

ACP Business Friendly Program | Results Story

ZAMBIA

World Bank led Macro-Level Intervention

Thanks to the support provided by the World Bank through the ACP Business Friendly Program, Zambia adopted **Risk-based Reform (RBR) Guidelines**, which promote the use of risk-adjusted principles throughout the regulatory process to focus licensing and inspection resources, streamline regulations, and attract private investment.

The ACP Business-Friendly (BF) Program is an intra-ACP action funded by the European Union and the Organisation of African, Caribbean and Pacific States. The program aims to support business-friendly and inclusive national and regional policies and strengthen productive capacities and value chains.

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Official adoption of RBR Guidelines by MCTI on November 14, 2023

THE CHALLENGE

In 2014, Zambia established the Business Regulatory Review Agency (BRR) to ensure regulations are legal, effective, and not overly burdensome. However, in 2019, 26% of firms in Zambia continued to find business licensing and permits to be a major hurdle—nearly double the regional average. Although the BRR was in place, the agency lacked a strategy which discerned between business risk exposure and the stringency of licensing and inspections. The lack of methodical assignment of business risk levels and the standard application of licensing and inspections requirements to projects of varying risk imposed overly burdensome requirements on less-risky businesses and detracted resources from regulating more hazardous enterprises. Moreover, as the country pursued a strategy of decentralization, businesses faced varying regulatory requirements in different locations, with unpredictability in regulatory requirements further adding to the cost of doing business.

THE SOLUTION

World Bank (WB) teams supported Zambia to advance its regulatory framework by introducing a set of guidelines for policymakers and regulators. These guidelines, which promote the use of risk-based principles throughout the regulatory process, aim to streamline regulations, focus resources on high-risk sectors, and attract private investment.

To begin, the ACPBF team reviewed existing licenses, permits, and fees at the subnational level across select provinces, building on the work of previous WB technical assistance to overhaul regulatory requirements for firms by using risk-based principles. The team then helped to digitalize subnational requirements into the national e-registry, enabling the government to assess the regulatory stock and streamline permits, licenses, authorizations, and inspections in line with risk-based principles. To support the government's assessment of the regulatory stock, the WB team provided a risk-matrix which supports a standard methodology for the review of licensing and inspection requirements across sub-national bodies and helps regulators prioritize high-risk sectors for licensing and inspections review.

Chongwe District was selected as a pilot for the implementation of the RBR guidelines. The WB team provided training on the guidelines and their use in daily administration. The subnational team provided positive feedback after the trainings, welcoming the attention at the local level and new skills that will help make better use of the district's limited resources. The Chongwe District pilot serves as a proof of concept for the broader application of RBR guidelines across municipal councils, aligning with Zambia's decentralization agenda.

EARLY RESULTS

The national regulating body formalized their support for the risk-based regulation approach when the risk-based guidelines were validated by the Ministry of Commerce, Trade, and Industry (MCTI) in Lusaka on November 14, 2023. During the validation, Mr. John Mulongoti, Permanent Secretary in MCTI, recognized that “the risk-based regulations will help (Zambia) to realize policy objectives in a more efficient and cost-effective way, by focusing on sectors and activities that pose the highest risk.”

FUTURE OUTLOOK

Zambia remains committed to effectively implementing the recent RBR developments. The government recognizes that provincial and district governments need training to effectively implement the new RBR guidelines and in assessing the appropriate risks (and relevant regulatory instruments) across various sectors. As such, and in line with the results produced in the Chongwe District pilot, the government has expressed interest in the WB team training individuals who can spread knowledge regarding the guidelines with the subnational bodies across the country. Furthermore, as the WB team helped to consolidate and digitalize the regulatory stock into the national e-registry, the government can continue to target the streamlining of permits, licenses, authorizations, and inspections.

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