

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 Perceptions Survey, Lusaka, 20 January 2011.

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***The Deputy Secretary to the Cabinet, Mr Evans Chibiliti;
The Deputy permanent Secretary at the Ministry of Works and Supply, Mrs Bweupe Kaonga;
The MEFMI Executive Director, Dr Elias Ngalande;
The IMF Country Representative, Mr Perry Perone;
Heads of Government Departments present;
Chief Executive Officers of various Companies and Associations present
Colleagues from Bank of Zambia;
Distinguished Participants;
Members of the Press;
Ladies and Gentlemen.***

It is my honour and privilege to officiate at this very important Closing and Dissemination workshop of Phase III of the Survey on Foreign Private Investment and Investor Perceptions. As I welcome you all, I wish to convey my appreciation for your contributions to the success of this project. May I, in this regard, express our special appreciation to the private sector colleagues for their cooperation during the survey.

Let me also 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 Macroeconomic and Financial Management Institute (MEFMI), and Development Finance International (DFI) for providing technical support to this survey. With their technical support, the Government, through the Balance of Payments Statistical 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.

Distinguished Participants, As you are aware, the Zambian economy has recorded significant positive developments in the recent past, owing to the economic reforms the Government has been implementing since 1992. These reforms have facilitated foreign investments in various sectors of the economy. These reforms have also resulted in Zambia recording tremendous improvement in world ranking with regard to the ease of doing business. The favourable investment climate created has raised investor confidence in the Zambian economy thereby attracting both local and foreign investments.

Ladies and Gentlemen, the survey findings we are disseminating today show that the overall Foreign Private Investment inflows in 2009, declined to US \$935.4 million from US \$1,932.8 million recorded in 2007. This was explained mainly by the notable reduction in re-invested earnings, due to lower profits recorded by enterprises during the year. The overall reduction in foreign investment inflows is also consistent with global developments. In fact, at a global level, foreign direct Investment inflows drastically declined to US \$1,114.2 billion in 2009 from US \$1,770.9 billion in 2008 and US \$2,100.0 billion in 2007.

Nonetheless, new equity investment inflows in Zambia surged to US \$419.2 million in 2009 from US \$131.6 million recorded in 2007. The substantial increase in new equity investments, despite the effects of the global financial and economic crisis, demonstrates how favourable the Zambian investment climate is in attracting foreign investment.

Distinguished Guests, It is also encouraging to note that the Government's diversification efforts are yielding favourable results. The survey findings show that the concentration of foreign direct investment in the mining sector is reducing as evidenced by the substantial FDI inflows to other sectors such as manufacturing, wholesale and retail trade, and the tourism sector in 2009.

Evidence from South East Asia and the recent global financial and economic crises show that high volatility in foreign private capital if not properly monitored and managed, can induce financial and macro-economic instability. In light of this the results of the Foreign Private Investment and Investor Perception Survey are important and intended to assist the Government to effectively monitor and manage these flows.

In addition, better information on investor perceptions will assist Government in designing policies and programmes that will help enhance Zambia's favourable investment climate. Further, the results of the survey should prove useful to the private sector and other stakeholders as they highlight some concerns which Government should address as well as the overall business profitability and performance prospects of various sectors. 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 financial crises and other external shocks.

Mr. Chairman, Zambia has adequate technical capacity to collect, analyse and disseminate data and information on foreign private investment. It has, however, lagged behind in terms of the frequency of these surveys compared with some other countries in the region. For instance, while we are now at the third phase of the Survey, Uganda, Tanzania and Malawi are in their eighth, fifth and fourth phases, respectively.

This only emphasises the critical need to conduct this enterprise survey more regularly. To this end, I wish to reiterate the Bank of Zambia's, continued support and commitment in working in close collaboration with Government and other Balance of Payments Statistical Committee member institutions in ensuring 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 compared to other countries in the region, the Zambian team 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 can only be improved on. I have no doubt that we will sustain the record we have set within the Macroeconomic and Financial Management Institute of Southern and Eastern African member countries.

Ladies and Gentlemen, 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. 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.