



Republic of Zambia

Statement by
Hon. Margaret D. Mwanakatwe, MP,
Minister of Finance
at the
2019 Invest in Zambia Conference
delivered by
Mrs. Ireen Musonda-Habasimbi,
Director - EMD

June, 2019

Mr. Leutlwetse Tumelo, Executive Director, Afinitas Limited

Mr. Charles Mate, Executive Director, Stockbrokers Zambia Limited

Ms. Madalo Minofu, Resident Representative Zambia and Malawi, International Finance Corporation

Mr. Jack Kanyanga, Managing Director, Stockbrokers Zambia Limited

Mr. Nathan DeAssis, Executive Director, Equity Capital Resources

Mr. Emmanuel Katepa, Chief Executive Officer, CEC Africa

Government Officials Present

Representatives from the Private Sector

Distiguished Invited Guests

Ladies and Gentlemen

It gives me great pleasure to be here this morning to give some remarks and officially open this Conference whose theme is “**Invest in Zambia**”.

I wish to begin by congratulating **African Investments and Stockbrokers Zambia Limited** for organising this important conference in Zambia. It is special as this first day of the conference marks **25th Anniversary of the Lusaka Stock**

Exchange (LuSE). I am indeed delighted to be here this morning to be part of these celebrations. **Well done!**

Distinguished Guests

The formation of the Lusaka Stock Exchange and its subsequent operationalisation twenty-five years ago is closely linked to Zambia's major economic reforms and liberalisation drive undertaken by Government beginning 1991. The liberalisation programme culminated into the enactment of the Privatisation Act of 1992, which provided the platform for undertaking the privatisation in Zambia. The Zambia Privatisation Trust Fund was also established to serve as a warehouse facility to hold shares that were specifically reserved for preferential offer to Zambian citizens. The operationalisation of the LuSE in 1994 was, therefore, a direct response to the need to conduct Initial Public Offers of shares warehoused under the Zambia Privatisation Trust Fund. In addition, list the respective companies on the stock exchange to allow both domestic and foreign investors to invest in the Zambian economy for mutual benefit.

Ladies and Gentlemen

Over the last 25 year, LuSE has recorded a number of achievements which include, the following:

- (i) **Economic Empowerment of the Citizenry and attraction of Foreign Portfolio Investors** through broad and wide share ownership participation in the privatisation of State-Owned Enterprises. To date, LuSE has a total of 22 listed companies of which 55 % are listed as a direct result of the privatisation programme. Clearly the privatisation of SOEs gave the LuSE the initial boost and momentum as well as being counted as a stock exchange.
- (ii) **Listing of Government Bonds in 1998 allowed for** close inter-agency cooperation between the Bank of Zambia, Bankers Association of Zambia and the LuSE. This notwithstanding, the full potential to use the listing of GRZ Bonds and develop an active secondary market in bonds has been minimal and is a source of concern and opportunity cost for the market as a whole.
- (iii) **The Stock Exchange has played a fundamental role in the Economy** by not only attracting new investors but also raising fresh capital. One case in point was the raising of US\$ 1 million through pioneer corporate bond

issue by Real Estate Investments Zambia PLC on the LuSE. The proceeds from this bond upgraded Central Park, on Cairo Road, and set the stage for modern buildings in Lusaka. Since then capital raising via debt issuance has been quite active and successful on the LuSE.

(iv) **The Support to Corporate Restructuring in a Fair Efficient and Transparent Manner** as demonstrated by the liquidation of US\$400 million of legacy debt from the balance sheet of ZCCM -IH via a rights offer.

These examples are an illustration of the critical role of a stock exchange in moving the economy forward thereby supporting the agenda of uplifting the standard of living of the general populace as well as platform for wealth creation

Distinguished Guests

As we celebrate the 25th anniversary of the LuSE, it is worth noting that the journey has not been smooth. Some of the challenges are:

(i) **Getting the right balance between regulation and need to accelerate and support market growth** –history and experiences of successful economies and capital

markets teaches us that markets that are overly regulated constrains market innovation and growth. It is worthy noting, that the LuSE has recorded only **one (1) new listing** after the end of privatisation in 2008. Clearly, the market urgently needs the right balance of regulation to unlock private sector enterprise and action if we are to support the overall growth of the capital market in Zambia.

(ii) Unlocking Institutional Investment for Emergence of Asset Management Industry has been a challenge. it is well acknowledged that all successful capital markets and economies, are fundamentally under pinned by effective institutional investment.

We are all alive to the fact Zambia already has the basic regulatory framework in place, though we have not succeeded in the formation of the requisite structures needed to channel domestic savings into investment via the capital market. There is, therefore, need for the LuSE, SEC, PIA and the various statutory institutional investment houses to engage to unlock the potential of private sector initiative and competition via emergence of an asset management base. This in turn will galvanise growth of the

LuSE and support price formation, liquidity and active trading. Government is committed to work with all players to unlock this potential. It is in this regard that the Financial Sector Development Policy was put in place.

(iii) Positioning the LuSE as a sustainable Private sector business which is not dependent on Government support for its existence and operation. The stock exchange requires a private sector driven business strategy and governance to realise its growth potential. I wish to urge LuSE to revisit its internal operating and governance model and reposition itself for accelerated growth for the next 25 years.

Distinguished Invited Guests

As we celebrate 25 years of the existence, looking ahead, together, we should define a new strategic roadmap for the next 25 years. The LuSE should aim to grow and increase its Market Capitalisation to GDP ratio of at least 50 % over the next 5 years to have meaningful impact on the Zambia economy and beyond. This will be achieved by actively utilize and deepen the capital markets to attain the required critical mass and growth.

Ladies and Gentlemen

As I conclude, I wish to reiterate Government's commitment to support the growth of the capital market in Zambia through providing an enabling policy environment. I also wish to thank our cooperating partners such as IFC and UNDP among others for the continued technical and financial support in the capital market development especially in LuSe.

I thank you as we today toast 25th anniversary of LuSE, and its success, as the only Exchange in the country.

And to you all attending this INVEST in Zambia Conference, I thank you all for your participation and wishing you fruitful deliberations.

It is now my honour and singular privilege to declare the **“2019 INVEST IN ZAMBIA Conference”** officially opened.

Thank You and May God bless you All !!.