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MOBILISING ZAMBIA

A STRATEGY REPORT ON ACCELERATING ECONOMIC GROWTH



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Zambia's President Rupiah Banda invited a group of international experts to visit Zambia in March 2010 under the auspices of the Brenthurst Foundation. On the basis of preparatory fieldwork and research by Brenthurst staff, the group visited major sites of economic development, held discussions with a wide range of stakeholders and organised a three-day workshop attended by key players from the public and private sectors. This Report is based on the delegation's findings and was drafted by Dr Greg Mills, Professor Jeffrey Herbst (USA) and Dr Stuart Doran (Australia). The other participants in the Brenthurst delegation were Professor Alberto Trejos (Costa Rica), Mr Philip Baum (South Africa), Mr Patrick Esnouf (Chile), Mr Eddie O'Sullivan (Dubai), Mr Thomas Vester Nielsen (Denmark) and Dr Terence McNamee.

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After decades of socialist experimentation and economic decay, Zambia has turned the corner post-2000. Following sweeping and painful free-market reforms during the 1990s, the economy has been reoriented—and the benefits are there for all to see. But there is much still to do.

Pinpointing obstacles and opportunities

Evidently, further reform in Zambia requires detailed, industry-specific research and tailored solutions, but there are nevertheless two problems (and thus opportunities) that emerge with striking regularity and force across the key components of Zambia's economy: namely, the need for

- policy consistency
- infrastructural development.

At its heart, the first is related to an ambivalent attitude toward the pro-free market agenda. As a prominent politician commented, Zambians have not yet completed the migration from socialist to free-market thinking. This is the case at all points in the policy-making equation—among politicians, civil servants and the voting public. Mobilisation of the nation around a liberal development model is critical if the economy is to be placed on a new trajectory. Until the majority of Zambians are firmly convinced that such a model is a matter of self-interest, policy will continue to flip-flop, investment potential will remain unfulfilled and the danger of regression will remain real.

Of the tangibles, infrastructure looms largest in view of Zambia's size and its double-landlocked status. The country's infrastructure must be better than those of its neighbours before it is able to compete, let alone get ahead. But, as it stands, Zambia's infrastructure is inferior and much of its natural domestic and international potential remains theoretical. Sustained commitment to major infrastructural projects—driven by imaginative collaborations with private and regional partners—will be essential if this stasis is to be broken.

The time is now: reasons for urgency

Observers and stakeholders have pointed to a degree of complacency in Zambia regarding the pace and extent of change—perhaps also a function of neo-socialist thinking—but there are immediate and compelling reasons for urgency, aside from the domestic political risks associated with a half-baked socio-economic experiment. As in the 1960s and early 1970s, Zambia is riding on the back of historically high copper prices and these will not last. Not only must government find wise ways of

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fulfilled

maximising this revenue, it must be wisely re-invested lest history repeat itself. When the lean times came post-1975, Zambia had little to show for the early post-independence boom; this must not be allowed to happen again. Zimbabwe provides a second reason for urgency. The economic collapse there has made Zambia a more attractive proposition for donors and investors alike, but the situation will be reversed when Zimbabwe emerges from its self-induced coma. Zambia must invest rapidly in areas of natural competitive advantage if it is to be ready to contend with its better-endowed neighbour.

Turning the ship: successful macroeconomic reform, 1990s–2000s

Zambia's macroeconomic fortunes have been closely tied to the world price of copper. In the decade following independence in 1964, prices were at an historic high and dependence on copper increased: copper mining accounted for a third of GDP, 80 per cent of foreign exchange earnings and a third of fiscal revenue. Meanwhile, the government used this revenue to centralise the economy; an ambitious social welfare and development programme was launched and, from the early 1970s, parastatals proliferated and the mining sector itself was progressively nationalised.

With such high levels of direct and indirect dependency, a crash in copper prices during the mid-1970s represented a national crisis for Zambia—a disaster compounded by the government's belief that prices would soon rebound. Instead of restructuring, authorities borrowed heavily. Simultaneously, the areas in which the government invested failed to engender viable alternatives. In sum, copper revenue was invested in the wrong areas and in the wrong ways. For example, much of the national budget was spent on establishing domestic self-sufficiency in manufacturing, but the domestic market was too poor to sustain such ventures and most operated at a loss. Where adjustment toward comparative advantage did occur, it was often misconstrued.

Under the weight of these miscalculations, trends in Zambia's macroeconomic fundamentals from the mid-1970s to the 1990s make for dismal reading. Whereas the economy grew in excess of 3 per cent per annum between 1964 and 1974, it grew a mere 13 per cent in total over the following twenty years—a period in which population growth was above 3 per cent per year. Consequently, per capita income declined 53 per cent between 1975 and 1994.

Partly as a result of these pressures, Zambia returned to a multi-party political system in 1990 and a reformist government was elected in October 1991.

Policy inconsistencies
are a hindrance to
investors

Working with the World Bank and International Monetary Fund (IMF), the new government committed itself to a programme of broad-based economic liberalisation, including privatisation of what had become a vast array of parastatals. Overall, the initial results were below expectations—indeed, in some areas, Zambia’s economic decline appeared to accelerate. Forecasts of Zambia’s growth between 1991 and 2002 were put at around 5 per cent per annum, suggesting a per capita increase of 2.5–3 per cent, but only 3 per cent growth per year in real GDP was achieved.

Nevertheless, there is no doubt that a deep-seated restructuring of Zambia’s economy occurred in the 1990s and many of these difficulties have diminished in recent years. The government has attained greater control of the macroeconomic environment, as demonstrated by its completion of the IMF’s Poverty Reduction and Growth Facility programme in late 2007. It also completed a Heavily Indebted Poor Countries agreement in 2005 and thereby qualified for the Multilateral Debt Relief Initiative in 2006. Zambia’s foreign debt has been reduced by \$6 billion and this has freed resources for domestic re-investment. At the same time, public sector management improved and many of the loose ends of the process begun in the 1990s were tied off; privatisation, for instance, was largely completed by 2000, though important exceptions remain. By 2008, it was clear that the economy had stabilised and was beginning to reap the dividends of readjustment—Zambia had by then registered nine consecutive years of positive growth, averaging 5.5 per cent for the last five years of the period. Further, the country has navigated the global economic downturn better than many of its peers. GDP growth dropped from 6.2 per cent to 6 per cent between 2007 and 2008, but held its own last year under the impetus of a doubling of copper prices, increases in productivity within the mining sector, a construction boom and gains in agriculture. Growth of over 6 per cent is forecast for 2009 and is expected to be 7 per cent in 2010. In December 2009, inflation dipped below 10 per cent for the first time in twenty-one months.

Post-reform positives

- Longest period of sustained economic growth since independence
- Lifting of a \$6 billion foreign debt burden
- Single digit inflation for the first time in thirty years (2006)
- Almost ten-fold increase in FDI between 2000 and 2008
- Four-fold growth in total exports between 2002 and 2008

Even more so than mining, agriculture offers opportunities for beneficiation

A closer look: micro reform has been uneven

Despite these very real improvements, challenges remain. A selective sectoral survey reveals that reform is far from complete. In essence, while macroeconomic policy reflects a relatively clear shift away from centralist thinking, micro-policy settings are more complicated: free-market initiatives sit alongside anachronistic elements—and the balance between the two is subject to sudden shifts. These, and continuing difficulties in diversifying away from copper, mean that Zambia's potential is far from being fulfilled.

Copper mining

World class sub-surface deposits of copper were discovered in north-central Zambia during the 1920s and the Copperbelt quickly became the engine of the economy. Between 1955 and 1965, copper production rose from 346,000 tonnes to 685,000 tonnes and peaked at over 700,000 tonnes in the early 1970s, making Zambia one of the biggest producers in the world. But nationalisation of the mines and increasing inefficiency, coupled with declining world copper prices from the mid-1970s, meant that the copper mining parastatal was losing a million dollars a day at its nadir in the 1990s.

Growth of the industry since then has exceeded expectations, in spite of teething problems. With the injection of private expertise and capital, older mines have been expanded and new ones have opened—the most

Copper's second wind

- Since the early 2000s, four older mines taken over by new players and two new operations brought online
- Production for 2009 rose to 700,000 tonnes, the highest in over thirty years
- Expected output of 660,000 tonnes in 2010
 - Kansanshi (First Quantum Minerals): 245,000 tonnes
 - Lumwana (Equinox): 135,000 tonnes
 - Konkola Copper Mines (Vedanta Resources): 120,000 tonnes
 - Mopani (Glencore): 60,000 tonnes
 - Luanshya (China Non-Ferrous Metals Mining): 60,000 tonnes
 - Chambishi (Eurasian Natural Resources Company): 15,000 tonnes
 - Chibuluma (Metorex): 15,000 tonnes
 - Bwana Mkubwa (First Quantum Minerals): 10,000 tonnes

Zambia has navigated the global economic downturn better than many of its peers

spectacular example being Kansanshi in North-Western province, which began development in late 2003, produced 78,000 tonnes in 2005 and an estimated 240,000 tonnes in 2009. Commensurately, national production has risen from 240,000 tonnes in 1999 to around 700,000 tonnes in 2009, the highest figure in over thirty years.

On the downside, policy inconsistencies are a hindrance to investors. In April 2008, government became disenchanted with a perceived lack of revenue amid high copper prices and introduced a complicated windfall tax which became so steep beyond certain thresholds that it paid mining companies to slow or completely halt production. Mines were also hit by a variable profit tax of 15 per cent, a rise in company taxes from 25 per cent to 30 per cent and an increase in royalties from 0.6 per cent to 3 per cent. The windfall tax was repealed in January 2009, but investors have been unsettled by what they say are breaches to original mining agreements. These unpredictabilities are matched by a multitude of bureaucratic absurdities that add an unnecessary layer of complexity to day-to-day operations and discourage potential investment.

Other problems identified by miners include the lack of a local beneficiation industry, relatively low levels of skills development among Zambians, opaque regulation of mining exploration and infrastructural bottlenecks in road, rail and power (see below).

Agriculture

In regional terms, Zambia has a natural comparative advantage in agriculture. It is endowed with good rainfall (58 per cent of the country receives between 800–1,000mm per annum), large reserves of underground water, comparatively low population densities (averaging 17 people per square kilometre against a sub-Saharan average of 34) and reasonable soils. It is estimated that only 15 per cent of the country's arable land is being utilised.

Even so, agriculture has historically suffered from neglect and poor policies. It was not until the copper crunch of the 1970s that government began to look at developing agricultural potential and then the response was slow and often ill-conceived. In the 1970s and 1980s, policy was geared toward self-sufficiency in food and the focus was on maize, but heavy government involvement produced distortions that were not economically sustainable. And neither was the structural deformation of small-scale agriculture offset by a vibrant large-scale commercial agricultural sub-sector. Zambia had around 750 large commercial farms by 1995—remarkably few for

Zambians have not yet completed the migration from socialist to free-market thinking

a country of its size—and these struggled to compete on the domestic market or to export given Zambia's overvalued currency.

Reforms initiated in the 1990s have brought considerable change. The removal of many subsidies has promoted crop diversification, while currency devaluation has assisted commercial farmers to look again at exports—reorientations that have produced substantial export gains while improving food security and reducing poverty for many smallholder households. Between 1990/1 and 2002/3, the share of maize in total smallholder crop output declined from 76 per cent to 55 per cent, while agricultural exports grew 14 per cent per year between 1990 and 2001. Exports have continued to grow since then, rising from around \$150 million in 2002 to \$300 million in 2005.

However, agriculture's role in the economy has stayed well below par, contributing only 5 per cent of foreign exchange earnings and 18–20 per cent of GDP in recent years. Yields are retarded by the low use of fertilisers and the lack of irrigation. Other problems include lack of access to markets, particularly for small-scale operators in remote areas, labour shortages, poor rural roads and limited or expensive finance (interest rates

Investment survey

Between 2006 and 2009, the Brenthurst Foundation and Business Leadership South Africa surveyed business chambers and a wide range of companies in Zambia. Findings show:

- broad agreement that the business climate has improved significantly
- many complaints about how successive governments shift priorities and behaviour in the run-up to elections
- inadequate and costly infrastructure
- high cost of doing business in Zambia—taxes, finance, labour, etc
- corruption
- currency volatility
- lack of bureaucratic capacity; more technocrats needed.

These problem areas are further highlighted by Zambia's ranking in international surveys:

- 157 out of 181 countries on the World Bank 'Doing business' index (2010)
- 112 out of 134 on the World Economic Forum's 'Global competitiveness index' (2008/9)

Zambian policy-makers are well aware of most of the specific obstacles to economic growth

are around 30 per cent, a key concern for large-scale commercial farmers). The livestock sub-sector suffers from inadequate disease control.

At a policy level, real government expenditure on agriculture has risen consistently since 2000—but often as a function of political competition rather than as a means of creating an enabling environment. Government has, for example, frequently intervened in the maize and fertiliser markets, both within and between seasons. In 2008, 62 per cent of an ostensible poverty-reduction budget for agriculture was spent on fertiliser—which can be procured more cheaply by private firms—and 28 per cent on strategic food reserves, characteristically a euphemism for price support. Structurally, Zambia's demographics mean that the bulk of the population will be engaged in stagnation-prone small-scale farming for many decades to come—a cyclical phenomenon that cannot be broken without major investment in catalytic factors (such as extension services and infrastructure), as opposed to band-aid solutions.

For commercial operators, government interventions produce a serious level of unpredictability, not least because they go well beyond tinkering with maize and fertiliser markets. For instance, a land tax that would have bankrupted many leaseholders was recently introduced and then repealed—a shuddering shift that underlines how disconcertingly rapid and arbitrary policy change can be for investors. More specifically, this change also underlines the disadvantages of the existing land title system in Zambia. Although the conversion of tribal land to leasehold is a relatively simple process, it is not possible to acquire freehold title and therefore generate either medium-term or multi-generational certainty.

Even more so than the mining industry, agriculture offers opportunities for beneficiation. Already, Zambia's manufacturing industry is basically an adjunct of agriculture; agro-processing facilities account for around 85 per cent of manufacturing output. But the industry is rudimentary; Zimbabwe's pre-land reform agro-processing sector provides a picture of what could be done to make it a cornerstone of the economy.

Tourism

Zambia is blessed with some exceptional natural tourism resources, including Victoria Falls, Luangwa National Park and the lower Zambezi, as well as a host of lesser-known attractions, providing competitive advantage in the form of low density, unspoilt destinations, their appeal to middle/high-end markets and their higher relative potential in regional terms. For many years, the industry failed to capitalise on these opportunities,

Chile's tax system is a best practice model for the copper industry

but current trends are encouraging, even if rising off a low base. Tourist arrivals have grown at an average of roughly 4 per cent per year between 1995 and 2009. In 2008, a relatively poor year, tourism still generated \$200 million in foreign exchange and the combined contribution of travel and tourism to GDP is forecast to be 4.6 per cent or \$709 million in 2009. Tourism produces a strong multiplier effect within the economy; every tourist dollar produces more than twice that amount in GDP. The industry employs over 20,000 people and assists rural development as 80 per cent of operations are outside urban centres.

Of the obstacles to further growth, visible and invisible costs loom large as they are the highest in the region on average. For example, 2008 labour costs in nature-based tourism were 360 per cent of average labour costs in neighbouring countries and labour productivity is 30 per cent of that in Thailand or Malaysia. Import tariffs are high, as is corporate tax, and red tape is prohibitive: tourism enterprises need around ten licences (hotels

A thin schedule: international flights to Zambia

South African Airways	2 x daily, Johannesburg (JHB) to Lusaka (LUN) 2 x daily, JHB to Ndola 1 x daily, JHB to Livingstone
Airlink	2 x daily, JHB to LUN, Mon–Fri 1 x daily, JHB to LUN, Sat–Sun
Ethiopian Airways	1 x daily, Addis Ababa to LUN
British Airways	3 x per week, London to LUN 1 x daily, JHB to Livingstone
Kenya Airways	4 x per week, Nairobi to LUN
Zambezi Airlines	3 x per week, Dar-es-Salaam to LUN 8 x per week, JHB to LUN 5 x per week, JHB to Ndola
Air Namibia	5 x per week, Windhoek/LUN
Air Zimbabwe	3 x per week, Harare to LUN
Air Malawi	3 x per week, Lilongwe to LUN
1Time	4 x per week, JHB to Livingstone

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about thirty) and the cost of compliance is an estimated fifty days' labour every three months per operator.

Zambia is also off the beaten track. The country is theoretically a signatory to a pan-African 'open skies' agreement, but in practice competition is insufficient. Intercontinental airfares are around 20 per cent more than those to South Africa and Tanzania, and domestic airfares are comparable in price to regional fares. Jet fuel is the most costly in the region, even though government has removed all taxes, and landing/parking costs are above regional norms. And once landed, tourists are faced with visas that are relatively expensive (\$50 for many Western countries, against \$30 in Zimbabwe and a waiver in Botswana).

Tourism provides a good illustration of why Zambia must grasp the nettle while Zimbabwe is in the doldrums. Zambia has around 1,500 hotel beds (1,200 in Livingstone, 150 in South Luangwa and an equal number in the Lower Zambezi), which operated at 57 per cent occupancy in 2009. Zimbabwe has double the beds in Victoria Falls alone, but occupancy rates in the latter have hovered at around 30 per cent in recent years. Once beds begin to fill again across Zimbabwe, Zambian tourism will face stiff competition.

Road transport

In spite of Zambia's size, the country's transport network was conceived as a compact system serving colonial needs and built around a line of rail running from Livingstone through Lusaka and Kabwe north to the Copperbelt. The government has for many years been conscious of the need to maintain the road network and devotes a large proportion of its infrastructural budget to this purpose (60 per cent of that budget between 2004 and 2006), but most of this goes to main roads; rural roads and expansion projects are relatively neglected. Around 40 per cent of the main road network is in good condition with an equal amount in poor shape—and rural roads fare worse, with over 50 per cent in poor condition and only 15 per cent rated good. Where the roads are poor, they have a direct and highly visible economic cost, not only to the millions of farmers who struggle to access markets, but also to the large players such as the mining companies.

Rail

Zambia's railways, previously the lifeline of the country, have fallen into disrepair. In 1975, freight traffic exceeded 6 million tonnes, but it fell to 4.5 million tonnes by 1988—and then collapsed over the next ten years to 1.4 million tonnes. Mismanagement, a bloated workforce, lack of maintenance and the emergence of a competitive trucking industry

Government could consider building toll roads in mining areas

Regional transport nightmare

In February 2010, Brenthurst Foundation researchers accompanied a truck driver travelling from Johannesburg, South Africa, to Zambia's Copperbelt. Statistics from this trip reveal that:

- Road conditions are poor—average driving speed was only 56kmh
- Borders are highly congested—one third of the trip was spent at borders
- Crime is a major issue—security for drivers and goods is very poor and security costs are high.

A supplementary field trip was also made to Kasumbalesa, the border post between the Copperbelt and the Katanga province of the Democratic Republic of Congo. Here, regional problems are manifested in extreme form:

- Most truckers wait 2–5 days to cross; some as long as 14 days
- Security is perilous
- Rampant corruption.

in the 1990s were among the reasons for this meltdown. Attempts have since been made to reverse the trend through the granting of a twenty-year concession to a consortium fronted by Railway Services of Zambia (RSZ). The concessionaire was required to invest \$15 million in track, rolling stock and railway equipment during the first five years of operation and is paying fixed fees to a total of \$250 million over the twenty years. Ownership of infrastructure is retained by government. The agreement covers freight and passenger services between Livingstone and the Copperbelt.

The results have been disappointing. By 2007, freight traffic was no better than it had been in 1998, registering at just over 1.4 million tonnes, and it was worse in 2008, dropping to 1.1 million tonnes. Road haulage, with more predictable transit times and cost structures, is filling the gap and taking a heavy toll on Zambia's roads.

Members of government have repeatedly expressed dissatisfaction with these outcomes and relations with RSZ have been poor. On the other hand, RSZ asserts that these criticisms are not well founded, stressing that it has gone well beyond its obligations on infrastructure, but is encumbered by a massive rehabilitation backlog given that the government had run the system into the ground. Theft and vandalism of track components and

South African operators have indicated an immediate willingness to increase flights into Lusaka

Looming power shortage

- Installed capacity 1730MW—99.9% hydro
 - Kafue Gorge 900MW but with 300MW expected to go offline shortly
 - Kariba North 720MW
 - Victoria Falls 110MW
 - smaller power stations 20MW
- Current demand 1450MW—a 70% increase in five years
- Demand will spike to 2,500MW within five years
- Many proposed expansions, but few major projects started—and a history of rubbery agreements and construction lead-times
 - Kariba North extension 360MW—work begun and completion in 2012 or later
 - Kalungwishi 160MW—agreement signed, construction time 6+ years
 - Itezhi-Tezhi 120MW—Zesco/TATA SPV looking for further finance, construction 4+ years
 - Kafue Gorge Lower 600MW—still at conceptual stage, construction 7+ years
 - Maamba coal-fired project 300–450MW—agreement signed, optimistically 3+ years

other hardware is also a serious problem. RSZ says that these issues, added to the fact that the company has been made to pay a road levy on diesel, consume a large portion of revenue and make the business a marginal one. Nonetheless, the company points out, with some justification, that it continues to provide a service despite the odds—and at no cost to the taxpayer, in stark contrast to the previous regime.

As a double-landlocked country, Zambia is also constrained by regional inefficiencies. The rail link from central Zambia through Tanzania, known as the Tanzania–Zambia Railway Authority (TAZARA) and built in the 1970s for mainly ideological reasons, is heavily in debt (\$45 million in late 2008) and plagued by an enormous maintenance deficit, while its end-point, the port of Dar-es-Salaam, is highly inefficient—sometimes delaying exports for as long as three months. To the south, Zimbabwe’s rail network has fallen apart and South Africa suffers frequent bottlenecks in motive power and handling facilities.

Unscheduled
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Power

The Zambian power sub-sector has been in a healthier state than in neighbouring Zimbabwe, generally operating at a surplus of 600 megawatts (MW), but at peak times demand reaches around 1,450MW, which is 280MW below installed capacity. More alarmingly, demand has risen 70 per cent in the last five years and is expected to jump dramatically to 2,500MW over the next five years, largely because of increased use by mining operations, which consume 60 per cent of the nation's energy. Aside from this looming capacity crunch, the network is highly inefficient, with transmission loss running at 4.5 per cent and distribution losses at 33 per cent. Unscheduled outages, sometimes countrywide, are frequent.

The parastatal Zambia Electricity Supply Corporation (ZESCO), which produces, transmits and distributes nearly all the country's power, has planned around \$1 billion in expansion and rehabilitation projects, but its ability to attract funds on the money market is questionable given the utility's poor management. Concurrently, private involvement has so far been limited, even though the power industry has been deregulated. Low tariffs are an obstacle and may cause difficulties for the government's latest attempts to attract private capital.

The private sector is the key strategic partner in economic development

Mobilising Zambia

Zambia is in a good position to invest in areas of comparative advantage given the groundwork of the 1990s and 2000s. Its policy-makers are well aware of most of the specific obstacles to economic growth—indeed, more so than outsiders—but there appears to be advantage in sharpening policy via more conscious reference to the thematic problems identified on the first page of this paper. Suggestions in this regard include:

- greater efforts to sell to Zambians the benefits of a free-market economy and accelerated growth, perhaps using the 50th anniversary of Zambia’s independence (2014) as a reference point
- stronger conviction within government that the private sector is the key strategic partner in economic development
- an urgent, prioritised economic strategy focused on policy certainty and infrastructure.

The latter could, for example, take the following form, using 2014 as a deadline:

Regulatory environment

Make Zambia the best low-middle income performer on the World Bank ‘Doing Business’ survey and the World Economic Forum’s competitiveness rankings.

Special efforts are needed to bring about regulatory and policy uniformity/competitiveness in agriculture (by minimising disruptions such as interventions in the grain/fertiliser markets and arbitrary changes to land tax) and tourism (drastically reducing red tape, lowering costs to operators and attracting more airlines). For the copper industry, a win–win for government and the miners might involve adoption of Chile’s tax system as a best practice model.

Chile’s tax system

The Chilean system is predictable and uniform for all industries except that for large mining companies (producing over 50,000 tonnes a year of copper or its equivalent in other products) there is an additional tax which is on a sliding scale, but which peaks at 5 per cent of net sales, after production costs. In over twenty years the system has been altered (modifications aside) just once (in 2004). In addition, investors from abroad have had access to Stabilisation Contracts for over twenty-five years which have never been unilaterally altered and are enforceable under international arbitration. With these pillars in place, Chile rose from one-time international pariah to being the darling of the global mining community and now accounts for about a third of traded world copper production.

There is significant untapped private capital available

Local ownership and involvement

Double the number and volume of listed companies on the domestic equities market.

Possible innovations in this regard include listing, as committed, state shares in mining companies. The proceeds could be placed in a managed (and geared) infrastructure fund and would be sizeable (perhaps as much as \$5 billion).

Road transport

Halve railway and road journey time within Zambia.

In conjunction with the private sector, government could consider building toll roads in mining areas, where road conditions are dire. It is also within the power of government to do more to clean up Zambian border posts. A good start has been made at Chirundu, but serious problems still exist, and Kasumbalesa is anarchic.

Energy

Set staggered delivery targets on energy production.

Herein, investment bankers judge that there is significant untapped private capital available for building power infrastructure, but the conditions must be made more attractive in view of the high costs and long timelines to which investors must commit. Government is aware of the need to abolish sub-economic electricity tariffs, yet these and other obstacles must be tackled as a matter of urgency. Thought should also be given to building infrastructure that will serve and be financed by the private sector alone as per toll roads above.

Tourism

Double domestic and international airlinks.

Efforts could be made to expand bilateral links with South Africa as critical first step. South African operators have indicated an immediate willingness to increase flights into Lusaka given the right conditions.

Agriculture

At least double the area under leasehold.

Commercial farming is the best bet for quick and strong gains in agriculture's contribution to GDP, foreign exchange and employment growth—and the

area of land under leasehold provides a useful benchmark for measuring progress. As indicated, the ‘how’ is, in the main, tied to factors that affect most sectors of the economy: regulatory reform and better access to markets.

The precise form of any intensified growth strategy could replace, refine or overlay existing plans and is for Zambia to decide. However, it is suggested that their basis—the first three points above (mobilisation, better public/private sector relations, a certainty/infrastructure-focused policy)—are a *sine qua non* of accelerated growth and cannot in themselves be either improvised or ignored. Failure to grasp and implement them will guarantee failure of pretensions to a paradigm shift in Zambia’s economy. If Lusaka’s policy-makers choose to hear anything amid the din of well-intentioned advice, it must be this.

** Inter alia, this report draws on various World Bank publications available at www.worldbank.org/zambia, in addition to working paper no. 24 published by the Food Security Project, Lusaka, 2007 and ESA BMO Network paper on access to power in Zambia, 2009, <http://www.esabmonetwork.org/esa-bmo-network/publications/publications/2009.html>. The Brenthurst Foundation gratefully acknowledges provision of unpublished data by the World Bank office in Lusaka and assistance from First Quantam Minerals, the Tourism Council of Zambia and the Office of the President.*