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Zambia Development Agency (ZDA) Approves US\$462 million Investment

According to the Zda Spotlight, Zambia's investment inflow has continued to increase with the agency approving investment license applications worth about US\$462 million in July, 2009. This represents a 40 percent increase compared to the investment inflow of US\$281.4 million in June, 2009. The approved investment applications were from 28 applications with a total of 3, 982 new job opportunities expected to be created once implemented.

The applications were from various sectors such as real estate, agro-processing, health, services and tourism sectors. Others were from construction, transport, agriculture and manufacturing sectors. Zda Spotlight highlighted that the agro-processing sector registered the largest pledged investment of US\$267 million followed by the real estate sector with about US\$88.7 million and other sectors shared the remainder.

Statement at the Conclusion of an IMF Staff Mission to Zambia

An International Monetary Fund (IMF) mission visited Zambia August 31-September 4, 2009 to review economic developments in 2009 and the government's plans for the 2010 budget. The mission met with the Minister of Finance and National Planning, Hon. Situmbeko Musokotwane, MP; Governor of the Bank of Zambia, Dr. Caleb Fundanga; other senior officials; as well as with representatives of the business community and Zambia's cooperating partners.

At the conclusion of the visit, Mr. George Tsibouris, mission chief for Zambia, released the following statement in Lusaka:

"Zambia was hard hit by the recent global economic crisis. The collapse in copper prices in the second half of 2008 put pressure on the mining sector that resulted in significant job losses. Moreover, the reduced inflows of foreign exchange, along with withdrawals by portfolio investors, led to a sharp depreciation of the exchange rate in the first months of 2009. This, in turn, led to a sharp contraction in imports and a shortfall in import-related government revenue relative to budgeted levels. As some donor support was also delayed, execution of spending proved to be challenging.

"The worst of the global recession appears to be over, although the pace and extent of the recovery is not yet well established. With a strengthening external environment, the outlook for the Zambian economy is beginning to improve. The more-than-doubling of copper prices since the beginning of the year, along with some improvement in other sectors, will underpin somewhat higher GDP growth in 2009 than previously forecast and strengthen the balance of payments. The improved outlook is already being reflected in the appreciation of the Kwacha since May of this year. The recent exchange rate appreciation should, over time, help rein in inflation, as should the expected deceleration in food price increases given the bumper harvest.

"The shortfall in revenue in 2009 has resulted in the government accessing financing from the Bank of Zambia, supported by the increased access to IMF resources, in order to meet its capital spending targets. Depending on revenue performance in the

second half of the year, additional recourse to such financing may be necessary to achieve proper execution of budgeted spending.

“The authorities and the mission agreed on a framework for the 2010 budget which maintains the focus on increased spending on priority capital projects and social sectors, while remaining consistent with macroeconomic stability. The authorities and the mission had a preliminary discussion on the IMF’s recent allocation to Zambia of Special Drawing Rights (SDR) in an amount equivalent to about US\$600 million, which, in the first instance, greatly expands Zambia’s international reserves and provides a stronger foundation for exchange rate stability going forward.

“The mission will return to Lusaka in mid-October to conduct the discussions for the 2009 Article IV consultation and the third review of the Poverty Reduction and Growth Facility (PRGF) arrangement. This will provide an opportunity to revise, if necessary, the targets of the economic program for end-2009 and to set targets for 2010. At that time, the mission will re-assess whether Zambia would need further financial assistance from the international community.”