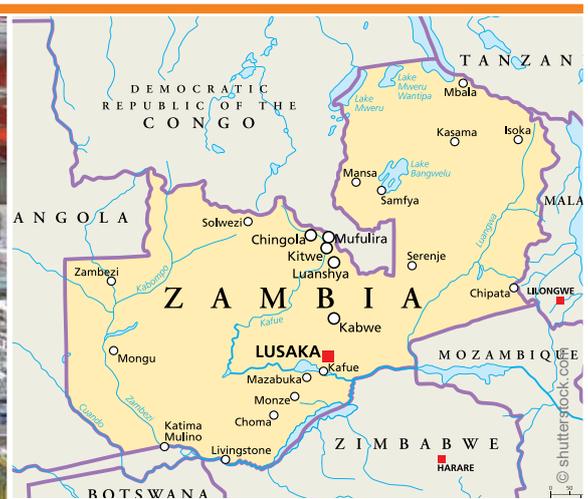


INVESTMENT PROFILE:

Agro-Processing and Light Manufacturing

ZAMBIA



AN OVERVIEW

The Republic of Zambia is land-linked between eight other resource-rich countries in Southern Africa: The Republic of Angola, the Republic of Botswana, the Democratic Republic of the Congo, the Republic of Malawi, the Republic of Mozambique, the Republic of Namibia, the United Republic of Tanzania and the Republic of Zimbabwe. A politically stable country at the intersection of two trading blocs in Southern and Eastern Africa, Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA), it has the potential to become a regional trading hub. With the government’s push to diversify its copper-based economy, Africa’s second largest copper producer presents significant investment opportunities in agriculture, agro-transformation and light manufacturing. The home of Victoria Falls, one of the world’s seven natural wonders, Zambia also possesses 40% of Southern Africa’s water resources and vast unexploited agricultural lands.

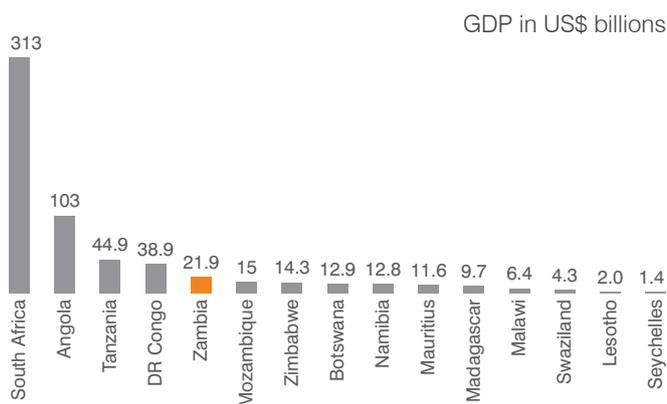
Zambia has a population of approximately 15.5 million in 2016, out of which around 8 million lies in the working age group of 15–64. While 85% of Zambia’s exports are copper-related, 70% of Zambia’s workforce works in the agricultural sector.

Zambia has 19 commercial banks, of which 14 are 100% foreign-owned.

Key facts	
Capital:	Lusaka
Area:	752 612 km <sup>2</sup>
Population:	15.5 mm (2016)
Labour force (over 15 years):	8.0 mm (2016)
Literacy rate (over 15 years):	
Male:	70.9% (2015)
Female:	56% (2015)
GDP (nominal):	US\$ 21.89 bn (2015)
GDP (growth):	3.6% (2015)
FDI inflow:	US\$ 2.2 bn (2014)
Exports:	32% of GDP (2015)
Imports:	35.2% of GDP (2015)
Govt. expenditure:	US\$ 5.39 bn (2015 est.)
Govt. revenue:	US\$ 3.66 bn (2015 est.)
Currency:	Zambian kwacha (ZMW)
Language:	English (official), regional languages (recognised)

\*Source: Zambia Investment Agency, 2016; World Bank, 2015; UN, 2016; CIA, 2016

Zambia is the fifth largest economy of the 15-member Southern African Development Community



\*Source: CIA, 2015

Zambia has 19 commercial banks, of which 14 are 100% foreign-owned. The others are joint ventures between foreign and local interests (three) and locally owned (two). The Zambian banking sector has remained healthy, in part due to strong minimum capital requirements, which were increased in 2012. Deposits and loans are mostly concentrated within the four largest banks. Zambia's financial services sector is also comprised of eight leasing companies, four building societies, one development bank, one savings and credit bank, one development finance institution, 57 bureaux de change, one credit reference bureau and 35 microfinance institutions.

## ECONOMY AND SECTOR OVERVIEW

Copper mining and copper transformation are the primary economic activities in Zambia, with 85% of Zambia's exports attributable to this sector.

Agriculture employs 70% of Zambia's labour force. The country also has vast swathes of agricultural real estate, with only 1.5 million hectares of 42 million hectares of the agricultural land base currently cultivated.

Neighbouring markets are hungry for food and simple, functional products. This makes Zambia a potential competitive regional player in agriculture, agro-processing and light manufacturing.

- Agriculture and agro-processing opportunities include cotton, tobacco, dairy, poultry, fruits, fertilizer, fish and agro-chemicals.
- Light manufacturing opportunities include agricultural machinery, animal feeds, wood products, construction materials and leather products.

## WHY ZAMBIA?

### ZAMBIA'S GLOBAL AND REGIONAL MARKET ACCESS

Market access under	Markets
African Growth and Opportunity Act (AGOA)	The United States of America
Duty-Free Quota-Free (DFQF)	The People's Republic of China
Economic Partnership Agreement (EPA)	Europe
Common Market for Eastern and Southern Africa (COMESA)	The Republic of Burundi, the Union of the Comoros, the Democratic Republic of the Congo, the Arab Republic of Egypt, the Republic of Djibouti, the State of Eritrea, Libya, the Republic of the Sudan, the Republic of Madagascar, Malawi, the Republic of Mauritius, the Republic of Rwanda, the Kingdom of Swaziland, the Republic of Uganda, Zambia, the Republic of Seychelles and Zimbabwe
Southern African Development Community (SADC)	Angola, Botswana, the Democratic Republic of the Congo, the Kingdom of Lesotho, Mauritius, Madagascar, Malawi, Mozambique, Namibia, Seychelles, the Republic of South Africa, Swaziland, Tanzania, Zambia and Zimbabwe
Tripartite Free Trade Area (TFTA) between EAC, COMESA and SADC	Regional markets, including South Africa

### ZAMBIA TRADE SCENARIO

- Overall exports of non-copper merchandise from Zambia increased 22% per year between 2002 and 2012, while copper exports increased 29% per year during that period. Agricultural exports have grown 27% per year since 2000.
- Overall exports from Zambia to China in copper, tobacco, ores, cotton and wood grew from US\$ 1.5 billion in 2010 to US\$ 1.8 billion in 2014 at a compound annual growth rate (CAGR) of almost 6%. China is a significant market for Zambia's exports, accounting for 25% of exports in 2014.
- Zambia's imports from China in machinery, electrical and electronic equipment, steel and iron articles, vehicles and fertilizers have also vastly increased between 2010 and 2014, from US\$ 290 million to US\$ 860 million at a compound annual growth rate (CAGR) of more than 30%.

### BUSINESS ENVIRONMENT

#### LEGAL AND REGULATORY FRAMEWORK

- The key corporate and investment laws applicable in Zambia are the Companies Act (Chapter 388), the Investment Act (388) and the Zambia Development Agency Act of 2006 (as amended).



## LOGISTICS AND CONNECTIVITY

- As a land-linked country, Zambia has several trade corridors, via road or railway, which allows for transportation of goods to several international ports, including in South Africa (to Durban), Mozambique (to Maputo) and Tanzania (to Dar es Salaam).
- The recent opening of the Chipata-Mchinji railway link provides connectivity into the Malawi railway network and Mozambique's northern railway network.
- The Government of Zambia recently launched a project to rehabilitate and build 8,000 km of roads and international highways linking Zambia to South Africa, Zimbabwe, Mozambique, Malawi, Tanzania, the Democratic Republic of the Congo and Namibia.
- Zambia has four international airports – Livingstone, Lusaka, Mfuwe and Ndola – as well as six domestic airfields at Chipata, Kitwe, Kasama, Mongu, Solwezi and Mansa.

## MANPOWER SCENARIO

- There is abundant availability of a relatively well-educated population and workers.
- Wage rates (monthly): Unskilled worker – US\$ 130; skilled worker – US\$ 275.

## POWER SCENARIO

- Zambia has an established power sector, with a total installed capacity of more than 2,347 MW, of which 96% is hydroelectric power.
- The tariffs for domestic, commercial and industrial electricity are US\$ 0.08/kWh, US\$ 0.05/kWh and US\$ 0.03/kWh, to which fixed charges also apply.
- Zambia has experienced a steady increase in demand for electricity, requiring an additional 150–200 MW of capacity per year.
- Hydro, coal, thermal and solar projects under development aim to almost double Zambia's electricity generating capacity.

## GOVERNMENT SUPPORT FOR MANUFACTURING AND AGRO-PROCESSING

- The Government of Zambia created multi-facility economic zones (MFEZ) in Chambeshi, Lusaka and Lumwana for investors to develop the following sectors: Light and heavy manufacturing, agro-processing equipment, household appliances, high tech, research and development, and pharmaceutical.
- MFEZ investments of at least US\$ 500,000 obtain the following tax incentives:
  - No corporate tax for five years
  - No tax on dividends for five years
  - No import duty on equipment and machinery for five years.
- Non-tax incentives include investment guarantees and protections, including the free repatriation of profits and facilitation of application for permits, licenses and land acquisition.
- The Government of Zambia created the Farm Block Development Programme with designated tracts of land for largescale farming. For large investments, the government builds trunk roads, bridges, electricity connections, dams, schools and health facilities. Crops scheduled for this programme include wheat, sugar cane, cotton, coffee, tobacco, cashew nuts, cassava, horticultural and floricultural crops.

## ADVANTAGE ZAMBIA

Manufacturing and agro-processing sector investors in Zambia can benefit from the following:

- Political stability
- Potential trade hub in Southern Africa, with preferential access to large export markets in the region, in China, the EU and the US
- 11<sup>th</sup> of 54 African countries on the Global Competitiveness Index 2014–2015
- 11<sup>th</sup> of 54 African countries on World Bank's 2015 Ease of Doing Business survey



## SUCCESS STORIES

- **Jihai Agriculture Co. Ltd:** Established in 2013 in the Lusaka East multi-facility economic zone, the company produces, stores, packages and transports mushrooms (shiitake, oyster and king oyster) in Zambia and neighbouring countries, including Tanzania and Malawi. Jihai has become a popular local trademark of mushrooms and is also involved in an ecological park.
- **Good Time Steel Company Zambia Ltd:** Established in 2005, with its head office in Lusaka, it manufactures tubes, galvanized pipes, plates and related products. It also provides road freight services in neighbouring countries such as Botswana, Burundi, the Democratic Republic of the Congo, Malawi, Mozambique, Tanzania and Zimbabwe.
- **AVIC International Holding Corporation:** In 2014, it provided 300 sets of engineering equipment and machinery to the Zambian Government, as well as training services to Zambian workers for the construction of roads, bridges and other infrastructure.
- **Joint venture between Zambia's Fresh Pikt and an American public limited company (PLC):** In 2012, a memorandum of understanding (MOU) was signed for a US\$ 42 million investment to pick and transform fresh fruit before it goes to waste. The investment aimed at creating 1,000 jobs.

## INVESTMENT OPPORTUNITIES

### COTTON

- Cotton is one of several crops in which there is good potential for investment. Zambia has 800,000 ha of land

suitable for cotton cultivation, only 300,000 ha of which is used for cultivation. The current production of cotton lint in Zambia is approximately 40,000 tons, and raw cotton and yarn exports to South Africa, Mauritius and East Asia are confirmed to have more export potential capacity. Zambia has 11 ginneries, but there is no value adding to cotton in Zambia, whether in the production of textiles or apparel.

### FRUIT PROCESSING

- Fruit processing into local juices, jams and concentrate is an area of great potential growth, because large quantities of locally produced mangoes, guavas, oranges, bananas, lemons and tomatoes go to waste each year for want of a sufficiently near market.

### WOOD PRODUCTS

- Wood products are in high and growing demand and an area for investment. With 67% of Zambia's territory covered by forest, there are abundant resources to fill gaps in the construction of mining platforms and in the furniture industry (for schools, hospitals, training institutions and military bases). Most wood products are currently imported.

### HORTICULTURE AND FLORICULTURE

- Construction-related manufacturing is also an area of potential opportunity, with Zambia having one of the world's fastest-growing populations. The population of Lusaka is expected to double between 2015 and 2035. In addition to wood products, this creates opportunity for roofing sheets and tiles, ballast, slabs, casement windows and doors, aluminium doors and windows, paints and ceramic products.

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