

### On the path to a brighter future

Peaceful since it became independent over 40 years ago, while neighbouring nations have been blighted by conflict, Zambia is a country that rarely finds itself in the world's headlines.

Rich in mineral resources, notably copper, and fertile arable land, and boasting one of the most famous tourist attractions in the world, the Victoria Falls, the southern African state is nevertheless

#### **ZAMBIA:**

Project directed and coordinated by: Christian Iglesias-Delaney, Annick Jaëgy and Marta Alcocer one of the poorest countries in the world. Around 80 per cent of its 11 million people live on less than a dollar a day.

At long last, however, things are starting to look up for the former British colony. The burden of foreign debt acquired in the 1970s and 1980s has been eased and there is the prospect of additional resources to help it fight poverty.

At the same time, Zambia's potential as a destination for profitable investment – at least in the crucially important mining sector – is being recognised. Encouraged by record copper prices, foreign companies are making multi-million dollar investments in mining,

the traditional mainstay of the economy.

One of the biggest advances came in April, when the World Bank and the International Monetary Fund agreed that Zambia had met the conditions for sustained good economic management under Heavily Indebted Poor Countries (HIPC) Initiative.

Reaching the HIPC completion point qualified Zambia for a \$3.9 billion (£2.1 million) reduction in its external debt, opening the way for a complete write-off of its debts to its Paris Club creditors, which duly followed in May.

On top of that, Zambia expects to benefit from a further \$2.5 billion (£1.3 billion) in debt forgive-

ness as one of 18 poor nations to be awarded a 100 per cent debt write-off under a deal brokered by Tony Blair at the G8 Gleneagles summit in July.

These are significant developments for a nation that, as Chancellor of the Exchequer Gordon Brown once observed, has been spending more on debt servicing than on education.

Takatoshi Kato, Deputy Managing Director of the International Monetary Fund (IMF), says: "These commitments when fully implemented should substantially increase the resources available for Zambia to put in place programmes that promote growth, reduce abject

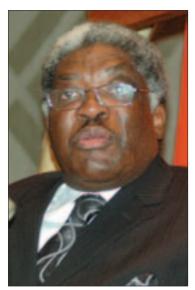
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President Levy Patrick Mwanawasa

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poverty and accelerate progress toward the Millennium Development Goals."

Zambia's government is drawing up a five-year national development plan, in which the money saved from debt repayments will be spent on improvements in agriculture, infrastructure and tourism. Spending on education and health will also be stepped up.

President Levy Patrick Mwanawasa's administration has clearly impressed the international community with its commitment to economic reform, fiscal discipline and its fight to eliminate corruption. Zambia has established macroeconomic stability, growth rates are rising and inflation falling, but more needs to be done to secure long term economic and social development.

Caleb M. Fundanga, Governor of the central bank, the Bank of Zambia, points out that last year's 5 percent increase in GDP is still well below the level that needs to be achieved to address the problem of poverty comprehensively. However, he believes that higher levels can be achieved. "If we keep on as we are, we can reach a growth rate of 8 per cent," he says.

The welcome mat is out for foreign investors, and mutual benefit and diversification of the economy are key themes.

President Mwanawasa says: "The potential is great as far as mining resources are concerned, but we don't want to rely on mining alone. We want to diversify into other ventures and this is why we are putting so much emphasis on agriculture and tourism."

He highlights that Zambia is seek-

### Dipak K. A. Patel

Minister of Commerce, Trade and Industry



ing investment that will be beneficial both to investors and to the country. "We need investment that is going to benefit the local people and the local economy. "We require secondary in-

dustries to be created so that our agricultural products are processed within the country and then sold abroad. That way our economic growth will increase

and the living standards of the peo-

ple will go up."

To enhance growth, the government is accelerating implementation of its private sector development initiative, which focuses on labour laws and the reduction of administrative barriers to business. A financial sector development plan will improve access to financial services, especially for small- and medium-sized enterprises (SMEs) and in rural areas.

Minister of Commerce, Trade and Industry Dipak K. A. Patel says the administration is committed to reducing the cost of doing business to encourage investment and promote the economy's external competitiveness.

"We are doing as much as we can," he says. "Our political commitment to reforms and private sector development is real and focused."

### **INVESTMENT** One-stop shop on the way

## Natural resources await development



Agriculture is one of a number of sectors with great potential.

Poreign investment is an essential element in the government's plans to secure long-term, sustainable economic growth in Zambia.

The administration is striving to establish a more market-friendly environment, and an important step forward is being made with the formation of the Zambia Development Agency (ZDA).

The agency, which will create a one-stop shop for investors by combining several existing organisations,

Jacob Lushinga
Director General
of Zambia
Investment Centre



is due to become operational next year.

Jacob Lushinga, Director General of the Zambia Investment Centre (ZIC), one of the agencies due to be merged into the ZDA, says the government is keen to encourage international companies to establish subsidiaries in Zambia.

"Traditionally we have attracted investment from

South Africa, Zimbabwe and the European Union," he says. "We have currently got Japan and China, es-

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### First Lady reaches out to underprivileged



First Lady Maureen Mwanawasa

FOUNDED and chaired by Zambia's First Lady, the Maureen Mwanawasa Community Initiative (MMCI) works with government, development agencies and businesses to raise living standards for underprivileged Zambian families.

Mrs Maureen Mwanawasa believes that African first ladies can make a significant contribution towards relieving some of the problems their peoples face. "The role of first ladies is to actively participate in mitigating challenges such as the HIV/AIDS pandemic, poverty, illiteracy, health and gender imbalances," she says.

The MMCI focuses on areas such as education, health, water, sanitation and social welfare.

Funding comes from a variety

of sources, including local and international organisations. The World Food Programme (WFP), for example, supports the MMCl's Urban Outreach Project (UOP) by providing food to hundreds of vulnerable families.

UNICEF backs a pilot project that provides child care facilities for women working in markets, which will eventually be extended to other parts of the country. Zambia National AIDS Network (ZNAN), a local non-government organisation, is funding MMCI's HIV/AIDS Project.

The social welfare component of the MCCI's initiative includes giving assistance to orphanages and homes for the elderly, and agricultural projects.

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pecially, targeted as areas where we think we can tap investment into the country."

Mr Lushinga pinpoints agriculture, energy, mining and tourism as sectors in which Zambia possesses huge natural advantages. "We have huge tracts of land with great potential for agricultural activity, coupled with around 30 per cent of the water resources in the Southern African region for generation of cheap hydro electricity. We have a wide range of wild animals and natural tourist attractions, including the Victoria Falls."

Being surrounded by eight other countries means Zambia is an excellent location for businesses serving the markets of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). In addition to being peaceful and democratic, its citizens are well educated and English speaking.

"Zambia has a lot of stability," says Andrew Chipwende, Chief Executive Officer of the Zambia Privatisation Agency (ZPA). "We have

Andrew
Chipwende
CEO of Zambia
Privatisation
Agency



a dependable government and liberalised exchange controls. In terms of resources, we have a strong mining sector and a strong financial services system. The whole model is based on the British system and

continues to be successful."

The government has off-loaded more than 260 state enterprises since it started its privatisation programme in 1992. The major ones yet to be privatised are power utility Zesco, Zambia National Commercial Bank and Zambia Telecommunications Company (Zamtel).

The ZPA recently concluded the sale of Zambia's biggest textile factory, Kafue Textile, to a Zambian company, MB International, who agreed to resume operations, reemploy most of the employees and rehabilitate the equipment.

The agency hopes to transfer other companies to the private sector this year. "The key objective is to find people who are competent and have the financial strength to turn them around," says Mr Chipwende.

### TRANSPORT Moves to improve road, rail and air links

### Getting on track for growth

ambia's location in more or less the centre of Southern Africa, surrounded by no less than eight other countries, makes it ideally placed to serve as a transport hub. At present, the country lacks the means to achieve this, but it remains an ambition for the future, according to Abel M. Chambeshi, Minister of Communications and Transport.

"The geographical position of Zambia is certainly one of the best in terms of transport and communications," he says. "We do not have enough infrastructure on the ground to take advantage of this yet, but it is an opportunity in which we want to invest, certainly in the next five years."

A step in that direction is a move by the government to revive the currently defunct national airline. Zambia Airways – not to be confused with the almost identically named private airline, Zambian Airways (see page 4) – closed down in 1995. With the country eager to develop its tourism industry, discussions are being held and foreign airlines sounded out on relaunching the national carrier.

Mr Chambeshi says the airline would be 90 percent owned by the

Abel M.

Minister of

Chambeshi

and Transport

Communications

private sector, which would be responsible for ensuring that it was profitable.

Meanwhile, after discussing the reestablishment of direct transport connections between Angola and Zambia for five years, air links between the two countries became a reality in May via TAAG Angolan Airlines

The two countries have signed a memorandum of understanding (MoU) to relink their rail systems. This involves a \$60 million (£32.8 million) project to rebuild the Benguela railway, linking Zambia's copper mines to Angolan ports, providing a cheaper

export route for Zambia's copper exports than the present one by rail and road to South Africa.

A well-maintained road system is also essential to Zambia's strategy for growth. Around 60 percent of Zam-

bia's roads are in good condition following completion of phase 1 of a 10-year, \$1.6 billion (£874 million) Road Sector Investment Programme (ROADSIP) to maintain and rehabilitate the network. The second phase of the programme is currently under way.

Earlier this year, the EU contributed a grant of \$90.8 million (£50.4 million), while the World Bank approved a credit of \$50 mil-

lion (£27.7 million).

Among other donors are the Norwegian development agency NO-RAD and the Japanese government, which has provided grant aid totalling \$22 million (£12 million) towards road rehabilitation in Lusaka.

### Demand for mobiles growing

When national telephone firm Zambia Telecommunications Company (Zamtel) launched its mobile subsidiary, CellZ, last year it quickly emerged as the price leader in competition with established players Celtel and Telecel. Since then, telecommunications costs – previously among the highest in the region – have dropped.

Indeed, CellZ was marketed so successfully that demand rapidly outstripped supply. "Our projections said we would fill up capacity in five years," says Wood Simbeye, Zamtel's Managing Director. "We filled it up in four months."

Zambia's mobile sector has been experiencing rapid growth, which is hardly surprising considering the limited fixed line service available – around 92,000 lines for a population of almost 11 million.

In addition to expanding its GSM service, Zamtel is also working to extend the fixed line network.

Mr Simbeye says: "We are looking at expanding in Lusaka, which is a growing city, and also in the other growth areas, where the new mining activities are taking place, such

as Solwezi in Northwestern Province."

At the same time, he acknowledges—the need to extend services to more remote areas. "Our strategy is to try to reach as many rural areas as possible, especially the farming communities."

The limiting factor

Wood
Simbeye
Managing Director
of Zamtel



on what Zamtel can achieve is lack of funds. "There are a lot of things we would like to do, but the constraint is money. In the past we used to receive grants and aid, but all the projects we have undertaken in the last five years have been paid for from our own resources or with money we have obtained from commercial banks," concludes Mr Simbeye.





### Moving with the times

**B**ruce Chapman, General Manager of the Holiday Inn Lusaka Ridgeway, has witnessed many changes for the better in Zambia in his eleven years at the hotel. "There has been a huge change. It's good to see the transformation and improvements occurring every year," he says.

**Bruce** 

Chapman

**General Manager** 

of the Holiday Inn

Lusaka Ridgeway

The hotel itself has moved with the times. Once known as the Ridgeway Hotel, it has a reputation for hospitality going back half a century. In more recent years it has undergone an \$8 million (£4.3 million) refurbishment and it continues to change while retaining the best of its traditional character. "We have kept the

charm and the name Ridgeway because it has been around for fifty-odd years," says Mr Chapman. "We are mid-market, smaller and personalised. If you are an international traveller, you know what a Holiday Inn can offer you."

Conveniently located just two miles from the city centre and 17 miles from Lusaka International Airport, the 155-room ho-

tel caters for both leisure and business travellers.

Since being taken over by South Africa's Southern Sun Hotels in 2000, the hotel has had a \$500,000 (£273,000) conference centre installed. This year a similar amount is being spent on a new business

centre, and more on inhouse information technology, a new airport bus, new beds and other improvements.

Mr Chapman, who chairs Zambia's Tourism Council, believes the country has bright future as a holiday destination, and that Lusaka has great potential as a conference centre. "There are lots of positive things

about Zambia," he says. "It is peaceful and tranquil here. You can find time to be yourself, slow down and switch off.

"There is a lot of diversity on offer, from unspoiled wildlife and sunset cruises down the Zambezi to the glorious Victoria Falls. We speak English. The country is safe. You can see unspoiled Africa."



Attractive gardens at the Holiday Inn Lusaka Ridgeway

#### **TOURISM**

Opportunities for investors

### Rising number of visitors experiencing the Real Africa

Boasting stunning scenery, superbwildlife, a colourful cultural heritage and one of the natural wonders of the world – the Victoria Falls – Zambia should be one of Africa's major tourist destinations.

However, while the potential is enormous, the tourism sector is undeveloped and only just starting to take off. Visitor numbers are around half a million but rising fast, with a 25 per cent increase in 2004. Investment pledges in the sector almost tripled last year, from about \$4 million (£2.1 million) to around \$12 million (£6.6 million).

The upward trend is continuing this year as a result of the government's current Visit Zambia 2005 campaign,

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### Airline establishes new links

Zambian Airways, a small private Zairline launched six years ago, is expanding its network across the country and the surrounding region.

The Zambian-owned company flies regular scheduled services for tourists, locals and business travellers between the main destinations in Zambia, and also to key centres in the region in Malawi, Zimbabwe and the Democratic Republic of Congo.

"We are ideally placed for tourists wishing to explore this part of Africa," says Chief Executive Officer Don MacDonald. "We can take you from Victoria Falls via South Luangwa game park, to Lake Malawi and beyond.

"The international airlines that fly into Lusaka –BA, Kenya Airways and South African Airways – are all major feeder airlines for our services."

Currently, Zambian Airways is extending its operations to the north of

Zambia to enable travellers to reach Lake Tanganyika, as well as to the west of the country. There are also

MacDonald
CEO of Zambian
Airways



plans to connect with the Lower Zambezi Valley.

"The key for us is to connect Zambia and the countries in the region so that people can travel freely at a reasonable price," explains Mr MacDonald.

Among the first private firms to sponsor the government's Visit Zambia 2005 campaign, the airline

works closely with the Zambia National Tourist Board.

Recently, it established flights from

Lusaka to Dubai through Dar-es-Salaam in a joint venture with Air Malawi. 'It's good for tourists, because it means you can go on the same airline through Victoria Falls to the game parks and on to the east coast, to Zanzibar," says Mr MacDonald.

He believes the airline has a great future. "Last year our revenue grew from \$4 million (£2.1 million) a year to \$5 million (£2.7 million), and that is before the tourism boom kicks in and before the new routes we are bringing in. The potential is massive."



Elephants are among the range of animals to be seen living wild.

#### Continued from page 4

marking the 150th anniversary of the Scottish missionary David Livingstone's first sighting of the Falls and the centenary of the city of Livingstone. By 2010, the country should comfortably achieve its target of attracting at least one million visitors a year, and as tourism declines in neigbouring Zimbabwe, whose appeal has been damaged by the Mugabe regime, it could exceed that figure.

Tourism currently accounts for

around 6 percent of Zambia's GDP, but the new Minister of Tourism, Environment and Natural Resources Kabinga Pande has no doubts it will contribute a lot more in the future. He has called for concerted efforts to boost its growth.

Along with other The Tongabezi Lodge countries in Southern offers peace and quiet on Africa, Zambia hopes the Zambezi River. to receive spin-off

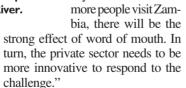
benefits from the staging of the World Cup in South Africa in 2010. Zambia is also working with other South African Development Community (SADC) countries to establish a single regional visa called Univisa with the aim of making it easier to travel between countries within the region.

Under the slogan 'Zambia, the Real Africa', the authorities are seeking to present the country as a one-stop destination where the best of the continent can be experienced. On offer are opportunities for visitors to enjoy some of Africa's finest safaris, spectacular waterfalls, massive lakes, big game, abundant bird life, rich cultural diversity and scenic splen-

dour. Untouched by war and with low crime rates, Zambia can also claim to be one of the safest destinations in the world.

The Victoria Falls – 80 percent of which are on the Zambian, rather than the Zimbabwean, side - tops a long list of attractions. These include 19 national parks and 23 game management areas, where the 'big five' wildlife species - lion, leopard, elephant, buffalo and rhino – and a host of other animals can be viewed. Kafue National Park is the second biggest

> in Africa. According to Bruce Chapman, General Manager of the Holiday Inn Lusaka Ridgeway and Chair of Zambia's Tourism Council, the country is starting to discover its tourism potential."We can cater for different needs and different interests," he says. "As more and



Tourism offers a variety of opportunities for investors, including organised tour excursions, adventure and outdoor sports holidays, as well as the development of marinas and water activities.

Ben Parker, proprietor of the Tongabezi Lodge, sees a definite change in Zambia's favour. He says the government has to make a decision about the kind of tourism that it wants to encourage. "It needs to choose between high yield tourism or just mass tourism.'



The Tai Pamodzi in Lusaka has 190 rooms with Presidential and Deluxe Suites.

### Luxurious authenticity for Lusaka's world travellers

**Anil Mohan** 

Hotel

General Manager

of the Taj Pamodzi

ATTHE HEART of Lusaka's corporate and business life, the Tai Pamodzi Hotel in Zambia has a long history as the city's num-

ber one hospitality venue. Set amidst magnificent tropical gardens, the hotel is managed by leading Indian company Taj Group of Hotels. After a £4.4-million refurbishment, the Taj Pamodzi opened its doors to business as a brand new hotel a year ago.

Although it reflects



The hotel combines African and contemporary styles.

the impeccable service values that have made Taj a renowned name, it is definitely perceived to be more Zambian."We have

> brought in the contemporary styles and systems and yet not discarded the ethnic African flavours." says General Manager Anil Mohan. "Our mission is to dazzle and delight the customer with the highest quality of hotel products, food and beverages, and, above all, exceptional

service standards."

According to Mr Mohan, Zambian tourism deserves international media attention due to its wonderful, unexplored tourism sites as well as the world famous Victoria Falls."It is a beautiful country with a lot of warmth, amazing natural wealth and a great unexploited potential," he says.





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### AIR TRAVEL Leading carrier is spreading its wings to new destinations

### Africa, a key and profitable market

The introduction in July of a new route to Livingstone, on the shores of the Victoria Falls, is part of strategy by South African Airways to consolidate its dominant position in the highly profitable African market.

Zambia is an increasingly important destination. Its capital is one of a growing number of African cities being served by the state-owned South African carrier, whose distinctive colourful tail fins are a familiar sight at Lusaka International Airport.

African air traffic is expected to continue to grow strongly over the next twenty years, and SAA – Africa's largest airline – aims to play a key role in the growth of tourism and business travel across the continent. "Africa is one of the most important markets for us," says the company's President and Chief Executive Officer, Khaya Ngqula.

African operations currently account for 16 percent of SAA's revenue. The airline's main growth areas include Nigeria, Angola, Zimbabwe, Senegal, Ghana, Tanzania and Mozambique. In addition to the new Livingstone service, SAA also launched a new route in July to Zanzibar, off the coast of Tanzania.

Forty percent of the traffic that SAA handles from African airports connects in Johannesburg to international destinations. The airline offers the largest number of connections between Europe and South Africa – including daily flights to and from London Heathrow – although it faces increasing compe-



 $\ensuremath{\mathsf{SAA}}\xspace$ 's colourful tail fins are a familiar sight across the continent.

tition from European airlines such as Lufthansa, British Airways and Virgin Atlantic, all of whom have increased direct flights to African destinations.



The new strategy focuses on improving the travel experience.

SAA's cargo division, managed as a separate business unit, sees considerable scope for increasing the levels of freight it transports from Africa to Europe and Asia, including large volumes of flowers from Zambia, Zimbabwe and Kenya.

As well as strengthening its position in Africa, SAA is charting a course of continued global expansion in conjunction with strategic airline partners. SAA's passengers currently have access to more than 700 destinations worldwide. In March next year, the airline will become a full member of the Star Alliance, the biggest global airline alliance, providing access to many more.

According to Mr Ngqula, SAA's American routes have shown tremendous growth, and in July the airline launched a new route making Washington its third North American destination.



Khaya Ngqula
President and CEO of SAA

"Adding Washington to our firmly established New York and Atlanta hubs gives us access to 95 destinations and 450 daily flights to other American cities served by our Star Alliance partner, United Airlines," says Mr Ngqula. "The new route is an extension of our existing service of four times a week to Accra, and secures our position in West Africa."

Owned by the South African government, SAA has been improving its finances after a difficult period. The turnaround 'people, patronage and profit' strategy introduced by Mr Ngqula appears to be paying off.

Operating cost control has been tightened up and efficiency improved. Staff training has been given a boost and there is renewed emphasis on improving the travel experience for passengers.

In the 2004/05 financial year, it lifted its profits to R966 million (£83 million), up from substantial losses suffered the previous year. This was achieved despite the strengthening of the rand during the year and record high oil prices.

Total revenue increased by 6.8 per cent to R17.4 billion (£1.5 billion), while costs increased by just 1.9 per cent. Passenger numbers were up by 5 percent, while the average load factors increased from 67 percent to 70 percent.



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