UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNCTAD

report on the implementation of the investment policy review

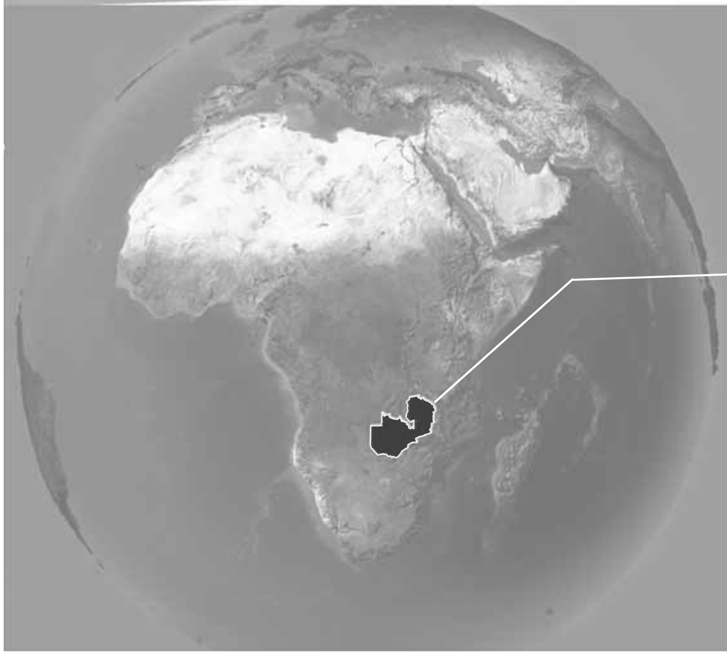
ZAMBIA

UNITED NATIONS

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

report on the implementation of the investment policy review



ZAMBIA

UNITED NATIONS
New York and Geneva, 2014

Notes

UNCTAD serves, under its overall mandate on trade and development, as the focal point within the United Nations Secretariat for all matters related to foreign direct investment. This function was formerly performed, between 1975 and 1992, by the United Nations Centre on Transnational Corporations. UNCTAD's work is carried out through intergovernmental deliberations, research and analysis, technical assistance activities, seminars, workshops and conferences.

The designations employed and the presentation of the material do not imply the expression of any opinion on the part of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The following symbols have been used in the tables:

- **Two dots (..)** indicate that date are not available or not separately reported. Rows in tables have been omitted in those cases where no data are available for any of the elements in the row.
- **A short dash (-)** indicates that the item is equal to zero or its value is negligible.
- **A blank in a table** indicates that the item is not applicable.
- **A slash (/) between dates** representing years — for example, 2009/10, indicates a financial year.
- **Use of an end dash (–) between dates** representing years — for example 2008–2010 signifies the full period involved, including the beginning and end years.
- **Reference to "dollars" ($)** means United States of America dollars, unless otherwise indicated.
- **Annual rates of growth or change**, unless otherwise stated, refer to annual compound rates.
- **Details and percentages** in tables do not necessarily add to totals because of rounding.

UNCTAD/DIAE/PCB/2014/2

Contents

Abbreviations

BIT	bilateral investment treaty
CEEC	Citizens Economic Empowerment Commission
ERB	Energy Regulatory Board
FDI	foreign direct investment
ICT	information and communications technology
ILO	International Labour Organization
JICA	Japan International Cooperation Agency
IPR	investment policy review
LDC	least developed country
MSME	micro, small and medium enterprise
NAPSA	National Pensions Scheme Authority
NSDP	National Strategic Development Plan
OSS	one-stop shop
PACRA	Patents and Companies Registration Agency
PPP	public–private partnership
PSDRP	Private Sector Development Reform Programme
ROADSIP	Road Sector Investment Programme
SADC	Southern African Development Community
TEVET	technical education, vocational and entrepreneurship training
TNC	transnational corporation
VAT	value added tax
ZAMTEL	Zambia Telecommunications Corporation
ZDA	Zambia Development Agency
ZICTA	Zambia Information and Communication Technology Authority
ZIMLIS	Zambia Integrated Management Land Information System
ZRA	Zambia Revenue Agency

Investment Policy Review Series

1. Egypt
2. Uzbekistan
3. Uganda
4. Peru
5. Mauritius
6. Ecuador
7. Ethiopia
8. United Republic of Tanzania
9. Botswana
10. Ghana
11. Lesotho
12. Nepal
13. Sri Lanka
14. Algeria
15. Benin
16. Kenya
17. Colombia
18. Rwanda
19. Zambia
20. Morocco
21. Viet Nam
22. The Dominican Republic
23. Nigeria
24. Mauritania
25. Burkina Faso
26. Belarus
27. Burundi
28. Sierra Leone
29. El Salvador
30. Guatemala
31. The former Yugoslav Republic of Macedonia
32. Mozambique
33. Djibouti
34. Mongolia
35. Bangladesh
36. Republic of Moldova

1. Introduction

The Investment Policy Review of Zambia (IPR), published in 2006, assessed this country's legal and institutional framework for investment. It also proposed a foreign direct investment (FDI) strategy to encourage economic diversification and reach sustainable development objectives. To meet these goals, it recommended a number of policy reforms aimed at reducing the cost of land and air transport, addressing skills shortages, promoting private sector growth through enterprise development, and increasing the country's trade competitiveness. The IPR also suggested a series of institutional reforms to improve business facilitation. It encouraged Zambia to continue pursuing macroeconomic stability, reducing the high cost of borrowing and developing critical infrastructure, including roads and electricity in rural areas.

In 2013, the Government requested UNCTAD's assistance to prepare a report on the implementation of the IPR. A fact-finding mission took place in September 2013 in Lusaka to complement desk research undertaken in Geneva. Because the circumstances have changed since 2006, ongoing economic and political developments in Zambia call for the incorporation of some new elements to the recommendations of the original report. Thus, the summary of findings presented in this report also includes some new elements for the assessment of Zambia's institutional and legal frameworks as well as to inform the investment policy in the years ahead. This report also reflects written comments from various stakeholders, including ministries and agencies of the Government of Zambia.[1]

2. Summary of findings

Since the completion of the IPR, the country has made substantial progress in implementing its recommendations. Out of 26 recommendations, it has substantially or fully implemented 12, and partially implemented 12. Only two were not implemented (see section 4). Since 2006, key economic indicators in the country point to high gross domestic product growth, led by the mining sector and buoyed by favourable international prices and strong demand for copper. Zambia has also maintained and consolidated political stability and developed a resilient investment climate. As a result, in 2011, Zambia

[1] This report was prepared by Ariel Ivanier and Massimo Meloni under the direction of Chantal Dupasquier. Overall guidance was provided by Joerg Weber, Head of the Investment Policies Branch of the Division on Investment and Enterprise (DIAE), and James Zhan, Director of DIAE. Substantive contributions and support were provided by Hans Baumgarten. Irina Stanyukova provided statistical support.

graduated to lower-middle-income status in the World Bank country classification. This can be, in part, attributed to ongoing institutional change and a relatively high implementation rate of policy reforms, including those recommended in the IPR.

Key areas of progress

Significant progress in implementing IPR recommendations was recorded in the following areas:

- *Business facilitation and enterprise development*: The country authorities moved forward in establishing the Zambia Development Agency (ZDA), including its investment promotion arm, which has started a programme of investor aftercare and advocacy activities. A reduction and rationalization of licensing requirements, the opening of one-stop shops for investment facilitation, as well as streamlining of company registration procedures were also implemented. In addition, the Government successfully launched UNCTAD's entrepreneurial development programme – EMPRETEC – as well as a linkages programme aimed at enhancing the benefits of FDI for domestic enterprises.
- *Access to finance and macroeconomic policy*: The Bank of Zambia designed policies to lower the cost of domestic borrowing with a significant reduction of the reference interest rates. A partial reduction of general tax rates and a rationalization of incentive schemes were also progressively implemented. These reforms contributed to maintaining a stable macroeconomic environment, including lowering inflation to single-digit figures and controlling sudden fluctuations in the exchange rate. The Government is committed to continue lowering the general tax rates while at the same time widening the tax base in order to strike a balance between the need to adopt a competitive tax regime and to collect sufficient revenues to finance its development agenda.
- *Improved infrastructure and services*: The Government sustained investment to progressively improve roads and the electricity network. The adoption of a Rural Electrification Master Plan and the increase in private generation of electricity are commendable efforts. Also, the reduction in the licensing fees for telecommunication and the increased competition in international voice and data services were key to reducing the costs of doing business, while being instrumental to the successful migration from dial-up to broad-band connections. Transparency in pricing for public utilities was also improved through the establishment of independent regulatory bodies (that is, the Zambia Information and Communication Technology Authority (ZICTA) and the Energy Regulatory Board (ERB)).

In addition to these policy changes, other important reforms adopted since 2006, not touched upon in the IPR, went in the direction of improving the country's prospects for long-term sustainable growth. Outstanding reforms include the taking up of long-term development and mid-term implementation plans with clear and measurable targets (that is, Vision 2030 and the Fifth and Sixth National Development Plans); the ongoing expansion of the national airport infrastructure (including new terminals with cargo rooms); the progressive implementation of the Private Sector Development Reform Programme (PSDRP I and II); ongoing regional trade facilitation initiatives, including e-government reforms such as the One-Stop Border Posts; the adoption of a Public–Private Partnership Act (2009) and enactment of a related policy; the modernization of environmental legislation through the Environmental Management Act (2011). In addition, the successful issue of a 10-year eurobond in 2012 worth $750 million (the first international sovereign bond in the history of Zambia). It is destined to the upgrading of key infrastructure, including the energy, railways and roads networks. Also, in 2012, Zambia achieved compliance status at the Extractive Industries Transparency Initiative, which sets a global standard to ensure transparency for the revenues of the extractive sector.

All these reforms are reflective of active government policies creating synergies with the private sector in an optimistic investment environment, which has had an impact in the more than doubling of average FDI inflows during recent years (see section 3).

Areas for further reforms

However, in some policy areas, reforms have lagged. A number of IPR recommendations, especially those aimed at fostering economic diversification towards manufacturing and services, has only been partially implemented.

Among the pending reforms are some key provisions affecting the legal framework for business. For instance, the replacement of the process of granting permits under ZDA with a simple registration for statistical purposes has not yet been discussed by the authorities. In line with the IPR recommendation, The requirement for investment licences has been replaced by ZDA investment certificates. The removal of certification by ZDA could, however, further improve business facilitation at no real cost for the national economy.

In addition, the bias against small and medium foreign investors in accessing land and incentives persists. Following the ZDA Act, only investments above $500,000 are eligible for incentives and have access to facilitation by the ZDA in accessing land or foreign skills. Below this threshold, foreign investors can only access land if they satisfy a joint-venture requirement with a Zambian investor. These restrictions were introduced as measures aimed at boosting local small and medium investors who lack the capacity to compete against their foreign counterparts. However, in marginalizing small- and medium-scale foreign investors, Zambia sacrifices their potentially major impact on economic development, including job creation, and diversification, for instance in tourism or horticulture and floriculture. Such legitimate policy concerns should be addressed in more targeted ways, including by drawing a defined negative list of activities where foreign investment is restricted and removing the policy bias in other sectors.

In terms of skills development, the issues raised in the IPR regarding the need to address the scarcity of technical and managerial expertise in the Zambian labour market and to adopt a skills attraction policy are still relevant, as no policy change has taken place since the IPR. In fact, in the context of the mining boom, these issues have become even more urgent. Although public institutions such as the Technical Education, Vocational and Entrepreneurship Training (TEVET) have been helpful in promoting vocational and technical education activities, they do not seem to provide the necessary knowledge and flexibility required for highly specific needs, especially in creating synergies with those light industries that could benefit from the booming mining sector. On what concerns tax rebates, expenses incurred on technical education are still tax deductible (capped at 15 per cent of taxable profit) according to the Income Tax Law. The Government has not, however, incorporated training and skill development needs in the tax regime through the proposed implementation of a double deduction from corporate income tax for human resource development. In addition, foreign investors who depend on imported talents for management and highly technical tasks continue to face a very rigid permitting system, which relies on ad hoc decisions by immigration authorities. These are, in turn, neither grounded on a needs assessment of the labour market, nor do they follow official policy instruments defining sectoral economic development priorities.

As the economy continues to grow, skills shortages will need to be addressed to avoid new economic bottlenecks and to better foster spill-over effects. A more pro-active skills attraction policy is necessary to facilitate the entry of talents and skills in priority sectors, as well as the learning opportunities for the local workforce. In this regard, the Government may wish to consider a clearer separation in the legal instruments governing employment, immigration and foreign investment. A way forward could be the adoption of an investment code that clarifies the conditions for entry, treatment and protection of foreign investors, including a negative list of sectors that will be closed (entirely or partially) to foreigners and the related non-citizen employment provisions. At the same time, the Government should consider adopting an automatic quota system for key expatriate positions, or a sliding scale that proportionally grants permits to foreign nationals according to the size of investment.

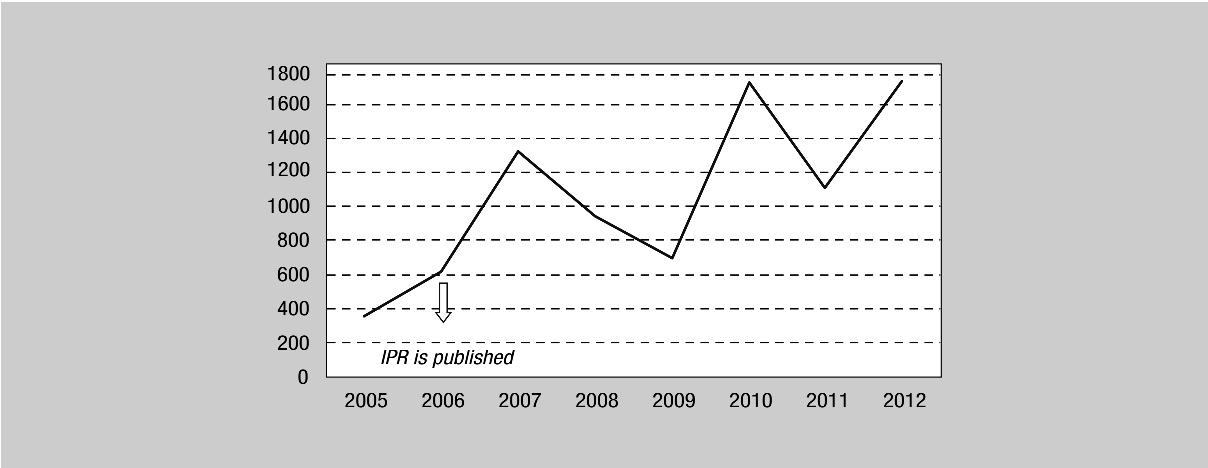
Another area where reform is awaited concerns the improvement of infrastructure and the removal of bottlenecks in transport, particularly for air cargo. No reduction of airport landing fees has occurred since 2006 and, in order to fund ongoing airport infrastructure works in Lusaka and three other cities, a new levy has also been created. Interviews with business associations confirmed that fuel prices continue to be high when compared with neighbouring countries. Only minor taxes imposed on fuels have been eliminated, and the high cost of transport continues to be influenced by the persistence of high import duties on final petroleum products.

Finally, interviews with different investment stakeholders have highlighted increasing unease on the lack of appropriate consultation or information in the passing of key laws affecting business. This situation has led to a number of sudden policy decisions becoming contested and sometimes adjusted after their passing. Such is the case for the recent introduction of statutory instruments that regulate foreign exchange transactions and the minimum wage. Even if many stakeholders approved the Government's decision to promote a de-dollarization of the Zambian economy, the measures that banned companies from conducting their business in dollars, or that required repatriation of the proceeds of exports with a value in excess of $10,000 within 60 days were deemed too costly in terms of the ease of doing business. Similarly, a unilateral decision by the Government to increase the minimum wages in 2012 left many employers unable to adjust their budgets accordingly. The increase, even when long overdue for some industries, generated complaints by the business community and also by trade unions, especially in those sectors where the new thresholds turned companies uncompetitive.

3. Foreign direct investment trends

FDI inflows to Zambia averaged $164.9 million per year in the period 2001–2004, the period preceding the IPR. They had never exceeded $225 million in a given year. Since that time, FDI has more than tripled, reaching an average above $1 billion in the period 2006–2012.

Zambia net FDI inflows
(Million dollars)



Source: UNCTAD FDI/TNC database and Bank of Zambia.

Most investments were in the mining sector, manufacturing, deposit taking corporations, construction, and wholesale and retail trade. The latest Foreign Private Investment and Investor Perceptions Survey conducted by the Government of Zambia showed that, in 2012, investments in mining activities amounted to 54 per cent of total FDI.[2] They are followed by manufacturing (27 per cent), deposit-taking corporations (11 per cent), construction (3 per cent), and wholesale and retail trade (2 per cent).

Few source countries dominate FDI inflows and stock. According to the same survey, Canada, South Africa, the Netherlands and the United Kingdom of Great Britain and Northern Ireland were the major source countries for Zambia's FDI inflows (accounting for 95 per cent). In terms of FDI stock, Canada, Australia, the United Kingdom, China, South Africa, the Netherlands and Switzerland were the major source countries, investing more than $10,687 million considered together and representing for 86 per cent of Zambia's stock of FDI as of 2012.

The skewed distribution of FDI projects towards mining activities follows a historical path of foreign involvement in the country. At the same time, it shows the limits to the Government's diversification strategy as long as the existing bottlenecks in infrastructure and human resources persist.

The country has improved in terms of relative FDI attraction performance when compared to selected African countries and it remains a high performer when compared to the Southern African Development Community (SADC) region and the group of LDCs. The risk exists, however, that a sudden change in the external conditions affecting commodity markets, which have favoured positive macroeconomic developments and FDI trends over recent years, could halt or reverse many of the positive benefits already achieved.

2 Data provided by the Government of Zambia based on the Foreign Private Investment and Investor Perceptions in Zambia Survey 2013.

Comparative net FDI inflows to, and stock of, selected countries, 2006–2012

Country	Absolute performance			Relative performance							
	Average FDI inflows		FDI Stock	Average FDI inflows						FDI Stock	
	Millions of dollars			Per capita (Dollars)		Per $ 1000 GDP		As % of GFCF		Per capita ($)	% GDP
	2006-2010	2011-2012	2012	2006-2010	2011-2012	2006-2010	2011-2012	2006-2010	2011-2012	2012	2012
Zambia	1'060	1'087	11'994	84.9	83.6	79.3	55.2	38.0	22.6	914.2	59.4
Botswana	325	353	1'318	185.5	205.6	26.5	20.1	11.5	7.4	769.6	7.3
Ghana	1'587	3'271	16'622	66.8	130.9	58.0	83.3	27.9	31.3	659.4	42.2
Lesotho	98	152	839	53.4	86.5	57.6	63.5	22.7	16.0	477.3	35.5
Mozambique	617	3'940	12'632	28.5	177.2	67.5	278.9	42.1	169.4	564.8	84.8
Namibia	631	587	3'491	298.4	271.6	67.6	46.7	28.0	17.0	1'604.5	28.1
South Africa	4'154	5'288	138'964	87.0	110.5	14.6	13.2	6.7	7.0	2'904.1	35.6
Uganda	710	1'308	8'191	22.3	35.5	48.6	59.7	22.7	29.3	219.4	34.7
United Republic of Tanzania	1'027	1'468	10'984	24.5	34.1	49.2	54.8	16.8	16.3	253.5	38.2
LDCs: Africa	12'466	18'255	145'342	25.1	34.0	38.7	40.8	18.7	18.1	267.3	32.0
LDCs	16'347	23'573	185'463	20.0	26.8	32.5	32.6	15.5	14.7	208.4	25.2
SADC	10'075	11'474	196'176	42.2	45.6	21.7	17.6	10.6	8.7	772.5	30.0

Source: UNCTAD FDI/TNC database; World Investment Report 2013.

Note: Based on the data available until May 2013. UNCTAD estimates for GFCF of 2012.

4. Implementation matrix

Zambia IPR implementation matrix

What	Why	How	Status	Findings
I. Improve the regulatory framework for investment	Several areas of the regulatory framework for investment need modernization to improve the competitiveness of the Zambian regime. For instance, some treatment and protection guarantees contained in the ZDA Act, as well as the possibility for foreign investors to access land, are only available to investors registered under the Act. Other aspects of the legal and regulatory framework for investment are problematic for both domestic and foreign investors. These include the fiscal regime, which is characterized by relatively high corporate income tax, compensated for by piecemeal incentives, as well as outdated provisions in the land, labour and access to foreign skills regimes. In particular, the latter is cumbersome and does not target the entry and diffusion of needed foreign talents.	I.1 Restrict investment screening to sectors such as infrastructure and mining, or to investors applying for incentives. Replace investment licensing with a registration requirement for statistical purposes and extend the treatment and protection guarantees of the ZDA Act to all investors.		The ZDA Act (2006) was amended in 2010 in order to remove prison sanctions for investors who fail to produce records, and other documents for the Agency's records or reference; remove the requirement for an export licence for prescribed goods and services, and clarify the type of permits required by different types of investors; increase the screening review period from 15 to 30 days; remove the possibility for the ZDA Board to introduce conditions on a licence, permit or certificate; and introduce online issuance, receipt and payments for licences, permits and certificates of registration. Overall these reforms increased predictability and streamlined the investor permitting process. However, they fell short of the recommendations contained in the IPR. In particular, the current screening process, by limiting the scope of application of the ZDA Act to licensed investors, creates discrimination in the access to land and foreign skills. This disadvantages, in particular, small- and medium-size domestic and foreign investors. It also adds to the uncertainty regarding the treatment and protection guarantees available to investors not registered through the ZDA.
		I.2 Expand bilateral investment treaties (BITs) and double taxation treaties networks with countries targeted for FDI.		Since the IPR, Zambia signed, in 2010, two additional double taxation treaties with China and the Seychelles. It has also concluded negotiations for new BITs with Canada, Mauritius and Turkey but has not yet signed the agreements (as of 1 January 2014). In 2010, the SADC Protocol on Finance and Investment, to which Zambia is a signatory party, came into force, providing all investors, independently of their nationality, a range of treatment and protection guarantees typically offered in BITs.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
I. Improve the regulatory framework for investment		I.3 Reform the fiscal regime by lowering the general level of corporate taxation and reducing the number of incentives. The new regime would be more competitive for all investors and easier to administer and monitor.		The general rate of corporate income tax for manufacturing remains 35 per cent. In agriculture, it has been reduced from 15 per cent to 10 per cent (except for cotton for export without permit, which is taxed at the general rate of 35 per cent). Meanwhile, banks and financial institutions with income in excess of K 250,000 are now taxed 35 per cent instead of 45 per cent.[3] Mining is subject to a corporate income tax of 30 per cent, a Mineral Royalty Tax of 6 per cent (up from 3 per cent before 2013) and an export levy of 10 per cent. The value-added tax (VAT) has also been reduced from 17.5 per cent to 16 per cent. In general, the fiscal regime remains biased in favour of large investors (above $500,000). Some recent changes indicate a trend towards reduced incentives. For instance, capital allowances for mining equipment were reduced from 100 per cent to 25 per cent, and the withholding tax on royalties increased from 15 per cent to 20 per cent in 2013. Furthermore, in 2011, the ZDA Act was revised to remove the possibility for the Minister of Finance to provide tailored incentives for investments above $10 million. Looking ahead, the Government has proposed, in the 2014 National Budget, to align the priority sectors under the ZDA Act to the revised Sixth National Development Plan. Furthermore, the granting of tax incentives accessed through the ZDA mechanism has been rationalized. For instance, import duty exemptions accessed through ZDA will no longer be granted to new businesses that are not operating in a multi-facility economic zone, in industrial park or business enterprise in rural areas.
		I.4 Remove the requirement of presidential consent for land transfers and address urgent land administration reforms.		The requirement for "State consent" for every land transaction remains in force. Consent is issued by the Commissioner of Lands (whose vested power comes from the office of the President). If consent for a land transaction is not granted within 45 days of filing the application, the application is deemed granted. In practice, however, this requirement does not seem to create hurdles to transactions. More urgent reforms include the decentralization functions on land information services for Government to be able to respond faster to market demands and the increase of investments in surveying and registration of land titles. In these areas, progress is expected to materialize soon, as a number of initiatives to digitalize cadastre information are ongoing. These include the implementation of automated software for land identification, surveying and registration (ZILMIS), and a comprehensive audit of land, to be initiated in 2014. The objective is to increase the number of titles from the current 80,000 to 5 million by 2015.

Status: Not implemented partially implemented Substantially implemented Implemented

3 In 2013, the Zambian kwacha was rebased so that 1,000 units of the old currency (ZMK) equals one unit of the new currency (K).

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
I. Improve the regulatory framework for investment		I.5 Introduce an automatic quota system for work permits dependent on size and sector of investment. Publish guidelines on the awarding of work permits.		The legislation has not been altered since 2006. The regime for expatriate employment remains cumbersome and does not target the entry and diffusion of needed foreign talents and skills. A labour market test applies to each expatriate entry and the employer has to prove that all efforts were made to employ a Zambian citizen. Application reviews and decisions are made by a joint committee with representatives of Government (including immigration, labour, anti-corruption and anti-drug), which holds meetings twice per week. In their decisions, the authorities also consider the local employment impact of extending foreign permits. They are generally more restrictive in sectors where crowding-out effects of domestic businesses are likely, such as retail or construction. In the period 2008–2012, 44,436 work permit applications were received, out of which 41,233 were approved. The Department of Immigration has published a manual as well as guidelines and details on the process for hiring foreign labour, both on their website and in printed material.
		I.6 Adopt a more customer-focused approach in commercial courts, including efficient case administration, and amend civil procedure rules to prevent abuse.		The Judiciary Strategic Plan and Development Programme (2009–2013) contains reforms to modernize the judiciary. Under the Programme, all court procedures and records are being computerized into the Zambia Justice Information Management System to accelerate court procedures and make them more transparent. In addition, the number of high court judges has increased with at least 10 new ones being appointed. high courts are also being established in all provinces and major urban areas. In August 2009, the small claims court was set up to fasten the processing of commercial disputes. To the extent that these reforms improve the efficiency of commercial courts or provide suitable alternatives, progress has been made in adopting a more customer-focused approach in commercial justice.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
I. Improve the regulatory framework for investment		I.7 Adopt principle of non-discrimination as a condition for expropriation in article 19 of the ZDA Act (or new law).		Article 19 of the ZDA Act has not been amended to adopt the principle of non-discrimination as a condition for expropriation. Other national legislations enshrining this principle in relation to expropriation have not been enacted either. However, the SADC Protocol on Finance and Investment extends protection against expropriation, on a non-discriminatory basis, to investors from any country.
		I.8 Enable online business registration or, at a minimum, online access for the necessary forms.		Since 2010, the ZDA has established four one-stop shops (OSS) for investment facilitation. The OSS in Lusaka houses representatives from the Patents and Companies Registration Agency (PACRA), the Zambia Revenue Authority (ZRA), the National Pensions Scheme Authority (NAPSA), and the Citizens Economic Empowerment Commission (CEEC). The OSS in Livingstone also includes representatives of the Immigration Department, the Zambia Public Procurement Authority and the Ministry of Tourism. The OSS in Chipata currently houses PACRA and the Competition and Consumer Protection Commission. The OSS in Kitwe has also been made operational and currently houses PACRA. The PACRA website, apart from the access to forms, also provides information regarding fees, invoices, registration processes and on other relevant issues to existing and potential entrepreneurs. According to the latest report by the PSDRP II of 2012, it takes 24 hours to register a business in the Lusaka OSS (down from more than a month before its introduction) and one visit for an applicant to complete the full business registration process. Name clearance is also offered as an online service in the PACRA website and all forms needed to submit an application can be found on the website. At present, applications still need to be submitted in person. However, there are plans to introduce online payments and integrate the databases of PACRA, ZRA and NAPSA, which will make it possible to consolidate the company registration and the tax registration processes. Other ongoing developments include the extension of OSS facilities to up to 10 provincial centres.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
I. Improve the regulatory framework for investment		I.9 Modernize the labour regime in respect to severance conditions to reduce reliance on short-term contracts.	Not implemented	Since 2006, there have been no changes to the Employment Act. The Government is, however discussing a series of reforms. The provisions for redundancy are primarily found in the three Statutory Instruments of 2010 and 2011, which regulate the Minimum Wages and Conditions of Employment Act. These set the minimum severance payments at two months' wages per year of service (except for domestic workers, for whom it is set at one month's wage per year of service). These rates are relatively high and constitute a disincentive to increasing the issuance of permanent employment contracts. A Draft Amendment Act proposed in 2010 was to incorporate the same redundancy benefits and repatriation benefits into the Employment Act. In 2013, the International Labour Organization (ILO) carried out a comprehensive review of the Zambian labour legislation which also emphasized the need to review the termination regime. It also found Zambia at fault with ILO conventions 26 and 131 on what concerns ensuring full stakeholder consultation and participation in wage-fixing.[4]

Status: Not implemented; partially implemented; Substantially implemented; Implemented

[4] See ILO, 2013, "Issues paper: Zambia labour law reform", May.

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
II. Consolidate recent improvements in macro-economic policy	The high cost of domestic borrowing, high inflation and the volatility of the exchange rate have been destabilizing for Zambia's economy, affecting growth and investment in the past.	II.1 Lower the real cost of domestic borrowing; facilitate access to finance by lowering interest rates, mobilizing the support of bilateral and multilateral agencies and introducing venture capital financing.		The lending interest rate for short- and medium-term financing of the private sector has declined since the publication of the IPR, from 28.2 per cent in 2005 to 16.1 per cent by the end of 2012. Yet, they still remain high in real terms, making borrowing costly. In January 2013, the Bank of Zambia introduced caps to the interest rates that commercial banks (18.25 per cent) and non-financial microfinance institutions (42 per cent) may charge to their customers in order to prevent abuses. Despite these improvements, the vast majority of micro-, small- and medium-size enterprises (MSMEs) do not have adequate access to financial services: data from the Zambia MSME Survey highlight very limited use of formal financial products. Overall, no more than 10 per cent of MSMEs are banked.[5] Finally, insurance products for MSMEs are also insignificant. However, some steps have been taken as part of a programme to empower start-up entrepreneurs through subsidized loans in rural areas (see IV.2).
		II.2 Lower inflation and reduce its volatility.		Inflation has been brought down markedly from the early 2000s. The Bank of Zambia has targeted low and stable inflation and has been quite successful in achieving this goal. Despite an increase during the international financial crisis in 2008, overall inflation has come down to single digits. It has fluctuated narrowly around 7 per cent in 2013.
		II.3 Avoid sharp and sudden fluctuations of the exchange rate.		The kwacha has gradually depreciated against the dollar, going from K 3,38 in 2005 to K 5,21 in 2012 (December monthly average). International reserves are at a comfortable three-month import-cover, a record high for Zambia. The Bank of Zambia has targeted four-month import-cover to buffer against possible sharp declines in copper prices.

Status: Not implemented · partially implemented · Substantially implemented · Implemented

5 See Zambia Business Forum, Government of Zambia, et al., 2010, "Zambia business survey: The profile and productivity of Zambian businesses", June.

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
III. Increase the availability and competitiveness of infrastructure services	The cost and availability of essential services necessary for production and exports are among the main constraints to investment in Zambia. Transportation, energy and telecommunication services are not available in many areas. When available, they are often unreliable and very expensive.	III.1 Revise taxes on basic fuels, including aviation, in line with those of competitor countries in the region.		Information gathered through interviews with private companies and business associations show that high fuel prices, especially jet-fuel, remain a constraint to export growth, especially in agriculture and horticulture. The country's refinery, Indeni, processes petroleum feedstock into petrol, diesel and Jet A1 fuel (among others). Oil marketing companies that import finished oil products like petrol and diesel are subject to a high import duty of 25 per cent. In early 2013, Zambia's petrol and diesel prices surged following the removal of fuel subsidies, which was partially compensated by the removal of a 5 per cent duty on imported petroleum feedstock. In addition to import duties, fuels are subject to 16 per cent VAT and 30 per cent excise tax. An ERB document, "Report on the Status of the Petroleum Industry" (2012) estimates that VAT and excise taxes account for 32.8 per cent and 20.5 per cent of the final pump price of petrol and diesel, respectively. Meanwhile, the 5 per cent import duty recently removed only accounted for 2.1 per cent and 2.7 per cent of the final pump price of each fuel type. Although the supply chain for fuel can be a significant factor affecting the high fuel costs in addition to the fiscal regime, the Government has not managed to substantially revise fuel taxation and import duties to foster the competitiveness of firms.
		III.2 Remove bottlenecks in air cargo transport. Consider reducing airport landing fees.		Zambia received a $725,000 grant from the United States Trade and Development Agency to put together a master plan for airport infrastructure development. The 2011 final plan includes feasibility studies for upgrading the country's four major airports (Lusaka, Ndola, Livingstone and Mfuwe). As of 2013, a tender for the Lusaka airport has been approved and granted to a Chinese investor. The project includes creating cargo areas as well as retail and conference facilities. There are also plans for the new terminal complex to be linked to a free economic zone covering 500 hectares on the western fringes of the airport. The Lusaka airport works may take up to five years to be fully completed. Tenders for the Ndola and Mfuwe airports will follow. In September 2012, the Government introduced an "infrastructure development levy" of K 26,400 ($5) for domestic flights and K 54,800 ($11) for international flights. These are in addition to the departure fee and airport taxes ($8 for domestic flights, $25 for international flights). No reduction in airport fees was contemplated as of 1 October 2013.

Status: Not implemented partially implemented Substantially implemented Implemented

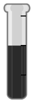
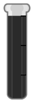
Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
III. Increase the availability and competitiveness of infrastructure services		III.3 Promote rural development by giving priority to road construction and improved transport access to regions with mining and agriculture potential.		In 2004, the National Road Fund Agency was created to collect and manage the Road Sector Investment Programme's (ROADSIP) funds and soon after the Road Development Agency was set up to spearhead the implementation of ROADSIP II, which was launched in 2005. The Government also introduced a fuel levy, whereby 3 per cent of the price paid by consumers was earmarked for transfer to ROADSIP. In addition to international development aid, the Government is also considering accessing international credit markets through the issuing of road bonds (especially after the successful issuance of a eurobond in 2012) to fund future infrastructure works. As of 2013, more than 8,000 km of roads have been rehabilitated as part of the ROADSIP project. The programme is due to be completed by 2015. In addition, the Road Development Agency is also implementing the programmes Link Zambia 8000 and Pave Zambia 2000, which focus on road expansion in rural and urban areas, and will be rolled out in phases during the period 2012–2016. Several business representatives interviewed by UNCTAD reported a substantial improvement in the status of roads throughout the country. The country has also been active in implementing regional trade facilitation corridors (for example, the North–South Corridor), with works involved in the development of road and rail transport corridors, trans-boundary electricity inter-connections, and one-stop border posts. In 2010, the Chipata-Mchinji rail line was completed, a joint venture between the Governments of Zambia and Malawi. Rail services remain underused and costly, which is due to poor infrastructure but also discriminatory tariffs. Concerns on the operation of a railway concession to the Railways System of Zambia were raised on performance, operational standards and safety, which led to the cancellation of the contract in 2012. On what refers to air transport, a technical cooperation initiative is ongoing with the European Commission to promote the harmonization of aviation regulations with European Union standards, including cooperation with European aviation authorities/agencies and relevant stakeholders to enhance the safety and security. Also, institutional reforms are under way to create an autonomous civil aviation authority after a law was enacted in 2012. Finally, although water transport has not been a priority, there are plans to devote resources to the upgrading of water canals in the biennium 2014–2016, including making canals navigable.

Status: Not implemented partially implemented Substantially implemented Implemented

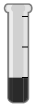
Zambia IPR implementation matrix

What	Why	How	Status	Findings
III. Increase the availability and competitiveness of infrastructure services		III.4 Consider further liberalization in power generation and distribution to increase capacity and reduce cost. Review the pricing and distribution method of power to the business sector.		Zambia risks facing a massive power crunch over the coming years. The Government has adopted several plans for increasing power generation. The Zambian Electricity Supply Company remains a state-owned, vertically integrated company with a quasi-monopoly on generation, transmission and distribution. There is some private investment in generation (for example, Copperbelt Energy, supplying the mines region), but installed capacity remains stagnant and electricity cost is high. Electricity tariff rates are set by the ERB. Over the past few years, the ERB has begun to revise tariffs upwards to reflect costs (the Multi-Year Tariff Adjustment Framework) and facilitate new investment. Industrial tariffs, which were 50 per cent below market price in 2006, are now about 25 per cent below market price. ERB will continue to adjust tariffs based on the adoption of a new cost of service study planned for 2014. The Office for Promoting Private Power Investment is charged with identifying and promoting new hydro-power development initiatives. A master plan was launched in 2010 and it includes rural electrification projects which are being implemented by the Rural Electrification Authority. Also, the private sector is directly engaged with the Government through bilateral agreements or public–private partnerships (PPPs) (for example, Kafue Gorge Lower, and ITezhi Tezhi). Overall, the project portfolio for expansion contemplates a hydro potential of 6,083 megawatt. Only for some projects, however, have pre-feasibility studies been conducted.

Status: Not implemented · partially implemented · Substantially implemented · Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
III. Increase the availability and competi-tiveness of infrastructure services	The cost and availability of essential services necessary for production and exports are among the main constraints to investment in Zambia. Transportation, energy and telecommunication services are not available in many areas. When available, they are often unreliable and very expensive.	III.5 Liberalize the telecommunications sector; reduce the licence fee for international voice gateway and allow the introduction of competing technologies in telecommunications.		The Information and Communication Technology (ICT) Act (2009) established an independent regulator, ZICTA. This constitutes a major institutional change for the sector. In 2010, ZICTA reduced the international gateway licence fees from $12.5 million to $300,000 to open up the telephony sector that was previously dominated by state-owned Zambia Telecommunications Corporation ZAMTEL. This has created an attractive and competitive investment environment. It led to a sharp reduction in tariffs and to the modernization of ICT services, including internet fixed-line for international voice services (for example, VOIP). In addition, it has facilitated the migration to broadband from dial-up internet and the promotion of more competitive roaming services for mobile telephony. As a result, three operators obtained licences to operate on mobile telephony. Also, the Government sold 75 per cent of ZAMTEL to the Libyan company LAP Green Networks in 2010. In November 2011, the Government set out an inquiry of this transaction based on allegations of fraud. The judiciary ruled in favour of the Government and, in January 2012, the authorities reversed the $275 million deal and seized control of ZAMTEL.
		III.6 Set up strong and independent regulatory bodies to address monopoly power, tariffs and other issues.		The Government successfully set up strong and independent regulatory bodies in the ERB (see III.1 and III.4) and ZICTA (see III.5). They have the power to regulate prices, monitor abuse of dominant position and promote universal provision. In the area of energy, the relationship between the Government and the Zambian Electricity Supply Company as a parastatal company is defined in the Performance Contract of 1996. The company's Board of Directors is appointed by Government with consultations and participation of the private sector. A management executive board led by the managing director administers the company's day-to-day operations. In the area of telecommunications, ZICTA is empowered to approve all tariffs charged by ICT service providers. It regularly monitors and evaluates the competitiveness of telecommunications pricing policies. The Government is also setting up a Universal Access and Services Fund, as part of the ICT Act of 2009. The fund will be administered by ZICTA with the goal to improve access to electronic technologies in underserved areas. The fund will be based on turnover charges levied against ICT providers.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
IV. Develop and strengthen the domestic private sector	High interest rates and limited access to financial services have been major obstacles to private sector development in Zambia. Furthermore, the relatively low level of development of domestic companies limits the scope for establishing business linkages with TNCs. Skills shortages also diminish the opportunities for knowledge and technological transfers to the domestic private sector.	IV.1 Enhance the potential for firm-level learning, including introducing incentives encouraging companies' in-house training and skills development. Implement the double tax deductions for skills development in multi-facility economic zones and consider extending this incentive to companies outside the zones.		The Government has funded new training institutions in Kalabo and Isoka, which are near completion. In addition, the Mwense and Mporokoso trade training institutes are set to begin operations before the end of 2013. Further expansion works are under way at several trade training institutes. The TEVET policy of 1996 states that the "Government intends to devise a system of incentives for industries and institutions that support or provide TEVET training".[6] However, it neither provided specifics on incentives nor mechanisms to assess the effectiveness of learning contacts between trainees and industry. Some progress was made with the Amendment to the TEVET law (2005), which created the TEVET Fund. In theory, a company that trains its staff could qualify as a TEVET-approved training centre and receive funding from the organization. For example, the mining industry has been partnering with the TEVET authority to run courses tailored to their needs. Nonetheless, the view from private companies and business associations in other industries is that government support for in-house training has been ineffectual and that the interaction with the business community in the identification of the skills requirements of the economy is inadequate. The lack of a comprehensive tax incentives scheme for companies training their workers also implies that the 200 per cent tax deduction for human development has not been implemented.

Status: Not implemented partially implemented Substantially implemented Implemented

6 See Government of Zambia, 1996, "Technical education, vocational and entrepreneurship training (Tevet) policy", the Ministry Of Science Technology and Vocational Training, March, p. 15.

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
IV. Develop and strengthen the domestic private sector		IV.2 Support entrepreneurial development by introducing a joint public–private sector business development centre and a linkages promotion programme based on the identification and upgrade of local enterprises.	Substantially implemented	**Substantially implemented.** The ZDA has introduced a dedicated division for MSMEs which is implementing a business linkages programme with the support of UNCTAD and ILO. Within this framework, a new project to promote the greening of the construction sector has been started. The ZDA is also host to an EMPRETEC centre, which offers business development services. Both programmes have been quoted as successful by public and private investment stakeholders. On market promotion, the ZDA is facilitating the Marketing Support Services Programme designed to enhance MSME access to broader markets and it also organizes trade fairs and business exhibitions. In addition, since 2008 the CEEC was charged with managing the Citizens Economic Empowerment Fund. The fund was capitalized with K 176 million ($34.5 million) by the Ministry of Finance). Its main targets are MSMEs and start-up companies whose owners have historically been marginalized. As of 2013, 1,083 projects have been approved worth K 65,420,462. The programme has a value-chain approach that is implemented on a regional basis, with an emphasis on projects that can create a long-term impact in terms of value addition and job creation. Over 90 per cent of the loans are for recipients in rural areas, and over half of them are women. The CEEC is also responsible for undertaking preferential procurement opportunities for local "citizen-influenced" or "citizen-owned" companies. Foreign investors seeking joint venture partners are able to access the ZDA register for matching project profiles of domestic investors. Concerns have been raised, however, that the implementation of local procurement has not adequately targeted local linkages as loopholes in the legislation allowed for many projects being awarded to trading companies that do not source locally nor contribute to domestic value added. Overall, despite some significant efforts, evidence shows that linkages between foreign and local businesses remain limited. The mining industry has links to some support sectors that provide maintenance of basic machinery but strategic activities are still undertaken in-house or rely on foreign technologies. Agriculture has seen more linkages between foreign investors and local producers, notably through "out-grower" schemes in cotton and horticulture. However, it faces some restrictions on accessing foreign skills (see also I.5).

Status: Not implemented · partially implemented · Substantially implemented · Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
IV. Develop and strengthen the domestic private sector		IV.3 Develop the domestic private sector and implement public–private sector dialogue mechanisms	partially implemented	The PSDRP, which started in 2006, has been at the forefront of many of the reforms undertaken since then, including the adoption of the PPP, the MSME, the Energy and the ICT policies. The second phase of the PSDRP started in 2009 and will run into 2014. The priority areas include streamlining of business licensing and ease of doing business reforms, MSME development, labour law reform and labour productivity, PPP development and trade expansion. Among the achievements of the PSDRP is the elimination of 113 licences, many of which have been replaced with levies. Public–private sector dialogue is integral to the work plan of the PSDRPII and policy discussions take place at various levels such as: Zambia International Business Advisory Council, Zambian Business Council, Sector Advisory Group, and the African Private Sector Forum. Notwithstanding these initiatives, interviews with representatives of private companies and business associations highlighted the lack of consultations on specific policy reforms to be a hindrance to investment and a high priority to improve the business climate. Recent decisions governing currency and exchange rate, minimum wages as well as business linkages and skill development could have benefited from more consultations. In order to address these issues, the PSDRP will seek to improve dialogue with the newly formed Zambia Private Sector Alliance representing all major private sector associations as well as the provincial chambers and district associations. The Alliance will hold quarterly discussions with the Government and biannual high-level meetings. Looking ahead, the PSDRP also expects to shift its focus on economic diversification, access to finance and land titling.

Status: Not implemented   partially implemented   Substantially implemented   Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
V. Align investment promotion with modern practices	The ZDA Act created an Agency with multiple mandates beyond investment promotion. It is crucial to build institutional capacity specific to investment promotion, give it sufficient resources and adopt modern practices if the ZDA is to be successful in this area.	V.1 Finalize the establishment of the ZDA and develop its client charter with mission and benchmarks to evaluate performance.		The ZDA has been established and it has a client charter with a mission statement. There are no benchmarks in the client charter, but the ZDA has done a benchmarking exercise with other investment promotion agencies (Botswana, Malaysia, Mauritius, Republic of Korea and Rwanda). Following this exercise, it was decided that from 2012 onwards the ZDA would receive its administrative budget from the Ministry of Commerce, Trade and Industry, while the allocation for operations would be increased and directly funded by the Ministry of Finance.
		V.2 Increase resources allocated to investment promotion and staff training.		The lack of adequate funds for the agency remains a challenge, especially for more specialized services (for example, investor targeting, matchmaking, aftercare). Some progress has occurred on staff training: as part of Japan International Cooperation Agency's (JICA) Triangle of Hope Project, Japanese and Malaysian consultants were hired to assist ZDA officers in investment promotion and facilitation and four Zambian trainees were hosted in Japan. The consultants provided training to the ZDA staff and helped develop promotional material such as the investor and cost of doing business guides (toolkits). The JICA evaluation of the project is positive overall but points out some factors that may affect its sustainability, namely that (1) a mechanism for staff members to disseminate skills and knowledge to other co-workers is lacking, and that (2) some of the capable ZDA staff have left the organization. The evaluation also clearly states that there is no internal staff training at ZDA.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
V. Align investment promotion with modern practices		V.3 Adopt modern investment promotion strategies and techniques including research and analysis and professional investor targeting.		The staff of ZDA's investment division comprises five officers responsible for research and a variable number of 12 to 16 officers dedicated to all other investment promotion activities. The same staff also deals with the registration of investors under the ZDA Act. Given the broad mandate compared to internal capacity, the main promotional activities are limited to generic promotion, including organization of events and participation in trade fairs, as well as facilitation. No professional investor targeting is carried out.
		V.4 Strengthen aftercare services and introduce an investor tracking system.		The ZDA Act requires registered investors to provide the ZDA with annual information on the implementation of investment projects. The ZDA is also supposed to undertake monthly project performance monitoring to measure the extent to which the investment and employment pledges made by the licensed companies are being met. This is also an opportunity for investors to express their comments or grievances regarding the regulatory business environment. A recent evaluation by the JICA, in the context of the technical assistance project Triangle of Hope, shows that the agency has improved in the tracking of investment records and that it was in the process of setting up a database management system called Q-Bee. Once the database is operational, all information on investors at every stage from inquiry to approval to monitoring/aftercare would be collected, shared and analysed. The project has, however, been delayed due to a lack of licences to operate the system. The same JICA project introduced the position of an aftercare officer in the ZDA. Officials at ZDA have also confirmed that they have recently established an aftercare unit to carry out sector-specific aftercare activities, including in manufacturing, infrastructure, agriculture mining and tourism.

Status: Not implemented partially implemented Substantially implemented Implemented

Zambia IPR implementation matrix				
What	**Why**	**How**	**Status**	**Findings**
V. Align investment promotion with modern practices		V.5 Undertake policy advocacy and involve the private sector in developing FDI promotion campaigns.		The ZDA has created channels for dialogue with the private sector (although they are not regular or systematic). It holds formal consultations on matters affecting investment through meetings and other dialogue mechanisms such as a newsletters and online queries through its website. In terms of consultations with wider Government, the ZDA participates in a number of interagency networks and provides inputs in various consultative processes among different stakeholders. The ZDA also provides opinions to other sector-specific regulatory agencies concerning the effects on general business policies and regulations can have. However, the extent to which the private sector can influence policy formulation and advocacy undertaken by the ZDA is not always straightforward (see also IV.3).

Status: Not implemented · partially implemented · Substantially implemented · Implemented

5. Conclusions and the way forward

Looking ahead, the Government of Zambia remains committed to a series of reforms in line with the suggestions contained in the IPR. Several initiatives are already in the making and will contribute to a more conducive legal and institutional framework for investment. These initiatives should also improve opportunities for spill-over effects from FDI to the national economy. On what concerns land administration, a comprehensive land audit is planned to start in 2014 with the goal of identifying missing information and parcels that have not yet been surveyed. This project will certainly contribute to better land management, security of tenure and business facilitation through improved access to land and real property. In conjunction, a bill on a unified collateral registry, to be discussed by Parliament in year 2014, would bolster the real estate sector and improve access to finance by small investors. Also, some Government agencies have proposed action plans with clear priorities based on improved measurement of the current impact of FDI. For instance, a master plan for the tourism sector is being prepared and will be discussed in the context of reforms to the Tourism and Hospitality Act.

In implementing these reforms, the Government should not overlook the fact that Zambia is now facing a pressing test to translate the gains from years of continued growth into sustainable long-term development. Some sectors, such as tourism, agribusiness, and light manufactures will require effective investment promotion and policy calibration to ensure that spill-over effects are maximized and contribute to economic diversification, increased employment and poverty reduction.

The lack of reform in some key aspects of Zambian investment policies should also raise concerns about the sustainability of a growth model that has largely relied on the expansion of the mining sector and may soon reach its natural limits. Export diversification, which had been progressively increasing in the years prior to the IPR, has slowed down in the context of the commodity boom, and copper and related raw materials still account for around 80 per cent of the country's exports. Thus, the latent risk exists that a "resource curse" will harm the competitiveness of domestic industries and services. To prevent it, prompt action will be necessary that combines strategic thinking and coordination in investment and trade policy (including in the context of regional integration initiatives), long-term infrastructure planning, and more targeted and better-calibrated education and skill-development initiatives.

In addition to the pending policy agenda referred above, a crucial challenge concerns the need to improve public outreach and a more transparent forum for multi-stakeholder policy discussion. A more open and timely dialogue could avoid unnecessary distrust and eventual policy reversals. A strategy to understand regulatory impact assessment is in place. It is thus recommendable that in the future, when deciding on sensitive regulatory changes, the Government does perform a systematic regulatory impact assessment and improves stakeholders' consultations. A careful study of the impact and side effects of new regulations could lead to the better policy outcomes without endangering key aspects affecting the investment climate.

IPR

Visit the website on IPRs **http://unctad.org/ipr**

Layout and Printing at United Nations, Geneva – 1455116 **(E)** – June 2014 – 1,050 – **UNCTAD/DIAE/PCB/2014/2**