



ZAMBIA: AN OVERVIEW

Zambia shares borders with the DR Congo, Tanzania, Malawi, Mozambique, Zimbabwe, Botswana, Namibia and Angola. This unique geolocation gives Zambia best proximity and access to Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) markets.

Zambia has abundant land and water resources. Ample raw materials for its manufacturing sector and a stable and growing economy make the country the 2nd best destination for foreign direct investment (FDI) in food processing in Southern Africa. Zambia also has a young and fast-growing population, which is fuelling food demand and the changing food consumption and expenditure patterns locally – the reason Zambia is home to one of the fastest-growing food processing sectors in the region.

Key facts	
Capital city:	Lusaka
Population:	16.4 million
Working age population:	9.1 million
Total labour force:	3.4 million
Youth population:	8.02 million
Youth employed:	1.6 million
GDP:	\$25.8 billion
Exports (2017):	\$9.7 billion
Imports (2017):	\$8.5 billion
FDI (2017):	\$865 million
Govt. expenditure:	\$7.7 billion
Govt. revenue:	\$6.9 billion

Sources: CSO, 2018; World Bank, 2018.

WHY ZAMBIA?

Nutrition challenges (especially among children), fast-growing population (3% p.a.), rapid urbanization (4% p.a.), sustained economic growth and changing food consumption patterns are fuelling demand for processed healthy foods in Zambia. According to the World Bank, Zambia's annual food demand is projected to triple to \$25 billion by 2030. Processed health foods and perishables will be the highest in demand. Neighbouring countries' need for Zambian food is also fast increasing, requiring Zambia to produce and process more food. Continental food imports are also on the rise and the World Bank has projected a fourfold increase to \$400 billion of Africa's urban food market value by 2030.

Advantage of Zambia

- Zambia is a net importer of fish, baby foods, dairy, edible oils, horticulture and processed poultry products. Some imported foods need to be substituted with locally processed foods.
- The local fish supply gap of up to 127,000 tons p.a. presents great aquafeeds and fish processing opportunities.
- High stunting (40%) and underweight (15%) among children require investments in processed health foods.
- Only 30% of the 253 million litres of smallholder raw milk is processed and marketed via formal market channels due to lack of cold chain storage.
- Zambia is faced with a 104,436-ton p.a. edible oils deficit, which needs reducing with locally produced products.
- Absence of onion-curing facilities and limited potato processing resulted in Zambia importing huge volumes of onions and potatoes.
- Zambia is faced with huge (up to 25%) post-harvest losses in horticulture.
- Only 35% of broiler chickens are processed into whole frozen birds and individually quick-frozen (IQF), leaving 65% grown by smallholders sold as live birds.

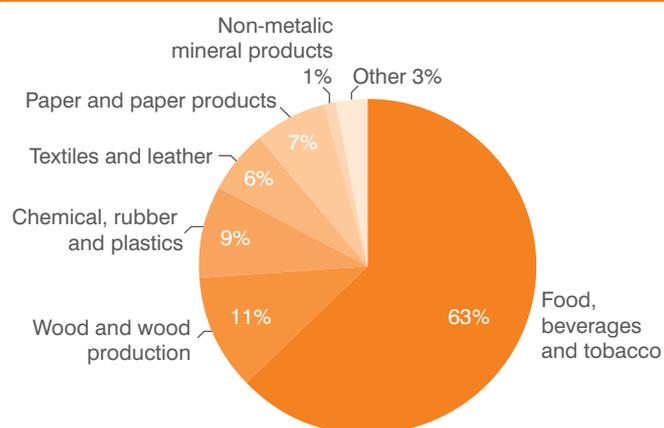
Raw material scenario

- Zambia is a surplus producer of maize (2,896,033 tons p.a.), wheat, soybean (311,000 tons p.a.), poultry and sugar (436,000 tons p.a.), and sugar confectionery products.
- With better prices and offtake markets, production of these materials could easily be doubled.
- A wide range of seasonal tropical fruits (watermelons, mangoes, guavas, avocados, pineapples and bananas, etc.) goes to waste due to lack of cold storage and limited processing.
- Other raw materials easily grown in Zambia include groundnuts, sorghum, millet, rice, sweet beans and pulses.
- Zambia produces more than 93 million birds (150,000 tons) for broiler meat, 1.3 billion eggs and approximately 400 million litres of milk.

Manufacturing value chain

- Despite its huge potential, the Zambian manufacturing sector only contributes 8%–10% of national gross domestic product (GDP).
- Limited investments affect the local manufacturing sector's productivity and competitiveness.
- The food, beverages and tobacco processing subsectors contribute 63% to Zambia's total manufacturing sector value added.
- Government plans to increase manufacturing sector growth rates from 5% to 20% p.a. through food processing.
- Zambia plans to increase its manufacturing sector contribution to GDP from 8% to 15% by 2027.
- More investments in food and beverages processing are needed to achieve desired manufacturing sector growth.

Figure 1: Output shares within the Zambian manufacturing sector (2014)



Source: CSO, 2014.

Agricultural value chain

- Agriculture is a prioritized sector due to its high poverty reduction, job creation, forex earnings and industrialization potential.
- Agriculture provides for livelihoods of 60% of Zambia's labour force and 50% of its population.
- However, agriculture contribution to GDP is low at 2.6% in 2018 down from 6% in 2016 due to drought. This is very low in comparison to the African continent average of 15%.
- Low contribution to GDP is due to high rainfall dependence, limited investments and value addition, poor productivity and immature markets.
- Sector performance is erratic and is subject to weather and market conditions

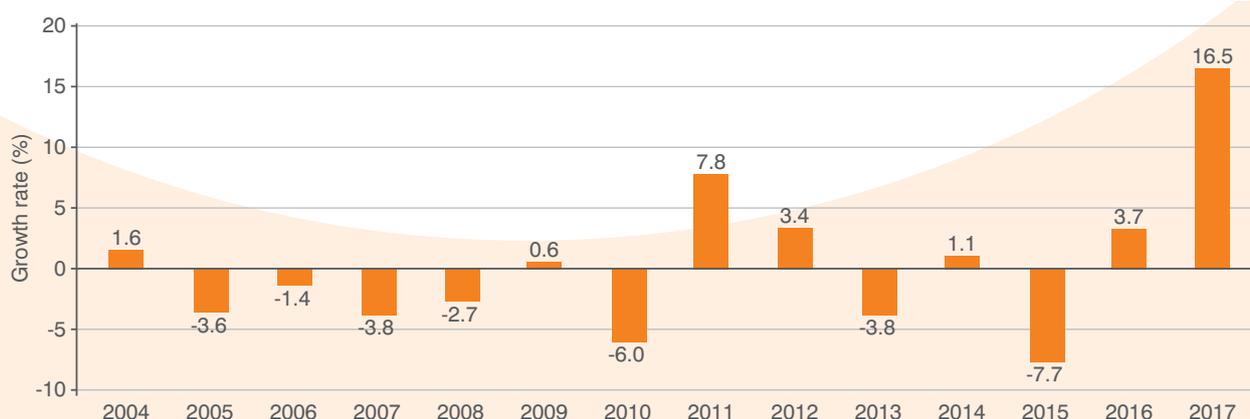
Land availability

- Zambia has abundant and underused land. Only 6 million hectares (14%) of the total 43 million hectares of arable land of medium to high agricultural potential are being used.
- Approximately 2.75 million hectares (6%) of arable land is irrigable and 523,000 hectares (19%) is of highest irrigation potential.
- Zambia holds up to 40% of Southern Africa's fresh waters. Main water bodies include the Zambezi, Kafue, Luangwa and Chambeshi Rivers, and Tanganyika, Mweru, Mweru Wa Ntupa, Bangweulu and Kariba lakes.
- Eleven farm blocks with a total of 1 million hectares (2%) of arable land has been opened up for agricultural expansion.
- This gives Zambia close to 1 million hectares of land for additional crops and livestock to meet the increasing food demand.

Global and regional market access

- In 2018, Zambia exported, and imported goods valued at \$9.05 billion and \$9.32 billion respectively.
- Intra-Africa exports and imports were \$1.81 billion and \$4.9 billion respectively of global exports and imports.
- As a member of COMESA and SADC, most goods from these regional economic communities enter Zambia duty free.

Figure 2: Zambian agriculture growth rates (2004–2017)



Source: World Bank, 2018.

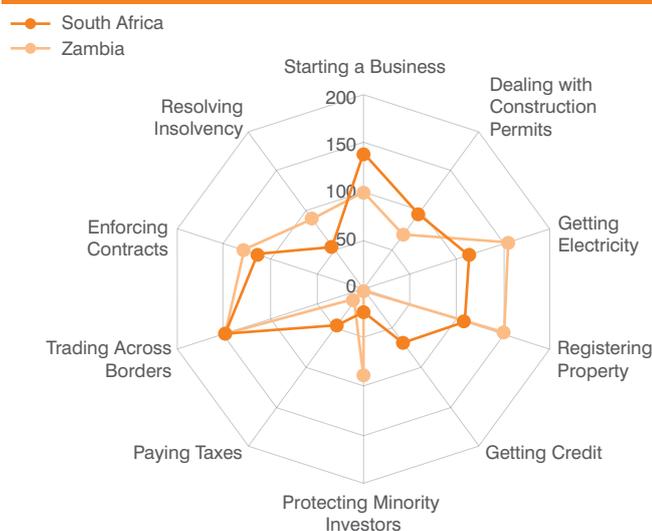
Market access under	Markets
COMESA and SADC	<ul style="list-style-type: none"> Accounts for 20% of total exports and 52.6% of total imports. The Republic of South Africa is the main market for imports (55%) and the Democratic Republic of the Congo is the main market for exports (48%). Others of total intra-Africa trade include Tanzania (4%) and Zimbabwe and the Republic of Mauritius (each 3%).
The rest of Africa	<ul style="list-style-type: none"> Imports from the rest of Africa outside COMESA and SADC account for 0.3%. Exports account for 0.1% of total intra-Africa trade.
Global trade	<ul style="list-style-type: none"> 2018 total exports valued at \$9.05 billion 2018 total imports valued at \$9.32 billion

Source: Tralac, 2019.

Business environment

Zambia has a conducive business environment with a well-established and functioning banking sector, an investor-friendly legal and regulatory framework, good government support and improving ease of doing business.

Figure 3: Zambia and South Africa ease of doing business comparisons



Source: World Bank Ease of Doing Business 2019.

Banking Sector

- A well-developed banking sector with good branch network by 18 licensed commercial banks (eight locally owned, eight foreign owned and two government and foreign jointly owned banks).
- All banks are subject to regulatory requirements (prudential position, consumer protection and market conduct) as a safeguard for financial system soundness and stability.
- Limited credit is available in local and major currencies to corporates and international firms of good reputation. Banks are, however, unable to lend more than 25% of their primary capital.

Legal and regulatory framework

- The ZDA Act provides for the promotion and facilitation of foreign and local investors in manufacturing, tourism, energy, agriculture and agroprocessing, mining and infrastructure in Zambia.
- All companies are regulated by the Companies Act, Cap. 388 of the Laws of Zambia.
- The Business Regulatory Act controls business licensing and adherence requirements.

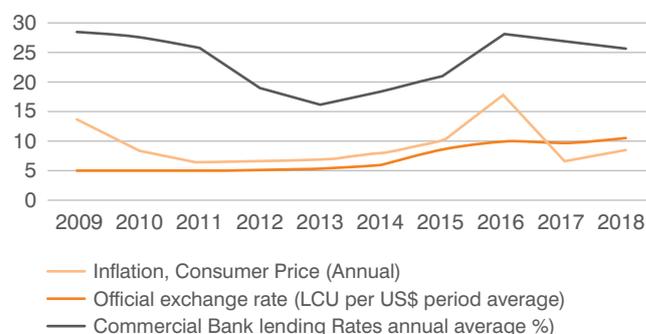
Government support for manufacturing sector

- Zambia has prioritized the manufacturing sector as a driver of its envisioned industrialization, economic diversification and growth, wealth generation and jobs creation, especially for youths and women.
- Through its National Industrial Policy (NIP), food and beverages processing has further been identified as a leading subsector to improve manufacturing sector growth from 5% to 20% p.a. and to improve manufacturing sector contribution to GDP from 8% to 15% by 2027.
- Agroprocessing enjoys special tax incentives and pays the least corporate income tax (10%).

Investment climate

- Stable and growing economy since the 1990s.
- Relative macroeconomic stability despite inflationary pressures and foreign exchange rate volatilities.
- Effects of drought on agriculture and energy are piling pressure on economic outlook.

Figure 4: Zambia's key macroeconomic indicators (2009–2018)



Source: BOZ and CSO.

Taxes and special incentives

- Businesses in Zambia must pay taxes. Main taxes payable include corporate income tax, personal income tax, withholding tax, value-added tax and property transfer tax.
- Agriculture, agroprocessing and exports of non-traditional products from agroprocessing enjoy a special corporate tax of 10%.
- Zambia has double taxation relief agreements with several of its partner countries.

Logistics and connectivity

- Zambia is serviced by a 37,000 km road network (6,476 km bituminous standard) and a 2,922 km railway network (requires rehabilitation).
- Good telecommunication coverage with 91.6% and 58.4% cell phone and internet penetration respectively.
- Developed air transport with four international airports and several upcoming one-stop border facilities.

Workforce scenario

- High labour availability with 9,056,840 people of working age and only 3,398,294 employed.
- Unemployment remains high and is highest among youths (17% nationally, 19% in urban and 16% in rural areas).
- New investments in food processing are critical for youth and women employment in rural and urban areas.

Power scenario

- Easy access to electricity in all established multi-facility economic zones. Electricity access in farm blocks remains limited, as supply infrastructure is still being developed.
- Increasing droughts affect hydropower generation and supply. This has opened up a need for renewable energy.
- Competitive cost of electricity; tariffs recently adjusted towards cost-reflective rates.

GETTING STARTED – A BRIEF GUIDE

- Investors start with the Zambia Development Agency (ZDA) and get all necessary guidelines and procedures.
- Business registration follows, starting with business name clearance and registration (takes 1–2 days).
- Tax registration with the Zambia Revenue Authority (ZRA) follows – done online at <https://www.zra.org.zm>.
- Bank accounts can then be opened.
- Investment premises/land acquisition is the next critical step.
- Investment registration with ZDA for an investment licence follows.
- The ZDA certificate of registration allows investors to apply for investment incentives. A minimum of \$250,000 is needed to qualify for basic non-tax incentives and \$500,000 to qualify for special tax incentives.
- Application for immigration permits can then be done.
- Investors may also need to apply for other industry licences.

KEY CONTACTS

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Web: www.zda.org.zm

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INVESTMENT OPPORTUNITIES

Zambia offers several food processing investment opportunities. Most promising investment opportunities include:

- Investments in aquafeeds, fish farming (cage and pond culture) and fish processing. Zambia's fish deficit is projected to increase from the current 127,000 tons p.a. to 173,000 tons p.a. by 2030, should aquaculture continue growing at 6%–7% annually. Vast freshwater bodies and surplus maize and soybeans present best resources for increased farmed fish production.
- Investments in processed health foods, especially for children. Surplus maize, cassava, beans, soybeans, groundnuts, traditional vegetables, wheat and sugar provide ample raw materials for value-added processed health foods. A huge import substitution opportunity also exists in corn and wheat cereals, potato chips and a range of baby and infant foods.
- Investments into improved smallholder milk production, processing, cold chain and offtake marketing. Only 75.9 million litres (30%) of the 253 million litres of annual raw smallholder milk is processed and marketed via formal market channels. This leads to high smallholder milk losses due to lack of cold chain facilities.
- Investment opportunities in alternative oilseeds (e.g. high oleic oil sunflower) production and processing. This supports investment opportunities in on-farm stock feeds manufacturing. Zambia imports approximately 104,436 tons p.a. of edible oils, part of which must be substituted with locally produced oil.
- Investments in local potato and onion processing are some of the key and promising investment opportunities in Zambian horticulture. Absence of onion-curing facilities for most smallholder-grown onions gives locally produced onions a very poor shelf life. Limited potato processing and cold chain facilities have also led to seasonal potato deficits, especially during the rainy season when local production is lowest.
- Investment opportunities for increased poultry processing targeting small- and medium-scale broiler producers are excluded by existing main outgrower schemes. Investments in poultry processing capacity of approximately 50,000 tons p.a. is required if Zambia is to increase its processed poultry meat market share from the current 35% to more than 65%. Increasing chicken pieces demand among low- and medium-income households has also created business opportunities in poultry cold chain and distribution.

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