LESSONS FROM THE PRIVATE SECTOR DEVELOPMENT REFORM PROGRAMME IN IMPROVING THE BUSINESS ENVIRONMENT: ACHIEVEMENTS AND CHALLENGES

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BACKGROUND & CONTEXT

• Private Sector Development Reform Programme (PSDRP) is a framework for the Government of Zambia, created to reflect its commitment to improving the business environment and to reduce the cost of doing business.

• PSDRP targets to fast track and accelerate private sector reforms in a number of key sectors which are expected to lead to an improved competitive business environment.
BACKGROUND & CONTEXT

• Private Sector Development – adopted as a development strategy for promoting economic growth and creating jobs and wealth

• PSD involves building private enterprises creating access to markets

• The reform programme is a Zambian Government programme focusing on reforming, enhancing private sector development and improving the investment climate.

• PSDRP I - 2006-2009

• PSDRP II - 2010-2014
PRIVATE SECTOR DEVELOPMENT REFORM PROGRAMME (PSDRP)

REFORM PRIORITIES

- Business licensing reforms
- MSME DEV
- LABOUR REFORMS
- PPP DEV
- DOING BUSINESS REFORMS

OUTCOME

Reduction in time, cost and procedures

Capacity building, Gender mainstreaming Reform communication
What do reforms address

Regulations, laws, policies, institutions

Develop mechanisms for quality regulations

Transparency and predictability

Improve regulations, laws, policies that govern business
Streamline and simplify processes, procedures so as to increase compliance and maximize benefits of private sector participation
Make it less costly in terms of time effort and cost for businesses to operate
LESSONS LEARNT

• Political support and commitment to reform is cardinal.

• An implementation framework of PSD reform actions helps coordinate reforms across different sectors and create ownership.

• Continuous reform and consultation is required to increase reform success.
LESSONS LEARNT

• The Government, is the prime mover of the reforms and must ensure that the reform process is sufficiently consultative, and that all its key local partners in both the public and private sectors participate.

• Stakeholder consultation is key to successful reform implementation and buy in, public and private sector stakeholders
Lessons learnt

• Coordinating structure provides support for technical and administrative requirements of the reform process and identifies faster ways of implementation.

• Using a coordinated mechanism for funding and responding to the reform issues strengthens capacity for implementation, provided orderly and timely consultations, and ensured that resources required for Programme implementation are made available promptly.
• Roles must be defined and understood
  – Public sector role is to create legislation that is business friendly and facilitates private sector growth.
  – Private sector role is to provide input into the process of developing business friendly legislation and point out when difficulties are noted
• Public and Private sector both have monitoring and evaluation roles
Lessons Learnt

The implementation mechanism is GRZ owned, and Line ministry Permanent Secretaries play key role in reform process

High level monitoring provided by Steering Committee with Private Sector and Public representation is necessary to provide leadership and policy direction
CHALLENGES

PSD reform actions not fully mainstreamed resulting in limited ownership of the Programme at institutional level, thus affecting pace of implementation

lack of a built-in mechanism for harmonizing the divergent stakeholders’ needs and interests at political, institutional and technical levels

Insufficient reform communication about achievements

resistance to change at institutional level
Some PSDRP I achievements (2006-2009)

- Two institutions created (ZDA & CEEC)
- 4 policies approved (ICT, Energy, PPP, MSME)
- 8 Acts passed by parliament (Zambia Tourist Board, Tourism and Hospitality Act, Small Claims Court, Labour and Industrial Relations Act, PPP Bill, ICT Bill, Postal Bill, ECT Bill)
- 2 Department created (Dept of Communication & PPP Unit)
- Credit Guarantee Scheme for MSEs established
- Ease of Doing Business ranking for Zambia improved to 90
- Business Licensing Inventory baseline completed (517)
ACHIEVEMENTS
2010-2012

• Online name search system for business names search developed.
• Registering a business reduced from 30 days to one day.
• An informational e- business license database (ERegistry) has been established.
• ZRA consolidation the entire domestic taxes into one department to increase efficiency.
• It takes three days to complete property tax process and three days for tax registration.
• ZRA has introduced a pre-clearance system which enables goods to be cleared before arrival at the port of entry.
• Customs clearance takes three days for import and Customs clearance takes one day for export.
• One stop Border post at Chirundu has been established.
ACHIEVEMENTS 2010-2012

• 92 licenses have been eliminated
• One stop shop for business registration set up
• Customs E-payment in place. This allows taxpayers to pay their taxes online for customs taxes.
• Single business levy has been implemented across all local authorities
GLOBAL PERFORMANCE

Top 10 global reformer (World Bank)

Fastest growing economy in Africa and 25th in the World (CIA)

B+ Sov. Credit rating (Fitch, S&P)

Reclassified lower middle income economy (World Bank)

Zambia Issued US$750 million Eurobond

10/29/2012
Regional Performance

Ease of Doing Business

Zambia is ranked as follows:

- COMESA: 3
- SADC: 5
- Sub Saharan Africa: 7
- Africa: 8

Global competitive index

Zambia ranked 8th in Africa
Ease of doing business
SADC countries

- South Africa: 35
- Botswana: 54
- Namibia: 78
- Zambia: 84
- Swaziland: 124
- Regional Average (Sub-Saharan Africa): 137
- Lesotho: 143
- Angola: 172

Ease of Doing Business
ACHIEVEMENTS
Global Competitiveness index

- 2010-2011: 115
- 2011-2012: 113
- 2012-2013: 102
CONCLUSION

- PSDRP will continue to contribute to the improved competitiveness of the Zambian economy, through targeted business environment reforms and PSD interventions
- Results are slow but visible
- Sustaining and accelerating investment climate reforms through the PSDRP will continue to be pursued and implemented.