LEGAL ASPECTS OF CORPORATE FINANCE: THE CASE
FOR AN EMERGING STOCK MARKET

(Volumes One and Two)

Vol. 2

by

Kenneth Kaoma Mwenda
Formerly Lecturer in law in the University of Warwick, UK
The World Bank, Washington D.C., USA.

A DISSERTATION SUBMITTED TO THE UNIVERSITY OF WARWICK IN
FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF DOCTOR OF
PHILOSOPHY

# TABLE OF CONTENTS

*Title* ...........................................................................................................................................  
*Table of Contents* ........................................................................................................................  

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bibliography</td>
<td>378</td>
</tr>
<tr>
<td>Appendix A</td>
<td>395</td>
</tr>
<tr>
<td>Appendix B</td>
<td>418</td>
</tr>
<tr>
<td>Appendix C</td>
<td>436</td>
</tr>
<tr>
<td>Appendix D</td>
<td>450</td>
</tr>
<tr>
<td>Appendix E</td>
<td>462</td>
</tr>
<tr>
<td>Appendix F</td>
<td>472</td>
</tr>
<tr>
<td>Appendix G1</td>
<td>481</td>
</tr>
<tr>
<td>Appendix G2</td>
<td>497</td>
</tr>
<tr>
<td>Appendix H</td>
<td>511</td>
</tr>
<tr>
<td>Appendix I</td>
<td>521</td>
</tr>
<tr>
<td>Appendix J</td>
<td>528</td>
</tr>
<tr>
<td>Appendix K</td>
<td>535-564</td>
</tr>
</tbody>
</table>
REFERENCES

Bibliography:
Berg E. & Shirley M.M., Divestiture in Developing Countries, Washington D.C: World Bank, 1987
Burn E.H.,

Burns A.,

Butt R.,

Cassese A.,

Cave M.,

Chapman C.,

Churchill R.R. and Lowe A.V.,

Clark J. & Allison C.,

Clarke T. & Pitelis C. (eds.),

Clay K.,

COMESA,

Cook P. & Kirkpatrick, C.H.,

Cowan L.G.,

Craig P.,

Davis E.W. & Pointon J.,

Davis P.,

Development and Peace Foundation,

Dine J.,

Dixon M.,

Dixon M., et al,

Donahue J.D.,

Donaldson G.,

Earle J.S., et al,

Fanon F.,

Farrar J.H., et al,


Henkin L., et al,


Horne Van J.C.,


International Finance Corporation,


International Financing Library,


Jenkin T.J.,


Jensen M.G.(ed.),


Keenan D.,


Kikeri S., Nellis J.R. & Shirley M.M.,


Kooiman J.,


Lee R.,


Letwin O.,


Lowenfeld A.,


Manne H.G.,


Marden H. (ed),


McEldowney J.,


Milman D. & Durrant C.,


Moffat G.,


Montiel P.J. et al,


Moore J.,


Morse G.,


Mwanza A.M., Mwamba N. & Kakuwa E.,


Mwenda K.K,


Corporate Finance Law In Emerging Markets: Zambia's

Legal Aspects of Corporate Capital and Finance,


Rostow W.W.,


_Samuel J.M., P.M. Wilkes & Brayshaw R.E_,

_Savas E.S_.

_Schall L. & Haley C.W_.

_Schimthoff C.M. & Wooldridge F_.

_Schlosser M_.

_Scott H.S. and Wellons P.A_.

_Solomon E. & Pringle J.J_.

_Stapley N.F_.

_Starke J.G_.

_Stein J.L & Goss B.A. (eds)_,

_Stocks T_.

_Stopp C_.

_Sutton C.J_.

_Swan D_.

_Taylor L.K_.

_Todd P_.

_Trietel G.H_.

_Turok B_. (ed),

_Ubeku A.K_.

_Ward K_.

_Weston B.H., et al_,

_Weston J.F., Chung K.S., & Hoag S.E_,

_Widner J.A. (ed),


_Economic Change And Political Liberalisation In Sub-_


**Journals and Articles:**


Lintner,


Lipton & Mazur,


Longin & Solnik,


Luberti,


Macey & Kanda,


Marshall,


Massimbi & Phelps,


McVea,


Miller,


Miller & Levin,


Miller & Rock,


Modigliani & Miller,


Morrison,


Mossin,


Mullins,


Muuka & Mwenda,


Myers, “The Capital Structure Puzzle,” Journal of Finance,
39, (July 1984).


Naylor,


- ,


- ,


Ndulo,


Nkumah,


Olson, et al,


Pennington,


Pettit,


Posner,


Prentice,


Rider,


Roll,


- ,


Roll & Ross,


Rosenberg,


Ross,


Sharpe,


Shaw & McSweeney,


Solomon,


**Daily Parliamentary Debates in Zambia:**


*Hansard*, 18th June, 1992.


**International Treaties:**

The Common Market for Eastern and Southern African Treaty
The Preferential Trade Area Treaty
The Southern African Development Community Treaty
The Southern African Development Co-ordination Conference Agreement

**Dissertations and Theses:**


Mwenda K.K., A Critical Review Of Foreign Investment Policy In Zambia: Direct
Investment, The Stock Exchange And Privatisation, MBA, University of

Mwenda K.K., Investment Law In Zambia: The Stock Exchange And Privatisation,

Mwenda K.K., The Politics of Company Law in Zambia: A Critical Analysis of the

Mwenda W.S., The Efficacy of the Zambian Investment Act, 1986 in the Attraction of
Private Foreign Investments for Development, LLM., University of

Simwinga G.K., Corporate Autonomy and Government Control, Ph.D., Syracuse
University, 1977.

Interviews whose texts are not reproduced in the appendices:


Other Documents:

Anderson P. & Ndulo M., Structural Adjustment, Inflation and Political Commitment in Zambia: A

Capital Markets Board, Recent Developments In Capital Markets In Turkey: Proceedings Of The

Claessen S. & Kingebiel D, Alternative Frameworks for Providing Financial Services, Working Paper


Demirguc-Kunt A. & Maksimovic V., Capital Structures In Developing Countries: Evidence From Ten Countries,

Director General of Fair Trading,

- 


Gardner T.,

Ghana Stock Exchange, Goldberg P.V.,

Gardner T.,

Government of The Republic of Zambia, Independent Newspaper, Kahn M.S., Montiel P. & Haque N.U.,

Kaunda K.D.,

Law Commission, UK,

Law Society, UK,

London Stock Exchange,

- 


Zambia Information Services, 1969.

Law Society, UK,

Linklaters & Paines,


<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Title</th>
<th>Publisher/Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Memorandum and Articles of Association</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rules of the Exchange</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rules Governing the Official Listing of Securities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Understanding The Stock Market, Lusaka, Lusaka Stock Exchange</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regulation of Foreign Direct Investment in Zambia, [published] Occasional Paper No. 14, Spring 2000, Center for Advanced Study in International Development (CASID), Michigan State University, Lansing, Michigan, USA.</td>
<td></td>
</tr>
</tbody>
</table>

393


Times Of Zambia Newspaper, 11th April, 1996.

Times (UK) Newspaper, 17th December, 1996.


Zambia Daily Mail, 10th September, 1993.

Zambia Daily Mail, 18th December, 1992.


Zimbabwe Herald Newspaper, 10-18th February 1997.
Interview with Mr. Charles Mate, Chief Executive, Lusaka Stock Exchange, Lusaka, 20th December 1996.

Q1. Mr. Mate, would you say there is an efficient legal framework for regulating trade in equities securities on the Lusaka Stock Exchange?

There is I believe a sufficient legal framework, not simply because we had the advantage of having our market developed in a very structured way. We brought in the assistance of the World Bank together with the International Finance Corporation in 1993 and those consultants essentially were able to draw on the best practices and standards in use worldwide. And so, our Securities Act you find is modelled along the similar lines to which you find in the U.K and what you find in the USA. It is a fairly modern piece of legislation as regards regulating the securities market.

Q2. Would you say there is an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?

When you say “debt securities” I think the Exchange opened primarily I believe with a focus on the equity market. Now the question is do you need any other regulation to capture the debt market beyond what you have. I would argue that really you don’t. I would argue that what we have in place should be completely adequate to capture the debt market, and the debt
market at this stage is very simple. We are talking just of government bonds, one year
government bonds. These are issued by the Bank of Zambia and it is really the secondary
market which is currently dominated by commercial banks which, in their own rights, are
regulated by the Banking Financial Services Act, which is also fairly modern, fairly current.
And you probably know the Bank of Zambia is now tightening up on its regulation. And so,
what the Exchange is trying to do now in effect is to come into the debt market at a late stage
because it is currently - as I pointed out - completely dominated by the banking sector and we
are trying to encroach into that. We are trying to create a partnership with the banks because
the Exchange should offer the advantages of transparency, the advantages of matching of
buyers and sellers and therefore what I call a better pricing mechanism than what you currently
have in secondary market. In short, you have essentially what is a fragmented market for debt
right now. To give you an example, you can go to a bank today and buy a bond and the same
bond will be offered to you by a different bank at a different price but its the same bond.
Now, that is not correct... its the same financial asset and that instant in time it should only
have a single value in the market. And so, we think that if we can actually bring these bonds
on to the Exchange we will create the transparency. But that transparency will clearly involve
interaction between the Exchange as well as the banking system.

Q3. Who drafted the Securities Act 1993 and what was the criteria for choosing the
party that drafted the Act?

The drafting Act, to be fair, you would have to cross check with the Securities and Exchange
Commission, specifically Mr. Mumba Kapumpa. I came late into the arena if you like. I
joined the Exchange late October 1994. The Act was passed through Parliament in December
1993. But my understanding is that the drafting was done by a team of legal experts who were
working under a technical assistance facility under the World Bank together with the IFC. And one of those legal experts was someone called Jonathan Miller. Jonathan Miller, I understand, was involved with the London Stock Exchange for many years.

Q4. *What were the reasons that led to the repeal of the Stock Exchange Act 1990 and to the enactment of the Securities Act in 1990?*

Again you would have to check with the SEC they were intimately involved with that, but my own analysis of the situation is that what you find with the previous statutes is that they really was not a full understanding of the market structure. They sought to have a stock exchange. I think that’s what you find ... that there was this fixation with having a Stock Exchange without appreciating the structure of the capital market and what a Securities Act does it moves us into the broader picture of the capital market. So the Securities Act of 1993 is a broader legal framework and so it captures, for example, collective investment schemes, it captures investment advisors, it uses the term licence dealers. Its a much more broader legislation which is designed to be, if you like, open, progressive and you notice that you’ve got the body of the legislation; the Act itself and then the details the specific ah...,if you like, delegated into statutory instruments. So you can always have new instruments to capture new developments in the market, and so it was a much more clearly thought out plan. Whereas in the previous statutes from what I have seen there was a narrow focus. We wanted to have a stock exchange but we didn’t really appreciate that a stock exchange is only one component in a much bigger arena.
Q5. What relationship has been, if any, between the equity market and the bond market in Zambia and on the Lusaka Stock Exchange as well?

Well that's a very interesting question from several points. If you look at it from an investor's prospective you will find that...Let's start off, perhaps, from the government's position. The government has been trying in the last four years to bring about some stability through the economy and one of the biggest problems this economy has is inflation and one of the things that make this economy anomalous is that we are the only country in the region which has inflation rates way into the 40% ranges. Zimbabwe, Botswana and all these countries are way down somewhere around 15% and below. Uganda is now somewhere around 6%... so inflation is a problem and the government is trying to address that. There was recognition in Zambia that there was that you needed to mop up excess liquidity, excess money supply. And so, treasury bills were introduced as an instrument to try and reduce this excess money supply and that's how come many of us first came to know about treasury bills. So from the government's point of view the treasury bill was an instrument used to try and bring about economic stability, if you like, to lower inflation. So you have this sudden release, if you like, or introduction of treasury bills into the market. And from the government's point of view, it seemed to have worked quite well. We got inflation coming right down to somewhere in the order of 25% in 1993. From an investor's point of view - the ordinary Zambian investor as well as the institutions and the banks - clearly the fact that you can get the guaranteed return on bonds and treasury bills is quite attractive. So many Zambians have come to know that instead of putting your money in a bank account you can actually buy treasury bills and get a fixed return which is quite positive. When the stock exchange now comes along in early 1994 it has to now compete with treasury bills or the debt instruments and that competition is very difficult for the stock exchange because we are talking, as we speak today, of yields of the
order of 55% to 60% on treasury bills. And we are talking about dividends yields right now in
the stock market... I think our best stock are Standard Chartered Bank... would give you a
dividend yield in the order of 8% to 10% and Zambia Sugar perhaps about 10% as well. So
you have got that problem that because you can get a high yield on this fixed income securities
- the debt instruments - and at the moment you can only get 10% (dividend yield), there is
clearly a major gap between the two. It is making the equity market unattractive and one of
the thing we want to see clearly is a lowering of these treasury bills and as you know world
wide that relationship simply means that as interest rates go down investors shift more into
equities. That relationship is well known. In Zimbabwe in 1996, one of the interesting things
about Zimbabwe is that if you look at the Zimbabwe Stock Market it has seen an appreciation
of the order of 80% to 90% plus in 1996 and that has been driven purely by the fact that
inflation is coming down in Zimbabwe, interest rates are coming down, and so there has been a
shift of investment money into the equity market.

Q6. In the last six months what is the average of dealings that have taken place on the
Lusaka Stock Exchange?

I guess you are talking of the volumes or the turnovers. What you see in a start-up market like
this are very big fluctuations. We will go through periods where in a week we may trade
shares with a turnover of the order of say K5 million for the whole week. We may do in
another week less than K5 million and we may do more. But, when you look at our statistics -
and I have got these available for you, and I will release these to you - you also see peaks
where suddenly you see a big institution come in and do a transaction of K5 million. To give
you an example, in August we did a transaction worth 1.2 million US dollars, but as a single
transaction. That has been our biggest transaction to date. So for the Lusaka Stock Exchange
these are basically early days and averaging perhaps becomes a bit awkward as a figure one
would keep to actually give to you as a single figure. All I can say is that we are seeing fairly
big fluctuations in volumes being traded. But, you can also try and measure our activities
simply by looking at the number of trades going through the market, and that trade here is
simply the matching of the buyer and a seller. My own strategy at the moment is not to focus
on volumes on these early days, but to focus on transaction activity. In other words, to
encourage brokers to go for continuity in the market even if it is only a transaction of ten
shares, do it,...take it! Because what that does is that it keeps the market ticking and I argue
that if we can keep the market ticking the big volumes will in due course come. Because by
keeping the market ticking we generate confidence and when someone looks up and says "Is
anything happening there"? They can say 'yes' there is something happening there. The last
thing you want is no trade whilst everybody is waiting for the big deal. So you could have a
situation where for the whole week nothing happens and the following week you have a big
volume of say one million shares and then another two weeks there is nothing happening. That
sort of mentality, that sort of activity pattern, I think, does more harm because at these early
stages we want to prove to the market out there.. we want to give them confidence. We want
to prove that this market is slowly working and so I tend to focus more on, as I say, activity
and encourage even the smallest volumes to come on and I argue that the larger volumes, the
bigger deals, would in due course follow.
Q7. You have mentioned the issue of activity and you have mentioned that shares are already been traded on the Lusaka Stock Exchange and that treasury bills have been introduced by the government and they are being traded off the Lusaka Stock Exchange. Has the bond market on the Lusaka Stock Exchange become operational?

We have opened the Lusaka Stock Exchange market for bonds. As a matter of record we listed government bonds in late 1995 and we have seen something like two to three trades go through and that is a matter concerned to us because when we listed that involved a lot of interaction with the Bank of Zambia and we were happy to receive their support in moving in that direction. For example, in Malawi all government bonds are listed automatically and they are then passed on to the stock exchange and all secondary market activity takes place on the stock exchange. As I said earlier on, in Zambia the problem we have is that although we have listed the bonds, the tradition here, the culture is that these bonds are largely held by commercial banks and the commercial banks in Zambia have not yet got out of that mental shift ‘to think capital market’ and to use the stock exchange and actually benefit from it in terms of transparency and liquidity. Also, our investors I think - perhaps it is matter of publicity and campaigning - that for an investor clearly right now transacting in the current scenario they incur a cost because as I pointed out to you in the beginning, bank A will sell you that bond at a particular price and bank B will sell you that bond for a different price. And so there is a cost there. If they came on the Exchange it would simply be a matter of matching the buyer and the seller order and so the final price would be purely driven by demand and supply interaction. That is basically our argument. We are saying use the stock exchange and demand and supply will give you an equilibrium price and no one should complain on that score. It would mean the banks will see more transactions going through. It should mean the investor will get a better valuation on their financial assets.
Q8. Have there been any complaints relating to market abusers such as manipulation of prices of securities and insider dealing in Zambia?

No, there have not been any complaints at this stage. There have not been any complaints at all. The legislation covers those abuses very, very well. What we have seen, I think, are problems which I call perhaps operational problems and to give you a specific example; because all the brokers are concentrated in Lusaka we tend to have, if you like, a time lag for those investors who are not in Lusaka. So what we have seen is operational problems where investors, say in Chingola, want to buy shares in a particular stock, and he probably writes to the broker and he writes today but, he is writing to the broker because he has read the Times of Zambia and the Times of Zambia says the “trade price is K5 ”. So he says “K5, is a good price” ... he...somewhere around 7. So he sends a letter to his broker. The letter gets to the broker three or four days later. When the broker receives the letter the price has moved up to eight. The broker executes that transaction today when he receives the letter but its now in the price of 8 or 9; reconfirms to the client and the client says ‘Well I'm not happy with 8, I actually want to trade it 5”. Those are what I call information lag problems, operational problems and we need to find a much more efficient way of allowing participants outside Lusaka because the problem with that is that the client thinks the broker is not actually doing the right thing for him and so the client goes and complains to the SEC to say “look this broker did not do well.” So those are not actually abusers in the market, its not market manipulation. I think its just purely learning problems, operational problems.

Now talking about insider dealings you have to accept I think that this is a very small market and you do find areas where there will be conflicts of interests in what is basically a small market and one would hope that the SEC, I think, would need to move into this a bit more and
if need be to take a deliberate step to actually look at all the market participants and try and
define areas of conflict of interests because if you actually cast your mind into this you will
find that there are areas where those conflicts of interests actually exist. In a small market like
this I think then we could be exposing ourselves to the insider dealing issues. I think its an area
which needs a bit of research actually because although you have the law and the law is fine,
you know, I think you probably need to go beyond the statutes. You probably need to look at
the situation on the ground, do a bit of work on that and actually expose the weaknesses
which are there and highlight them and see to what extent you can actually address those
concerns and basically use the statutes as a fall back. But, if you leave the situation as it is,
you will find that although the law is there you will probably find that there is what, as I said in
the beginning, a very small market and there are things going on which perhaps could cause
those concerns of insider dealing.

Q9. Would you say that liquidity on the market, the total market capitalisation of the
Lusaka Stock Exchange has had any impact on the efficiency of the stock exchange?

OK, let me answer this question this way... If you look at the market capitalisation in 1994, this
market opened at the market capitalisation of the order of say 7 million US dollars and today
we are talking of a market capitalisation of somewhere around 3 million US dollars. There has
been a drop. Now what is causing the drop? What's causing the drop, even if we look at it in
Kwacha terms, maybe let's argue the case in Kwacha terms,... what's causing the drop is
purely price discovery o.k., price discovery... or the learning curve process. Before the
Exchange opened there were transactions going on in this market. People would place adverts
in their newspaper and you would pick up that advert and you would phone up and you would
negotiate. And I call that negotiating in the dark. With the stock exchange opening in 1994
and the requirements that these companies must release their financials in a newspaper we now have an open market with a transparency. So what you have seen in the last two or three years is what I call the process of valuation where the market is valuing the assets. And to answer your question now, this discovery has been much more dramatic in those companies where there has been high liquidity. If you look at Standard Chartered Bank share price movement, you find that within five trades or within ten trades we drop the price from 10 to somewhere like 20 and now its trading around K10 to K12 quota, but it is our most liquid stock. So the process of adjustment has been much more rapid in Standard Chartered and that's simply because its the most liquid stock. There is more interaction on a daily basis, it trades almost every day and so that liquidity factor is what is helping the valuation. In the stocks where you don't see trading activity on a regular basis i.e. liquid stocks you see this price movement in a much more painful slow and staggered way. ZCCM Ltd. is an example. Farmers' House is an example. So to answer your question the market is becoming more efficient I believe because of greater participation, greater involvement, greater transactions. And as we have more listings coming into the market from privatisation - the private sector - the market actually is becoming a lot more efficient in terms of liquidity.

Q10. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

Okay, my observation is that in the early days, in the early years, the SEC's role has been more on the educational side. They have been more on market development, they have seen themselves as being an important institution to try and get as many Zambians as possible to be aware of the market. So they SEC has mounted some very strong promotional awareness
campaigns. On the regulatory side, the SEC has not begun yet to address the regulatory issues and so maybe one would argue that the reason for that could be that because this is a start-up market, its a new market... they see their role as being more of development and that once the market is off the ground they would then shift their focus and begin to take a stronger regulatory stance.

Q11. Would you say there are sufficient collective investment schemes, such as Unit trusts, presently participating on the Lusaka Stock Exchange?

The quick answer to that is no. There are none at all, and that actually is one of the major hurdles to the success of this market at this stage. The empirical evidence gives a very interesting scenario. If you look at what happened between August 1994 and January 1995 you will see that trading activity went up by a factor of 10, and turn-over increased a little bit, volumes did not go up significantly. That increase in trading activity was driven by the introduction of the Meridian Collective Investment Schemes; the Meridian Property Scheme, the Baby Bond, and the Family Bond. These were collective investment schemes which had been developed much earlier; three to four years earlier than the stock market. And as soon as they came on the market they pushed up our activity by, as I said, a factor of 10. And what that shows is that the effectiveness or the power of a collective investment scheme in galvanising broad participation across the spectrum. When the Meridian problem surfaced in early 1995 and the market lost confidence you see a collapse of the market. Trading activity just went down to almost zero and the statistics show that very well. But, in that short period of time we learned a lesson, as I said, the empirical shows clearly that for a start-up market what you need at the early stage is a collective investment scheme or a Unit trust. I believe that if the Meridian Bank had not collapsed and therefore the schemes had continued our
market would have developed at a much faster pace. What are we doing about it today? The stock exchange is now talking very closely with ZPA (Zambia Privatisation Agency) with a view to developing a Unit trust. If you look at what has happened, say in Swaziland, Swaziland has a very successful unit trust, "The Swaziland Unit trust" which was developed by the private sector entity with the corporation of the Ministry of Finance there and it is doing extremely well. If you look at what happened in Zambian Sugar you needed to have K110,000.00 and that threshold was a barrier to many small investor. There are many people out there who would have been willing to buy shares at K5,000.00 or K10,000 but they couldn't get in. Now with a Unit trust - and I am glad that we working with ZPA on this now-with unit trust you actually facilitate the participation of small investors. Another point about a Unit trust, and this goes to our experiences again in the last year, if you look at Chilanga Cement, Chilanga Cement was our first listing in May 1995, the offer price was K65.00. Chilanga Cement was enthusiastically received. To put it mildly it was over sold. Today Chilanga Cement has something like 4,700 new share holders as a result of that flotation. But, many of those 4,700 were people who got into the market purely out of excitement and the novelty factor. They are small investors. A month after the flotation many of them found themselves in need of money liquidity and many of them had been coming here wanting to sell their shares because they had to pay their electricity bill, buy uniforms and so on...Now if the money was in a bank account they could go back and withdraw it, simple! Now that it is invested in a stock market the format of the market mechanism is quite different. They come in and they want to recover their 65,000 so they put in an offer of 65,000 and there is no buyer at that instance in time. So the tendency then is to reduced the price from 65,000 to say 60,000 and a day later there is still no buyer and so they reduced the price further to 55,000. In short the share price in Chilanga has been coming down because of the pressure from the small investors who are desperately in need of liquidity. Chilanga, the company itself, is now
performing extremely well. The plants are now running at close to full capacity something that has not happened in the last ten years, I believe. So whereas the underlying asset is a lot better the company is performing a lot better, the share price is now depressed because of the small investors and their need for liquidity. So liquidity is a critical factor for a small investor and so a Unit trust would actually have helped us balance out that problem and that these small investors would not have gone into Chilanga. They would have gone into a Unit trust and so Chilanga therefore would not suffer the negative image it has in the market today because of its price being low - because its only those investors who are a lot more understanding would actually be invested in Chilanga directly. But, the small investors would be in their Unit trust; an open-ended Unit trust would enable them to go in on a monthly basis buy a few units or sell a few units and that would give them the entry-exist mechanism. Not on the stock exchange where clearly the impact is more likely to depress prices and to negatively, and to basically send a negative signal all around when the underlying companies themselves are performing extremely well.

Q12. Are there any limitations in the regulations of the Lusaka Stock Exchange on foreign investors participating on the market?

No, there are no limitations at all. I think one of the interesting features of our stock market is this complete absence of restrictions on foreign ownership. The regional market... Zimbabwe used to, Zimbabwe two years ago had restrictions where I think foreigners could only invest up to 25% and on an individual basis no more than 5%. They have now relaxed that to 40% this year and I think that on individual basis up to 10%. But we have the advantage that there are no restrictions. So maybe I think a logical question is “are foreign investors coming in”? And the answer is “yes” and “no”. But I think on the whole, one would say we are
disappointed by the level of foreign investor participation. I think what’s hurting the foreign investor coming in is (1) The high inflation regime; (2) The fact that we have not seen any capital gains on the market. Chilanga we all thought would see a lot of foreign investors but the foreign investors will look at the exchange rate movement and find that in dollar terms the investment would be going down. Now that would ordinarily be compensated with hope by the share price, but as we already discussed the share price in Chilanga is actually going down partly because of these small investors who are actually, if you like, affecting the price. So when you combine all those factors you find that they have not seen the level of foreign investment which this market deserves because of the degree of openness which have put in place; no controls, no exchange controls, no taxes on listed companies, no taxes on capital gains I think these are all far reaching incentives and well ahead of any other market in the African region.

Q13. Are there any limitations set by the Zambia Privatisation Agency on foreign investors participating on the Lusaka Stock Exchange with specific regard to parastatal companies that are being privatised on the market?

No, there are none at all. Once a company is on the stock exchange as I pointed out there are no limitations. But to take the matter from the beginning what the Privatisation Agency would do at the initial stage is to privatise the company and in the process identify an investor who has sufficient resources to move the company forward, sufficient resources to make the company grow and they would also seek to ensure some degree of participation for the Zambian public. So you will see in cases where they will perhaps aim for participation of the order of 30%, 20%, 10% it all depends on the particular circumstances. And it is that block of shares that they reserve for Zambia, the 30% or 20% which are passed on to the Zambia
Privatisation Trust Fund; the ZPTF, the warehouse. Once the shares are in the ZPTF the ZPTF will then off load them to the public via various mechanisms and so far we have only tried one which is the flotation route. And basically, once they are in the ZPTF - it is worth stressing here - that they can only be acquired by the Zambian citizens and the eligible Zambian institutions. But bare in mind that foreigners will have participated in any case at the initial stage where the company was actually offered to the open market for privatisation. So foreigners who have already had their go and by the time the company has been put to the ZPTF they will be a controlling foreign interest and so what’s in the ZPTF is restricted only to Zambians. But having said that, once the shares are now on the Lusaka Stock Exchange in the secondary market there are no restrictions whatsoever. Foreigners can come into the secondary market and buy the same shares which are in Zambian hands.

Q14. Would you say that stock markets in Southern African countries generally have made a significant contribution towards regional integration in the region?

Significant contribution, I think ... it is early days. What you are seeing now is efforts at achieving that regional integration. To give you two examples; we now have what is called the African Stock Exchanges Association (ASIA) which was formed in 1993 and the first meeting was in Kenya, the second meeting was in Johannesburg, the third meeting was in Mauritius, the fourth meeting was in Egypt, and Zambia is hoping to host the 1998 Annual Conference. So you are seeing a lot of integration and corporation at the continental level. At the regional level the stock markets in the Southern African region have initiated corporation along the SADC (Southern African Development Community) lines and to give a specific example there is a meeting just being called by the JSE (Johannesburg Stock Exchange) for January 24th this year. It is a one day meeting and it will involve all the SADC countries and it will be looking at
areas where we can integrate further, can we commonalise our listing rules, can we encourage cross-boarder listings or dual listings? And can we share information on promotional... privatisation, to be specific, and wider participation by the citizenry. So you are seeing that sort of regional corporation coming along.

Q15. Would you support the idea of having a regional stock market in Southern Africa and, if so, what reasons would you give for your answer?

I, actually, am not a proponent of a regional stock market at this stage. I know that if you look at what's happening every country in the region is now having a stock exchange. Malawi has just opened theirs. Tanzania are going to do the same before the end of the year, Uganda is doing the same. So there is a criticism which you will hear these days that it is becoming like a fashion to have a stock exchange and it is being used as a symbol of national pride and if you don't have a stock exchange its something you are missing. So that criticism I think is a bit unfair. If you look at the fundamental role of the stock exchange - this is where we seem to get the argument wrong - is to actually promote growth in the economy and to move money from holders of money, savers, to users of money. If you go for the regional idea at this early stage clearly at the regional level it will only be the larger companies which can only feature at that level so you would have to look for the biggest company in Malawi, the biggest company in Zambia and so on. The question then is what do you do with the rest of the economy? What do you do with small, medium enterprises which really form the foundation of your economy in terms of employment, in terms of domestic growth, in terms of initiative. What do you do with all that? Its like you are pushing them aside and making them irrelevant to the economy of the country. So I argue that, stock exchanges... it's a pity that in Africa we didn't realise this at a much earlier stage, but you do need an efficient capital market to mobilise savings, to
mobilise funds and to efficiently use that. We didn’t realise it in Africa sufficiently early. In those countries where they did realise it you can see a tremendous difference in the economies. Zimbabwe is an example. Zimbabwe has a history of almost one hundred years, Kenya fifty six years. So although these countries are going through the same processes of nationalisation, parastatals in Kenya, you still find a very vibrant market economy in Kenya. You find Kenyans, indigenous Kenyans, who are very entrepreneurial, who are driven to think private sector, to think business, and in Zambia we don’t have that entrepreneurial class which you see in Kenya, which you see in Zimbabwe. That’s what makes these economies so robust.

Finally on this particular point, in Sweden they have a very interesting concept. It is interesting to me for several points and may be I can just digress a bit. First, Sweden has a population of 8 million people. If you look at some of the big companies of the world which are Swedish based you would be amazed. Out of 8 million people you are talking of Erricson, Saab, Volvo, you are talking of Atlas Copco, you are talking of Scania, you are talking of Vilooktralax and the list goes on. There are something of the order of fifteen world class multinationals on a small population base of 8 million. Secondly, in Sweden there is a very interesting concept they are developing. They are calling it the ‘innovation market’ which is a much smaller form of a stock exchange. They have the Stockholm Stock Exchange but they also have this innovation market. The innovation market simply is a facility where small businesses and we are talking here of really small businesses; you have an idea of a business proposal; you prepare a prospectus to the same rigors of the Securities Act and that prospectus you send it directly to the public and the public buy shares in the company directly and so the money moves directly from the public into the company in a very simple way and
that really is what a stock exchange does. In Sweden they have developed this system and now it has been tested now for something like three or four years and it is doing very well.

So coming to your question now, I argue that in Zambia the Lusaka Stock Exchange, I believe, should not become to highly focused on becoming an New York Stock Exchange. I think we need to focus more on: how can we encourage private sector initiative? How can we encourage small, medium enterprises in Zambia to find money? How can we create this matching between a company in Zambia, say, which manufacturers a local product - what can the local product be? Something which is able to use our, say, wood. We have lots of timber in Zambia. How could we, say, encourage someone to set up a company which would use the wood locally if they can raise the money from the themselves, myself, local institutions and get a company going. It employs people, it generates growth in the economy. How can we encourage someone to set up a tourist lodge down in Livingstone? Zambian professionals, Zambian entrepreneurs! They could set up three or four tourist lodges. They don’t have the money but they have the plan; they have the concept; they have the manager and the team and they can raise the money. I think each of these regional African economies needs something like that at that level. At a big picture level there will always be the need to co-operate at the international level, regional level and so the ZCCM Ltd, your mining companies, could take a dual listing on the JSE and so on. But it will not be many such companies I think. It will probably be two or three in each of our economies. So the domestic stock market to me - the stress would be domestic- they need to support growth and so they need to offer... they need to be channels where money...we can promote what we I call real wealth in Zambia and move away from this traditional concept of putting money in the bank because basically then as you
know you never win putting your money in a bank. But the banks actually do very well with our money.

**Q16. So you would not even support the idea of having a regional stock market that co-exists with national stock markets?**

I would argue that it is not a goal that I would be in favour of pursuing. I would argue that dual listings would be driven by the market itself. In other words, take the case of ZCCM Ltd., if we privatise ZCCM Ltd. you will see investors come in from Canada Australia South Africa and some of these investors, say, from South Africa are probably already involved in the mining field. They probably missed it on the JSE and so the natural thing would be for them to want to raise money to develop their mines from South Africa as well where they are already known and have a track record. The natural thing would be for them to want to raise money in Canada where they are well known and they have a track record and so what you could see would be say hypothetically, Nchanga Division Ltd., listed on the Lusaka Stock Exchange and also listed on the Toronto Stock Exchange in a scenario where Nchanga Division Ltd. perhaps the main investor there is a Canadian Mining Company. Now that listing in Canada ...dual listings or regional listings... I think that they will be driven by the needs of the market itself and investors themselves and the needs of the market will really be to raise capital and so if you want to develop your Nchanga Mine you offer the shares domestically but you also offer them internationally and if it so happens that the investor or the mining company which is operating in Nchanga Mine or the major share holder is from Canada the chances are they are dualist in Canada on some stock exchange there as a means of raising capital. But I think that all those should really be driven by the market, I wouldn't want to expend my energies at this stage pushing the idea of a regional stock exchange. I would rather spend my energies at this
stage promoting the stock market in Zambia to Zambian citizens; creating Unit trusts, encouraging some of our medium companies to actually go public and realise that they can raise money much cheaper. Zambian professionals can come up with business ideas and come to the market and see if the market will buy into their proposals and raise capital. I think that really is where the excitement is going to be in moving our economies forward.

Q17. Finally, there are two regional integration schemes in Southern Africa, SADC and COMESA. Have there been any efforts to introduce regional stock markets in Southern Africa by these organisations?

Yes, there has been an attempt to introduce a regional stock exchange. Now I am not sure whether it was SADC or COMESA which was pushing it. I do know that in 1995 a presentation was made on the idea of a regional stock but to be fair I don’t know who is behind that initiative.

As we were talking about the relevance of these stock markets and whether we need to focus on a regional stock market I think one interesting aspect of our stock markets is the ability to use them to achieve the objective of local empowerment or if you like empowerment in general and an interesting example is what’s happening now in South Africa. The JSE is an institution with something like 110 years old and the JSE in fact was formed somewhere like four or five months after the discovery of gold in the Witwatersrand. And so that formation of the JSE is really no accident. The JSE was formed to provide the money the capital, to mobilise the capital to develop the gold mining industry and the South African economy has developed over the years because of the central role the JSE has played in that economy; one of mobilising funds domestically as well as internationally and I think domestically. And so
today South Africa is an economy which is big and sort of what one would say of first class standards. What is interesting today is how the JSE is now in the forefront of achieving black empowerment. The issue now recently is how do you bring about the participation of the Africans into the economy an economy they have never been part of because of the apartheid era and the lack of political freedom prior to 1991. The JSE has transformed itself wonderfully but its now - because the JSE is there - you now have for example the recent development where Anglo-American has taken the initiative to off load two of its companies to black groups - if I can use that term. So a company called Jonik was recently off loaded and has been acquired by a consortium of African entrepreneurs one of whom is Cyril Ramapotse. Another South African mining company, I think its called JSCI, has also been off loaded through the stock market mechanism and that has been acquired by a group which is called African Mining Consortium AMC and this particular consortium is led by someone who was a prisoner on Robin Island with Nelson Mandela. So the point I am trying to stress is that the stock market can actually be a very strong vehicle to achieve empowerment but also to achieve, as I said, this whole concept of enterprise the entrepreneurial spirit which in many of our countries - Zambia in particular - is actually missing because of nationalisation on the one hand, but also it changes the whole concept of ownership and that is one of the things we need to change. There is an attitude problem here! If you look at the attempts by our governments in the past to empower Zambians and you as the question “Have they been successful?” you probably find that there are not many companies out there you can count which are successful Zambian companies where Zambians were given the opportunity by the government to say we want you to run this as our way of encouraging Zambianisation or indigenous ownership. Many have not been successful because the concept of ownership was very wrong. The concept that you must own it 100% and therefore you were only accountable to yourself and there is no accountability, there are no checks on balances. The stock market changes all that.
because as a public company you are accountable to the shareholders and what we need to change is attitude instead of having 100% of one - as I argue -100% of 1 is 1 but 100% of 2...
or put it differently 50% of say 4 is 2. In other words you could open up your company to the public through the stock exchange, reduce your share holding interest from 100% to say 50%.
With 50% you still have significant control but you now have 50% of something bigger. You now have 50% of 4 which is 2 so 2 is yours instead of 100% of 1 which is something smaller and I think its that point which we need to address. The South African examples which I have given you these are companies which are being owned not by individuals but by a broad participation of the Africans in South Africa. Some of them include the Mine Workers Union now we never known the history in Zambia of mining stretching over fifty years. You know what stops our MUZ taking strategic interest in companies like Chilanga. Chilanga produces cement which goes into the mining industries. In almost 100% correlation between Chilanga’s prospects in the mining, as long as the miners are working as miners Chilanga will be there to supply them with the cement. So if MUZ was to take strategic interest in these the MUZ would actually be empowering the miners themselves because MUZ could form a trust as an example. The miners would be invested in the economy through the MUZ trust which is the exciting thing I am calling “black empowerment” you are seeing in South Africa and I think we need to think along those lines because as we are privatising the mining sector and these companies we also need to think of empowering ourselves. We have opened up 100% as we discussed but I think we also need to think of promoting what I call Zambian entrepreneurship and the stock exchange I think is a wonderful mechanism is a wonderful vehicle to achieve that Zambian entrepreneurship. If we can just move away from the concept of ownership which says I must have it all by myself but that I can actually own through the stock market and still not lose control. It’s an exist and entry mechanism as well. So that’s an exciting development.
Let me add something which is interesting for this market which we haven’t discussed in this interview and that is the whole issue of equity financing. The stock market clearly is one avenue and as I said to you earlier in the past there was a fixation on the stock exchange I think we missed the broad picture. What was interesting in 1996 was the formation of the Zambia Venture Capital Fund and what the Venture Capital Fund does is to provide medium to long term financing. It sort of takes a bridge between bank financing and if you like equity on the stock exchange financing. It sort of bridges the middle ground leaning more towards the capital market and we think this is important for the Zambian capital market - the stock exchange in particular- because VCF will be looking to promote entrepreneurship. It will be looking to encourage Zambians to come to the front or to come with projects which they could take in equity interest but their role is to catalyse development. They don’t see their role as long term investors. Venture capitalists are always in it for a short term so they need an exit mechanism. So we think that in another year or two years we will begin to see some sort of convergence between what we are doing on the LuSe and what the venture capital fund is doing because some of the companies they will invest in will actually end up being committed to public companies which will be quoted on the stock exchange which eventually will be listed on the stock exchange and that will enable the VCF, CDC and the other partners to exit; they will be exiting through the stock exchange mechanism. I think that is an interesting and exciting development for our capital market.
Appendix B.

Interview with Mr. Nduba Namoonde, Stockbroker and Chief Executive, Finance Securities Ltd., Lusaka, 20th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in debt and equity securities on the Lusaka Stock Exchange?

I think in as far as equities are concerned, “yes”. Debt securities, we are only starting now really. I don’t think we are yet prepared for that, but in as far as equities are concerned I think we have an adequate legal framework at the moment. Actually I think we are even lucky because our Exchange has evolved in the 90’s and we had a lot of examples to copy from internationally and even regionally. We tried to avoid some of the problems that other countries have been facing. And not only that, we did the legal aspects prior to the actual trading which I think has managed to provide this appropriate legal framework.

Q2. What is the relationship, if any, between the equity market and the bond market on the Lusaka Stock Exchange?

One thing that I have been telling the Lusaka Stock Exchange, although they are saying that we should start approaching clients to start trading on the stock exchange, that is in their bonds, I have told them they have not provided us enough training to appreciate the operations of a bond market. Now in as far as the equity market is concerned, if you are asking me about the relation as regards the returns on the two, I think the returns on the bond
market are still too high when you compare to the returns on equities. As a result it more attractive to invest on the bond market than the equity market at the moment also the higher returns that the bond market offer.

Q3. Do you know of any complaints relating to market abuses such as bid manipulation or insider trading in Zambia?

Not at all, but the only thing I could complain about really is what we call ‘put throughs’ - a situation where a brokers has both the seller and the buyer. The stock exchange should be seen as a central place where all trades must take place in not only trade taking place, it should be open and transparent. But what I have seen among brokers is, if say, one brokers has a very large buy order from a foreign investor they will look for the sale side as well. In other words those are what you call ‘put-throughs’ so that they can end commissions on both the selling and the buying side and I think that is not good for the market because ultimately what we see is that we don’t see the actual buy order being placed in. Ideally, the buy orders must be there for days so that they can activate the market, everybody out there should be able to see that the price is so much today and then I should be able to sell. The only thing you see when you have these ‘put-throughs’ is just the trade having taken place the previous day. You did not even see, you had no opportunity to consult your clients if you wanted to sell. So in as far as bids are concerned I think there is some manipulation of some kind from that point of view and that is why I am telling the stock exchange as we should and ending this issue of ‘put throughs’ altogether.
Q4. On which market would you say this has transpired, on the debt market or on the equity market?

On the equity market because in as far as the bond market is concerned we are only starting now. We should have ... officially we started trading bonds in August last year. The problem is that we had a situation where you had people who wanted to buy but there were no sellers. I don't know out there people who own bonds do not want to sell them in the secondary markets. So I think that with the new measures that Bank of Zambia has now introduced we are going to see a lot of activity on the secondary market for the bonds.

Q5. Would you say that the market abuses that you have identified have affected the efficiency of the Lusaka Stock Exchange?

In my opinion "yes"! In a sense that Zambians have not yet seen or appreciated the meaning of a stock exchange because of this. If there's a large order, if say, Zambia Sugar... the public offer for Zambia Sugar was at K11 and suddenly you see a put-through at K14 then certainly it has just taken place. If an order had been put in a stock exchange and everybody saw it they would all want to participate. In that way people would appreciate the meaning of the stock exchange and as a result now people still don't see any need of trading their shares because in as far as capital gains are concerned they don't see any attractive price. If there is an attractive price then it took place yesterday and to me then the stock exchange's efficiency is being affected because people would have been trading at a higher level if such an abuse was not in place.
Q6. What relationship, if any, is there between the liquidity on the Lusaka Stock Exchange and the efficiency of this market?

To be honest with you I think one of the problems that we are facing at the Lusaka Stock Exchange is lack of liquidity. In other words it could be easy to enter but getting out is a problem. I will give an example on Chilanga Cement, Rothmans... There are several people who bought shares in Rothmans and Chilanga. They want to get out now but there are no buyers for their shares. That is no liquidity, you know, and I think that is a major problem but can you just repeat the question please.

Q7. What relationship, if any, is there between the liquidity on the Lusaka Stock Exchange and the efficiency of that market.

Of course then that has a bearing on the I mean the fact that people can't get in and get out when ever they want to. Ultimately that affects the efficiency of the market and especially for foreign investors...Foreign investors want to be assured. We have done a lot in terms of improvements in the macro-economy. We have liberalised quite a lot. I think we are the most liberalised country in the Southern part of this region of Africa. And we have gotten rid of exchange controls but these foreign investors that we have hoped for have not come to a certain extent that we expected because there is no liquidity on the market. They want to come in. Even getting in is even a problem because the volumes which are on offer are very minimum. The foreign investor when he comes he comes with say 5 million US dollars. You convert that to Kwacha to buy shares, there are no shares available. The individual in Zambia who is selling is selling in lots of 1,000 of course there is a lot of pension schemes that are sitting on their shares and as its understandable there investment objective is long term they do not want to get rid of their shares. So, certainly I think to that extent, the fact that liquidity is
not as much as we expected then even the efficiency of the Lusaka Stock Exchange has been affected "yes".

**Q8. Would you say the Securities Exchange Commission in Zambia has effectively performed its functions as the main securities regulatory body and what are the reasons for your answer?**

I think so. I mean at the present moment there are very few players to regulate and it's still very easy for them and I think it's ably headed by Mumba Kapumpa, who understands issues, and even the members of staff if you have had the privilege of meeting there... You know, highly qualified staff and... but in as far as actually supervising the players despite the fact that... I expect the SEC to come, for example, to come and inspect what we are doing and so far we have gotten to the end of the year and they haven't been. Maybe they are coming I mean the year hasn't yet come to an end and as far as I know they are supposed to be coming once a year to come and see what we are doing and seeing that we are not abusing our clients. They have got... the measures they have put in place I think are adequate. I think the market has not yet gotten that exciting. We need more listed companies, right? Those listed companies will apply to the SEC, more members of the Lusaka Stock Exchange you have to give their licences through them. Now currently we are only six and I think they are able to handle although they haven't visited us effectively.
Q9. What would you say are the main problems facing market players and would be investors that participate on the Lusaka Stock Exchange?

With the players first, as a brokers one of the major problems we are facing is the lack of income. We are not making enough money at the moment. If anything I have been operating this company for the last two years, for example, with no money to even reply my to clients. Clients come to open accounts here and I need to acknowledge that 'oh, thanks for opening an account... for choosing me as your broker'. I don't even have enough money because of the commissions that we make. The commissions are too inadequate and then secondly I think I see a lot of unfairness in the sense that there is six of us who have invested quite heavily in order to set up this company but when you look at the public flotations that take place these public floatations require a sponsoring brokers. In other words if Stanbick is handling a company for a flotation they need to appoint a sponsoring broker, but the manner in which these sponsoring brokers have been appointed leaves much to be desired. You will see certain firms and... I won't mince any words here... like Cavmont being appointed sponsoring broker for virtually every floating that is taking place and I don't think that is fair for some of us who have been in the market. I mean we have put in a lot of money and we expect a return. I think the annoying thing is the fact that Cavmont Securities are associated with Cavmont Merchant Bank and Cavmont Merchant Bank are the managers of the ZPTA and naturally every merchant bank that is appointed by the ZPTA owe some allegiance to Cavmont and automatically they appoint Cavmont to be the sponsoring brokers. You can quote my words: "Zambia Breweries has been given to City Bank and believe it or not the sponsoring brokers' role will be given to Cavmont," which is quite unfortunate. I think that those are the two major problems that I see and also I think that when it comes to paying out dividends I think the listed companies or rather public companies should give us more say in the issuing of the
dividend cheque. A lot of customers come to us and say I have not received the dividend cheque from the company and the best I can do is make a phone call to Chilanga Cement, make a phone call to Coopers and Lybrand who are the transfer secretaries for Rothmans or... whatever Zambia Sugar... to inquire. If they could give us some money, establish an account and let us brokers write the actual cheques give them to the client I think problems would be minimised.

In as far as the Zambian market is concerned the macro-economy is what is creating problems for the would be investors. Believe it or not Kenneth, you buy treasury bills today. It more attractive to invest in treasury bills than to invest in the equity market. Its more attractive for you to hold on to your dollars six months later get rid of your dollars you make more money. Inflation is still too high for the ordinary investor, the would be investor, to have an attraction to save... the cost of living is very high. At the end of the month somebody is only able to buy food and not money to put in equity. I think from the point of the would be investor those are the major problems and also I think just the attitudes. We are coming from a stage where people were used to investing in bank deposits, treasury bills, government bonds and all of a sudden here comes a new idea and many Zambians don’t have not yet appreciated the meaning of a stock exchange. Up to now I do have people when they come here I tell them that actually you can increase your holdings in Zambian Sugar by buying shares if on daily basis. They don’t believe it and that it is possible. So we have a long way in terms of imparting knowledge for the Zambian to appreciate the meaning of the stock exchange.
Q10. Would you say financial institutions in Zambia such as commercial banks have in the past prior to the introduction of the Lusaka Stock Exchange been active in providing finance to investors who intended to buy shares in companies?

Not at all. I mean the decision to buy shares was rather in just somebody's excess savings. We are in a country where you can't just walk in a commercial bank and say "Can I have a loan I would like to buy shares". They want you to be doing a very viable project and that is what they would rather tie their moneys to. Not only that, commercial banks find it attractive to buy treasury bills. I mean their interest rates at the moment at about 60% and who would go to a commercial bank to borrow money to buy shares and then in return you have to pay 60% in terms of interest. So commercial banks not only do they have a bad attitude. The economy is such that they find it more attractive to invest in treasury bills, government bonds because... look I lend money to Mr A and then I have to have the trouble of following Mr A to pay back... the cost of doing that! I would rather put my money in treasury bills and I think that that is a rather sad situation in this country... the commercial banks! I mean even for a house... Look at England! As long as I'm a graduate, I have a good job, I can go and get a mortgage! It's so easy! But in this country it's impossible whether you have a viable project I mean I know people who have come to my office to seek ideas, they want to start up a company but the money is just not there. So to answer your question in a nutshell commercial banks, actually, I have never heard of a case of somebody who went to a commercial bank to borrow money to buy equities.
Q11. Would you say financial institutions in Zambia such as banks and building societies do provide debt and equity financing; meaning, loaning companies money for various purposes or buying shares in companies?

I think I have answered the last question of providing moneys for equities. They don't do that. I think I'm not an expert at commercial banks but just my general knowledge I elaborated the problem that we are facing of treasury bills being more attractive. To a certain extent “yes” the established customers, the big customers, are still enjoying loans to... if they have a project you know, or they want to set up a company or bring in raw material, yes they are given bank commercial banks, they are still being serviced by commercial banks.

Q12. To what extent would you say that information asymmetry does affect their price of securities on the stock exchange?

I was a very good economics student but I have forgotten the meaning of asymmetry. Could you just explain that then I will answer this?

Q12(b). By this I mean, for example, a situation where banks have loaned money to a company... do they have privileged information as insiders because probably they control the constitution of the Board of Directors and by that fact they would know much more than outsider what the value of the shares of that company would be?

Sorry,... could you just repeat the question please.
Q12(c). To what extent would you say that information asymmetry does affect the price of securities on the Lusaka Stock Exchange?

You know that is what you expect in the mature markets and even in South Africa, Botswana... I'll give you an example where by you hear that the ZCCM Ltd... Anglo America has shown an interest in buying ZCCM Ltd. Automatically, the share price must rise on the stock exchange. Zambian Sugar has just declared a handsome interim dividend now but look at the price... its still stuck at K11. In other words we have not yet reached that stage where developments that impact a company will have a bearing on the perceptions of the would be or existing investors. I would love to see that because that way we shall have a lot of business probably whenever positive developments take place. For example, we had elections just recently... absolutely no effect in as far as prices on the stock exchange were concerned. If we saw in any downward impact on prices of companies like Chilanga that has been there before even before the elections when people had all the confidence. So information I mean we haven't even reached those stages where investors react to certain information to say "Look this company has declared, intends to declare a handsome dividend and the register is still open let me rush and go and buy some shares". Not as yet.

Q13. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the Lusaka Stock Exchange?

Ken, I yearn for collective investment schemes in this country. I am privileged to have managed the Meridian Property Baby and Family Bonds. I was the fund manager in 1991-1992. That was the best investment to have had happened to Zambia. It was affordable, people with as little as K2,000.00 could buy something and they saw a return at the end of each quarter when we valued this fund. Meridian Property funds unfortunately or rather all the
three funds went under. Actually they were two funds because it was a bond fund which consisted of the Baby and Family and then the Property Fund. They went under for a reason really which is silly really to me because why did investors start panicking? I mean when they heard Meridian had gone down and the fact that the bond were called Meridian they started panicking and they all wanted to get rid of this thing. Maybe I should understand their panic because at that time we didn't have sufficient regulation to guide collective investment schemes. The trustees were Meridian Bank. So, immediately people heard that Meridian Bank had gone under they started panicking.

Now to come back to your question: are there sufficient CIS's in Zambia? Right now the only CIS worth talking about is the Cavmont Guarantee and Trust Company which I was privileged to form actually. Unfortunately, originally it consisted of property, equity, growth and income funds. Then because of the new Securities Act which required the property funds to be traded on the stock exchange it had to be abandoned so they only have three now. Now, the problem with that scheme at the moment is that the income funds and the equity funds, their minimums are K250,000 while the growth fund it's K25,000. So its only the growth fund which I would say maybe is aimed at the common man. The other two are - I think - for the up-market and I think K250 is still too high. To be honest with you I ran those funds and I don't think they have been that successful in terms of attracting investors to go and put in their money. It's a good idea and one other thing I think that is making people have cold feet in terms of owning collective investment schemes is as follows:

When I was forming those Cavmont guarantee and trust company funds I went around, for example, in pension schemes... all the six pension schemes we have in this country and the
answers I was getting... the income fund, you explain to the manager of the pension scheme, you say: “the income fund invests in treasury bills and government bonds”. The guy will just answer you and say: “Why should I invest through you and then you deduct a management fee. I would rather I go and buy the treasury bills myself at Bank of Zambia”. And you tell them “OK put your money in the property fund” he says the same thing: “I invest in my own properties”. In other words we need to inculcate the culture of specialisation. Let pension fund managers realise that their job is not to go out there looking for where to invest their money. Let the collective schemes do it for them. Now let me come to the Equity Fund which I think is the most interesting.

The equity fund in this environment seems not suited. What are the reasons? The only equity fund that existed was the Cavmont Equity Fund at the time. That was before the stock exchange was established and at that time there were problems in valuing these equity funds on monthly basis because you only relied on what the ...if you wanted to know what the existing price was to value the equity fund you had to phone the company secretary of a particular organisation. The company secretary would quote a figure say “Oh the last time some people traded in these shares the price of K150.00 per share”. I am giving you a concrete example of Standard Chartered where every body believed that the price for Standard Chartered was K150 per share. So even when we started the funds at Cavmont, the equity fund was valued at 150 you know... continuously. Now, came the Stock Exchange, the market forces at play, demand and supply, the prices started going down to ...today the average price for Standard Chartered is K9.00. Now, you can image the destruction that happened to such an equity fund which was being valued at 150 kwacha and all of a sudden because of the market forces the price drops to 9 kwacha and people just lose confidence. Nobody wants to
invest. I was looking at the figures for the Cavmont Equity Funds for December. When compared to November the value has gone down and this is continuous because when you aggregate you look at the prices for Chilanga Cement, Rothmans, Zambia Bata, where they come when the equity fund has investment the prices have all been going down. So on average you find that the trend is for them to go down and this makes it very unattractive for even investors to put their money in such a scheme. The income fund has been I would say a success because it has been investing in treasury bills. But to convince somebody to say “Please invest in the income fund” is very difficult you need to meet sophisticated Zambians who appreciate the fact that they don’t want to bother to go and queue at Bank of Zambia and buy the treasury bills themselves. Now collective investment schemes believe me are a necessity in this country. We are having problems right now because for example, Zambia Sugar, the minimum investment was required if you wanted to buy Zambian Sugar Shares was K10,000.00. For an ordinary...sorry you had to buy 10,000 number of shares, that is the volumes, and that translated into K110,000.00. Now for the ordinary Zambian are they going to afford that? Its virtually impossible and if we had collective investment schemes which could say attractive minimum of K5,000.00 a lot of Zambians would contribute to the equity fund which would ultimately buy during public floatations and therefore ultimately...You know, when foreign investors come they want to buy in bulk and its only collective investment schemes which we buy in bulk which would be able to meet the foreign demand. Now our neighbouring countries like Zimbabwe, Namibia, ....and I have just returned from a seminar in Sweden, and you know when you look at their presentation about the role that... sorry the collective investment schemes have played in terms of mobilising savings in their countries believe me need collective investment schemes and I would like to take this privilege to comment on another collective investment scheme in Zambia called “Manifold Global Fund”. It’s unheard of... just this morning I had a client who came to ask me whether they still existed.
I mean you might even see a shareholder who doesn’t even know that where she has put money you know the institution is still in existence or it has gone under. The SEC has tried to ask Mr. Chabi the owner of whatever Manifold Global to come to the fore so that you know he falls under the existing regulations, but they have not received any co-operation and that is one thing that Mumba Kapumpa can even tell you. I will tell you something, Finance Management Services, which is subsidiary of Matthani Group of Companies, did commission a study of some South Africans who recommended two kinds of collective investment schemes; one called the Income Fund which would invest in government bonds, treasury bills, bank deposits, and then the equity fund which as the name implies would invest in equities. Unfortunately, what I see... there are two reasons that I see as major problems. Those have not been launched for the following reasons they could be an official reason but that is just my view. I think the lack of skills you know there are very few people in Zambia who understand how to run a collective investment scheme. Secondly, I think the demise of the Meridian Funds you know brought in this cold feed thing. You know everybody started saying “If we launch this it is at a wrong time people have no confidence in this any more”. But we had visits from IFC, some two officials who came to the Capital Market Division. One of them was a Mr. Jettah and another guy from Somalia or Ethiopia. They came to see us here to try to assess our needs and they were following up on why ...their mission was to come and meet with financial intermediaries to find out what problems we are facing; why we are not launching collective investment schemes? And one thing they assessed from us was the lack of skills and ultimately they said they would try to identify a foreign partner who would come... Certainly, Finance Bank Ltd. or finance bank institutions or other associate companies are interested in this collective investment scheme. But you know... we need, we lack resources in terms of finance, computers, you know we need programmes that will be able to handle all the large volumes. In my view when you are talking about collective investment schemes you need
very huge capital to get you started because the management fees that you need to pay the custodian. You know we appointed Barclays to be the custodians for these two collective investment schemes that I have just talked about. The figures which they quoted they say is “a fixed fee” irrespective of whether we have made money that month or not you see. If it was based on the value of the fund on a monthly basis you know one can say “it’s OK”. But we end up paying them more than actually what we are making. But I think what consoles me about the collective investment schemes is that fact that we’ve got the legislation in place. When I was running the Meridian Property Fund we where operating in the dark and a lot of funny decisions that were being made this was when it came to valuing the funds on a monthly basis it was kind of a board room decision to say “Okay, let us give them so much”! And when you have the trustees you are associated with the trustees like Meridian was associated now the rules clearly state that you have to appoint an independent trustee that is why we have appointed Barclays. So I know I have laboured too much on this point its an issue that I am really interested in and I would like it to happen in Zambia as it has happened in neighbouring countries, even in South Africa.

Q14. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia?

I think “yes”. The pace of privatisation in this country surprises I think even institutions like the World Bank, IMF and even neighbouring countries they don’t believe the pace. We had close to 150, officially we had about 150 parastatals. I was talking to one lady from the ZPA Florence Mumba who says we are discovering more. So let’s put it say something like 190 companies and so far we have sold over 100 and these have moved from government hands
into private hands. Of course some of the companies had pre-emption rights in the same companies but to a large extent it has helped in attracting private capital.

**Q15. Would you support the idea of having a regional stock market in Southern Africa?**

It is a good idea I think we are duplicating effort. Zimbabwe sets a stock exchange, South Africa, Namibia, Malawi now, Tanzania now, Uganda is also in the process. What for? I give you a very good example of South Africa and Namibia. The Namibian Stock Exchange right now has about 19 listed companies because they inherited something like 12 companies which are already listed in the Johannesburg Stock Exchange. In other words this is issue of dual listings which is related to having a regional stock exchange. To me as African countries we are each country, each president goes to the Far East to sell his own country this week tomorrow its another President going to attract investment... for heavens sake we don’t have the resources. I think we are duplicating efforts and not only that, as long as we don’t have the regional stock exchange and our levels of development are totally different; Botswana has high reserves, South Africa is a developed country and you find that foreign equity managers would rather go to South Africa, would rather go to Botswana and Zimbabwe and the rest of the countries are forgotten. But if we were to form one regional exchange where all our citizens are enlightened to say “This is what is available on this stock exchange” I think our nationals are bound to benefit. Countries have different levels of inflation. A country like Zambia you are talking about 45% or...Zimbabwe is much lower than that. Interest rates in Zambia 60%, Zimbabwe I am told the interest rates have been going down. We would take advantage of this rather than having different stock exchanges which face different macro-economic environments which in the case of Zambia the macro-economy is adverse, you know it makes it unattractive to invest in equities. If we only had one say stationed in Zimbabwe. You know
maybe we would benefit but it's not just a question of having a regional stock exchange everything else must be regionalised.

**Q16. If there was to be a regional stock market in Southern Africa which country would you say has the necessary infrastructure and resources to host this market?**

I think to be fair the oldest market in this region is the Zimbabwean one. Zimbabwe to me is more central you know when you are starting off to the Cape to our Mbala and Mplusungu port. I think it is more centralised. But again if you are talking from a more central point view of the region that would consist in easterners like Kenya and Uganda. Then again you might say Zambia or Malawi could be the best. But in terms of SADC I think Zimbabwe is all right. They are having a few problems economically I know they are in trouble with IMF on having to comply with their requirements. So from that point of view, because of those problems I think Botswana has a much stable economy.

**Q17. Would you say a regional stock market in Southern Africa must replace the respective stock markets found in the various Southern African countries or would you say that national stock markets must co-exist with the regional stock market?**

I think for purposes of... like our stock market it has really played a large role in terms of empowering Zambians, I mean in facilitating the privatisation process... so different countries liberalising or selling their public enterprises or rather parastatals at different times and I think country or individual stock markets should continue existing to serve that role. But I think once we reach a stage where we have managed to get rid of all the parastatals I think they should get phased out.
Q18. Does the regional integration scheme under COMESA and SADC offer solutions to this problem of setting up a regional stock market?

I am not in a position to answer that question but the bit I have known about COMESA, I mean even setting up the so called “clearing house”... I don’t know whether it has been set up now. We had a lot of problems. Countries like Zimbabwe, you know, did not want to ratify some of the agreements so already there is a problem there... I mean somewhere. In other words we lack that political will. Our leaders are very proud of running their own institutions, their own countries, but we need to have a Pan-African approach about these issues.

Q19. Have you had any knowledge of efforts in the past relating to introduction of a regional stock market in Southern Africa?

Not at all.

Thank you very much Mr. Nduba
Appendix C

Interview with Mr. Mumba Kapumpa, Chief Executive, Securities and Exchange Commission, Lusaka, 18th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in equities securities on the Lusaka Stock Exchange?

"Yes". Fortunately that is one of our pluses in the system we have are set up. The actual legal framework is very good in the sense that has been established after researching into various other legal systems both in the States and Britain and I think that we have got one of the very best legal systems now in place.

Q2. Would you also say that there is an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?

"No", not in debt operations because this in fact has not even started yet. We haven’t yet established in fact proper and efficient legal framework for debt operations on the stock exchange and that has not even started yet.
Q3. Who drafted the Securities Act 1993 and what was the criteria for choosing the party that drafted the Act?

"Right", I think the Securities Act was drafted by I think a collection of various people. First of all the initial, as it were very skeleton like framework, was prepared by Ben Ngenda who is a legal practitioner and at that time was the Chairman of the Zambia Stock Exchange Council, he subsequently left the country and then arising out of that very broad framework we then contracted as a government consultants from the UK who came and worked with the Stock Exchange Council to now put flesh to the draft. The draft itself was discussed by Ben Ngenda, myself, and one or two other people at the Ministry of Legal Affairs to produce the final draft. This draft was then given to the Ministry of Legal Affairs to produce a bill. This bill was then very very successfully discussed among the would be players in the capital market before it was taken back to legal affairs for them to prepare the final Act.

Q4. What were the reasons that lead to the repeal of the Stock Exchange 1990 and to the enactment of the Securities Act 1993?

The 1990 Stock Exchange Act was really a re-harsh of the 1970 Zambia Stock Exchange Act, and I was personally responsible for doing that which I usually say "I am even ashamed as lawyer to have done that". The late Gibson Chigaga wanted the law to start a stock exchange like yesterday and my advise that we do research work first were met by objections from the Minister. So the only thing I had within the twenty-four hours or so I was given I had to look and search and I found the 1970 Act and all I did was to change where it said "1970" and I put "1990" and that is how the Act (1990) was produced.
Now that Act was really an Act of the 70's. It did not take into account the development of the various securities in the world of the 1990's. It did not take account of things like mutual funds and trust which were called collective investment schemes. It did not take into account the fact that you need a legal system that will protect an investor from would-be plunderers. There were several elements of the 1990 Act which were really totally out dated and antiquated which had to be removed for us to be able to produce the Securities Act of 1993.

Q5. What would you say then were the reasons that lead to the repeal of the Stock Exchange Act 1972?

First of all the Act in 1970 which was promulgated to start the stock exchange in the country never came into operation. A chairman was actually appointed, Mr. Elias Chipimo Snr. He was to be the first chairman of the Zambia Stock Exchange at that time. But you may also recall that in 1970 this was right in the middle of the nationalisation programme that the country was going under, starting with the economic reforms of 1967/68 so therefore by 1970 we were almost halfway through as a country in nationalising every single economic and financial activity which meant that the entire structure of the economic set up of the country had changed at that time. You had now about 80% of all business and financial activities in the hands of the government. The private sector only retained a very small amount which obviously meant that there is no way a stock exchange can survive with parastatals which most of them had monopolies and therefore it could not be put into effect and it took form 1970 to 1990 before the liberalisation programme came into play in Zambia for us to be able to enact a new Act.
Q6. **What is the relationship, if any, between the equity market and the bond market in Zambia?**

First of all we don't have a bond market to talk about in the country. We have yet to establish one. In fact, as a matter of fact, a few colleagues and I... Charles Mate, the General Manager of the Lusaka Stock Exchange and Nuba Namoonde from Finance Securities and a lady called Florence Mumba from ZPA have just come back from a three and a half weeks intensive course in Stockholm and among other things we recognised the need for a bond market to be established in the country. So we are yet to establish one and I think now the moves will be towards one so that then that we could be able to connect to the equity market. So right now all we have is the stock market as opposed to bond market.

Q7. **Which of the two securities has attracted more investment in Zambia “shares” or “debt” instruments and why?**

I think its shares for the simple reason that if you look at the debt instrument the most popular one right now is treasury bills. Now treasury bills are being used by the bank of Zambia to raise money on the behalf of government and as the current situation is those treasury bills have not even yet come to the stock market,... in the secondary market and we are hoping that they will come any time now. There has been a move by the Bank of Zambia in the last few weeks to announce the fact that the treasury bills in the secondary market will now be operated upon the by the various commercial banks. What the Lusaka Stock Exchange and ourselves at the SEC are saying is that that should have been brought onto the Lusaka Stock Exchange itself rather than just thinking of the commercial market. So therefore we are hoping that the debt instruments themselves through the treasury will come under the Lusaka Stock Exchange. The reason why there has been more emphasis on shares is because the Lusaka
Stock Exchange has dependent to a good extent on the availability of shares from the Zambia Privatisation Agency which take shares to the Zambia Privatisation Trust Fund, ZPTA, which in turn brings the government shares onto the market. So really this has been the main activity of the Lusaka Stock Exchange but one hopes that sooner than later the debt instruments will come onto the market as well.

Q8. Have there been any complaints relating to market abusers such as bid manipulations or insider trading in Zambia? If the answer is “yes” have there been any prosecutions of the alleged offenders? If the answer is “no” what would be the reasons?

Right... first of all we are lucky that we haven’t yet been imburdened with the problems of bid manipulation and insider trading for the simple reason that the market is still very small. Two, there has been therefore not one case which we have come across of insider trading because one believes that the market is still very small. But if indeed that sort of scourge does come up into our market, the legal system have put into place through the Securities and Exchange Commission is such that prosecution will be swift and the penalties are very high in the Act but we are lucky that nothing has come about for the time being. But if it does come about there will be serious prosecution under the Act.

Q9. What would you say is the relationship, if any, between the total market capitalisation of the Lusaka Stock Exchange and the efficiency of that stock exchange?

The relationship is one which says that you need high capitalisation of the stock market for it to be efficient - one depends on the other. In other words if the actual business volumes that are operated on the Lusaka Stock Exchange increased and improved it also means that all the
players in the market will have something to gain from the market and because they have something to gain they will hope and expect to operate a little more efficiently. As of now the market capitalisation of the Lusaka Stock Exchange is very very low because ...any one of the three listed companies which are on the market...firstly the amount of money that goes through every day is very very small. The actual volumes of shares that are traded are very very small so that the actual money that comes through the Lusaka Stock Exchange is really very very small. That could under normal circumstances impede on the actual efficiency of the market but we are lucky that the market is still efficient despite the lack of heavy capitalisation because;

(1) its really very small and the trading itself is done - as you will find out from the Lusaka Stock Exchange - not with a lot of shares being traded per day so that the efficiency or inefficiency of the market cannot really be correctly judged as of now. But one is still aware that you need a lot of capitalisation in the Lusaka Stock Exchange itself for it to improve the efficiency of the players in the market.

**Q10. Would you say there are sufficient collective investment schemes that participate on the Lusaka Stock Exchange?**

“No”, there are not sufficient collective investment schemes because first of all we had collective investment schemes which were created before even the Securities Act was promulgated in 1993. We have things like Manifold Global Fund, you had the Meridian Bond Funds and the Meridian Property Funds, we have Cavmont and there was one introduced by Finance Securities but unfortunately the collapse of the Meridian Property & Bond Funds created a lot of dismay among the Zambians so that they did not trust that sort of arrangement and this has adversely affected the operation of collective investment schemes.
(2) Manifold Global Fund although it was the very first collective investment scheme created in this country it has never been brought on to the market because for some reasons the managers and organisers of that particular fund don't seem to have faith in the capital market that we are developing. They have entirely refused and in fact any time now there is likely to be a court case where I am bringing them to court because they are operating illegally.

(3) The few which have been created, for instance, Zambia State Insurance Corporation has created a collective investment scheme called "Swift Save". That has yet to take off. The Finance Securities and Finance Bank have created their own...that has to take off. So really the only one that is currently operating in the market is the Cavmont Guarantee Scheme, so it is the only one. We are hoping and again one of the results of our training programme in Stockholm is that we are looking at the possibility of bringing the fusion of foreign money to come and help set up some of these collective investment schemes in the capital market.

Q11. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what reasons would you give for your answer?

I think yes or no. "Yes" to the extent that the SEC was mandated, among other things, to put into place the actual legal structures and framework within which the capital market should operate and I think that has been achieved. We have a Commission in place, we have a regulatory system, we are licensing the various players every year and the renewing. We are
also mandated to provide training... we are doing that. We were running a course twice a year of stock brokers in conjunction with Zambia State Insurance Corporation College... so we were achieving that. We are also mandated to regulate the market...regulate in the sense that we do inspection of the players, the stock brokers, the various people who are key players in the market. We are doing that on bi-monthly basis.

However, one of the major tasks that SEC has to undertake is to actually educate the Zambia public on the operations of the stock market for that Zambian public to fully appreciate what the stock market is all about and for that Zambian public to participate. Now this we have not fully achieved. "Yes" we have carried out programmes publicity and awareness campaigns on television radio, through newspapers, pamphlets and posters and various other activities that we have been doing. But what one think is fully aware of the fact that we have not really reached every single Zambian that has requires to be reached because when we undertook an impact survey of our own programme we contracted an independent company of surveyors to go around and interview people and companies and corporations and they produced a report early this year which showed that the people still do not know much about the stock market. Therefore as a result of that, we are continuing with the programme of a public awareness campaign but beyond that we have now introduced a very novel idea in the capital market development and this is the introduction of "stock market operations" in schools. So we had meetings, very interesting meetings with the Curriculum Development Centre of the Ministry of Education, and we have agreed that we are going to introduce stock market operation from the primary school, secondary school, and then the universities with a view that anybody who comes out of school at Grade 7 whether or not they know the actual or technical details of the stock market is not important, but that they will have know something about the stock market.
by the time somebody comes into secondary school he will know a lot more. By the time they
go to university they will be experts. They may not participate by way of buying shares but at
least they will have enough knowledge to educate their parents and their uncles. So we hope
that on the long term basis come five years from today every Zambian will have heard about
the stock exchange they may not participate but they will have acquired that knowledge. So
therefore in short we haven’t fully acquitted our role as educators of the public. It a on going
process.

Q12. You have emphasised the role of domestic players on the stock market. Are there
any prohibitions on foreign investors to participate on the Lusaka Stock Exchange?

“Yes” there have been unfortunately prohibitions which we are now trying to remove. Initially
as I said at the beginning the Lusaka Stock Exchange is dependent upon mostly for its stocks
and shares from companies that are coming from the Zambia Privatisation Agency, meaning
government shares coming onto the market through the ZPTA and the ZPTA and under its
deed of creation has been told that the initial public offer - IPO - should only be bought by
either Zambians, natural Zambians, or Zambian public companies which has meant that foreign
investors could not come in the primary market they can only wait to activate themselves in
the secondary market and some of us are now saying “yes” that was important for political
reasons at the beginning because as you know the various shares owned by ZIMCO were
owned by the government on behalf of the people. And as a political reason people did not
want the shares which were owned on behalf of them to be given to foreigners as it were. So
that the three floatations have shown that “yes” there are Zambians who can buy shares but
now in terms of the problem of capitalisation in the Lusaka Stock Exchange you need foreign
investment to come in at the initial public offer itself. So that is one of the ways we are trying to remove that particular impediment.

**Q13. Are there any regulations made by the Securities Exchange Council or the Lusaka Stock Exchange which also prohibit foreign investors to participate on the market?**

“No” fortunately not. There are no legal constraints with their participation it is just as a policy the ZPTF has been required to only make the first offer to Zambians so there is no legal payment at all and that is why it would be very easy to just change the policy and the foreign investor can come into the market.

**Q14. Would you say that stock markets in Southern African countries have made a significant contribution towards regional integration in the region?**

Yes... Oh! and that is one of the greatest achievements I think one could say in the last few months in the sense that two things have happened;

(1) There has been a seminar which was organised by Price Waterhouse in March this year bringing together all the capital market key players in southern African region and we met in Johannesburg for about two weeks of very intensive of interfacing among ourselves.

(2) We are all members of the African Stock Exchange Association which meets every so often and within ASEA itself, whenever we meet, there is always an integrated move by the sub-region stock markets to work together. And indeed fortunately for us the seminar that I keep referring to in Stockholm brought together countries from Namibia, Botswana, Zambia, from Zimbabwe... South Africa was missing and then we moved to Uganda, Tanzania, and so on...But the fact that the three four main Southern African countries - other than South Africa
- met there, we also began co-ordinating with ourselves and therefore what we are now
looking forward to is to dual-listings of our various companies and indeed already this is
happening between Namibia and Tanzania and between Zimbabwe and Botswana and we are
hoping that it will be flip over to Zambia as well to participate.

Q15. Would you support the idea of having a regional stock market in Southern Africa
and if so what reasons would you give for the answer?

No, I would not support one stock market for Southern Africa. I think to me I am one of
those people who has always believed that we needed a stock market “yes”. Some people
would argue that it’s a bit too early to have a stock market but I believe that its never too
early. We need a stock market and I think we have the capacity in terms of the number of
companies that we have in the country to have a sustainable and workable capital market.
Indeed the various other countries of the southern region are doing that and I think they
themselves would argue in a similar fashion. What we need is co-operation among the various
stock markets in the sub-region. One of the ways could be they have to dual listings, one of
the ways could be the training programmes. For instance, and we are doing that. Zambia has
organised with the assistance of SIDA... the Swedish SIDA, to organise early next year 1997
for three consecutive years 1997, 1998, 1999, a three week programme on the need for
institutional investors to participate in the capital market. Now we started a programme we
have worked on the syllabus and this has been shown to SIDA and during the Stockholm
seminar that we attended we sold the idea to all the various countries in the sub-region so that
Zambia could therefore be a pivotal point for the training programmes that we are starting.
Zambia has started the stock market in the 90's so there are a lot of things that we have done which these other countries which offer stock exchanges long before, like Zimbabwe and so on don't have. We have centralised a system at the Lusaka Stock Exchange, a depository system and some of these countries can be able to copy from us what we have been able to do and therefore my own opinion is that we need more co-operation than creating only one. Because that in itself will create the problems we have say between Zambia, Zimbabwe and Malawi in the olden days when we had the Federation. The end up creating something that is based in a particular country so everything moves over to there and the rest of the countries are not achieving anything from them. Now that argument could probably be attacked by say the francs CFA countries in the West Africa, the French speaking countries, they are setting up a regional stock exchange which will be based in Abidjan most likely, of all the French speaking West African countries. Now they are perhaps in a different position than we are in this region in the sense that all of them belong to the francs CFA monetary system which is the currency that they all use so that and they were all connected to France and such that although their different independent countries they have always operated from a monetary point of view as one country so therefore it would be very easy for them to consider that particular regional stock market. Whereas we have already began developing our own individual stock markets and I think it would not be prudent to dismantle those and create one.

Q16. Given the foregoing would you say that if a regional stock market were to be set up in Southern Africa it would be ideal to allow such a market to co-exist with national stock markets and to allow cross listings on these markets?

For me the problem I have, why I find it difficult to create one is that if it were to be established and it co-exists then you will have too many market as it were. The dual listing
does not make sense if no money is moving around because we have this regional one and some of the listings would even have a problem as to where do you start first. So my view is that "no" we shouldn't have a regional stock exchange we should have our individual stock exchanges and co-operate on a dual listing situation.

Q17. Does the regional integration scheme under COMESA Common Market for Eastern and Southern Africa Treaty offer solutions to this problem of setting up a regional stock market?

COMESA and I hope that it will be realised sooner than later because I happened to have been the drafter at that time what was called the PTA Treaty. For four years I worked to draft that Treaty; the fore-runner to COMESA. So, I believe in a lot of what COMESA is standing for. But basically I think COMESA will have to concentrate mostly on trade linkages between and among the countries in the sub-region. "Yes" indeed the stock market and the stock operation capital market has a strong bearing on the actual trading patterns of the Southern and East African countries. But COMESA goes beyond the sub-region. COMESA goes in not only Southern Africa it goes into East Africa, now in fact some of the countries like Zaire are members of COMESA and I don't think one could imagine one stock exchange covering the entire COMESA sub-region. But COMESA will become relevant and important in the sense that if at the trading level the various institutions in the various sub-region countries begin to meet more often and trade more often they will then be able to even appreciate the need to dual-list in this particular stock market which will be existing in the sub-region.
Q18. Finally, what would you say are the main disadvantages of having a regional stock market in Southern Africa that co-exists with national stock markets?

I think the main weakness as I see it myself is that it will come too early. It will come too early in the sense that other than South Africa and the Southern region none of the economies are strong... other than South Africa, Zimbabwe comes up “yes,” it has a very long history of the stock market but you see Botswana has a very strong economy. Botswana’s foreign reserves will be something like seven to eight billion US dollars but Botswana has a very small economy despite having a lot of foreign reserves. Namibia has a very strong potential with these diamonds and oil now they will be discovering at Wavis Bay. Zambia is in the doldrums economically. Malawi is yet to pick up so that you see these countries are weak in themselves and if you had one sub-regional stock exchange that could mean that say, perhaps it was based in Johannesburg, you may end up everything having a “babazope” situation whereby Johannesburg gets built up whereas nobody else gets a part of the cake. So that is really my main objection that we are not yet ready perhaps if other stock exchanges are developed and become stronger in another ten to fifteen years from today and more co-operation begins to work then the dual-listing itself will work much better. Because if you look for instance at the United States there are several stock exchanges not in states but in towns. You have the New Stock Exchange... you have three, four, five stock exchanges in the United States and each one of them operates independent of the other but still there is a lot of co-operation and dual listing between and among those stock exchanges and it works well. That is the sort of thing I am looking at for our sub-region.

Thank you very much Mr. Kapumpa.
Appendix D

Interview with Mr. S.M. Gupta, Director of Finance, Development Bank of Zambia Ltd., (in his personal capacity as an investor on the stock market), Lusaka, 14th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in equities securities on the Lusaka Stock Exchange?

I think so. As far as the legal framework is concerned I think this is quite a comprehensive and exhaustive, particularly being the start of activity in Zambia. The whole effect of it is... would really be known once the regulations have been tested for some time.

Q2. Would you say on the other hand there is also an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?

Well I may not have much of a personal knowledge of the matter but I from what I have been reading in the related media information I think this is also adequately covered under the regulations. Of course the extent of both the securities trading in terms of equity as well debt isn’t very large to really offer some kind of realistic basis to be able to say whether the regulations are adequate for the kind of activity of ..., volume of activity that has been undertaken or what it is intended for.
Q3. What would you say is the relationship between the equity market and the bond market on the Lusaka Stock Exchange?

As of now I think the activity on both of these markets is fairly subdued and the interest rates being what they are - fairly high in Zambia - the ...investments still gets to debt sort of ...in favour of debt related kind of instruments. Thus, the equities market for what ever time it has existed in Zambia, it has not done very well and therefore the investors, particularly the small investors would put very little reliance on the equity market right now.

Q4. Which one of the two the, bond market or the equity market, has attracted more investments to the Lusaka Stock Exchange?

Well I probably would not be too sure of the extent of the investment in the bonds per se but I think in terms of the rural economy or in terms of the rural investment I would have thought... the stock exchange, also the banking system, the investment I think is more in bond related kind of securities. What it could mean is that even if its not purely in terms of a bond, does it matter as a bond, you know? But I think bank deposits of a similar nature or similar kind of regulations are attracting more investment than the equity market.

Q5. Do you know of any complaints related to market abuser such as bid manipulations and insider dealing in Zambia?

"No" I am not aware of that.
Q6. Would you say there has been or there is, if any, a relationship between market abuses such as insider trading and market efficiency of the Lusaka Stock Exchange?

I again am not aware of that if there is anything I don’t know if its related to the efficiency issue of the stock exchange. It may more be the sort of manipulations by if there is any between the brokers and the investors in all but not in the Lusaka Stock Exchange as a regulating organisation.

Q7. Has the issue of liquidity affected the efficiency of the Lusaka Stock Exchange?

I am not to sure about this question because are we talking of the liquidity of the Lusaka Stock Exchange or the........

The market capitalisation...

“Yes”... I think certainly that that has been factor in terms of the subdued volume of transactions on the stock exchange. Of course its has got a lot to do with the kind of investment objectives of investors and most of the investors apart from say financial institutions for instance or financial investors would probably tend to look at the investment in the short term and therefore they tend to take away their investments to where they can see investments coming in much faster. They are not probably prepared to wait for a long time to see capital growth, capital acquisition on their investments. They would rather be more content with receiving a certain return at the end of the month or at the end of the quarter, which is what happens with bank deposits and bonds.
Q8. Would you say for example that the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

Again I think considering the volume and the number of transactions I think the regulatory aspects would appear to be adequate. But these regulations need to be tested for time you know, for instance, in two years time the volume becomes very pretty heavy some of the regulations need to be re-looked at and the whole efficiency of the system ... that's the thing.

Q9. What would you say are the main problems facing market players and would be investors that participate on the Lusaka Stock Exchange?

Here again, as I said earlier its the liquidity and the need for immediate returns. This is partly related to various other ... in the economy like you know the exchange fluctuations, the interest fluctuations. Now nobody probably wants to invest some money in equity stocks and wait for indefinite periods before he can see a dividend coming out of that investment or the capital efficiency taking place. Now in that relation even if there is a perceived capital acquisition, ... finance is negated by the exchange fluctuations that can happen. Based on experience we know that every year there has been a devaluation of the currency and therefore what ends up happening is that even if I have a perception that out of this equity investment I might have a capital appreciation of 25% in two years time. But then I would say “Ah but wait a minute...In this case two years time even if I get 25% extra in real terms per year I will be getting something less than what I am investing now because of the growth in fluctuations.” But that becomes an immediate concern or consideration in terms of equity investments.
Q10. Are there any advantages for investors to invest off the Lusaka Stock Exchange instead of buying securities on the Lusaka Stock Exchange?

When you say off the Lusaka Stock Exchange ...?

Such as under the privatisation programme...

OK, under the privatisation programme we are taking off investments in controlling kind of shares. There is an investor who wants to buy up a company along with maybe some other individual or other organisation we would probably be looking at a much bigger chunk of shares in the company rather than or in contrast to situations like public floatations of shares of say Chilanga Cement or Zambia Sugar where individual investors' investment would make no dent in terms of the overall capitalisation of the company and therefore they have no say or no controlling interest in the organisation. So in terms of privatisation of course I think that it could probably be the side of the ... for the people to make that a....for the stock exchange unless you know ....in the.....substantial number of shares that can be acquired through the stock exchange. But where those shares are never placed so the stock exchange they are directly transferred. I am referring to things like CDC taking over of the investment in Chilanga Cement, Zambia Sugar and all that which concerns direct transfer which was not part of the public flotation. And I don't think some of these institutions have through the stock exchange acquired any significant number of shares from the general public in order to enhance their holding in the company. So when some major institution players come along they would probably want to be independent and get the shares from the former owners to be able to acquire a controlling trust.
Q11. Would you say financial institutions in Zambia such as the Development Bank of Zambia have in the past, prior to the introduction of the Lusaka Stock Exchange, been active in providing finance to investors who intend to buy shares in companies?

"No".

Q11(b). Why has this been the case?

Basically the financial institutions in this country have not financed acquisition of shares. They would finance acquisition of certain assets and controlling interests in certain companies but not purely for financing the particular shares. Now I think there are various factors for that you know and one of the most important one is the question of what collections would they get for this kind of financing? Now, in the developed economies, yes, a lot of these financial institutions do finance acquisitions of shares and probably take the same shares as collaterals knowing fully well that any time they want to realise their security they can simply go to the stock exchange and sell it off and realise their money. Now in the past particularly there was no stock exchange in Zambia and therefore even if a commercial bank had some shares as collaterals and it needed to uncash them ... where would they go to in terms of making an exit, in terms of cashing the security? So they had no market to sell off their security and realise their investment and I think to a large extent the situation is the same you know apart from a few companies which have been listed on the stock exchange. Most of the companies shares are not listed and therefore somebody trying to buy a share in a small company and pledging it as a security to a commercial bank, the commercial bank or financial institution does not want to look at it.
Q12. Would you say financial institutions in Zambia such as banks and building societies do provide debt finance, in the form of loans, and equity finance, in the form of purchasing shares in companies, to companies in Zambia?

The financial institutions do provide loans and in certain cases equity financing also to certain new enterprises. I also believe that Development Bank of Zambia itself has invested some money in shares in certain companies, particularly those companies were they do have a loan to that company and in addition to the loan that’s a way of showing further commitment they go ahead and require some small liquid investment in that company. But I am not aware of many financial institutions who give a loan for the purpose of acquiring shares in another company. That’s the difference I think we should be thought out clearly. Financial institutions have taken up some shares in some companies particularly in those companies where they do have loan exposures as well. As a matter of moral support, as a matter of even trying to get access to more information about the project and probably you would even get as seat on the board of those projects. We, the institutions, do invest some money in equity of these companies.

Q13. Following from what you have said to what extent then would you say that information asymmetry does affect the price of securities on the Lusaka Stock Exchange?

I think to a very large extent. Some of the shares that have been listed on the Lusaka Stock Exchange... I think in most of the cases the prices have been on a downward trend and I think largely its because investors do not have adequate information on how the project is doing, how the company is doing... lot’s of times it can also happen because whatever information is available is not easily understood by the investors... small investors particularly I am talking about. The larger investors and more enlightened investors would be able to get this
information somehow, but I think there is not enough dissemination of information to attract more investors into the equity market.

Q14. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the stock market?

Are we talking about things like mutual funds or something like that?

Unit trusts... yes.

No, I don't think there is enough schemes of that type to give enough confidence to a small investor to go through a unit trust or mutual fund into buying shares of some of these ... and if I may just mention I think a lot of this question of development of the stock market and all must be viewed against the cultural background of the people you are talking about. Institutions you know, where traditionally the wealth or money was held in terms of capital or in terms of bonds, or in terms of land, for people to change their concepts to just holding a piece of paper if you like representing their wealth I think it will take a bit of time for people to sort of completely accept it. I think that's the process of evolution of most of the developed stock markets as financial markets all over the world for that matter. The development of the New York Stock Exchange and London Stock Exchange the kind of volumes we see today obviously they were not there a hundred years ago. So these things do take a bit of time but if there is enough confidence, if there is enough education to these people it can work you know! There should be hope for it.
Q15. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia?

Yes, yes... the hundred and all companies that have been privatised in Zambia obviously a lot of legal investors and a lot of local as well as foreign investors have parted with their money to finance there purchase.

Q16. Would you say that stock markets in southern African countries have made a significant contribution towards region economic integration in southern Africa?

I suppose that should have been the objective but I think there is not enough evidence of this thing having happened up to now. But I think the objective is good and provided its followed like the rest it should help the situation in the future.

Q17. Would you therefore support the idea of having a regional stock market in southern Africa and if so what would be the reasons for your answer?

I think that that stuff has got to be taken to kind of development and today its not just the question of you know as the world is becoming more and more of a global village, more and more international activities more and more international investment is taking place. I think this kind of facility would certainly be advantageous to the region, to the continent and this can only be something that should eventually benefit everybody.

Q18. If there was to be a regional stock market in southern Africa which country would you say has the necessary infrastructure and resources to host this market and why?

I think that this question probably can be answered by relation to the economic development of the respective countries that we are talking about and that probably this is also indicated by the fact; when, in what country was the stock exchange established and on that point of view if
you look at this region I think one of the oldest stock exchanges is in Jo-burg. And looking at their level of government development and the physical infrastructure that is available, that country probably would be the ideal one to have a regional stock exchange for this part of Africa.

Q19. In your view would you say a regional stock market in Southern Africa must replace the respected stock markets found in these countries or would you say that national stock markets must co-exist with the regional stock market?

I think they should co-exist. There could be a regional stock exchange and there could then be individual country stock exchanges and as the infrastructure, the communication systems are probably developed that should be possible then to ... for an investor in Zambia to be able to buy yourself securities listed on Johannesburg Stock Exchange through local brokers or through the local stock exchange. In fact that is the sort of system, you know, if you bring it down on a country level in most of the developed countries you find a thing called a national stock exchange and then there are stock exchanges in individual cities. This thing that we are talking about could work on that kind of concept and that kind of pattern.

Q20. Would you say that regional integration scheme under the Common Market for Eastern and Southern Africa Treaty does offer solutions to this problem of setting up a regional stock market?

Well, frankly I may not be very competent to answer that question but broadly any kind of co-operation should lead to better facilities in all the member countries and therefore I think through the efforts of COMESA and SADC any sort of co-operation or integration that can take place within the countries in the region should be of benefit to all the members in the region.
Q21. Do you see the objective of COMESA and those of SADC complementing each other on their idea of introducing a regional stock market in southern Africa?

Well being an observer I may not be too competent to talk on the working of these two organisations but for ... these are the development of the region any initiative from either of them or both of them together should really benefit development of the financial market in the region and therefore in each individual country.

Q22. To your knowledge have there been any efforts to introduce a regional stock market in southern Africa?

I am not aware of that.

Q23. You highlighted the advantages of having a regional stock market in southern Africa what then are the disadvantages of having a regional stock market in southern Africa?

One of the obvious disadvantages would be the fact that this might lead to some sort of a capital flight in the sense that for instance if we were to talk about say a country like Zambia... and also a country like Sough Africa once the kind of opportunity becomes available for an investor in Zambia to be able to buy shares and to be able to trade in them frequently. There is a possibility that some of them would create greater investments listed on Jo-burg exchange but become favourites for trading by the local Zambians here and therefore it makes a loss of sense in that Zambians might be financing the development of Sough Africa or another country. This probably would be one disadvantage of a system like that. This may not be so much of a disadvantage you know if you were purely looking at the economies of similar kind of standing because you cannot get benefit from one country on one hand and deny them
exposure to your capital or your facilities but when the need for development in Zambia is so
great there are not adequate resources I think any diversion of the sources from the local
scenes to foreign countries could sort of hinder the development locally.

Thank you very much Mr. Gupta.
Appendix E

Interview with Mr. Peter Yuyi, Manager Securities Brokerage, Emerging Markets Securities, Lusaka, 18th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in equities securities on the Lusaka Stock Exchange?

I think the legal framework is in place. As to whether it is effective it hasn’t been tested with time as the securities market is fairly new so that activity on the exchange is really still thin such that I can safely say the Securities and Exchange Commission which is charged with regulating the stock market activities is fairly less busy because the market is fairly small. It is in its pre-emerging stage.

Q2. What is the relationship if any between the equity market and the bond market on the Lusaka Stock Exchange?

At the moment, I would say the relationship is inverse. You seem to be having a situation where the bond market is taking more of the money. A lot of people are able to invest directly in the bond market via the Bank of Zambia and the problem we have here is the limited saving we have are all going to government securities. That is depriving the equity market of an inflow of savings. In fact, in traditional market economies, what you have is that when interest rates go up investors tend to rush for the money market instruments which include
government securities and cash accounts or deposit accounts or any interest in any account. When interest rates go down people move their money from interest earning investments to equities so that you see a growing activity in equities with the slump in interest rates. But as interest rates seem to offer a higher yield than the yield on equities, in the short term money will always trickle to the government securities area … to the bond markets unless the macroeconomic factors are balanced, unless the government balance the trade off between the capital market and the money market in which case they have to reduce inflation, reduce interest rates then equities will be attractive.

**Q3. Do you know of any complaints relating to market abuses such as bid manipulations or insider trading in Zambia?**

If there are insiders?

**Q3(b). Yes... have there been any prosecutions of offenders? If the answer is “no” what would you say are the reasons?**

We haven’t brought out a case of insider trading. As I said the market is only three years old and the activity has been very thin. It’s fairly easy to know insider trading in a market such as ours but I would say there has not been any case of insider trading. If there has been the transaction was so minute that it was meaningless but there are on paper... we have already punitive measures to be taken for any dealer who is found to be demeaning the market, any dealer that is found trading on inside information or who is probably if you like short-sailing and yes there is punitive measures in the Securities Act. The Securities and Exchange Commission can actually take someone to court and have them punished for that. But as to whether we have had a case it hasn’t come out. We haven’t seen any case so far and for a
market like this one I think the level “beaming in” and so forth people do not really know those tricks yet, ha, ha, ha,. . . .

Q4. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body?

I think its too early to judge them in a market where you have about two transaction or at the most eleven transactions in a week. The ability to look at every transaction is there you know you can look at every transaction that has taken place each day. You can scrutinise it for all those misdemeanours but so it is...as I said, it has not been easy to actually commit such form of a crime. Insider trading usually happens in large markets where stocks shift maybe to a minimum of UK £10 million in a day, you know., the overall ticket you can have because the idea of insider trading is actually to have information... prior information that will make you avoid loss or maximise gains which others will have received later. So usually you will find that if you want to know about insider trading you will have to look at the past transaction of the past three days and if there has been any announcement that was made... if the transaction was done before the announcement by the issuer you can then go back and say who bought more shares or who sold more shares and you find out what reasons led to those transactions. If they had prior, if you can prove that they had prior information, privileged information than the other broker then you can instigate litigation on those people who transacted on that basis and I think in the Act it must be some where like ... the fine, I am not sure whether it’s K10 million or it’s twice the gains you have made or twice the losses you have avoided through the insider trading information. So as it is I think because of the thin volumes its very easy for the Securities and Exchange Commission to receive what you call the order book and the audit trail to check the transactions. When it gets busy you cannot do it on a daily basis you can just carry out a snap check. You maybe... it may take ten days of a quarter work. If there is 1%
error then you can take it that if you looked at the whole load there would be 1% and if you think the ten you took, they were all wrong, then you can safely say that if I look at everything, everything would have been wrong. So I think for the time being the Commission has the capacity to actually scrutinise what is happening on a daily basis at the Exchange. And we had to give credit to our Commission I think when the Meridian Group collapsed. They took charge of the Meridian Property Fund. They actually started, if you like, managing the liquidation. Of course they sub-contracted professionals to manage the liquidation. So I think on that, the capacity to control is there. There is a proven history of the ability to control and what I think... where they are failing I think is to actually get some of the publicly held shares registered and I think they have not been that successful to make sure that Manifold Global Fund and does register it’s shares. So there is still a public fund that is not being regulated by them and there is a chance for a fraud in that the sooner they address it the better because this fund has refused to - the managers have refused to - conform with the Securities Act. They have not registered their fund... its still there and I think the Securities and Exchange Commission should move in and close it.

Q5. What would you say are the main problems today facing stock brokers and other financial intermediaries that participate on the Lusaka Stock Exchange?

On the micro level... I think let me just start with the macro-level. On the macro-level, one of the major problems is general savings in the economy is very very low. The incomes are so small... the general incomes, and the cost of living is very high. If the incomes are low then it follows that the savings will be low as well because the autonomous consumption in any low income market is very high so it leaves them... much of the money they earn go to survival goods as opposed to saving. So the savings are too thin. On the macro-level, you need to address inflation, exchange rate stabilisation and generally increase the employment sector or
the manufacturing sector in order to augment peoples' income. Once their incomes are augmented, then they shall sufficient money to save and if they have sufficient savings they will be able to invest. And if they invest, then the economy also subsequently grows. So on the micro-economic level, brokers have a problem in that... mainly problems coming from the macro-economic effects! Because there are no savings and the stock exchange is a public market, the idea of the stock exchange is to broaden share ownership in an economy. Now if your target group who are the individual investors haven't got sufficient savings due to macro-economic factors such as high interest rates, high inflation rates, and high exchange rates or a depreciation in their local currency then it means therefore that disposable income for saving will not be there. So in that area we do have a high level of, if no answer again... across the board, Zambian populace has very little knowledge about shares. It's very difficult to convince a Zambian to buy shares. Financial instruments are so much beyond the average Zambians' contention. So it's a learning process. We only started in 1994 and we started our liberalisation in 1991. So for us to achieve like what the Kenyans achieved who started in the 60's and early 70's, it is not possible, but the thing is the wheel is set in motion so with time, with public education, campaigns, bombarding people with new issues from time to time they are bound to be asking "what is this prospectus issue I hear?" From that question, you know you can generate some interest and you clear up peoples' ignorance. One of the things our friends managed in Russia is to actually give shares free to their nationals and these vouchers they had, they did not believe they were worth anything until they were able to sell them to a broker. Then they realised these things are worth money. They either kept them for their value or they sold them because they could liquidate them. But in our case we are asking the people who have no knowledge of shares to actually pay a price for them. So that has actually been very very difficult and how do you ask a person who has just started to work to buy shares because his priority is the physiological needs first; accommodation, food. If he doesn't
meet those he won't be able to invest. As opposed to the western world where you start to work today, you only work two years you are able to get a mortgage, you are able to buy your households on hire-purchase and so you are able to organise your life endowment policy. So by the third, fourth year you are thinking about equities whereas here it is not the case. You know, immediately you start work you have to struggle to meet your physiological needs.

Q6. What would you say are the main problems facing foreign investors that would like to participate on the Lusaka Stock Exchange?

I think the major problem is liquidity. I mean the tickets that global funds look for when they go into an emerging market will be something like a minimum of $250,000 worth of ... Now because our issues are so small you will find that the global funds its not worth it if they come with about $1 million - that's a quarter of a company - they are not interested in taking over the company because they have no capacity to manage it, they are only institutional investors. But for us to attract global funds or international institutional investors we need to have sufficient liquidity in the market, we need to issue shares in large batches and we should have sufficiently large batches to meet the appetite of the international investor. At the moment with new issues of $5 million, you are not going to attract these large institutional investors. We are not going to invite those because their ticket in most markets is $200 thousand. Now, if you take $200 thousand worth of stock in Zambia you probably take 5% of the company and that will call for a seat on the board and part of managing the company. So we need large issues such as public utilities, the likes of ZESCO, ZAMTEL, ZCCM also because such issues Zambians have no sufficient capacity to capitalise those issues so you need foreigners to come in. As long as we are going to privatise small companies which are going to list shares worth $4 million, it won't attract the foreign investor because one of the things they look at is liquidity. If they come and buy shares in an emerging market should they want to sell those
shares, will they be able to sell them? For instance if Morgan Stanley came in said they wanted to buy $5 million worth of shares and most of the listed companies that’s a quarter of their issued shares so it means they would take up everything and close the public shares... shares held by private individuals. So you need liquidity. As a foreign investor you are looking for liquidity, you are looking for free repatriation of profits, yeah... So they will go for liquidity, they will go for liquidity because they want easy entrance and easy exit. They also go for exchange control relaxation because if they are no exchange controls it means there is free repatriation of their money; they can come in and go out without any difficulties. They also look at the economy in general, how it is doing, whether the inflation rates and exchange rates have been stabilised because what an investor doesn’t want is to change his $1 million and invest in Kwacha denominated equities and three months later when he decides to exit he will sell his dollars at a loss and take out less. So exchange stability is also a key factor.

Q7. Would you say financial institutions in Zambia such as commercial banks have in the past, prior to the introduction of the Lusaka Stock Exchange, been active in providing finance to investors who intended to buy shares in companies?

No, no! In fact, our local banks have never financed the equity. In fact they have always financed debt; they have always given the loans to investors who want to invest in a venture... either working capital or mid-term capital, they have not particularly given someone money to buy equity. In any case, in a situation where there is high inflation, high interest rates you have to be very careful if you are going to borrow money to buy equities because is the yield you are going to get on your shares going to be sufficient to cover interest costs, you see?
Q8. To what extent would you say that information asymmetry does affect the price of securities on the Lusaka Stock Exchange?

For the moment, I would say there is very thin reporting on the Lusaka Stock Exchange. What we need is to report on a daily basis the transaction that have taken place not only in the paper press but on television as well. We need to keep the public informed, its their market anyway, they need to be informed and information does entice some people to buy and prospectuses should be distributed as widely as possible or any information about the company distributed as wide as possible.

Q9. Would you say that there are sufficient collective investment schemes such as unit trust in Zambia through which individual investors can now participate on the Lusaka Stock Exchange?

There are insufficient. They are insufficient... I think small money, small savings are there, but then to the manager its the cost of putting up these funds and the cost of managing them. But at the moment I think we need a large unit trust that will attract not only a broader base of small investors, but that will attract local institutions and international institutions because once a large or an international investor invests in a unit trust the large investors tend to have very strict requirements for reporting... quality of prospectuses, accounting reporting standards, and because of that stringent requirement by the large investors the small investor then benefits by investing in such a plan. I would not stake my money in a unit trust which has no investors of recognisable status, but if I heard for instance in the Mauritian Fund the World Bank has a stake - the mere fact that the World Bank has invested, the small boys tend to follow the big boys you know! Where the big boys are playing the small boys will be trailing behind because the smaller boys feel a bit of security than the bigger boys. So the small investor will benefit from the involvement of a larger investor in a unit trust.
Q10. Would you say that privatisation of parastatal companies in Zambia has attracted a lot of private capital in Zambia?

Yes, it has in that we are seeing a resuscitation of ... maybe from my own experience Zambians cannot afford the goods any more but the goods are there on the shelves. Six years ago there was nothing on the shelves it was a question of having lower prices and nothing on the shelves but now the advent of privatisation and the injection of capital from the previous owners of banks, companies, we are seeing a pleasant supply... reasonable supply of good and definitely the goods are there its just the cash we don’t have to buy the goods.

Q11. Would you support the idea of having a regional stock market in Southern Africa and if so what reasons would you give for your answer?

I think a regional stock market is the ultimate and the world is becoming a global network its becoming a global village and you know the European Union is a case in point. I don’t see any reason why we have a cluster of small markets in Botswana, Zambia, Zimbabwe, Malawi, when we could just form a regional stock market and basically where it could be logistically convenient... and the administrative convenience. It benefits the investor in that in equity that he could not access because of some controls, say in Zimbabwe, if you regionalised you could have access to some of those goods then. It enhances the value of the company. But, maybe regionalisation would be too early. What we could start with is cross-listings. We list a company on several stock exchanges like for instance the way Ashanti had listed in Ghana and it has listed in Zimbabwe. So you start from that point. Eventually you could just merge these markets. I think our friends in the Franco-phone (African) countries, they have only got one stock market in Cote d’Ivoire and then they are at an advantage because they have got
common currency the Francs CFA. Whereas in the Anglo-phone (African) countries we still have all the different currencies in different markets so we would benefit if we first went for a common currency and had those cross-listings and thereafter we have a regional market.

Q12. If there was to be a regional stock market in southern Africa which country would you say has the necessary infrastructure and resources to host this market?

It is obviously South Africa... Johannesburg! I mean its the tenth largest stock market in the world and one of the very very oldest stock markets. So South Africa needless to say is the metropole of the sub-Sahara.

Q13. Finally, you highlighted advantages of a regional stock market. What would be the disadvantages of a regional stock market?

I suppose countries would loose their sovereignty and that the economic sovereignty... but I think the world is just heading towards globalisation so it’s something that we can not wind back.

Thank you very much Mr Yuyi.
Appendix F

Interview with Mr. Mebeelo Mutukwa, Stockbroker and Managing Director, Pangea Securities Ltd., Lusaka, 11th December 1996.

I will fill in my name and information here...

Would I say there is an efficient legal framework...

Q1. Yes, would you say there is an efficient legal framework for regulating trade in equity securities on the Lusaka Stock Exchange?

There is an excellent legal framework. If anything was done when setting up the stock exchange it was to be extremely elaborate in creating as strong a legal framework as possible to protect investors and to avoid having to start revising the law within a short time. In fact our legal framework is a lot stronger than Zimbabwe or South Africa or any of the other exchanges nearby.
Q2. Would you say there is an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?

This is a little less elaborate in that the drafting of the Securities Act really focused very much on equities. So it is not as strong on the question of debt securities and that may need some amendment.

Q3. What is your comment on the relationship between the equities market and the bond market in Zambia?

I would say the relationship is insufficient. We are now discounting bonds on the stock exchange but the volume of trade is extremely low largely because there are other routes through which people can trade and so the stock exchange tends to be the last resort rather than being a central player in the exercise. The Bank of Zambia has just started to change the rules regarding treasury bill trading and maybe therefore help as the central bank withdraws from the role of being the direct player in the market.

Q4. And which one of the two, the Bond Market or the Equity Market has attracted more investments on the Lusaka Stock Exchange?

So far it is the equity market. But having said that, generally in the overall economy the bond market is substantially larger. The reasons that that does not go through the stock exchange, is as I said, that there are other routes for the purchase of bonds but you have more than K250 billion worth of bonds in circulation right now which is just about the level of market capitalisation. But its nowhere near the level of actual trades that have taken place.
Q5. Would you have any knowledge relating to complaints of market abuses on the Lusaka Stock Exchange such as insider dealing and manipulation of prices of securities?

One thing I have said to a few people who have asked about insider trading is that you can't really have, with the level of sophistication of our stock exchange, you can't do insider trading because the market is totally unsophisticated. So the market doesn't respond to the normal market indicators as one can predict. For example, if you find out three days before an formal announcement that a particular company has reported exceptionally good profits, you can visit... come and buy the shares at the price that they are on, wait for the information to be released, information will be released and there will be absolutely no movement in the share prices. So the market is too unsophisticated and therefore although we have very ... again, very elaborate means of monitoring and detecting trades for self and trades for other clients and friends, it's not happening.

Q6. What would you say then is the relationship between the liquidity on the Lusaka Stock Exchange and, if anything, manipulation of prices on the securities market?

Manipulation is a strong word because the fact of the matter is with K50,000 you can move the share price. So we haven't seen any evidence of people really taking deliberate steps to mislead or to change the share price but because of the low liquidity of the stock exchange there is tremendous potential for that to happen.
Q7. Would you say the Securities Exchange Commission in Zambia has effectively performed it's function as the main securities regulatory body and what are the reasons for your answer?

It has. The SEC, because it licences dealers has got - and does that annually - it has got a tremendous amount of leverage on monitoring what the brokers are doing and what is happening on the exchange. The weakness in the system has been with the selection of people on the SEC in that you actually don't have anyone with experience in securities trading actually sitting on the SEC, until very recently you didn't have anyone.

Q8. What would you say are the main problems facing market players (and would be investors) that participate on the Lusaka Stock Exchange?

Liquidity! Ah... you can buy, but the availability of shares to purchase is not that simple and straight forward. There is an actual task of having to hunt for shares if you want a decent block of shares. On the other end if you bought the shares to be able to dispose of them and you know... enter and exit on the market is not easy. So liquidity is a problem.

Q9. What would you say are the main problems facing investors that would like to buy securities in Zambian parastatal companies being marketed off the Lusaka Stock Exchange?

The same answer: liquidity, cash! There is no long term finance being made available to anyone on the market. The commercial banks are not lending, the development finance institutions are not really lending. So if you want to buy a company or to invest heavily in a company off the stock exchange there is no long term source of finance.
Q10. Would you say financial institutions in Zambia such as commercial banks have in the past, prior to the introduction of the Lusaka Stock Exchange, been active in the providing of finance to investors who intended to buy shares in companies?

Commercial banks were a lot more supportive of the smaller business sector that was there. But, they were a lot more supportive with the business sector then, than they are now. We do have a problem and it has been a deteriorating situation. It’s partially been that way because the Central Bank has taken elaborate steps to try and reduce money supply or at least reduce the growth of money supply. The position is that really with the restrict regulations brought in by the Bank of Zambia and the shocks that took place as a result of the collapse and demise of the Meridian Bank, in particular, and the loss of consumer confidence in the local banks, its really meant that the lending that used to happen is not happening any more.

Q11. Would you say financial institutions in Zambia therefore vis-à-vis banks and building societies and insurance companies are interested in either debt or equity financing to companies in Zambia? Which of the two seems predominant?

Debt! Equity venture capital is not a concept which has been accepted partially because disclosure has traditionally been poor, partnerships have tended not to be very successful and therefore there has been more comfort in being quite clear on what in turn you are going to receive.

Q12. To what extent would you say that asymmetric information does affect the price of securities on the Lusaka Stock Exchange?

We don’t have as I have mentioned on the question of insider trading there is a very poor flow of information and there is always someone who gets information early or gets the wrong
information or they get different information at the same time and it does absolutely nothing to the share prices.

**Q13. In essence, you are saying they are not agency problems relating to use of such information?**

No.

**Q14. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the stock market?**

No. There are no proper collective investment schemes which are facilitating active participation on the stock exchange.

**Q15. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia?**

Yes.

**Q16. Would you say that the stock markets in southern African countries have made a significant contribution towards regional economic integration in the region?**

There are starting to. We shall soon see a few cross listings where you have a company like Trans-Zambezi Industries which will be listed here, ah... Harare, Botswana and South Africa.
Q17. Would you support the idea of having a regional stock market in Southern Africa and if so what would be the reason for your answer?

Yes I would! I think the economies are pretty closely linked and the sort of companies that you have in the region tend to be companies which are attractive throughout the region. You will be able to create much greater liquidity because you have got a larger pool of institutional investors as well as individual investors and you will be able to start creating multinationals. I think it would be an excellent idea.

Q18. What bearing would the introduction of regional stock market in Southern Africa have on the privatisation of parastatal companies in most of the Southern African countries?

I think it would strengthen access to equity finance because you can go to the market with an idea or you can go to raise venture capital a lot easier because there are far more innovative institutional investors around us than there are within us.

Q19. If there was to be a regional stock market in Southern Africa which country would you say has the necessary infrastructure and resources to host this market and why?

My emotional answer would be Zambia because we have the most sophisticated stock exchange; it's automated, it's very well secured, it's got a strong SEC so we are miles ahead of Botswana, Zimbabwe, Namibia, or South Africa.
Q20. Would you say a regional stock market in southern Africa must replace the respective stock markets found in the various southern African countries or would you say that national stock markets must co-exist with the regional stock market?

I would say they should co-exist. You see there are some companies which are very specific to a country which may not be very attractive on the regional stock exchange and those would continue to sit on the local one, but there should be provision to create SADC companies and let them graduate after meeting very strict selection criteria onto the regional stock exchange.

Q21. Would you, in your view, say that the regional integration scheme under COMESA does provide for mechanisms to set up such a regional stock market?

No. I have very little faith in the COMESA system and I have very little faith in projects which are totally bureaucrat induced and bureaucrat managed. I think this needs to be a private sector initiative.

Q22. Have there been any efforts to introduce a regional stock market in southern Africa?

Not really... there has been talk about it and there has been a lot of resistance from national stock exchanges who do not want to surrender any of their influence or power to somebody else.

Q23. You highlighted the advantages of a regional stock market in Southern Africa. What, then, are the disadvantages of a regional stock market?

Well, the disadvantages: (1) The question of movement of capital is not that easy within the region and you may end up having a situation in which the regional stock exchange suffers from exchange control regulations... differences in regulations in different countries. Aside
from that, you also have the danger of asymmetric information and how that can be used with much more sophisticated players working side by side with unsophisticated players. So you have those dangers, but I think the merits far outweigh the de-merits and you can protect yourself against the de-merits.

Thank you very much.
Interview with Mr. Musonda Cheta, Investments Manager, Zambia National Provident Fund, Lusaka, 12th December 1996.

Q1. Would you say that there is an efficient legal framework for regulating trade in equity securities on the Lusaka Stock Exchange?

I am not a legal expert so I probably wouldn't know the details of the legislative framework that exists regarding trading in securities, but what I do know is that sufficient effort has been made to put in place a framework that protects the traders on the stock exchange and also ensures that in companies that are listing on the stock exchange are able to raise capital. I think there are sufficient disclosure requirements if a company has to list. There are certain provisions regarding stock exchange operations which that company has to fulfil in order for the Stock Exchange Commission to agree that this company should be publicly listed. Perhaps, one would be to ask our learned legal counsels to find out whether that framework actually has flaws or it does not meet the requirements. But so far we have not had any litigation regarding, you know, trade in equities. I think it's sufficient that one needs to do a bit of more detailed study of that and compare maybe with the regulations regarding other stock exchanges. And what I do think also is that this matter of regulating trade in equities is a continuing thing. I do know, for example, that the Johannesburg Stock Exchange has just revised some of it's operative regulations and I do think that as trade grows on the Lusaka
Stock Exchange I think there is going to be need, ... as more flaws are noticed when the thing is operative then there will be greater need to polish up to ensure that everybody who is on the stock exchange is getting a fair deal.

Q2. What would you say is the relationship between the equity market and the bond market in Zambia?

One would say that perhaps the relationship is not very direct because of the fact that the bond market...like I was saying the relationship between the equity market and the bond market in Zambia is not what you would call a direct relationship. I think partly its a historical problem. The bond market has been here relatively longer than the equity market so people are not sort of saying: "Look let me sell my shares in order to trade in bonds." I think information is relatively new on both, although people know a lot more about government bonds than equities. However what one might say as well is that generally speaking the equity market has not yet grown to an extent where people will be able to appreciate the returns one can get in shares. In fact we had disastrous new soon after the Chilanga flotation there was a dividend declared that was far below the expectations of the market. Most people at that time felt that this was a quick way of making money... shares were selling at 65. When the dividend was declared it was about K2 per share and you can imagine K2 out of K65 originally invested. People were really disappointed. In fact, Chilanga had a very very difficult annual general meeting where people protested. In a sense one would say people are a lot more cautious now about investing in equity than would rather take their money if they knew a lot more about bonds they would probably take their money into bonds. However there is also another dimension to the bond market and this is this: that generally bonds sort of perceived as long dated instruments and most of them are 180, 12 months and so forth. In Zambia people are very weary of investing money long term because of the constant fluctuations... I mean there
are too many changes taking place in these markets and most people would rather invest in 28
days treasury bills because they know that in 28 days I will be able to make a decision
depending on how the market is behaving. So I wouldn’t be able to say that there is a very
direct relationship. I think information is insufficient at the moment and people are rather
cautious in so forth and so on..., but perhaps in the longer term you might see a direct
relationship developing where people might prefer one to the other and will be shifting moneys
between either instrument depending on their perceptions about that market.

Q3. So, which one of the two, then, between the bond market and equity market has
attracted more investment to the Lusaka Stock Exchange and what are the reasons
basically?

Well I would say that the bond market has more money and again... well, no... I think this ...
let me not put it this way.. if you say the bond market on the Lusaka Stock Exchange that’s a
new thing altogether but the bond market in general as operated by Bank of Zambia that has a
lot more money than the equities. The stock exchange I know has been trying to devise a
system where the Bank of Zambia could off load some of your bonds onto the stock exchange
and people could be trading there. I’m not so sure that this has taken off very well but if you
are talking of bonds in general I think people have invested heavily in that instrument. It
remains to be seen whether the efforts by the Lusaka Stock Exchange to get some of that
market onto their exchange will succeed or not.
Q4. Do you know of any complaints relating to market abuses such as bid manipulations or insider trading in Zambia and if the answer is “yes” have there been any prosecutions of the alleged offenders? If the answer is “no” what would you say are the reasons?

Firstly, I am not aware of any complaints relating to market abuses so far. I think this is likely as a result of the fact that this these instruments are relatively new and you will find that actually in the fact that the equity market, for example, most of the players there are institutions like ourselves and we haven’t had any problems at all. We are not too keen to invest more because of the low returns there. But so far, we haven’t heard of any director going behind some name and investing in a stock because they know that this company is going to perform very well in the near future, we haven’t heard of anything like that! And I think it is very unlikely that this will be a major problem in the near future.

Q5. What would you say has been or rather is the relationship, if any, between liquidity on the Lusaka Stock Exchange and market abuses such as probably manipulation of prices of securities?

Well like I said since we haven’t had a problem of this nature yet it’s difficult to be able to see the relationship. But, my only guess perhaps would be if liquidity is tight how do you expect incentives to cheat to increase as well? That, I am not too sure if it is going to be so for Zambia.
Q6. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

I would say “yes”. Why do I say so? Well, primarily because the Securities Exchange Commission lay the ground for the formation of the Lusaka Stock Exchange. They did extensive work. I remember attending a small workshop sponsored by the UNDP at which this idea was being floated. At that time, it was really in the formative stages and people were trying to sensitise the public about the need to establish the stock exchange and these people, Mumba Kapumpa, in particular and a few others lawyers went globe trotting to learn about how other Securities Exchange Commissions were operating in other countries. And what they have come up with, I am told people say and the World Bank has said - having had the access to those documents - but I am told the World Bank says that the regulatory framework that governs trading equities in Zambia is one of the best in the world. Now whether that is true or not I don’t know? But, I would say that the Securities Exchange Commission has done a lot of work and we owe... all the rules and regulations governing this business to them and without them I don’t think we would be talking about a stock exchange today.

Q7. What would you say are the main problems facing market players such as financial institutions like yourselves and would be investors that participate on the Lusaka Stock Exchange?

I think one of the most important problems is just the issue of size! We don’t have enough players on the stock exchange. You have very few companies that you would say are safe havens for your money and that pauses quite a bit of a problem. But, secondly also I mean liquidity on our part and even if one of these blue-chip companies from say South Africa or elsewhere also came and listed on the Lusaka Stock Exchange it would not be easy for us to
place money in that company because we might may not have the money. But I think the size of the stock exchange is a big limiting factor and the fact that you know some of the companies that are trading there, whose shares are trading there have not gone there by public flotation. So they have not fully disclosed the information regarding the operations; for example BATA Shoe Company Ltd. Their shares are traded on the Lusaka Stock Exchange but we don’t know how BATA is internally. So, you have only very few companies where you can feel safe with. But, again you can’t put all your money in one basket and you feel that maybe a billion is enough in one company and let me put money in another company and so forth. Standard Chartered, for example, they are required by the Banking and Financial Services Act to disclose at the end of their financial year their balance sheet and their profit and loss but that is not required of them by the stock exchange because they didn’t go there by public flotation. But the other companies like Chilanga and Zambia Sugar and so forth, the rules regarding those are very stringent.

Q8. What would you say the main problems facing investors that would like to buy securities in Zambian parastatal companies being marketed off the Lusaka Stock Exchange?

I am not aware of investors wanting to do this unless perhaps we are talking ... Well let me put it this way. I think the best people that would be able to answer a question like that would be... Like I was saying I am not aware of any investors that would like to buy shares in Zambian parastatal companies off the Lusaka Stock Exchange. What I am aware of is an outright purchases of Zambian parastatal companies and I think the problems of buying a Zambian company are pretty similar and that is you find quite often negative net worth; there are huge liabilities and so forth. I mean there is the case of Premium Oil. ICI International wanted to come and buy that company and they just couldn’t reach an agreement with the ZPA over the
treatment of the liabilities which the company owed. The company itself is trading but it cannot service it’s obligations. You have the case of ... - well, off the record, but on tape it does not matter (laughter) - I mean the case of National Milling is another. There is a company called Namib Mills that wants to buy that company and again there are problems there over the value of that company and so what the ZPA has done is that they have allowed these guys to come in as a caretaker for the company; to assess and to see if it can pay off some of these debts before an actual contract of sale is signed. So I am not aware of any company that... I think it would be suicidal for any investor to want to buy shares in a parastatal company off the Lusaka Stock Exchange. I cannot think of any company like that. I mean ZCCM itself is listed and that is the only company about which you can be reasonably sure. The others, I think you would be putting good money after bad but maybe that’s just strong an opinion but that is my opinion.

Q9. So, would you say financial institutions in Zambia such as commercial banks have in the past, prior to the introduction to the Lusaka Stock Exchange, been active in providing finance to investors who intended to buy shares in companies?

I’m not aware. I don’t think it exists but you can confirm with the Lusaka Stock Exchange for more information about that.

Q10. Would you say the financial institutions in Zambia such as commercial banks do presently provide finance to investors who intend to buy shares in the companies?

No! I don’t think this exists. Because of the problem of securing that loan. I think it’s very dangerous for a financial institution to give money to a company to buy shares and then... perhaps the shares themselves are security. Because of the arbitrariness of the values of these shares, I don’t think it would be wise unless a person can provide very strong collateral apart
from the shares themselves I think it wouldn't be a very wise thing to do. And banks in general in Zambia are very cautious about lending.

**Q11. Would you say financial institutions in Zambia such as banks and building societies and insurance companies do provide debt and equity financing to companies in Zambia?**

Hmm... What one would say is that there is more certainly debt financing. I think Zambian companies in general are familiar with this. Equity financing is a bit... a very late development and there is not much that I know of. A few isolated cases but it is not anything to go by.

**Q12. To what extent would you say that information asymmetry does affect the price of securities on the Lusaka Stock Exchange?**

I think what one would say at the moment is that it's too early to comment because as I said earlier the stock exchange itself is relatively a new comer on the Zambian financial market... capital market rather. So, I don't know. It's too early to comment on this. I do not know of any company that is in a privileged position to affect the price of shares over the particular company.

**Q13. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the stock market?**

No, no... I think this is one of the areas in which the Securities and Exchange Commission should exert its efforts quite a lot. Previously, you had the Meridian Property Bonds, you had the Meridian Investment Bonds, Meridian Baby Bonds which were doing very well. Unfortunately when Meridian BIO Bank collapsed people lost faith in collective investment schemes and strictly speaking the investment scheme itself was very liquid, very solid with a
lot of properties around Lusaka, very good prime properties. Unfortunately because of the connection that that investment scheme had to Meridian people felt that their money wasn’t safe and so the managers of the scheme were forced to liquidate the scheme and pay out and we ourselves had invested something... we have got about 75% of what we invested and we are waiting for the 25% to be given to us. But I think that was a sad development and one wishes that perhaps Meridian Bonds had another name and people wouldn’t necessarily have linked the collapse of the bank to the collapse of the collective investment scheme as well. I think there should be more work... and just to add on to what I said earlier - that is just to underscore the necessity of establishing sufficient number of credible collective investment schemes so that people can have other ways of investing money. I know Cavmont is doing a bit of this and Zambia State also has what I think they are calling the Swift Save Scheme. Cavmont has the Income Fund and so forth and so on, the Equity Fund... but they are not as strong and appealing as the Meridian bonds were.

Q14. Would you say that privatisation of parastatal companies has attracted a lot private capital in Zambia?

I’m not sure, but from time to time you hear people saying this and this company is going to invest in Zambia... it is going to pump in fifty million dollars! But you don’t know where those fifty and hundred million dollars are going! (laughter)... I think the time that we would notice a lot of private capital coming into Zambia is when the sale of ZCCM Ltd. begins in earnest. I think the pre-qualification has been pretty successful there is a lot of interest from Australia, Canada, US, the UK and so forth. I think that is when we will be seeing reasonable money coming into Zambia. What has impressed me though is that South African companies are taking a lot of interest in Zambia and among those you have companies related to or under the umbrella of the Anglo-American, yeah, who invested quite heavily in some companies. They
own the Holiday Inn. They have also invested heavily in Zambia Breweries. I am not too sure if they are in Chilanga. I am not too sure about that. But you also have some companies that have invested in Zambian Sugar, CDC I think; Tate and Lyle, I think ... something like that I think... I may not have my facts quite correct, but these are relatively small in size compared to the kind of money we are talking about when ZCCM is privatised. For example Konkola Deep itself, we are talking about 600 million dollars, that sizeable! I am not so sure how much ZCCM Ltd itself will go for but original indications are that it might go in excess of 2 billion. Now, if 2 billion dollars came to Zambia that is something. But what you have now is relatively small money coming in maybe 3 million South African rands, 10 million rands, you know, in a shop and so forth. So, I am not so sure. I think you could talk to the ZPA they have a lot more information on this than I do.

Q15. Would you say stock markets in southern African countries have made a significant contribution towards regional economic integration in southern Africa?

I am unable to quantify the kind of contribution they have made, especially, I mean, information is lacking. I know, for example, the biggest stock market in Southern Africa is obviously Johannesburg Stock Exchange, I think seconded by the Zimbabwean Stock Exchange. But really the influence of those companies I mean the influence of those stock exchanges on economic growth in the respective countries, I think it is hard to quantify from outside and it’s too early for me to say that the Lusaka Stock Exchange has been an avenue of enabling these companies that are quoted there to grow... I don’t know!
Q16. Would you support having a regional stock market in southern Africa and if so what would be the reasons for your answer?

I’m not too sure that it would succeed. For one reason, I think a regional stock market in southern Africa from the Zambian point of view it would attract very few companies. I am thinking perhaps of ZCCM Ltd., ZAMEFA Ltd., and I do not know what the intentions of Shoprite Checkers Ltd are but so far indications are that they intend to make their stay in Zambia permanent and they are reasonably big enough to be able to go for a public floatation but I don’t know if that is what they would like to do. I think some of these South African companies coming here might benefit from that kind of thing to find their regional... their growth in Zambia and so forth. But the costs of entry into a stock exchange are quite prohibitive and it would not be easy for Zambian companies themselves to be very keen about participating in what one would call a regional stock market because what would be the special advantages for having a regional stock market? From my perspective you have the Johannesburg Stock Exchange and you have also the Zimbabwe Stock Exchange now the Lusaka Stock Exchange which is relatively smaller than the other two. If one wanted to raise capital you could list on the Zimbabwe Stock Exchange you could also list on the Johannesburg Stock Exchange if you have the money and I don’t think these stock exchanges are necessarily very restrictive to foreign capital. So I think you could do that and I don’t see what a regional stock market could do. Perhaps, I am ignorant about this but I think from the Zambian perspective very few companies would be able to participate. That is not to say we shouldn’t begin to think around this idea. Perhaps there is not sufficient information, that is why we are saying these things but perhaps you may find that they might be reasonable... out interest among the companies themselves who would like to participate in a regional scheme like this.
Q17. What bearing would the introduction of a regional stock market in southern Africa have on the privatisation of parastatal companies in most of the southern African countries?

Since I am a bit sceptical about the idea itself I am unable to extend my reasoning beyond that scepticism. However, if it succeeded it means that companies in Zambia could raise money from Johannesburg and invest in Zambia, expand their productive capacity and so forth. But that really depends on whether investors in South Africa would view an investment in Zambia as worth their money and that requires a lot of information and perhaps that’s where perhaps the regional stock exchange would be helpful. If you could command enough respectability and people feel that a company listed on the regional stock exchange is a worthwhile company, perhaps one would hope that this would have facilitated a wider spectrum from which companies in the region would be able to raise their capital. That is how I would see it. But, it depends on whether the regional institution itself would be able to command sufficient confidence and as you know we have had a history of regional groupings in southern Africa. You have SADC, you have COMESA, you have the PTA and so forth, none of which strictly speaking has not gone beyond words on paper... we are working towards the regional common market. The man on the street or an average company in Zambia at least have not been able to see the practical significance of what is going on. So that is why perhaps ... I don’t know ... maybe it would just be another appendage. A regional stock market might just be another appendage to the long list of regional groupings that do not have sufficient mandate to be able to do anything substantive in any of these countries because these countries are sovereign and so on.
Q18.  *If there was to be a regional stock market in southern Africa which country would you say has the necessary infrastructure and resources to host this market?*

I think it is South Africa.

Q19.  *Are there any considerations that you have in mind that explain your answer?*

Well I think someone has said when you went to Johannesburg - this guy is a Briton, he used to be a managing director of one of the international banks operating in Zambia and at that time that bank was just about to be bought by a South African Bank and he went to Johannesburg and when he came back he said: “I have been to the London of Africa!” I think that says a lot. If you see the profile of the London Stock Exchange in the world and somebody could compare Johannesburg to London in that respect I think there is much that goes in favour of Johannesburg or indeed any other town in South Africa. They have the infrastructure they have the financial clout to be able to do this, they have systems that would facilitated, information flow which is the essential to investing in a company and so forth. I mean they have a lot of collective investments schemes and their securities market is more developed although if there were other considerations like the issue of centrality and so forth perhaps Zimbabwe would complete. They have the infrastructure all right. There are pretty close to South Africa and perhaps people might say “I think politically Zimbabwe seems to be more stable and it’s more central we don’t want you know companies having to drive to South Africa.” If those were considerations worth thinking about, maybe Zimbabwe. But Zambia certainly is out of the race. We have a good framework ...legal framework I am told but that is insufficient. Our telephone system is disastrous. Our road network is being improved but it’s far from being perfected and there are a lot of other considerations and we have very few companies that would be credible stock brokers and so forth and so on. They are still learning
accounting, opening systems and sometimes this broker don’t give you the information on time and so forth, but those systems are already existing.

Q20. Have there been any efforts to introduce a regional stock market in Southern Africa?

I haven’t heard. Actually I first heard it from Dr. Mwenda.

Q21. What are the advantages of having a regional stock market in southern Africa generally and what would you say are the disadvantages on the other hand?

Well first of all the advantages I think would be that the market itself would be big enough and one hopes that that would probably lower entry costs. I am not to sure whether that would happen but I think also that the advantage would be that this market would not be restricted to any one country and therefore the entrants into that market ... for the investor himself I think one of the great advantages is that first of all there would be greater reason to believe that you are dealing with a more credible system than a national one because it has a wider representation and there are more voices there being able to criticise this system and so forth. But also that your money can be used in all kinds of ways on the stock exchange which is a wider appeal. There are more investment avenues and so your money is more likely to grow there because there are greater opportunities and so on. In Zambia for example if you invest in Chilanga the problem is that the profitability of Chilanga is closely tied to the fortunes of the country. For example recently the Zambian government decided that they were going to go along the recommendation of SADC or something like that to impose some sanctions on Rwanda and Burundi and so forth and that has resulted I think in the export revenues of Chilanga to decrease. Now in a regional market I do think that this regional market would extends far wider than the region itself because they would have the financial muscle to be able
- not just technical capacity - to be able to invest elsewhere. And so I think an investor investing in a company listed on the stock exchange that is regional in representation I think has a wider choice and I think that it gives greater comfort to an investor. I think also that regulatory framework would certainly be more stringent than if you are just dealing with a national stock market like Zambia. The disadvantages though I see is that - again here I am being caught up in my own scepticism - is that I am not so sure that it would take off and it might probably be seen as a distant option. The way for example you and I in Zambia might view the London Stock Exchange I mean it’s out there, it’s a good market all right but it’s far distant from my life and I don’t dream about investing in the London Stock Exchange. While it is easy for me to go to Lusaka Stock Exchange and say which companies are doing well? Where can I invest? I can’t do that for a regional market that is represented in South Africa. One of the problems I think for an average investor is that it might just be seen as a distant market far removed from the realities present in a particular country. So I am not too sure - also that’s not to contradict myself what I said earlier - I am not so sure that a regional market would have a what one would call the necessary motivation to ensure that as many companies as possible in each country are listed in trading...you know this national allegiance is removed so that the thing becomes rather impersonal and it’s just the good guys who operate there. So that sometime one might think that national interests might be sacrificed for regional interests and I think in the long term perhaps it might work to the detriment of the development of national stock exchanges because the energies of these stock exchanges might be focused on developing a regional stock market. I am not so sure about that. In any case, I don’t know if this idea has been tried elsewhere and I am not too sure if you are aware of any two countries which have come together and developed a regional common market. Certainly there is merit in the pulling of resources. I think which is the idea behind a regional stock market but I am not so sure that this has been tried and if it’s been tried whether it’s been successful! But I
think in our formative stages I would rather that our country placed a lot of emphasis on developing a national exchange, let it grow and perhaps if there was need at a later stage to merge these national exchanges that would be from a position of strength. I think we do need Zambians to encourage the growth of our own stock exchange here and which would be able to compete with other stock exchanges elsewhere and I think it is good for our country and I tend to be fairly nationalistic! So that is how I see it but perhaps that hasn’t answered your question.

Q22. Finally, if there was to be a regional stock market in southern Africa would you say that that stock market should replace the national stock markets in the region or would you say that that stock market must co-exist with the existing national stock exchanges?

Pretty undecided although from a nationalistic point of view I think we are better off having parallel markets. More or less the same thing as... it’s not quite the same, but you have on the London Stock Exchange companies which are listed and the unlisted...where smaller companies that are not able to bear the costs of listing the stock exchange are also able to operate. It’s more or less like that I mean you have the smaller market in Zambia but also those companies that are able, can go on to a larger market and that is the regional stock market. I think a situation where you obliterated a national stock exchange I think would be dangerous. My own fear though is that even if you had a parallel market I think what is going to happen is that in the long term if the regional market is more attractive they are going to necessarily find a situation where the smaller market gets eaten away.

Thank you very much.
Appendix G

Interview with Mr. Douglas Rolls (Securities Services Manager) and Mr. George Roberts (Manager Merchant Banking), Barclays Bank (Z) Ltd., Lusaka, 12th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in equity securities on the Lusaka Stock Exchange?

Douglas: The legal framework is actually controlled by Securities and Exchange Commission directly. There is the Securities Act which is in place, which is actually more detailed than we need at the moment. So “yes”.

George: Just to add on the securities industry in Zambia is very regulation driven. The Securities Act is far reaching and it would be all encompassing so that... well regulated.

Q2. Would you say it also that there is an efficient legal for regulating trade in debt securities on the Lusaka Stock Exchange?

George: Yes, there is sufficient... within the Securities Act there is a sufficient provision for debt securities.
Q3. What is the relationship, if any, between the equity market and the bond market on the Lusaka Stock Exchange?

Douglas: Basically, what has been happening is the equity market has been relatively active, not very active but there has been some movement. Last year... some time the stock exchange actually about six months ago around that time, the stock exchange wanted to introduce bonds on to the market. Initially the response wasn't very good. Recently they have something else in the stock news again trying to get the bond market moving but there is no direct relationship between the equity market and the bond market yet.

George: If there is anything between the equity market and the bond market, the bond market is more attractive. Government bonds, treasury bonds, with premiums of up to 60% are much more attractive than equities at the moment. So, equities are losing out to government securities at the moment.

Douglas: And then again, the link is with the Bank of Zambia more than with the stock exchange. There is no trading in bonds as far as I know...

George: Though they are listed...

Douglas: ...they are listed, but they are not traded. But with the Bank of Zambia there is quite a good turn over in bonds and treasury bills. So like George is saying I mean basically the interest rate which is more attractive and that is what leads people to go into bonds and treasury bills.
Q4. So, which one of the two then, between the bond market and the equity market has attracted more investment to the Lusaka Stock Exchange?

Douglas: Well your question should be re-phrased because of that... you know its been handled by Bank of Zambia... it’s not with the stock exchange, so bonds are more active...

George and Douglas: ...but not on the stock exchange!

George: But the stock exchange attempted to introduce trading of bonds on the market... unlisted government bonds... but the public reaction to that has been minimal so the stock exchange has purely been trading in equities.

Q5. Do you know of any complaints relating to market abuses such as bid manipulation or insider trading in Zambia? By bid manipulation I am referring to manipulation of prices of securities.

Douglas and George: No, not really.

Q6. Would you say there is a relationship, if any, between market abuses such as insider trading and market efficiency of the Lusaka Stock Exchange?

Douglas: Well... there is no insider trading... No.

Q7. Would you say there has been or there is a relationship, if any, between liquidity on the Lusaka Stock Exchange and market abuses such as insider trading, non-disclosure of information and negligent disclosures?

Douglas and George: No, no...
Q8. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

Douglas: The answer is yes to that.

George: I would say yes to that although it is still very early... such a new market as this, everybody is basically just finding their feet. The security in the information basically pass the laws. There hasn't been any need for them to step in as yet so they really haven't been called upon apart from their function as licensing... they have been responsible for licensing. They haven't really been called upon to do much.

Q9. What would you say are the main problems facing investors that would like to buy securities in Zambian parastatal companies being marketed on the Lusaka Stock Exchange?

Douglas: Well let me answer that question in two bits, that is, based on the foreign perspective and the local perspective. The local perspective there is insufficient investible funds. People don't have sufficient money to invest in equities. On the international front people are interested but you have two barriers. One of the barriers is risk and the other barrier is when you have floatations like when we have privatisation, the shares which the government divest are normally for sale for Zambians only so there is actually a contradiction there and as a result a problem...

George: ...shares sold by ZPTF in Zambian parastatals... the way the privatisations currently go, there is either discussion with a strategic partner who will take the majority of the shares or it's with the people who have first refusal OK! The pre-emptive rights. Once that happens a
portion is left in the Zambian Privatisation Trust Fund which is a trust set up by the government to hold warehousing shares until we can sell them to the Zambian public. The trust deed states that they can only be sold to Zambian individuals or Zambian collective investment schemes. So they are restrictive to the participation by foreigners is restricted in that aspect. As far as sells to Zambian goes apart from the low saving base in the country people just don’t earn enough. It’s also the fact that people who do have enough money their thinking is short term and the returns on government securities are much higher than they would get. There is a new one now “inflation” and the lack of debt in the Lusaka Stock Exchange. For instance Chilanga Cement was floated two years ago and share prices on the flotation was K55 per share. The price now is closer to 40 but the dollar has moved from 350 at the date of the floatations ...

Douglas: ...about K400 to the dollar

George: and today it’s K2,000. So foreign investors in real terms from the quoted price have lost a great bit of their investment... I mean the underlying value of the company is still there but the value of the stocks has been eaten up by inflation.

Q10. What would you say on the other hand are the main problems facing investors that would like to buy securities in parastatal companies off the Lusaka Stock Exchange?

Douglas and George: Non-availability, no market at all.
George: There is just no ... there isn’t any shares; nobody holds these shares, the government hold all the shares! They are only selling them through Zambia Privatisation Agency. There are just none available, they would have to deal with ZPA.

Douglas: ...and when the informal market will actually emerge...

Douglas and George: it’s prohibited...

Douglas: in fact there is actually two markets the listed and the quoted market in the Securities Act. So the stock exchange controls the whole thing. So there is no trading outside the stock exchange.

Q11. Would you say that financial institutions in Zambia such as commercial banks have in the past prior to the introduction of the Lusaka Stock Exchange been providing finance to investors who intended to buy shares in the companies?

Douglas and George: No!

Douglas: There is a problem with that and the problem is what George highlighted that while you are talking about the prior time but basically if we give funds to buy shares we have the problem of the price of the shares dropping which has been the case now and people are paying for a loss basically.

George: What the problem was is that because there wasn’t a stock market or an active stock exchange, prices in any security were really up in the air. For instance Standard Chartered shares were the most actively traded before the Securities Act came into being... before the
stock exchange was set up. Those shares were being sold at 2,500 to a thousand times their present value. There was no way that investors could determine the value of those shares. The shares were introduced on the stock exchange at K2,000 a share... they are down to K6 a share.

**Douglas:** But even now there is still a marked disproportion because company activity which is meant to effect the price of the shares ...we have just had an election... there has been no marked movement in the price of shares in spite of the instability which was reigning at the time. So there is the link between the economy and the securities market is also lacking per se. We have a market now but there is no direct relationship...

**George:** It’s question of depth...it’s still a very shallow market. The price perception is based on you know “I buy 10 shares that prices the rest of the stock” and basically just ...

**Q12. Would you say then that financial institutions in Zambia today, such as banks, do provide finance to investors who intend to buy shares?**

**George:** The fact being that there isn’t an awareness, there is a basic awareness, but the awareness is that securities are a long term investment and people would rather substitute cash savings for equities. That is the way it has been developing. People were not actively coming and saying “Look I need... I want to buy Zambia Sugar, may I have so much cash payable in six months”. That investor's knowledge activity isn’t there. On a policy matter banks may well be prepared to provide that sort of finance but it just doesn’t happen because investors ... there isn’t that requirement by the investors.

**Q13. Would you say that financial institutions in Zambia such as banks, building societies, pension funds, do provide debt and equity financing to companies in Zambia?**
Douglas: You have to clarify a bit on that one... providing in what sense?

By providing debt finance I mean loans for example... by providing equity finance, do banks buy shares in Zambian companies?

Douglas: Merchant banks... some.

George: Not really... it hasn’t really because the type of financing that is available basically banks’ capital... investment capital, is 95-99% of bank capital is short term. The nature of this economy has driven down. We for instance don’t have long term money available. Zambia Venture Capital Fund has just been started and that is starting to provide some form of capital for that sort of thing. I know CDC do a little bit, but again the climate hasn’t been right up to now. So the capital available for that sort of thing isn’t there... it is only that it has been developed now we are looking at ways of getting some long term funding so that we can provide long term capital.

Q14. To what extent would you say that information of asymmetry does affect the price of securities on the Lusaka Stock Exchange with particular reference to banks?

Douglas (hesitantly): I would say there is very little effect.

George (hesitantly): Yeah...

Q15. Are there any agencies problems that you could say have arisen out of use of asymmetric information by insiders such as banks that have issued loans to these companies whose shares are quoted on the stock market?

Douglas and George (hesitantly): No...
Q16. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the stock market?

Douglas and George: No there aren’t.

Q17. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia today?

Douglas and George: Yes it has.

Q18. Would you say that stock markets in southern African countries have made a significant contribution towards regional economic integration in southern Africa?

Douglas and George: No...

Q18(b). Why?

Douglas: Basically because we are different sort of sectors. The ones that have really contributed are the ones which already had prior relationships like Namibia and South Africa. Most of the stocks listed on the Namibia Stock Exchange are listed in South Africa as well so there is a very direct relationship between the two stock exchanges. Zambia has only started. It has... we don’t, except for ZCCM Ltd. we’ve got about the only company that is listed on another stock exchange. So, basically most of the companies which are listed on the stock exchange are not listed elsewhere and therefore it is an internal thing. Zimbabwe I think is the same... it is very internal.

George: I think what you got to look at is you know which comes first? Do the economies integrate or do the stock exchanges create that? Which way does it happen? The problem in
the region is that Zambia is the only country that does not have exchange controls. South Africa has, Zimbabwe has... the requirement of most of the economies in the region are to receive investment rather than make investments elsewhere. Eventually we are starting to see investment coming in via the stock exchange. Zambia is... appears to be an attractive place because of the lack of exchange controls and the liberalisation policy put in place. Until the other countries in the region create a similar environment, I don't think a regional stock exchange would have any benefit to anybody apart from countries like Zambia.

Q19. Would you support the idea of having a regional stock market in southern Africa and if so what would be the reasons for your answer?

George: It's a tough one!

Douglas: The answer is “yes” but the time has not yet come. There’s so lot of integrating to be done. Basically looking at it from the point of view of economies of scale, I think the argument is “yes”,

George: ...but as you know...

Douglas: yes, eventually... that is what I am saying! But it involves a lot of nationalistic pride and like the EU itself trying to integrate stock exchanges becomes a problem. If you can merge the laws, get rid of the nationalism and a few other things, control, tariffs and stuff like that... basically it involves integrating like George says you have to integrate the region so that you are on the same level, the same playing field as compared to having this sort of step.
George: It also would be affected by the different stages of development between the member countries in the region. You could place Mr. Gates in South Africa it sorts of helps Mr. Gates in Zimbabwe a very basic level of sophistication in Zambia. Malawi which hasn’t ...you know, it can create quite a big imbalance at this present stage. If the other countries could at least develop the legislation then perhaps it could ... but there’s still too many protectionist policies within the region which need to be done away with eventually.

Q20. What bearing would the introduction of a regional stock market in southern Africa have on the privatisation of parastatal companies in most of the southern African countries?

Douglas: Well, it really depends, doesn’t it? It depends how many companies you are talking about.

George: Assuming all things be equal and one is established and everything is okay, it would actually make it a lot more attractive and there would be a larger pool of resources to draw from. And it would, you know, the privatisation would be handled a lot smoother. Right now it’s a question of people hand picking and then negotiating. It would benefit the privatisation of the larger utilities you know; telecoms, electricity... although there would be a larger duty to work on.

Q21. If there was to be a regional stock market in southern Africa which country would you say has the necessary infrastructure and the resources to host this market and why?

Douglas: The answer is simple.

Douglas and George: South Africa!
George: They have had a stock exchange going for the last 100 years, they've got everything in place and they have got the technology to handle it.

Q22. Would you say a regional stock market in southern Africa must replace the respective stock markets found in the various southern African countries or would you say the national stock markets must co-exist with the regional stock market and if so, why?
George: If we have a regional stock market I think it should facilitate listing across the region with nationalistic or the national markets retaining their own local and you know...because as I said earlier, the different levels of development within the region would make listings for companies in Malawi much more difficult than for listing for a company in South Africa.

Q23. Does the regional integration scheme under the Common Market for Eastern and Southern Africa Treaty offer solutions to this problem of setting up a regional stock market and if so what solution does the COMESA scheme provide?
George: I can't really answer because I am not aware of the COMESA Treaty... I don't really know it well enough.

Q24. Do objectives COMESA and those of SADC complement each other on the idea of introducing a regional stock market in southern Africa?
Douglas: I am not sure. I think COMESA is pushing for regionalisation but SADC I am not too sure about that. I would expect that SADC is more focused on trade than anything else.
Q25. Have there been any efforts in the past to introduce a regional stock market in southern Africa?

Douglas and George: Not really!

Douglas: No concerted effort. There is talk about it but no concerted effort. I think... we are too... a lot of stock markets haven't taken off yet. Until that happens, there is a lot to be done and we can only talk about it. Actually putting it into practice is going to be a couple of decades from now. You know unless the investment and the strength of the economies increase tenfold within the next ten years, which is a pipe dream in my view, there are a lot of problems to actually sort out.

Q26. Given the arguments advanced so far, what are the advantages of having a regional stock market in southern Africa?

George: Mobilisation of resources...

Douglas: and economies of scale...

Q27. What on the other hand are the disadvantages of having a regional stock market in southern Africa?

Douglas: There is actually a distortion. The country which has the regional stock market probably has more power and attracts more investment and it could lead to marginalisation. The other surrounding stock exchanges will have to... say like South Africa people have a picture of South Africa only and they forget about the surrounding countries. So they (surrounding countries) are marginalised from the South African position.
Thank you very much George and Douglas.
Appendix H

Interview with Mr. D.B. Luswili, Management Accountant and Acting Finance Director, Stanbic Bank (Z) Ltd., Lusaka, 12th December 1996.

Q1. Would you say there is an efficient legal framework in for regulating trade in equity securities on the Lusaka Stock Exchange?
Yeah... I should think so. Okay, though it's not to that full extent but I think the current legal framework is adequate to cover that position.

Q2. Would you say there is an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?
What do you mean by debt?

Bonds, debentures...
Oooh, okay, okay! No, no, not really because you know the Lusaka Stock Exchange is just starting this...listing in the secondary market. I mean government bonds are just not argument in fact. They are starting I think in January 1997. So in that aspect they have not gone to that extent. They are just starting.
Q3. What in your view would you say is the relationship between the equity market, which is shares, and the bond market, that is debentures and government securities, in Zambia?

Well the relationship is...Okay, you see when it comes to these government bonds, treasury bills people are at least now aware, much more fully aware of what is happening. But the share, I mean the knowledge is a bit scanty you know people have to ask a lot of questions and then what you mean when you say buy shares in the company. They are yet to really understand. But I think the bond market has done very well because...commercial banks... it's been running for the past five years or so. So people are quite aware when they do an investment in government bonds or treasury bills, they really know what is happening and they know they will get their interest at such a time and investment in shares takes a longer time. So they are not ready to wait for that long so they don't seem to like that area very much.

Q4. Which one of the two, the bond market or the equity market, has attracted more investment to the Lusaka Stock Exchange?

It's the shares basically. They are just starting the bond as I said... the bond market has just started.

Q5. Do you know of any complaints relating to market abuses such as bid manipulations or insider dealings?

No... not to my knowledge actually. Okay, I attended a seminar fortunately at Lusaka Stock Exchange and we went through most of those items. I think even their listing is quite acceptable to any standard. So, I don't think... may be one case, one or two, may actually apply. But I don't know of any actually. So far they have done very well and I don't think there is any manipulation.
Q6. What would you say has been the relationship, if any, between market abusers such as insider trading on the market efficiency of the Lusaka Stock Exchange?

I don't know of any case of insider dealing as I said.

Q7. So, would you say the Lusaka Stock Exchange is efficient?

Yeah, yeah. In their own right... you know there are basically few companies that have been listed on the stock exchange but I think those we are able to get details in the newspapers on a daily basis, any minute you ring them, any time and I think they have been quite efficient.

Q8. What would you say has been the effect of liquidity on the efficiency of the Lusaka Stock Exchange?

Ah, that I wouldn't answer for them. You mean as an outsider on as an insider? I thought that question would apply more to one working for the stock exchange...

Q9. Since Stanbic Ltd. has probably been participating on the market, would you give a view whether liquidity of the market has affected the efficiency of that stock market?

Slightly yes, because you see the funding has been ... okay from my own analysis, the funding has been quite erratic and their capital base is not that strong because they have to rely on grants. So I believe if their capital base has to updated then they should be able to do much better than they have done now.
Q10. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

Well, basically we have the Securities Act so I think that is a first step though I can’t really say they have done very well. But I think the fact that they have got the Act in place and all the market players seem to be following that means that we haven’t done too badly.

Q11. What would you say are the main problems facing investors that would like to buy securities in Zambian parastatal companies being marketed on the Lusaka Stock Exchange?

Okay, are you talking about off-shore also.... those outside and the inside?

Yes.

Okay, having just... because we are just starting this stock exchange and I think the flow of information may not be that efficient for now. You know our telephone system also is not that good. But, I think in their own right they have done reasonably well considering that there are all these shortfalls here and there which partly are not their problem. But, I think the only information is that I don’t know how efficient they are in disseminating the information to the outside world. So that may be the problem.

Q12. What would you say are the main problems facing investors - both foreign and local - that would like to buy securities in Zambian parastatal companies being marketed off the Lusaka Stock Exchange?

You mean the problems that I foresee?
Yes.

Well, the problem which I foresee actually if it is then outside the Lusaka Stock Exchange is that we may not get the true value of the company because you see the stock exchange basically regulates and comes up with the true value... an example of Standard Charter. I mean before it was listed I think people were buying shares as much as 2,000 per share but when it is listed it was basically much less than that. So the true value actually on the stock exchange you are able to get the right value for the right price for that product.

Q13. Would you say financial institutions in Zambia such as commercial banks have been the past, prior to the introduction of the Lusaka Stock Exchange, been active in providing finance to investors who intended to buy shares in companies?

Only to a limited extent. Because you can imagine like ourselves... our merchant division, ... our department for merchant banking was only established I think three to four years ago. Before 1991 there was nothing. So it’s basically beginning from about 91’ and 92’ that this has... this seemed to have worked but before that there was nothing.

Q14. Would you say financial institutions in Zambia such as commercial banks do presently provide finance to investors who intend to buy shares in companies?

Not to my knowledge.
Q15. Would you say the financial institutions in Zambia such as banks, building societies and pension funds do provide debt and equity financing to companies in Zambia?

Q15(b). By this I mean to say, do they give out loans to companies in Zambia or do they buy shares in Zambian companies?

Okay, pension funds like we have got our own Stanbic Pension... we have got shares in Zambia Sugar and Chilanga. But as to the extent to which they provide finance to companies it is very very minimal actually. Pension funds are just picking up. In fact we have got some regulation coming in place from January so we expect ZNPF and other pension funds to act as main players to provide finance.

Q16. To what extent would you say the information of asymmetry does affect the price of securities on the Lusaka Stock Exchange?

You mean to what extent?

Yes!

(Hesitation) I... think it does in a very minimal way. That's what I can say because the information flow has not been that efficient as I said due to short-falls in our ... people are just learning how to use this e-mail and all those. But, ah...it's only to a very limited extent actually.

Q17. Would you say that there are sufficient collective investment schemes in Zambia through which individual investors can now participate on the Lusaka Stock Exchange?

Yes, yes, yes... precisely. Banks have been acting as collective centres. The banks have done very well. It's only the pension funds that are lagging behind.
Q18. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia?

Yes, precisely. I mean we have got just the recent listing of Zambia Sugar... I mean it attracted quite a variety of investors not only locally but also externally. We had that... is it Tate and Lyle who bought a lot of shares in Zambia Sugar? And we had similarly where Chilanga was listed, the same happened because we were ... at least we have information on that because we were involved in the listing of those two companies.

Q19. Would you say that stock markets in southern African countries have made a significant contribution towards regional economic integration in southern Africa?

No, I don't think so. Because you see we are just starting our stock exchange. Malawi is just starting theirs. Zimbabwe has been on the market for some time but they still remain a bit closed because of their regulations. South Africa is advanced, but even that because the region generally is not that advanced, there has not been much participation on the stock exchange. So I think as a region I don't think that there has been much integration and so forth.

Q20. Would you support the idea of having a regional stock market in southern Africa and if so what would be the reasons for your answer?

Well, if we had the regional one ... first of all there would be integration, proper integration and free flow of information. We would be able to know for example if you want to invest in a company in South Africa, in Zambia, in Malawi, you would be able to know easily. But then at the same time we should understand that we are a third world country and because we are third world country that takes a bit of time and a bit of finance. I don't think most countries actually would be able to fork out unless we are funded internationally. But otherwise it would
be a good idea because there would be free flow of information and then we would be able to
know what is happening in the other countries.

Q21. What bearing would the introduction of the regional stock market in southern
Africa have on the privatisation of parastatal companies in most of these countries?
Well most of these countries would see a lot of capital... so to speak. Well some of these
parastatal companies have got a lot of potential actually to develop, but because they are sort
of closed and no one knows about them they are not able to attract as many investors as they
should. So I thought if we had a common market it would actually attract much more
international investment than it has been now.

Q22. If there was to be a regional stock market in southern Africa which country would
you say has the necessary infrastructure and resources to host this market?
Well... South Africa, isn’t it? That’s straight forward!

Q23. Would you say a regional stock market in southern Africa must replace the
respective stock markets found in the various southern African countries or would you say
that national stock markets must co-exist with a regional stock market?
It would be better to co-exist and secondly, you can’t close Lusaka Stock Exchange when
you’re just starting, isn’t it? Just like Malawi is just starting. I don’t think they would be happy
to close theirs because I think it would be better to co-exist and co-ordinate.
Q24. *Does the regional integration scheme under the COMESA Treaty offer solutions to this problem of setting up a regional stock market and if so what are the solutions?*

Well that is a bit difficult for me... Let's say that is a bit of a difficult one. But COMESA itself and... remember we have got SADC and COMESA and there is the argument as to whether we should just have one and concentrate on that one and that has been going on not only in the political circles but in the economic circles as well. So it's a bit... a bit of a difficult question and tricky question actually. I wouldn't give the right answer to that.

Q25. *Do the objectives of COMESA and those of SADC complement each other on the introduction of a regional stock market in southern Africa?*

Yeah... basically because that has been the argument. In fact our president last time argued to say basically these two organisations’ objectives seem to be the same, so why don't we merge them and just come up with one so that we can co-ordinate the whole activity in the region?

Q26. *Have there been any efforts to introduce a regional stock market in southern Africa?*

Not as yet. I haven’t heard of that. All I have heard of is that each individual country is trying to set up their own.

Q27. *You have highlighted the advantage of a regional stock market in southern Africa what then are the disadvantages of having a regional stock market in southern Africa?*

The main disadvantages would be, you know, small countries like ours or Malawi or these that are starting... like even Angola that have been at war for a long time, they may not attract as much attention as South Africa would for example that has been in the system for a very long time like Zimbabwe. So I would see a situation where you have more capital flowing in that
direction. Indeed, the main disadvantage that I see is the underprivileged countries like say Angola who have been at war for a long time, Zambia, Malawi is that they may not attract as much capital from the outside world as countries like South Africa that have been in the system for a very long time or Zimbabwe. So I see a situation where capital and interests shown in a country like South Africa rather than these other countries that are just starting their individual stock exchanges.

Thank you very much Mr. Luswili.
Interview with Dr. Abraham Mwenda, Director Financial Markets, Central Bank of Zambia, Lusaka, 30th December 1996.

Q1. **Would you say there is an efficient legal framework for regulating trade in equity securities on the Lusaka Stock Exchange?**

Let me first admit that when it comes to legal matters concerning the operations of the stock exchange I am not that conversant, but I would like to believe that prior to the setting up of the stock exchange the legal experts must have been consulted to draw up a regulatory framework...you know to ensure that there is efficiency. As to whether that is the case I think that would be best handled by the people at the stock exchange.

Q2. **What would you say is the relationship between the equity market and the bond market in Zambia and has the Bank of Zambia participated on either market?**

Right now the stock exchange is still in it's infancy and as such one can say that there is very little that is going on in term of the relationship between equity and bonds. For instance it is not quite obvious and clear that interest rates movements will automatically be ... will influence trading on the ... in respect of equity securities. I think part of the problem is that very few stocks of companies are traded on the stock exchange and the market or let me say the awareness of investors of the equity market and how they would relate that to their
decision to invest in the bond market is not that well developed. So one cannot see those clear relationships as you would see in the developed capital markets. Of course, we don’t as a central bank as such deal in equities but we have tried to promote secondary trading... say bonds... by having government bonds listed on the stock exchange. But again because we are still in a developmental phase we have seen very little activity arising from that effort.

Q3. Has the enactment of the new financial services code in Zambia affected the participation of other banks on the Lusaka Stock Exchange?

Right now... again like I said there is very little observable activity on the stock exchange... on the part of commercial banks. That to me would be some indication that the Act has not yet fully... had that expected effect of promoting that kind of trading. I think we need some time for that to develop. Again like I say I think there is more to it than just having the right Acts in place. You need to keep our managers..., you know treasury managers in commercial banks have to be a bit more informed about how stock exchanges work and so on and I think it will take some time before they can feel confident and do that. And in any case I am not quite sure it might be the case that... I think... the new Act I don’t think it does provides for commercial banks to trade in equities. So that could be one of the reasons.

Q4. Do you know of any complaints relating to market abuses such as manipulation of prices or insider dealing on the Lusaka Stock Exchange?

Not that I know of at this juncture. Like I said, because of... we don’t normally monitor what happens in terms of trading activity on the stock exchange. I think the Securities Exchange Commission which is supposed to look out for those kind of vices would be the right place. We would normally rely on reports from the Securities Exchange Commission.
Q5. Would you say the floating of treasury bills by the Central Bank of Zambia has affected the volume of trade in securities on the Lusaka Stock Exchange?
Okay, we haven’t done any study as such to try and see there have been a negative effect ...of ...what ever effect that one would expect. But I suspect there is strong regrets because now I mean one can make big money dealing in these government devices. So I am sure there has been tendency of especially increased government demise or increased trading of bonds and treasury bills... to use the jargon ‘crowd-outs’ in equity trading. I think without having to do a study I think to some extent the government paper trading has definitely inhibited the growth of the equity market.

Q6. To what extent has the Central Bank of Zambia promoted public distribution of government bonds on the Lusaka Stock Exchange or are these bonds traded off the Lusaka Stock Exchange by the central bank?
Okay, like I said initially we... when we started trading as a fiscal agent, the government charged us with the responsibility of primary issuing of the various government papers, that is treasury bills and bonds, we... at the time we started this the stock exchange was not there. But once it was introduced, we had tried to... like I said earlier on to promote secondary market dealing in debt securities by trying to have for instance bonds listed on the stock exchange. So far that is the only tangible thing that has been tried. We are currently looking at the proposal which came from the Lusaka Stock Exchange to try and use the central depository system of the stock exchange as a way of again of promoting secondary trading. But for primary trading we still deal with the...up until I think about two weeks ago, we used to issue through commercial banks as well as individuals but we have now eliminated what we call ‘the retail issue,’’ that is the issuing to individuals and owe are only dealing with commercial banks in their individual capacity. We are not yet using the Lusaka Stock
Exchange system for primary issues of government paper. But you see in the proposal there are certain issues which have to be worked out like... What are the legal implications? What needs to be revised in terms of the law regarding treasury activities? For instance, the current law requires right now that we issue paper as evidence of the trade in treasury bills and the proposal by the Lusaka Stock Exchange is that they want to promote electronic ... let me say it’s a book entry system which has to do away with the requirement to have a physical paper. So you need to change the law before you can move to the other system. So what I am trying to say is that we have this proposal which should see us use this Lusaka Stock Exchange but until we iron out the kind of issues that are raised, for now I think we still stick to the current system where we deal directly with commercial banks.

**Q7. Would you say the Securities Exchange Commission in Zambia has effectively performed it’s function as the main securities regulatory body?**

I must confess I haven’t followed closely again the working... but I would like to believe that since one... so far I haven’t had any major complaints or cases of fraudulent dealings. So, I would like to believe that they have been doing their work and I think given the very small volume of stocks traded I think they have been able to deal with the situation. But ahh...you need to speak to the other players in the market there might be some information which I may not know.

**Q8. What would you say are the main problems facing market players and would be investors that would like to participate on the Lusaka Stock Exchange?**

Aaah... okay, if we look at... beginning with the supply side... by the supply side I am referring to the company which actually issues, maybe the requirements for listing - to have the stocks listed - maybe stringent. I think that should be a major problem ...you know most companies
right now are going through difficulties. We are still in some kind of recession and the prospects for, you know, profitable business and therefore prospects for having one's shares from a market like the Lusaka Stock Exchange are not that good. So apart from that, I think maybe the usual problems associated with... what's the term again? Well, a young stock exchange! Maybe companies are still not yet conversant with how stock exchanges work... so how can they then efficiently trade, that is for the few that are there? Problems of for instance risk management to ensure that the companies are more attractive. Aahhh...any other problems facing supply?

Of course maybe the current accounting standards might be a bit rigid or tax laws and tax tend to be a bit higher and that can be a disincentive to invest in corporate entities on the stock exchange. If we look at the demand side, again, I mean... if you look at individuals' households very few people are able to save so the effective demand for stocks or equity securities may be low simply because people don't have the money and most would be investors may also not be quite familiar with such new concepts or products like equity securities. So they may tend to, you know, just shun because they are not very sure. And of course, you know, the problem is that once you invest in securities (equities), unlike for instance in treasury bills, you are not guaranteed that you'll earn the returns. So the prospects of making a loss tends also to discourage people. Some of the dividends that have been declared on the stocks that are available are very little... you'll find someone investing in a few shares so if when you come to dividends you find that people would be getting very little money, so 'peanuts'! Now under our inflationary conditions that may not be a very worthwhile investment. I think those are basically my views on that.
Q9. Would you say financial institutions in Zambia such as commercial banks have in the past, prior to the introduction of the Lusaka Stock Exchange, been active in providing finance to investors who intended to buy shares in companies?

Commercial banks supplying funding for equity finance? Hmm... I would like to believe that given the conservative nature of most of these commercial banks I doubt it very much. I would like to believe that commercial banks have mainly been financing working capital... supplying funds for short term needs of companies like working capital and so on. If... ahh... there has been some financing of provisional funds for investors to then channel those funds into securities ultimately, that must certainly have been to a very limited extent. You can find that out from the commercial banks and I'm sure they will... what I am saying now will be consistent with their approach.

Q10. Would you say that there are sufficient collective investment schemes such as unit trusts in Zambia through which individual investors can now participate on the Lusaka Stock Exchange?

I do not think so. You see, these are the kind of institutions that this system requires. For a long time we have seen the system been dominated by traditional commercial banks. The few merchant banks, investment companies have come up but I think we still need more so that they are the ones I think who will carry the day for equity markets in Zambia. Right now we only have a few which are doing bad.

Q11. Would you support the idea of having a regional stock market in southern African and if so what would be the reasons for your answer?

I definitely would! You see, I would look a regional stock exchange as part of the process of integrating the financial system of the region and there are these economies of scale, if you
like, to be obtained from having an integrated regional market. We will have a broader market. It would become now very profitable. Even for just investors by being able to invest their money shares of companies through this common stock exchange - in different countries - it will increase the flexibility in terms of coming up with a portfolio investment which will better meet the risk-return preferences.

Q12.  If there was to be a regional stock market would you say this market must co-exist with the existing national markets or if it must replace the existing national markets?

I guess it's a question of the process of development. Initially of course I would like to see a common regional market but then these aahhh... national markets. But over time as the system becomes more integrated you may just have local ... as you improve communications and so on it may be the case that ... it would inevitably follow that then it would make sense to just have this single stock exchange provided it has, you know, it is communicationally efficient you know as a common market in terms of people being able to communicate information in terms of their demand and supply of equity securities.

Q13.  Finally, if there was to be a regional stock market in southern Africa which country would you say has the necessary infrastructure and resources to host this market?

I think it is quite obvious that basically you are taking about South Africa. Right now their stock exchange is way ahead and it has... I am not quite sure about that but it does at least have links with international stock exchanges and it's way ahead. And so to answer the question, South Africa would be the logical place followed probably by Zimbabwe but certainly not Zambia (laughter!).

Thank you very much Dr. Mwenda.
Appendix J

Interview with Mr. Peter Njovu, Group Management Accountant, BP (Z) Ltd., 30th December 1996.

Q1. Would you say there is an efficient legal framework for regulating trade in equity security on the Lusaka Stock Exchange?
Yes... I would say, yes.

Q2. Would you say there is an efficient legal framework for regulating trade in debt securities on the Lusaka Stock Exchange?
I am not so sure about that.

Q3. What in your view would you say is the relationship between the equity market and the bond market in Zambia?
The relationship at the moment is quite frail according to my knowledge of how the Lusaka Stock Exchange is operating because two months ago the Bank of Zambia was the only place where you could get order side and the Lusaka Stock Exchange was basically just dealing in securities. There is also some plan I think ... beginning 1997 to create some trust funds, you know, venture capital funds and so on. I don't know how far that has gone but I think after that that is when the relationship will be quite strong.
Q4. Has BP (Z) Ltd. participated on the stock market?

No... not yet. There are plans by the government to sell their remaining at 25% of BP shares to the public and that is when we will be floated. Otherwise at the moment it's just two shareholders, BP Africa and the Government of Zambia.

Q5. In your view, which one of two the bond market or the equity has attracted more investment to the Lusaka Stock Exchange?

So far if you are talking of the Lusaka Stock Exchange it would be accurate to say that what you have in mind is really equity... equity shares. I don't know if they have been trying to deal in bonds how well established that market is. But as far as we are concerned Lusaka Stock Exchange is just equity.

Q6a. Do you know of any complaints relating to market abuses such as bid manipulations of prices or insider trading on the Lusaka Stock Exchange?

No, no, and I think I will amplify a bit. I am saying no because I think the stock market, especially at the Lusaka Stock Exchange, is not that developed to reach and if you look at the trading per day you will be shocked. I mean, we are talking of four shares or something like that... it's not as serious a stock exchange yet. I think this is due to lack of publicity.

Q6b. What has been the effect, if anything, of liquidity on the efficiency of the Lusaka Stock Exchange?

Liquidity in relation to the stock exchange operations? Hmm...I don't think liquidity... there hasn't anything come out in the press or anywhere you know where the indication has been given that the stock exchange is undergoing liquidity problems.
Q6c. Would you say the market capitalisation of the Lusaka Stock Exchange presently does support the coming into force of an efficient stock market?

Yeah... I would like to believe that the Lusaka Stock Exchange is very well capitalised and that a very good legal framework has been put in place. Obviously we are yet to see how that would fair if there was no more trading ...right now it's just starting. You can't really test it.

Q6d. Would you say the Securities Exchange Commission in Zambia has effectively performed its function as the main securities regulatory body and what are the reasons for your answer?

Yes. I think they done a very good job. I mean since the inception of the Securities Exchange Commission they have held seminars I mean to educate people of the advantages of flotation and you know debt-equity and so...In terms of the legal part of it and I mean so far there hasn't been anything that has come out that maybe the Lusaka Stock Exchange has failed people who wanted to sell or buy shares. I think there are doing a good job and consider the circumstances under which they are operating.

Q7. What would you say are the main problems facing market players such as BP and other financial institutions that would like to participate on the Lusaka Stock Exchange?

I think the biggest problem is really in my view the level of publicity that if you placed shares at the Lusaka Stock Exchange or you were trying to float, originally I mean the two big ones that happened so far or is it three now? There was an original like you know crowd kind of mob psychology to buying the shares and then you know you get people getting disappointed because they don't really understand what it is that they will get from their investment. People basically think that you know when they buy the shares in a year or two
they will get their money back. Which I mean hardly happens. So I think that people now are a bit reluctant to buy shares and also the economic situation in Zambia I mean someone would rather prefer to put their money in a short term bank account ... you know 56% interest than going for equity shares which will bear them K50 dividend per year per share!

Q8. Would you say financial institutions in Zambia such as commercial banks have in the past, prior to the introduction of the Lusaka Stock Exchange, been active in providing finance to investors who intended to buy shares in companies?

The answer to that would be no! Definitely, no! Unless you were an institutional investor and the bank was pretty sure that they will get their money back. Otherwise the banks in Zambia don't just go into that kind of thing.

Q9. Would you say financial institutions in Zambia such as banks and building societies do provide debt and equity financing to companies in Zambia? By debt I meant loaning companies, by equity I mean buying shares in these company.

Building societies...yes...I think building societies in Zambia have been the main players in the equity market especially also the insurance companies, those have really invested heavily in other companies shares. But debt finance... I don't know. If there are any, then not that I know of. Normally, they will be more comfortable with investing in shares. That is the common practice.

Q10. And have these investments taken place on the Lusaka Stock Exchange or were they instances that took place before introduction of the stock exchange?

Much of what I know is that institutional investors' dealings took place before the Lusaka Stock Exchange.
Q11. So that was during the period when there was only Zambia National Building Society as the sole building society in Zambia?

That's right.

Q12. To what extent would you say that information asymmetry does affect the price of securities on the Lusaka Stock Exchange?

I mean, if we assumed that the efficient market hypothesis was anything to go by, I think we would be talking of an extremely weak form market in Zambia. I mean the only information that I know would affect prices is when people know there would not be dividends... that is the level at which ahhh, you know, there is really nobody actively involving themselves in speculation on the Lusaka Stock Exchange and we hardly get any big like trading of the shares. So the only information that I know... the level of sophistication of the investors is that if they know that they will not be dividends this year, they would rather sell their shares even if they make a loss you know and use the money or invest it in a bank. The concept of the value of the shares or growth in the value of the shares, that capital gain doesn't really hold water here because of the inflation.

Q13. Would you say that there are sufficient collective investment schemes - such as unit trusts - in Zambia through which individual investors can now participate on the Lusaka Stock Exchange?

There has just been talk of some coming on. I know of one some venture capital trust they were saying would be created in 1997, is it? ... early 1997... and I think even the legal framework for venture capital trusts has just been approved by parliament and so on in their
last few sittings to make a venture capital trust and all these guys who want to do unit trusts and so on legal.

**Q14. Would you say that privatisation of parastatal companies has attracted a lot of private capital in Zambia?**

Yes, very much so, very much so! And there are many examples one could give. There is our former Daily Produce Board, the milk packaging company which has now been bought by Bonita I understand from South Africa, there is Premium Oil which has been bought as well. There are several others... and Zambia Breweries!

**Q15. Would you support the idea of having a regional stock market in southern Africa and if so what would be the reasons for your answer?**

I don’t think a regional stock market would make much sense in our set-up because obviously of the communications problems. We are not very well linked to other African states and even if I wanted to make a phone call to South Africa the trouble would be too much. The communications are bad. I mean, the only feasible thing that we can have here is separate stock exchanges.

**Q16. Apart from the indication to float securities on the Lusaka Stock Exchange what other efforts are companies such as BP making in terms of raising their corporate finance?**

Apart from... the only other option I think which we have is debt finance and normally BP has not found itself in a position where they would need long-term debt so far since I started working for BP. We do depend normally on short term bank loans or over-draft facilities and
then only when there are problems like supply problems and we have to import our won fuel and so on.

Thank you very much Mr. Njovu.
QUESTIONNAIRE ON LuSe AND PRIVATISATION

(Please indicate the name of the organisation to which you belong and also your full names and job title. Also, remember to write clearly when providing answers to questions in the questionnaire. Information provided in this questionnaire will be treated as confidential).

Name of the Organisation: ........................................................................................................

Full names of the individual respondent: ..................................................................................

Job title of the respondent: ........................................................................................................

Date: ..........................................................................................................................................

In the section that follows below, please place a tick next to the appropriate answer, unless otherwise stated:

1. How familiar are you with the operations of the Lusaka Stock Exchange?
   ....... very familiar
   ....... fairly familiar
   ....... some contact
   ....... not very familiar

2. Have you had any dealings with the Lusaka Stock Exchange?
   ....... No. Any reasons for your answer?
   .............................................................................................................................................
   .............................................................................................................................................
   .............................................................................................................................................
   ....... Yes. Please state the nature of the dealings briefly
   .............................................................................................................................................
   .............................................................................................................................................
   .............................................................................................................................................
   .............................................................................................................................................
   .............................................................................................................................................
3. What do you think were the main reasons for establishing the Lusaka Stock Exchange?

4. How important do you consider the structural adjustment programme/privatisation in Zambia as reasons for the establishment of the Lusaka Stock Exchange?

5. What have been the successes of the Lusaka Stock Exchange? Please explain briefly:
6. What have been the failures of the Lusaka Stock Exchange? Please explain briefly:

............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................
............................................................................................................................................................................

For each of the statements in the section that follows below, please indicate whether you agree strongly (AS), agree (A), disagree (D) or strongly disagree (SD):

7. The Zambian economy is insufficiently developed to require a stock exchange.
   
   AS / A / D / SD.

8. The Lusaka Stock Exchange is making an impact on economic growth in Zambia.
   
   AS / A / D / SD.

9. The Lusaka Stock Exchange has assisted in the privatisation of parastatal companies in Zambia.
   
   AS / A / D / SD.

10. The Lusaka Stock Exchange will develop an increasing volume of trade in securities.
    
    AS / A / D / SD.

11. The Lusaka Stock Exchange does provide effective and efficient investor protection.
    
    AS / A / D / SD.

12. The fact that the Lusaka Stock Exchange is thinly capitalised that has affected the market efficiency of that stock exchange.

537
13. The answer to question 12 (above) points to a negative effect.

14. The answer to question 12 (above) points to a positive effect.

15. The Lusaka Stock Exchange is an efficient stock market.

The reasons for the above view being:

(a) information is equally accessible to investors on the Lusaka Stock Exchange.

(b) there are bid manipulations on the Lusaka Stock Exchange.

(c) the Securities Act 1993 and regulations of the Lusaka Stock Exchange do not provide for adequate measures to control market abuses such as bid manipulation.

(d) there are market abuses such as insider dealing on the Lusaka Stock Exchange.

(e) the Securities Act 1993 and regulations of the Lusaka Stock Exchange do not provide for adequate measures to control market abuses such as untimely disclosures (e.g. past information) on the Lusaka Stock Exchange.

(f) there are market abuses on the Lusaka Stock Exchange such as false, fraudulent and dishonest disclosures.

(g) the Securities Act 1993 and regulations of the Lusaka Stock Exchange do not provide for adequate measures to control negligent omissions of information in the listing particulars or in company prospectuses of companies whose securities are listed on the market.

(h) there are not enough market players on the Lusaka Stock Exchange.

(i) overall, the Securities Act 1993 does not provide for adequate measures to have an optimal securities regulatory framework in Zambia.
overall, the Securities Act 1993 does provide adequate measures to have an optimal securities regulatory framework in Zambia, but there is not enough capital in the national economy that could lead to a stock exchange whose market has a large volume of trade in securities.

(k) Other reasons (please specify):

16. The business on the Lusaka Stock Exchange will be sustained after the privatisation programme in Zambia is complete.
17. There will be more parastatal companies whose securities will be listed on the Lusaka Stock Exchange so as to privatise these enterprises.

AS / A / D / SD

State your reasons briefly ................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................

18. The volume of trade in securities on the Lusaka Stock Exchange has been affected by the Zambian government's decision to privatise certain parastatal companies (e.g. ZCCM Ltd.) in tranches?

AS / A / D / SD

State your reasons briefly ................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................
....................................................................................................................

540
In the section that follows below, please place a tick next to the appropriate answer and explain when asked to. Please write clearly.

19. Do you believe the market capitalisation of the Lusaka Stock Exchange has increased over the years from the time business commenced on this market?

......... Not at all .... if so, why? (briefly state your reasons) ..............................

......... Yes, it has ....... there has been a great increase

......... there has been a steady and gradual increase

......... there has been an unsteady and gradual increase

......... there has been a slow increase

20. Do you believe that the Lusaka Stock Exchange has reached the goals that were intended by the Zambian government when establishing this stock exchange?

.........Yes ..... if so, how far? ....... very successful

......... successful

......... Not at all ..... if so, state your reasons briefly..............................
21. How professional do you consider the financial intermediaries (e.g. stockbrokers) operating on the Lusaka Stock Exchange?

........ Highly professional
........ Reasonably professional
........ Competent
........ Not very professional

22. Are you aware of any dual listing of securities (i.e. a company quoted on the Lusaka Stock Exchange and on a foreign stock exchange)?

..... Not at all.
..... Yes, I am ...... if so, name the companies with such type of listing .............

23. Has dual listing brought any benefits to the Lusaka Stock Exchange?

..... Not at all .... if so, why (briefly state your reasons) ...............................
24. Are there any incentives for investors to have their securities listed on the Lusaka Stock Exchange and on a foreign stock market (i.e. incentives for dual listing on the Lusaka Stock Exchange)?

...... Not at all... if so, why? (briefly explain) ..............................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................

...... Yes, there are.... if so, briefly state the incentives ......................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................

25. Do you believe that apart from the Lusaka Stock Exchange there are other sources of long-term financing in Zambia?

...... Not at all... if so, why (briefly state your reasons) ......................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................

...... Yes there are ..... name them ....................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................
..........................................................................................................................................

543
26. Have these sources of long-term financing outside the Lusaka Stock Exchange provided finance to companies in Zambia?

..... Not at all ..... if so, why? (briefly state your reasons) ........................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
.................................................................................................................................
......................................................................................................................
<table>
<thead>
<tr>
<th>How Many</th>
<th>Question</th>
<th>Code</th>
<th>Code Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0 - Not Ascertained</td>
</tr>
<tr>
<td>11</td>
<td>1</td>
<td>1</td>
<td>1 - Very Familiar</td>
</tr>
<tr>
<td>9</td>
<td>1</td>
<td>2</td>
<td>2 - Fairly Familiar</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>3</td>
<td>3 - Some Contact</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
<td>4</td>
<td>4 - Not Very Familiar</td>
</tr>
<tr>
<td>0</td>
<td>1</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0 - Not ascertained</td>
</tr>
<tr>
<td>20</td>
<td>4</td>
<td>1</td>
<td>1 - Very Important</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>2</td>
<td>2 - Fairly Important</td>
</tr>
<tr>
<td>0</td>
<td>4</td>
<td>3</td>
<td>3 - Some Importance</td>
</tr>
<tr>
<td>0</td>
<td>4</td>
<td>4</td>
<td>4 - Not Important</td>
</tr>
<tr>
<td>0</td>
<td>4</td>
<td>9</td>
<td>9 - Not applicable</td>
</tr>
<tr>
<td>0</td>
<td>7</td>
<td>0</td>
<td>0 - Not Ascertained</td>
</tr>
<tr>
<td>0</td>
<td>7</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>6</td>
<td>7</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>14</td>
<td>7</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>3</td>
<td>7</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>7</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>0</td>
<td>8</td>
<td>0</td>
<td>0 - Not Ascertained</td>
</tr>
<tr>
<td>0</td>
<td>8</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>19</td>
<td>8</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>2</td>
<td>8</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>8</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>0</td>
<td>9</td>
<td>0</td>
<td>0 - Not Ascertained</td>
</tr>
<tr>
<td>10</td>
<td>9</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>1</td>
<td>9</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>9</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>How Many</td>
<td>Question</td>
<td>Code</td>
<td>Code Description</td>
</tr>
<tr>
<td>---------</td>
<td>----------</td>
<td>------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>1</td>
<td>10</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>13</td>
<td>10</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>0</td>
<td>10</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>0</td>
<td>10</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>10</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>11</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>8</td>
<td>11</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>6</td>
<td>11</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>5</td>
<td>11</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>1</td>
<td>11</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>11</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>0</td>
<td>12</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>8</td>
<td>12</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>9</td>
<td>12</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>4</td>
<td>12</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>1</td>
<td>12</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>1</td>
<td>12</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>7</td>
<td>13</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>9</td>
<td>13</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>2</td>
<td>13</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>3</td>
<td>13</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>13</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>4</td>
<td>14</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>3</td>
<td>14</td>
<td>AS</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>1</td>
<td>14</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>13</td>
<td>14</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>2</td>
<td>14</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>14</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>How Many</td>
<td>Question</td>
<td>Code</td>
<td>Code Description</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>------</td>
<td>------------------</td>
</tr>
<tr>
<td>0</td>
<td>15</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>3</td>
<td>15</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>8</td>
<td>15</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>10</td>
<td>15</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>2</td>
<td>15</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>1</td>
<td>15a</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>6</td>
<td>15a</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>8</td>
<td>15a</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>8</td>
<td>15a</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15a</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15a</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>2</td>
<td>15b</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>0</td>
<td>15b</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>1</td>
<td>15b</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>12</td>
<td>15b</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>8</td>
<td>15b</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15b</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>15c</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>0</td>
<td>15c</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>2</td>
<td>15c</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>9</td>
<td>15c</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>9</td>
<td>15c</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15c</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>15d</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>0</td>
<td>15d</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>2</td>
<td>15d</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>9</td>
<td>15d</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>9</td>
<td>15d</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15d</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>How Many</td>
<td>Question</td>
<td>Code</td>
<td>Code Description</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>------</td>
<td>------------------------</td>
</tr>
<tr>
<td>3</td>
<td>15e</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>0</td>
<td>15e</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>3</td>
<td>15e</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>10</td>
<td>15e</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>7</td>
<td>15e</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15e</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>15f</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>0</td>
<td>15f</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>0</td>
<td>15f</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>12</td>
<td>15f</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>8</td>
<td>15f</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15f</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>15g</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>1</td>
<td>15g</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>2</td>
<td>15g</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>10</td>
<td>15g</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>7</td>
<td>15g</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15g</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>2</td>
<td>15h</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>7</td>
<td>15h</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>7</td>
<td>15h</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>3</td>
<td>15h</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>4</td>
<td>15h</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15h</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>3</td>
<td>15i</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>1</td>
<td>15i</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>1</td>
<td>15i</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>11</td>
<td>15i</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>7</td>
<td>15i</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15i</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>How Many</td>
<td>Question</td>
<td>Code</td>
<td>Code Description</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>3</td>
<td>15j</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>6</td>
<td>15j</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>10</td>
<td>15j</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>1</td>
<td>15j</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>3</td>
<td>15j</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>15j</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>1</td>
<td>16</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>6</td>
<td>16</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>14</td>
<td>16</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>2</td>
<td>16</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>0</td>
<td>16</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>16</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>2</td>
<td>17</td>
<td>0</td>
<td>0 - Not Asertained</td>
</tr>
<tr>
<td>8</td>
<td>17</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>12</td>
<td>17</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>1</td>
<td>17</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>0</td>
<td>17</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>17</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>How Many</td>
<td>Question</td>
<td>Code</td>
<td>Code Description</td>
</tr>
<tr>
<td>----------</td>
<td>----------</td>
<td>------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>0</td>
<td>18</td>
<td>0</td>
<td>0 - Not Asserted</td>
</tr>
<tr>
<td>6</td>
<td>18</td>
<td>As</td>
<td>AS - Strongly Agree</td>
</tr>
<tr>
<td>10</td>
<td>18</td>
<td>A</td>
<td>A - Agree</td>
</tr>
<tr>
<td>6</td>
<td>18</td>
<td>D</td>
<td>D - Disagree</td>
</tr>
<tr>
<td>1</td>
<td>18</td>
<td>SD</td>
<td>SD - Strongly Disagree</td>
</tr>
<tr>
<td>0</td>
<td>18</td>
<td>9</td>
<td>9 - Not Applicable</td>
</tr>
<tr>
<td>Q. No</td>
<td>Question</td>
<td>Response</td>
<td>No</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------</td>
<td>----</td>
</tr>
<tr>
<td>2</td>
<td>Have you had any dealings with the Lusaka Stock Exchange?</td>
<td>YES</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>19</td>
<td>Do you believe the market capitalisation of the Lusaka Stock Exchange has increased over the years from the time business commenced on this market?</td>
<td>YES</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
<td>Response</td>
<td>N0</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------</td>
<td>----</td>
</tr>
<tr>
<td>19</td>
<td>No Question Response NO Explanations</td>
<td>NO</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>2 -Decline due to a price formation process/price discovery.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -Decline due to the exchange rate movements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -Most of the companies whose shares are being traded on the Lusaka Stock Exchange were over-valued.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Do you believe that the Lusaka Stock Exchange has reached the goals that were intended by the Zambian government when establishing this exchange?</td>
<td>YES</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>1 -Successful, except that privatisation has been slow --</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 because of the tranching system and lack of liquidity in the market.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -successful: some companies have been listed though the number is still quite small. A steady growth in the number of companies listed is anticipated in the next five years.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -successful, with the exception of Rothmans Ltd., Zambians have responded positively to “public offers” of shares. However, there is still a need to explore other options such as ESOP, “free” shares for unemployed Zambians etc. Seriously to accommodate broader base of shareholders.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -successful, the Lusaka Stock Exchange is fundamentally a development project and institution. The benefits will gradually fall in place as other components of the economic reform programme take root e.g. reduction of interest rates, privatisation and institutional reforms.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 -successful; this is a novel idea to the Zambians public and will thus require another three years to take root.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9 -successful.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>NO</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>----</td>
<td>----</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not yet, but we will see a lot of action in the next 3 to 5 years after the economy has started to stabilise and grow. Inflation and interest must therefore drop, the exchange rate must become less unpredictable and companies must increase their dividend yields.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not yet, it is yet to reach the goals that were intended since this stock exchange has only been operational for two years.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not yet; lack of sufficient surplus funds for investment. Without participation of institutional investors most floatations would be undersubscribed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not yet; institutional investors in the market are not playing their role. They simply get involved in the initial floatations and sit back. They then go for short term investments such as treasury bills and deposits in banks.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not yet; limited publicity about operations of the stock exchange.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Not Yet; I don’t think the goals were realistic.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Unascertained.</td>
<td></td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
<td>Response</td>
<td>No</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------------------------------------------</td>
<td>----------</td>
<td>----</td>
</tr>
<tr>
<td>22</td>
<td>Are you aware of any dual listing of Securities (i.e. a company quoted on the Lusaka Stock Exchange and on a foreign exchange)?</td>
<td>YES 17</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NO 5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Has dual listing brought any benefits to the Lusaka Stock Exchange?</td>
<td>YES 8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NO 9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 0 | 6 | no inflow of foreign investor.  
None so far, but there is potential benefit in that there is a wider market.  
- Unascertained. |
<table>
<thead>
<tr>
<th>Q.No</th>
<th>Question</th>
<th>Response</th>
<th>N0</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>24</td>
<td>Are there any incentives for investors to have their securities listed on the Lusaka Stock Exchange and on a foreign stock market (i.e. incentives for dual listing on the Lusaka Stock Exchange)?</td>
<td>YES</td>
<td>6</td>
<td>-There is a tax incentive for listed companies. Listed companies pay 30% corporate tax as opposed to 35% on unlisted securities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3</td>
<td>-There is also no property transfer tax to the investor selling listed shares.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2</td>
<td>-To access a different set of investor base.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-This should facilitate smoother flow of capital.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Allows for wider ownership of shares in the company.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Provides opportunity for possible arbitrage trading in stocks i.e. taking advantage of price differentials on two markets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NO</td>
<td>7</td>
<td>-None have yet been presented.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Because no such mechanisms have been put in place.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Incentives are there only for listing on the national stock exchange.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Present legislation does not offer any incentives for dual listing and therefore it costs more to list on two exchanges.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Not a priority until we have vibrant local stock exchange.</td>
</tr>
<tr>
<td>25</td>
<td>Do you believe that apart from the Lusaka Stock Exchange there are other sources of long-term financing in Zambia?</td>
<td>YES</td>
<td>20</td>
<td>-Development Bank of Zambia</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12</td>
<td>-IFC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5</td>
<td>-EIB</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Rocker feller Foundation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Japanese Grant Aid</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>-Pension Fund</td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
<td>Response</td>
<td>No</td>
<td>Explanations</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------</td>
<td>----</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| 25   | Have these sources of long-term financing outside the Lusaka Stock Exchange provided finance to companies in Zambia? | NO       | 2  | 1 -the long-term market is totally unpredictable.  
1 -interest rates on long term borrowing is prohibitive.  
1 -the market has not been created yet, apart from DBZ which is mainly dependant on donor funds.                                                |
| 26   | Examples include:                                                        | YES      | 20 | 3 -DBZ  
1 -Donor Aid Fund.  
5 -Swarp Spinning Ltd  
1 -National Drug Company  
5 -EIB financing Zambia Export - Growers  
5 -IFC financing several private sector industries.  
3 -Merchant banks finance to parastatal and privately owned companies.  
2 -Zambia Venture Capital Fund                                                                                           |
<table>
<thead>
<tr>
<th>NO</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>New Capital Bank</td>
</tr>
<tr>
<td>2</td>
<td>JICA financing several companies in the industrial sector</td>
</tr>
<tr>
<td>1</td>
<td>Foreign investors investing e.g. CDC</td>
</tr>
<tr>
<td>1</td>
<td>General Pharmaceutical Ltd.</td>
</tr>
<tr>
<td>1</td>
<td>National Drug Company</td>
</tr>
<tr>
<td>1</td>
<td>Zambia Coffee Company</td>
</tr>
<tr>
<td>1</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>1</td>
<td>Building Societies</td>
</tr>
<tr>
<td>1</td>
<td>Insurance Companies</td>
</tr>
<tr>
<td>1</td>
<td>Ndola Knitting Co.</td>
</tr>
<tr>
<td>1</td>
<td>BIMZI</td>
</tr>
<tr>
<td>0</td>
<td>Enviro (group)</td>
</tr>
<tr>
<td>3</td>
<td>Unascertained.</td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>27</td>
<td>Do you believe that banks, insurance companies, pension funds and other financial institutions such as unit trusts are playing a major role on the Lusaka Stock Exchange as market makers?</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>3</td>
<td>What do you think were the main reasons for establishing the Lusaka Stock Exchange?</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
</tr>
<tr>
<td>------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5</td>
<td>What have been the successes of the Lusaka Stock Exchange?</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Q.No</td>
<td>Question</td>
</tr>
<tr>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>6</td>
<td>What have been the failures of the Lusaka Stock Exchange?</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
high.
<table>
<thead>
<tr>
<th>Q.No</th>
<th>Question</th>
<th>Response</th>
<th>No</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td></td>
<td>3</td>
<td></td>
<td>-Trading confined to the urban areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>-Failure to increase Lu Se depository accounts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>-Lu Se has faced constraints also from the people’s low saving capacity and absence of savings mobilisation schemes.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>-Inability to create sufficient investor confidence due to poor state of the economy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td>-Lack of centralised database information pool from brokers.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>-Unascertained.</td>
</tr>
<tr>
<td>21</td>
<td>How professional do you consider the financial intermediaries (e.g. stockbrokers) operating on the Lusaka Stock Exchange?</td>
<td>2</td>
<td></td>
<td>-Highly professional.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5</td>
<td></td>
<td>-Reasonably professional.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11</td>
<td></td>
<td>-Competent.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
<td></td>
<td>-Not very professional.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td></td>
<td>-Unascertained.</td>
</tr>
</tbody>
</table>