1. Repeal Statutory Instrument 19 of 2002 and replace with a new statutory instrument, which sets a fee in line with the consultant's report for incumbent operators.

2. Reflect this change in the upcoming ICT Bill.

D / Key performance indicators

1. Statutory Instrument 19 repealed by May 2007.

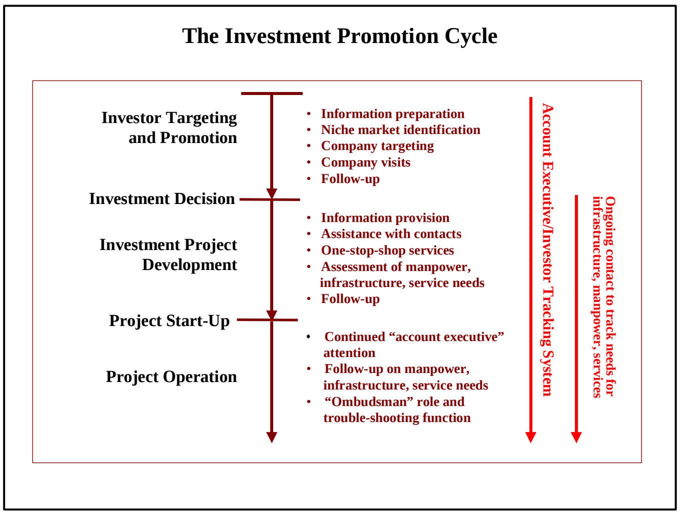
2. Change reflected in ICT Bill when it is tabled.

E / Financial implication

No cost.

MEASURE 6 / INSTALL A COMPUTERIZED INVESTOR TRACKING SYSTEM

A / Rationale and country context



The new ZDA will need to sell Zambia's opportunities effectively to investors. This will require a good investor leads tracking system which tracks prospects throughout the investment promotion cycle – from inquiry; to following up a lead; to commitment to investment and beyond. Installing an investor tracking system in the ZDA will enable it to more effectively manage its relationship with contacts, potential investors, and established firms. The system will allow staff to input and update contact information and to produce reports so that management may track progress of investors through the investment process and thereafter.

It is recommended to computerize this system with any effective system including the following key elements:

- Investment project tracking: to accurately record the nature of the project being proposed and the major characteristics of the proposed investment.
- Contact management: monitoring the types and frequency of the contacts made with the investor to facilitate timely follow up and required actions.
- Work management: tracking the various work elements that the investment promoter needs to carry out in order to progress the investor through the investment promotion cycle. This includes correspondence, assisting with investor visits, etc.
- Investor servicing: recording the types of assistance that the investor requires both from the investment agency and from other agencies such as customs, business consultants, lawyers, etc.
- Permits and authorization tracking: maintaining a comprehensive record of all the permits and licences that the investor requires and the status of applications for these permits and licences.
- Management reporting: providing the senior management of the investment promotion agency with accurate and timely information on the processing of an investment proposal, and permitting the monitoring and evaluation of the performance of investment promotion officers.

Some additional useful features of an investor tracking system include the following:

- Tracking milestones: this registers an investment as it progresses through the investment project life cycle. The stage is updated as each key milestone is reached, and this can be automated if required. This feature can be used systematically to analyze the outcomes of investment projects – to serve as a tool for identifying areas where the investment climate needs improvement.

- Registration of source for all leads: this permits a systematic tracking of the investment promotion partners that are most active, and which can usefully be followed up more regularly.
- Automatic lead qualification incorporating a set of system triggers: hot, active or cold classifications based on where investor prospects are within the investment cycle, and how active the prospect has been.
- Automatic “time-out” for inactive leads: once leads have been inactive for a period of time or decisions have been made that end the investor’s consideration of an investment in the respective country, the investor tracking system will inform users that the lead is being removed from active consideration.
- Recording and analysis of the total impact of an investment in the country: This can be in terms of investment capital expended, annual sales turnover, employment generated, land use, and raw materials and utilities consumed.

B / Benchmarking and best practice

When it comes to leads tracking systems, effective investment promotion agencies exhibit:

- Demonstrated use of tracking software, including the-follow up and rekindling of leads;
- Successful record in using investor tracking systems in a sustained and systematic manner;
- The existence of a complete history of all investor leads and activities available to all officers and account executives in the agency.
- Computerized investor tracking services have been provided by UNCTAD and MIGA to IPAs in Algeria, Ghana, the United Republic of Tanzania and Zanzibar. Algeria has further developed its version and this could be made available to the ZDA.

C / Action plan

1. Install tailored investor tracking software. Consider the enhancements introduced by the IPA of Algeria.

2. Undergo a five-day training programme on its use and application and the development of a full implementation plan.

D / Key performance indicators

1. Installation of tracking software and implementation of training by May 2007.

2. Complete functioning of investor tracking system in place by June 2007.

E / Financial implication

$15,000

MEASURE 7 / ORGANIZE AN INVESTMENT FORUM FOR ASIAN PHARMACEUTICAL COMPANIES

A / Rationale and country context

Zambia's membership of SADC and COMESA and its geographical position provide it with privileged access to neighbouring markets. While this region is large (406 million people in COMESA and 236 million in SADC), incomes are low (GDP per capital of $1553 in COMESA and $1842 in SADC). Many essential medicines remain unaffordable for a large proportion of the population. One reason frequently cited is the exclusive monopolies provided by patent protection for some of the most effective medicines to treat diseases in developing countries.

Asian pharmaceutical firms, many of which produce generic low-cost medicines, already have a presence in South Africa, and the industry has expressed interest in seeking investment opportunities in Zambia too. Should Zambia avail of flexibilities available to LDCs under the TRIPS Agreement until 2016 (when it will be required to fully comply with provisions related to providing patent protection to pharmaceutical products), it could provide an investment environment conducive to the production of low-cost non-patented medicaments.

Zambia will benefit in the following ways:

- Strong value-added in the economy and significant transfers of technology.
- Employment for science and business graduates.
- Reduced pharmaceutical costs for Zambians and potentially others in the region.

Asian outward investment promotion agencies have expressed an interest in assisting their investors to explore pharmaceutical investment opportunities in Zambia.

B / Benchmarking and best practice

A similar event was organized in Kenya for Indian ICT companies. The one-day forum lasted a day and brought together nine Indian investors and a large number of potential local partners. Current investors also attended and provided testimonials. The event was followed up with a significant number of one-on-one meetings. The outcome is that one company is establishing itself in Nairobi with another likely to follow.

C / Action plan

The IPA will organize a one-day investment forum. Asian outward investment promotion agencies will organize their country delegations, who will pay their own transport and accommodation costs. ZDA will coordinate the local partners and current investors. For this event, IPA staff and local partners will need to study carefully and be able to speak about their country's patent laws concerning pharmaceuticals.

D / Key performance indicators

Forum completed by May 2007.

E / Financial implication

$4,000 for meeting facilities.

MEASURE 8 / ESTABLISH A ONE-STOP BORDER POST IN CHIRUNDU

A / Rationale and country context

As a landlocked country, Zambia depends on it neighbours for access to sea ports. The most popular route is via Zimbabwe to South Africa, through the Chirundu border crossing. However, importers using that border are constrained by processing times and backlogs. Some report a waiting time of up to three weeks and many complain of the multiplicity of checks.

Plans are underway, with COMESA facilitation, to improve the situation by establishing a one-stop border post at Chirundu with juxtaposed buildings. This means that in each direction, the relevant border post will be in the importing country, with officials from both the exporting and importing country present. Both countries have been building structures for the post, with the buildings on the Zimbabwean side now completed. In each case, the aim is to have a single window, so that each importer has one point of contact to which he provides one set of paperwork to cover the requirements (on the Zambian side) of the ZRA, the police, the Ministry of Health, the Bureau of Standards and the Ministry of Agriculture.

The main task facing both countries is to agree protocols of cooperation on information sharing and procedures for joint inspections. A bilateral working group has been set up for this purpose. The group will need to agree on how inspections are to be carried out (whether it is done by the importing country or the exporting country, or both), which agencies should be involved in the inspection, how the paperwork should be submitted and whether the data entered into ASYCUDA in the exporting country can be fed directly to the importing country.

Furthermore, the working group will need to consider (for the Zambian side) how to provide a single IT platform (border management system) for the participating agencies. It will also need to consider the legislative implications to allow Zambian personnel to enforce Zambian laws in Zimbabwe and for Zimbabwean personnel to enforce Zimbabwean laws in Zambia.

The group will make a study visit to a crossing on the Kenya-Uganda border to see a recently-established one-stop border post in action.

B / Benchmarking and best practice

Kenya and Uganda established a one-stop border crossing between the towns of Malaba and Tororo. This was facilitated by USAID and World Bank funding. The facility is in operation and has helped to speed up customs clearance times.

C / Action plan

1. Working group to complete negotiations on cooperation protocols for a one-stop border post, extraterritorial powers, and development of a shared IT platform.

2. Ministry of Works and Supply to complete the customs facilities on the Zambian side of the border.

3. Minister of Finance (as ministry in charge of ZRA) to consider how Zambian staff can be granted extraterritorial authority in Zimbabwe.

D / Key performance indicators

1. Negotiations completed by August 2007.

2. Facilities completed by November 2007.

3. Extraterritorial authority granted to Zambian staff by December 2007.

E / Financial implication

Already budgeted and committed.

MEASURE 9 / NEGOTIATE NEW DOUBLE TAXATION TREATIES

A / Rationale and country context

Double Taxation Treaties aim to eliminate the double taxation of income or gains earned in one country by a firm or person resident in another country. They are important to investors because they clarify and eliminate the overlapping claims made on the profits and dividends of parent companies and their subsidiaries by the governments of the countries in which they are established.

Zambia has signed 21 DTTs of which 16 have been ratified:

Partner Country	Date signed	Date ratified
Canada	16.02.1984	28.12.1989
Denmark	13.09.1973	18.10.1970
Finland	03.11.1978	17.05.1985
France	05.11.1963	
Germany	13.05.1973	13.05.1974
India	05.06.1981	15.11.1983
Ireland	29.03.1971	22.07.1973
Italy	27.10.1972	08.04.1974
Japan	19.02.1970	09.06.1972
Kenya	27.08.1968	23.02.1970
Netherlands	19.12.1977	01.04.1984
Norway	14.07.1971	22.07.1973
Poland	19.05.1995	
Romania	Not known	21.07.1985
South Africa	22.05.1956	
Sweden	18.03.1974	28.08.1975
Switzerland	30.05.1961	
Uganda	24.08.1968	16.04.1970
United Kingdom	22.03.1972	29.03.1973
Tanzania	02.03.1968	16.03.1970
Zimbabwe	Not known	

Source: UNCTAD and ZRA

While these DTTs include Zambia's main investing countries, they do not include emerging sources of investment from East Asia, such as China, the Republic of Korea and South East Asian countries. It will be advisable that Zambia considers negotiating DTTs with these countries and assure investors from these countries that they will not be liable to double taxation. It will also help Zambia's investors abroad.

B / Benchmarking and best practice

South Africa has signed DTTs with China, Taiwan, Province of China, the Republic of Korea and Thailand (all emerging sources of FDI).

C / Action plan

Carry out a negotiation round with China, the Republic of Korea and three other South-East Asian countries with strong investment interests in Zambia. This can be facilitated by UNCTAD.

The participants will consist of teams of DTT negotiators mandated by their country to negotiate and conclude such agreements.

The round will last five days.

UNCTAD's secretariat will provide assistance for the facilitation and the organization of the round (preparatory work, invitations, exchange of drafts and comments, preparation of the negotiating matrix, secretarial backstopping during the round).

D / Key performance indicators

Round completed by October 2007.

E / Financial implication

$20,000

MEASURE 10 / ESTABLISH A PILOT BUSINESS LINKAGES PROJECT COMPRISING 5 TNCS

A / Rationale and country context

An important way for FDI to benefit the Zambian economy is through the promotion of business linkages between TNCs and SMEs. Zambia currently has a large and successful entrepreneurship programme that shares a similar approach to UNCTAD's Empretec. This provides a good foundation on which to establish a business linkages programme, and possibly somewhere from which to run it.

Business linkages programmes help both TNC affiliates – who can carry less stock, reduce import hassles and minimize transaction costs – and local SMEs – who develop their capacities and find new business. It thus addresses the problem of the 'missing middle' in the business environment of many developing countries, which have a few big (often foreign) corporations on the one hand and a very large informal sector with limited capacities on the other.

The rationale for developing a business linkages programme in Zambia is persuasive. The benefits would include: (a) a more dynamic and competitive private sector; (b) more quality jobs created and preserved; (c) improved competitiveness of local firms through technology, know-how and management skills transfer; (d) TNCs more deeply rooted in the local economy; (e) increased capacity to attract FDI; and (f) a broader and more diversified tax base for government.

B / Benchmarking and best practice

Uganda's business linkage promotion programme is run by Enterprise Uganda (the business development services centre hosting the Uganda's Empretec programme), in collaboration with the Uganda Investment Authority (UIA). It is supported by UNDP, UNCTAD, and the Government of Sweden. The main objective of the project is to promote the creation of durable and mutually beneficial partnerships between TNC affiliates and large local companies, and SMEs. The key role of each partner is as follows:

Enterprise Uganda identifies SMEs, brokers and facilitates the implementation of business linkage deals and examines SMEs' capacity gaps. It also promotes the transfer of technology and know-how including coaching and mentoring of SMEs by TNCs and large local companies, and facilitates access to markets and finance.

The Uganda Investment Authority contributes to the improvement of the business policy environment and facilitates the initial brokering of the linkages with TNCs. Experience of the programme so far demonstrates that in spite of the productive capacity constraints of SMEs, TNCs were ready to upgrade their business relationships with SMEs, provided SMEs committed themselves to remedy shortcomings in their business systems and upgrade their skills.

Since its inception in 2005, the project has achieved the following results:

- An agreement has been signed with Uganda Breweries, which will assist in the upgrading of the members of the barley growers' association in Eastern Uganda, benefiting over 2,000 farmers.

- In Western Uganda, Kinyara Sugar Works Limited, under Booker Tate, signed an agreement to strengthen its relationship with Kinyara Sugarcane Growers Limited, thereby benefiting about 2,500 local farmers.
- In the telecommunications sector, two telephone companies have signed to upgrade their distributor network.
- In the real estate sector, the country's biggest property developer has signed an agreement to support 15 local suppliers.

C / Action plan

A pilot business linkages project should be established under the MCTI and in collaboration with UNDP and UNCTAD, along the lines of the Ugandan model. If possible it should be run from Zambia's entrepreneurship programme, which as a business development services centre, already has the network and expertise to implement such a project. Specific actions should include:

1. Hold a sensitization workshop in order to attract TNCs and large domestic firms to the project.

2. Establish a Business Linkages Task Force comprising a coalition of key stakeholders (Government of Zambia, interested TNCs, SME representatives in the same sectors as the TNCs, business development services providers, and potential donors) to design the project within the context of the forthcoming ZDA's private sector promotion remit and other UNDP and UNCTAD programmes.

3. The task force should agree on the basic parameters for the pilot business linkage development project, including: objectives, outputs, organizational framework, roles and responsibilities. Based on this, a project document should be issued to raise funds for the first 18 months of the pilot project. At least 3 TNCs should be identified as potential corporate partners and included in the methodology stipulated in the project document.

4. Funds are secured for the first 18 months of the pilot project.

D / Key performance indicators

1. Sensitization workshop by May 2007.

2. Task Force established by July 2007.

3. Pilot project designed by October 2007.

4. Funding for the first 18 months of the pilot project secured by January 2008.

E / Financial implication

1, 2 and 3 and assistance in securing funding re 4 will cost $50,000, which will be provided by UNCTAD.

4. Funding requirements to be sought for the first 18 months of the pilot project's operation are estimated at $100,000. However, actual funds required will be calculated in the project document and will be based on the project's design.