

## **Caleb M Fundanga: Foreign private investment in Zambia**

Opening remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the Closing and Dissemination Workshop on Foreign Private Investment and Investor Perception Survey, Lusaka, 4 June 2009.

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The Chairman;  
Distinguished Invited Guests and Participants;  
Members of the Press ;  
Ladies and Gentlemen

Mr. Chairman,

It is my honour and privilege to officiate at this very important Closing and Dissemination workshop of Phase II of the survey on Foreign Private Investment and Investor Perception.

As I welcome you all, I wish to convey my appreciation for your contribution to the success of the project. May I, in this regard, express our special appreciation to the private sector colleagues for their cooperation as respondents.

Ladies and Gentlemen,

Let me take this opportunity to extend my sincere gratitude to the Private Sector Development (PSD) Programme, for providing financial support for this very important project. Further, our thanks go to the COMESA Secretariat, United Nations Conference for Trade and Development (UNCTAD), Macroeconomic and Financial Management Institute (MEFMI), Development Finance International (DFI) and international consultants for providing financial and technical support to this survey. With their financial and technical support, the Government, through the Balance of Payments Committee, comprising representatives from the Ministry of Commerce, Trade and Industry, Ministry of Tourism and Natural Resources, Zambia Development Agency, Central Statistical Office and Bank of Zambia, was able to undertake this very important survey. Without their support, it would have been very difficult to complete this phase of the Survey.

Distinguished Guests,

As you are aware, the Zambian economy has recorded significant positive developments in the recent past, owing to the wide-ranging economic reforms the Government has been implementing since 1992. The reforms, which are aimed at stabilising the economy and supporting economic recovery for the purpose of reducing poverty among our people, have facilitated increased investment in various sectors of the economy, such as, agriculture, tourism, construction and manufacturing. As you may also be aware, the mining sector has attracted unprecedented amounts of investment in the recent past. Government's economic reforms since the early 1990s have contributed immensely to the boosting both local and foreign investors' confidence in the Zambian economy, which is an important pre-requisite for attracting capital flows.

The survey findings that we are disseminating today indicate that Foreign Private Capital flows to Zambia in 2007 rose to US \$1,932.8 million from the US \$176.3 million recorded in 2001. The 2007 inflows were largely in form of foreign direct investment, borrowing from non-affiliates (Loans and Trade Credits) and portfolio investment. We believe that the introduction of economic reforms led to a substantial increase in private capital flows, which regrettably, we have not been able to capture on a regular basis due to budgetary constraints.

Mr. Chairman,

History has taught us that high volatility in private capital flows, if not properly monitored and managed, can induce financial and macro-economic instability in the domestic economy.

Evidence from South East Asia indicates that capital flows engendered a financial crisis in that region in 1997 and 1998. In light of this evidence, the results of the Foreign Private Investment and Investor Perception Survey are intended to assist the Government to effectively monitor private capital flows. Accurate and reliable data on private capital investment will be helpful in understanding recent developments in the Zambian economy. Better information on investor perceptions will assist Government in designing policies that will attract more investment into our economy. Further, the results of the survey should prove useful to the private sector and other stakeholders.

On the whole, the importance of timely and reliable information on capital flows in the design of appropriate policy responses by Government and thus enhancing macroeconomic stability can hardly be overemphasised. Adequate and consistent information on capital flows will also greatly improve Balance of Payments Statistics for Zambia and serve as an early warning system for Government on potential international financial crises and other external shocks.

Mr. Chairman,

Zambia, like many other developing countries, has inadequate capacity to collect, analyse and disseminate data and information on foreign private capital investment. Compared with other countries in the African sub-continent, Zambia has serious gaps with respect to data on foreign private capital investment. For instance, while we are now at the second phase of the Survey, Uganda, Tanzania and Malawi are in the sixth, fourth and third phases, respectively. This only reveals to us the critical need to conduct this enterprise survey more regularly. To this end, I wish to direct that, as a way forward, the Balance of Payments Statistics Committee conducts this survey annually. The Bank of Zambia, in collaboration with Government and other Balance of Payments Statistical Committee member institutions will do everything possible to ensure that the collection of this vital information is done on an annual basis. Accordingly, it is my hope that participants at this workshop will appreciate the importance of this survey and find the results useful.

Distinguished Guests,

I am particularly happy to learn that the Zambian team compared to other countries in the region, has conducted this enterprise survey in record time. It shows true commitment and dedication of the team to this project. Please keep up the good work. Be reminded, however, that you have established a benchmark, which we want to be associated with, and which others will want to emulate. I have no doubt that we will beat the record we have set for ourselves when we conduct the next survey. I am confident that this workshop will achieve its intended objective of disseminating the findings of the survey and stimulate active participation and comments from the various stakeholders.

Mr. Chairman, Ladies and Gentlemen,

It is now my pleasure and honour to declare this Closing and Dissemination Workshop on Foreign Private Investment and Investor Perception Survey officially opened and wish you fruitful deliberations.

I thank you.