

MINISTERIAL STATEMENT BY HON. SITUMBENKO MUSOKOTWANE, MP, MINISTER OF FINANCE AND NATIONAL PLANNING ON THE SOVEREIGN CREDIT RATING BY FITCH

Mr. Speaker, let me begin by thanking you most sincerely for according me the opportunity to address this august House on the credit rating of Zambia of B+ that was assigned to the country by Fitch Ratings and was announced on Wednesday, 2nd March, 2011.

Sir, the world over and more recently in Africa, countries have requested reputable independent rating agencies to assess their credit worthiness. These ratings, which are typically grades ranging from 'triple A' to 'D' are intended to reflect the relative chance that a sovereign nation will default on its obligation to make timely payments when its debt falls due.

Mr. Speaker, this independent opinion by specialist private institutions, is not only on the basis of economic prospects for the country, but also on other equally important aspects relating to the ability and willingness of a country to pay, such as good governance and political stability.

Sir, the process for determining the rating is not only rigorous, but also wide so that the views of as many stakeholders as possible inform the grade assigned. In this regard, Mr. Speaker, other than Government Ministries and institutions, institutions outside the public sector were also interviewed and included the following:

1. Cooperating Partners;
2. Think Tank Organizations;

3. The Private Sector;
4. Private Political Analysts; and
5. Opposition Members of Parliament.

The rating process, Mr. Speaker, is widely consultative in order to arrive at a rating that is reflective of the dynamics obtaining in the country.

Mr. Speaker, what then does obtaining a rating of B+ from Fitch mean for Zambia?

1. It means that the country will now become more visible among its peers in Africa. Sir, you may be interested in knowing that the rating assigned to Zambia by Fitch is a notch above that assigned to Mozambique, Uganda and Rwanda, Benin, Cameroon and Seychelles and at par with Angola, Ghana and Kenya;
2. The rating will augment the efforts currently underway to attract foreign direct investment. As Members of the House are aware, one of the main factors that deters foreign direct investment into Africa is limited information;
3. It will play an important role in supporting greater public sector transparency as information about the country is widely publicized;
4. It is a vote of confidence for the country to go to the international market and issue a bond to raise developmental financing, thereby diversifying the sources of revenue available to the Government;
5. It enhances access of the private sector to the global capital market, as the rating gives international investors comfort, not only about Zambia's ability to pay, but also that of the local firms. The rating also has the potential to reduce cost of borrowing for both the public and private sector; and

6. It has the potential to deepen the local capital market due to greater knowledge by the international investment community about Zambia. In turn, this can be provide much needed long term financing.

Sir, the rating assigned to Zambia is a reflection that we have achieved marked improvement in economic performance as shown by our adherence to principles of economic liberalisation, attainment of macroeconomic stability, the rising private confidence and investment especially in the mining sector and the strengthening of our performance in agriculture, construction and manufacturing.

Mr. Speaker, this achievement is not the end in itself but the beginning of our efforts to further enhance economic performance. We still have a number of challenges to address for the nation to attain even higher ratings in future and bring us close to higher performers in Africa such as Botswana. Key among these challenges is the need to address the high cost of doing business in the country.

Sir, Government is already taking measures to address these challenges by investing more in infrastructure development such as construction and rehabilitation of our roads to open up rural areas and ease access to regional markets; rehabilitation of existing power stations and construction of new ones to cater for the growing demand for electric energy; and rehabilitation and construction of our airport and railway infrastructure.

Government is also investing in the development of human capital, increasing spending in the social sectors of health, education and water and sanitation. We are also committed to continue with reforms necessary to reduce the amount of "red-tape" that individuals and businesses encounter in the process of doing business.

Mr. Speaker, these and other reforms are aimed at ensuring that the Zambian people can fully participate in the successes achieved by this MMD Government. Sir, this is a commitment which the team of His Excellency, President, Mr. Rupiah Bwezani Banda, is fully committed to.

Mr. Speaker, I thank you.