



## Activity brief (December 2014)

### Financing Economic Transformation in Zambia: Designing Policies for Economic Diversification and Increased Employment

December 2013 – August 2014

**Background:** Zambia, like many African countries, is richly endowed with mineral resources.

There is an immediate problem of financing that needs to be solved urgently and that relates to the extremely high interest rates that prevail and act as a serious handicap for potential new investors. In the long term, there is also a key question of how Zambia can derive greater benefits from its mineral industries, particularly from copper mining, and how revenues can be used more effectively to enhance development and to create new jobs.

**Objectives:** The purpose of the activity was to:

- explore ways in which Zambians at all levels can gain access to investment funds at much lower interest rates than at present; and
- suggest how the proceeds from the existing copper industry can be used in new ways to facilitate the diversification of the economy and allow the creation of many new jobs.

**Activity description:** The activity involved: an appraisal of Zambia's attributes and opportunities; the identification of the key constraints and obstacles that stand in the way of progress; and the design of policies to overcome or ameliorate these blockages.

The activity had a strong economic diplomacy focus, with support for the activity coming from the Vice President of Zambia and the Cabinet Office in Zambia.

**Sector:** Extractives

**Outcomes:** The key outcomes from this research were:

- an analysis of the key reasons why interest rates and the interest rate spread in Zambia are so high;
- recommendations on the policy steps that can be taken to ameliorate this situation;
- an analysis of the revenues that have been obtained by the Zambian Government over the years, and a comparison of these income streams with those achieved in other similar copper producers, such as Chile;
- recommendations on the policy initiatives that can be taken to achieve higher levels of revenue;
- an analysis of the linkages with the copper industry that can be utilised to create new enterprises and enhanced employment; and
- an analysis of existing labour market policies in Zambia, with recommendations on what government policies can be developed to enhance private sector investment and create new jobs.

**Participating country:** Zambia

**Date approved:** 18/11/2013

**Implementation partner:** Analysis International

**Total cost:** AUD 104 100

