

Zambia



An Investment Guide to Zambia
Opportunities and Conditions
2011



UNITED NATIONS



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AN INVESTMENT GUIDE TO ZAMBIA

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UNCTAD

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Notes

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References to "dollars" (\$) are to United States dollars, unless otherwise indicated.
References to "tons" are to metric tons.

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Three good reasons to invest in Zambia

- **Investment-friendly environment**

Zambia is consistently undertaking various measures to improve its business environment. The ambitious Private Sector Reform Development Programme (PSRDP) is bent on further streamlining business licensing processes and improving other administrative processes related to business establishment. The creation of the Zambia Development Authority (ZDA) in 2007 centralized and rationalized investment facilitation and promotion and through the ZDA, a generous incentive scheme for investors is also made available and aftercare services provided. Furthermore, the development of multi-facility economic zones provides investors with more secure and well-equipped environment to operate. Finally, reforms are continuing in the areas of automated registration, permits and visa processing, registration of land, and customs clearings. The labour laws are also currently under review.

- **Market access**

Zambia shares borders with eight countries in the South-eastern subregion. As a member of the South African Development Community Free Trade Area (SADC-FTA), Zambia expands its market's reach to the more than 170 million people comprising the FTA with a regional market worth \$360 billion. In addition, as a member of the Common Market for Eastern and Southern African States (COMESA), investors have ready access to the largest regional economic grouping in Africa with 19 members comprising over 400 million people. The expected establishment of a single FTA comprising 26 countries of Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and SADC by 2012 will result in an even larger market that will be attractive to investments and conducive to large-scale production.

Regional infrastructure cooperation projects, such as the most recent North–South Corridor project, which links the port of Dar es Salaam (United Republic of Tanzania) to the Copperbelt (Zambia) and through to the southern ports of South Africa strategically positions Zambia as a land-linked transit hub to its neighbouring countries. Improvements in road and rail travel along this corridor will also help ensure a more fluid movement of goods and people within the subregion.

- **Resources and opportunities**

With a total mineral resource of at least two billion tons in the Copperbelt region alone, the mining sector offers real potential for growth and further expansion. Aside from copper and cobalt, Zambia also boasts of precious stones such as emeralds, amethyst, aquamarine, gold and diamonds, among others. Zambia has 752,000 square kilometres of landmass, 58 per cent of which is arable. New farming blocks have recently been made available for use by both local and international investors for cultivation and agro-business purposes. A number of horticultural and floricultural crops, with export markets in Europe and South Africa are being promoted for expansion. There are opportunities to engage in agro-processing and move up the value chain and investments through joint ventures. Zambia's tourism potential lies in its vast natural resources, most of which are pristine and unexploited and cater to a diverse and broad range of interests, including varied sceneries, wilderness and wildlife, adventure activities, diverse culture and national heritage. Aside from the world famous Victoria Falls, a UNESCO world heritage site, Zambia boasts many other attractions, including 19 national parks and 34 game management areas covering over 22.4 million hectares. Zambia's wildlife estate is one of the largest in the subregion, with wildlife protected areas occupying about 40 per cent of the country's land surface area. There is scope for development of private wildlife estates given the availability of land in communal areas.

Note to the reader

This document is published as part of the UNCTAD–ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered.

They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information in the private as well as the public sector.

There are two other features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is credibility. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The executive summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. "The operating environment" describes the general conditions in which investors must operate: macroeconomic conditions, infrastructure, human resources, etc. "Areas of opportunity" offers a description of areas of potential interest to foreign investors. "The regulatory framework" focuses on regulations governing investment and foreign direct investment in particular. The fifth and final chapter provides a summary of the perceptions of the private sector in the country, both foreign and domestic.

Preface

Foreign direct investment (FDI) has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it is also more stable, with a longer-term commitment to the host economy.

An Investment Guide to Zambia is the concrete product of a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). The objective of this project is to bring together two parties with complementary interests: companies that seek new opportunities and countries that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend attracting foreign investment.

The UNCTAD–ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing dialogue between investors and governments. The guides themselves are the product of a dialogue, including that occurring among and between the representatives of business and government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn contribute to the dialogue, helping to strengthen and sustain it. We are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.



Supachai Panitchpakdi
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The UNCTAD–ICC Series of Investment Guides

- *An Investment Guide to Ethiopia, 1999; revised edition in new format, 2004*
- *Guide de l'investissement au Mali, 2000; revised edition in new format, 2004*
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- *Guide de l'investissement au Maroc, 2010*
- *Guide de l'investissement aux Comores, 2011*

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Abbreviations

AGOA	Africa Growth and Opportunity Act	NAPSA	National Pension Scheme Authority
ATI	African Trade Insurance Agency	PACRO	Patents and Companies Registration Office
AIPO	African Intellectual Property Organization	PAYE	Pay-as-you-Earn
ARIPO	African Regional Industrial Property Organization	PIA	Pensions and Insurance Authority
ASYCUDA	Automated System for Customs Data and Management	PPP	public–private partnership
		PSRDP	Private Sector Reform Development Programme
BAZ	Bankers Association of Zambia		
BoZ	Bank of Zambia	ROADSIP	Road Sector Investment Programme
BIT	bilateral investment treaty	RSZ	Railway Systems of Zambia
CAZ	Communications Authority of Zambia	SAAP	Southern Africa Power Pool
CDC	Commonwealth Development Corporation	SADC	Southern Africa Development Community
CEECC	Citizen Economic Empowerment Commission	SEC	Securities and Exchange Commission
CET	common external tariff	SEDB	Small Enterprise Development Board
CNMC	China Non-ferrous Metal Company	SME	small and medium-sized enterprise
COMESA	Common Market for Eastern and Southern Africa	SOE	State-owned enterprise
		ST-EP	Sustainable Tourism Eliminating Poverty
		SSA	Sub-Saharan Africa
DTT	double taxation treaty	TAZARA	Tanzania–Zambia Railways
EAC	East African Community	TCZ	Tourism Council of Zambia
EBZ	Export Board of Zambia	TEVETA	Technical Educational, Vocational and Entrepreneurship Training Authority
ECZ	Environmental Council of Zambia	TNC	transnational corporation
EIA	Environmental Impact Assessment		
EPA	Economic Partnership Agreement	UNCITRAL	United Nations Commission of International Trade Law
EU	European Union	UNCTAD	United Nations Conference on Trade and Development
FDI	foreign direct investment	UNDP	United Nations Development Programme
FNDP	Fifth National Development Plan	UNESCO	United Nations Educational, Scientific and Cultural Organization
FTA	free trade agreement	VAT	value added tax
GDP	gross domestic product		
GMAAs	game management areas	WIPO	World Intellectual Property Organization
GNP	gross national product	WTO	World Trade Organization
GSP	General System of Preferences	WIR	World Investment Report
GSTP	Global System of Trade Preferences among Developing Countries		
IAEA	International Atomic Energy Agency	ZACCI	Zambia Association of Chambers of Commerce and Industry
ICC	International Chamber of Commerce	ZAM	Zambia Association of Manufacturers
ICSID	International Centre for Settlement of Investment Disputes	ZAMPOST	Zambia Postal Services Corporation
ICJ	International Criminal Justice	ZAMTEL	Zambia Telecommunications Company
ICT	information and communications technology	ZAWA	Zambia Wildlife Authority
IFC	international finance corporation	ZBF	Zambia Business Forum
ISPs	internet service providers	ZCC	Zambia Competition Commission
IMF	International Monetary Fund	ZCCM	Zambia Consolidated Copper Mines
IPA	investment promotion agency	ZCSMBA	Zambia Chamber of Small and Medium Business Associations
JBIC	Japan Bank for International Cooperation	ZDA	Zambia Development Agency
JV	joint venture	ZEGA	Zambia Export Growers' Association
Kwh	kilowatt per hour	ZEPZA	Zambia Export Processing Zones Authority
LDC	least developed country	ZESCO	Zambia Electricity Supply Corporation
LSE	Lusaka Stock Exchange	ZIBA	Zambia Indigenous Business Association
MFEZ	multi-facility economic zone	ZIC	Zambia Investment Centre
MFI	micro-finance institutions	ZNCB	Zambia National Commercial Bank
MFN	most favoured nation	ZNFU	Zambia National Farmers Union
MIGA	multilateral investment guarantee agency	ZNTB	Zambia National Tourist Board
MMD	movement for multiparty democracy	ZPA	Zambia Privatization Agency
MoU	memorandum of understanding	ZRA	Zambia Revenue Authority
Mw	megawatts	ZSIC	Zambia State Insurance Corporation
		\$	United States dollar(s)

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Executive summary

1 Doing Business Report 2010,
World Bank

1

Investors are welcome

Zambia's reform path and the programmes it has instituted in the last decade have all been oriented at fostering private sector development and improving its overall economic and business environment to attract FDI into the country. In fact, the World Bank's Second Investment Climate Assessment for Zambia (2009) confirms that Zambia's business environment has improved dramatically since the first assessment done in 2004 with more positive business survey results. Previously identified problems such as macro-economic stability, high taxes and corruption, among others, are being tackled and did not figure among the major or severe obstacles in the 2008 survey.

The enactment of the Zambia Development Authority Act in 2006, which stipulated the creation of the Zambia Development Authority, paved the way for a centralized and more rationalized management of investment facilitation and promotion functions. It also provided for a generous incentive scheme for investors, both general and sectoral, and endorsed the development of multi-facility economic zones (MFEZ) where investments could flourish. The first MFEZ, the Chambishi multi-facility economic zones located in the Copperbelt region was established by China Nonferrous Metal Company.

With the continuation of the Private Sector Reform Development Programme (PSRDP), further streamlining of business licensing procedures as well as improvements in various other administrative processes related to business establishment are ongoing. Among its regional comparators, Zambia is already one of the countries which has the least number of procedures and days required for starting a business¹. Other supporting reforms currently being carried out or in the planning stages are in the areas of automated registration, permits and visa processing, registration of land, and customs clearance. The Chirundu one-stop border post, the busiest border post shared by Zambia with Zimbabwe, has been completed. The labour laws are also currently under review.

Clearly, investors are welcome and awaited to become a part of this promising economy in Southern Africa.

Why Zambia?

In addition to its welcoming business environment, Zambia's additional attractions as an investment destination include its strategic location in a dynamic region, including serving as a land-linked transit hub to its eight neighbouring countries, its stable political and social environment and its untapped and yet-to-be explored resource endowments and opportunities.

Sharing borders with eight countries in the Southern Africa subregion which are also members of the South African Development Community (SADC) means easier access to these countries' markets. It is also a member of the wider Common Market for Eastern and Southern African States (COMESA) comprising 19 members. Supported by regional cooperation projects, such as the most recent North-South Corridor project, which links the port of Dar es Salaam (United Republic of Tanzania) to the Copperbelt (Zambia) and through to the southern ports of South Africa, a more fluid movement of goods and people resulting from improvements in road and rail travel along this corridor strategically positions Zambia as a land-linked country. The expected establishment of a single Free Trade Area (FTA) comprising 26 countries of COMESA, EAC and SADC by 2012 will result in an even larger market that will be attractive to investments and conducive to large-scale production.

Zambia is a peaceful and politically stable country. Since 1991, political transfer of power has been conducted through multi-party elections. The country is generally safe and, unlike some of its neighbours, it has not experienced coups, civil wars or prolonged misgovernance. It also enjoys a free press and has an active civil society, with almost every sector of the society and the economy having some representative groupings.

As much of the investments so far have been in the mining sector, there remains a number of vastly untapped opportunities still awaiting development, particularly in agriculture production and agri-business, tourism, manufacturing and energy sectors.

Opportunities

With vast reserves of copper and cobalt, the mining sector offers real potential for growth and further expansion. Home to 6 per cent of the world's copper reserves, Zambia also boasts of precious stones such as emeralds, amethyst, aquamarine, gold and diamonds, among others. Zambia has the second largest deposit of the world's best emeralds comprising 20 per cent of the world supply. Deposits of marble, granite, ferrous metals, clay, limestone, iron and phosphate also remain underexploited

Zambia has 752,000 square kilometers of landmass, 58 per cent of which is arable. Currently, however, only 14 per cent of the arable land is under cultivation indicating the potential for further development in this area. New farming blocks have been opened in order to lure in both local and international investors to use already surveyed land for cultivation and agro-business purposes. Among the non-traditional crops with potential, which have also been prioritized for investments include cotton, coffee, tobacco, sugarcane, pineapples, cashew nuts, cassava and other horticultural and floricultural crops. Currently, 70 per cent of cut flowers are exported to the Netherlands and 30 per cent to South Africa. There is potential to expand distribution to new markets, including the United States. Most of Zambia's horticulture exports are directed to the United Kingdom and South Africa. There are opportunities to engage in agro-processing and move up the value-chain. Such investments through joint ventures are particularly welcome.

Agriculture is predominantly rain-fed and therefore, the sector's performance is mostly determined by rainfall patterns. The irrigation potential is estimated at 430,000 hectares of which only 100,000 hectares is currently developed, mostly by large-scale commercial enterprises. With an estimated 45 per cent of the total water resources in the Southern Africa Sub-Region, Zambia has massive irrigation farming potential and the government encourages investment opportunities here as well.

Zambia's tourism potential lies in its vast natural resources, most of which are pristine and unexploited and cater to a diverse and broad range of interests, including varied sceneries, wilderness and wildlife, adventure activities, diverse culture and national heritage. Although known mainly for the world famous Victoria Falls, a UNESCO world heritage site, Zambia boasts of many other attractions including 19 national parks and 34 game management areas covering over 22.4 million hectares. Zambia's wildlife estate is one of the largest in the sub-region, with wildlife protected areas occupying about 40 per cent of the country's land surface area. There is scope for development of private wildlife estates given the availability of land in communal areas. The country is also in the process of developing and at the same time encouraging investments in the Northern part of the country which is endowed with pristine natural attractions such as waterfalls, lakes, hot springs and offers possibilities for conventional game drives as well.

With 40 per cent of water resources in the Southern Africa subregion found in Zambia, hydro-power generation is identified among the country's investment potentials. With a potential estimated at 6,000 MW and high demand for power in the neighbouring countries, the opportunity in this sub-sector is enormous both in electricity generation and transmission. The Government is encouraging private sector participation through public-private partnership (PPP) initiatives. Several rehabilitation projects are already on-going, including the Kafue Gorge Lower Hydro Project (600 MW generation capacity), the Itezhi-tezhi project (120 MW generation capacity) and the Kariba North Bank Expansion project (360 MW generation capacity). In addition, investments in the construction of mini-hydro power plants are welcomed, especially for supply of electricity to unserviced rural areas and far-flung villages thereby enabling and supporting more productive activities there, including agriculture and agri-business activities of SMEs.

Difficulties facing investors

While improvements in several aspects of the business environment have been instituted, some problems which may be of concern to investors remain, including cumbersome administrative procedures, stability and predictability of laws, high cost of doing business due to poor infrastructure, cost of finance and human resource concerns.

While business registration has been simplified there are other procedures such as getting construction permits and sector-specific licenses that remain burdensome. During interviews, members of the private sector aired complaints of having to go through what they considered were requirements which take weeks or even months to complete. A few managers alleged to have been witness to corruption and bribery arising from such administrative hurdles. Companies have also expressed concern over the uncertainty in the application of laws. Those in the mining sector have cited the unilateral nullification by the government of the development agreements, which resulted in the withdrawal of certain benefits that mining companies were afforded in the past. It must be noted that the government is however currently renegotiating these agreements with individual mining companies.

Business is made costlier due to gaps in infrastructure; poor road networks and conditions as well as a lack of continuous energy supply have been mentioned. As a landlocked country with 70 per cent of its trade volume going through its road networks, the state of road infrastructure is a valid business concern. To address such concerns the government is actively entering into private-public partnerships to develop key infrastructure projects. With ageing power generation plants, the country has suffered power supply cuts in recent years resulting in the disruption or slowing down of some business operations. Several rehabilitation projects have started and the government has already implemented staggered power rate increases to rectify the below cost-reflective electricity tariffs that has impeded rehabilitation works and fresh investments in power generation and transmission.

Investors interviewed during the course of researching this guide highlighted the difficulty in finding qualified Zambians to fill certain positions needed by companies, ranging from manual to mechanical or other technical as well as managerial. Low labour productivity, due to a range factors including lack of skilled workforce, restrictive labour laws and low life span, means firms need to train multiple people to fill in key positions. The government is providing vocational training to tackle this problem. However skill gaps remain due to the lack of interaction between foreign enterprises and public sector training institutions.

Finally, the cost of borrowing in Zambia is high. Access to credit has improved in the last couple of years, with banks expanding their reach into rural areas. Nonetheless cost of borrowing plus the collateral requirements and restrictive loan payment schedule have left many small investors unable to avail of commercial loans.

Investment trends

Since the 1990s, FDI has come to play an increasing role in Zambia's economy, contributing to increased capital inflows and investment, rehabilitating the copper industry and boosting the production and export of non-traditional products and services as well.

FDI inflows has seen steady increase over the years, averaging \$651 million for the period 2002 to 2009 with a peak in 2007 at \$1,324 million, a 115 per cent increase compared to the 2006 figures. The majority of these investments were directed to mining. Investment pledges continue to rise, with total investment pledges by ZDA-licensed companies for 2008 reaching \$10,405 million, 95 per cent of which is FDI.

Zambia is also attracting investments from countries other than its traditional partners. China and India are among the notable examples of countries which have, in recent years invested in large-scale projects either through public-private partnerships (PPP) or joint ventures. Zambia's first Multi-facility Economic Zone (MFEZ) – the Chambishi Multi-Facility Economic Zone located in the Copperbelt region, was developed by Chinese investors. When in full operation, it is expected to host over 60 companies and generate investments of \$900 million over a five-year period.

Prospects and challenges

Zambia has taken significant steps to improve the business environment in the past five years, including the creation of the ZDA as an investment facilitator, streamlining of business registration procedures and awarding of generous incentives both fiscal and non-fiscal to prospective investors. It is also opening its doors to non-traditional investment sources including China and India. All of these efforts are slowly bearing fruit and the prospects are indeed bright as the country demonstrates its strong determination to sustain the reforms it has started.

The challenge is to attract more investments in sectors other than mining. And there are real opportunities in the tourism, agro-business and manufacturing sectors. Economic diversification has been a goal and rightly so considering how the price of copper has affected the country's export earnings in the last two years.

The Government is committed to addressing outstanding business concerns, including cumbersome licensing procedures, poor infrastructure, inadequate human resources, low productivity and restrictive labour laws. It is doing so through the PSRDP and various regulatory and legislative improvements.

On the whole, a country such as Zambia must not be overlooked by any investor interested in establishing a foothold in this region. The country has a stable government, bountiful resources and a strategic geographical location which can serve as a land-linked transit hub to South-eastern Africa, thus offering ready access to the estimated 400 million people in the COMESA region alone.



Zambia at a glance

Name	Republic of Zambia
Political system	Multiparty Democracy
Head of State	President Rupiah Banda, elected on October 2008
Vice President	George Kunda, since November 2008
Major Political Parties	Movement for Multi-party Democracy (MMD) is the ruling party with 72 seats in the National Assembly. Patriotic Front (PF) is the largest opposition party. Other parties include the United National Independence Party (UNIP), United Party for National Development (UPND), Heritage Party (HP), and Forum for Democracy and Development (FDD).
Legislature	Unicameral National Assembly: comprising 150 members of Parliament elected by universal suffrage for five-year terms. In addition, the President has the discretion to nominate an additional 8 members.
Borders	Angola 1,110 km, Democratic Republic of the Congo 1,930 km, Malawi 837 km, Mozambique 419 km, Namibia 233 km, United Republic of Tanzania 338 km, Zimbabwe 797 km
Surface Area	total: 752,614 sq km land: 740,724 sq km water: 11,890 sq km sq km
Population	12.62 million (2008) with population growth rate 2.5% urban rate 35.2% in 2007 0-14 years: 45.7% 15-64 years: 51.9% 65 years and over: 2.4% life expectancy at birth: 46 years
Density	16 people per km ²
Country code	Zm
Languages	English (official) and about 70 local languages and dialects
Climate	Generally dry and temperate climate modified by altitude with three main seasons: the warm-rainy season (November to April), the cool-dry season (May to July) and the hot-dry season (August to October).
Religion	Christianity (official national religion) 50-75%, Muslim and Hindu 24-29%, indigenous beliefs 1%
Time Zone	GMT+2
Administration	9 provinces subdivided into 72 districts: Central, Copperbelt, Eastern, Luapula, Lusaka, Northern, North-Western, Southern, Western. These provinces are subdivided into a total of 72 districts.
Currency	Zambian Kwacha (ZMK)=100 ngwee K 4741.81 : \$1 (April 2010)
GDP at current \$	\$14.5 billion (2009)
GDP per capita \$	1,100 (2009)
Rank	164 out of 182 (2009 Human Development Report, UNDP)



Country and people

Zambia, named after the Zambezi River, is a land-locked sub-Saharan country of about 12.6 million people. The total land surface areas is 752,614 square km and shares borders with the Democratic Republic of the Congo to the north, the United Republic of Tanzania to the northeast, Malawi to the east, Mozambique to the south-east, and Zimbabwe to the south, Botswana and Namibia to the south-west, Angola to the west. The population is composed of more than 70 Bantu-speaking ethnic groups of which the largest and politically most influential is the Bemba comprising 18 per cent of the population. Other groups include the Tonga, Nyanja, Kaonda, Lozi, Lunda and Luvale. English is the official language used for education, commerce, and law. With close to 40 per cent of the population living in a few urban zones where most employment opportunities are found, Zambia is one of the most highly urbanised countries in the sub-Saharan Africa. In the United Nations Development Programme (UNDP) Human Development Report of 2010, Zambia ranked 150 out of 182 countries with data.

Mostly high plateau with some hills and mountains, Zambia has both temperate and sub-tropical ecosystems with temperatures ranging from 15 to 33 degrees Celsius. The country has abundant natural resources including arable land, water, forest and mineral resources. With 35 per cent of the Southern African Development Community (SADC) region's water resources found in Zambia, there is an enormous potential for increased irrigated agriculture and hydroelectric power production. Natural attractions abound including pristine landscape and diverse wildlife and game reserves with over 3,000 different species in ecosystem.

History and government

Zambia, then named Northern Rhodesia, was under British rule from 1894-1964. After attaining independence on 24 October 1964, Zambia was ruled by President Kenneth Kaunda for 27 years and was influenced by the ideology of State socialism. A one-party State was instituted in 1972. A growing opposition to monopoly power led to the rise in 1990 of the Movement for Multiparty Democracy (MMD) and Zambia's first multi-party elections since independence was held, with Frederick Chiluba of the MMD winning the popular vote and becoming Zambia's second President. In 2001, Levy Mwanawasa, also of MMD, was elected president. His second term to office ended after his death in August 2008. Rupiah Banda, who was then the Vice-President, assumed the presidency and in the elections held in October 2008, Banda was elected as President. At the time of writing, the next presidential elections were to be held in 2011.

The country has seen its economy steadily deteriorate from the mid-1970s, particularly as a result of the decline in copper production due to poor management and lack of required investments. Economic and political reforms, which commenced in 1991, reoriented the economy away from State control toward a market system. Privatization of parastatal companies – including the Zambia Consolidated Copper Mines – followed, bringing in much-needed fresh investments and prevented the collapse of the country's economy. The present leadership appears determined to sustain the reform efforts started by then-President Mwanawasa. The country is aspiring to achieve a middle-income status by 2030.

2 Described in more detail in the next section on Operating Environment.

3 Fifth National Development Plan 2006-2010, Republic of Zambia.

4 2010 - 2010 Medium-Term Expenditure Framework and the 2010 Budget Green Paper, Ministry of Finance and National Planning, August 2009.

Market size and access

With a 12 million population, Zambia may be considered a small market in itself but the geographic accident of having to share borders with eight other countries gives it the advantage of serving as a transit and access point to these countries' population of over 170 million. The country's strategic, land-linked position provides a unique opportunity to benefit from the fluid movement of goods and people within the subregion. The subregion is already linked through road and rail networks, not to mention that some of them share power grids and are planning to construct fibre optic cables for a more efficient and cost-effective telecommunications systems. Being a member of the Common Market of East and South Africa (COMESA) and the South African Development Community (SADC), Zambia not only benefits from these groups' preferential tariff schemes, but more importantly, from the various subregional infrastructure development projects that are being implemented through these groups. These projects, including the North-South Corridor², which aims to link the port of Dar es Salaam (United Republic of Tanzania) to the Copperbelt (Zambia) and the Copperbelt to the southern ports of South Africa will greatly improve access into the country as well as the country's access to its neighbours as transport, transit and customs requirements are eased along with the existence of better road and rail networks. Zambia also enjoys access to the African Great Lakes through the port town of Mpulungu on the southern shore of Lake Tanganyika. There were tentative plans to connect the port to the Zambian rail network. Plans are also underway to improve road networks to Mozambique and Angola and have access to the markets and ports of these countries. The country is in the process of negotiating the terms of its Economic Partnership Agreement (EPA) with the European Union (EU). The expected establishment of a single Free Trade Area (FTA) comprising 26 countries of COMESA, EAC and SADC by 2012 will result in an even larger market that will be attractive to investments and conducive to large-scale production.

As a least developed country (LDC), Zambia enjoys preferential market access treatment for a large number of agricultural and industrial products

markets through the Generalized System of Preferences (GSP), the United States' Africa Growth and Opportunities Act (AGOA) and the EU's Everything But Arms Initiative (EBA). Most of these preferences cover a substantial range of products, including textile and clothing (AGOA) and agricultural and food industry including sugar (EBA). This could be an added impetus to diversify into other lucrative exports such as fresh vegetables and cut flowers for these markets. There are, however, some rules of origin and safety and quality standards that come with these preferential schemes, compliance to which pose additional challenges to a country like Zambia, which lacks the technical and technological capacity to comply with these rules and requirements.

Government policy priorities

Zambia's National Vision 2030 articulates Zambia's aspiration to become a prosperous middle-income country by the year 2030, with an economy which is competitive and outward-oriented and where hunger and poverty significantly reduced. The Fifth National Development Plan (FNDP) 2006-2010, which aims to contribute to the realization of this vision, identified economic infrastructure and human resources development as its strategic focus³. The importance of good governance, including transparency and accountability, were likewise highlighted in the fulfilment of the goals and objectives of the FNDP. As to critical areas for public spending to realize a broad-based growth, the government has identified spending related to (a) strengthening the relevant economic and social infrastructure, (b) enhancing agriculture and rural development, and (c) implementation of specific structural reforms across various sectors to improve the business and investment climate.

Guided by the above overall direction, the 2010–2012 Medium-Term Expenditure Framework⁴ outlines the country's development goals and priorities over the next three years (2010-2012) – improved living standards, enhanced public service delivery and provision of essential socio-economic infrastructure, which the Government hopes to attain by repositioning the Zambian economy to take full advantage of the present rebound in the global economy and benefit from its strategic position as a land-linked transit hub. The repositioning will be achieved through:

5 The Zambia Privatization Agency, together with other four entities, was dissolved on 31st December 2006 after the enactment of the Zambia Development Agency (ZDA) Act. The ZDA has now taken over the functions of all these dissolved authorities.

- (a) Scaling-up of efforts to promote economic diversification, with emphasis on the agriculture, tourism and manufacturing sectors;
- (b) Speedy implementation of measures to reduce the cost of doing business; and
- (c) Further promotion of a growth-enabling environment while simultaneously addressing the constraints to broad-based economic growth.

The Government realizes that such repositioning will entail raising productivity in smallholder agriculture, engaging in further processing of output from mines and farms to promote the manufacturing sector, and promoting Zambia as a world-class tourism destination. All these efforts, it hopes, will lead to high-level growth rates reaching 6 per cent by 2012.

Privatization

The privatization programme of Zambia was formally launched with the enactment of the Privatization Act of 1992 which provided the Zambia Privatization Agency (ZPA)⁵ the responsibility to plan, implement and control the privatization of State-owned enterprises (SOEs) in the country. The speed at which Zambia has proceeded with its privatization process was attributed to the independence of the ZPA, which had a 12-member private sector majority board, shielded from political interference and pressure. The process was closely monitored by the international community, notably by key donors. Prior to privatization, about 80 per cent of economic activities in Zambia were controlled by the State. This has since been reduced to between 10 and 15 per cent.

The privatization of the mining sector, in particular, had been made an important condition in a number of financing facilities extended by the World Bank and the International Monetary Fund (IMF), from as early as 1993.

The main modes of privatization are:

- Acquisition by use of pre-emptive rights;
- Private sale via negotiated and competitive bids;
- Public offering of shares; and
- Dilution of Government shares and management and employee buy out.

The privatization programme has attracted a significant number of foreign investors from South Africa, China, the United Kingdom, India, the United States of America and Germany.

To date, a total of 264 units have been transferred to private hands out of a working portfolio of 288. Most of the small and medium-sized enterprises (SMEs) were privatized by the mid-1990s. The country's largest company, Zambia Consolidated Copper Mines (ZCCM) was privatized in 2000 and the largest consumer bank, the Zambia National Commercial Bank (Zanaco) in 2006. Zambia Telecommunications (ZAMTEL) is the latest among the big companies to complete the privatization process, with the awarding of 75 per cent equity shares to LAP Green Network of the Libyan Arab Jamahiriya. The Government retains 25 per cent of ZAMTEL's shares. Other companies being considered for future privatization include the Zambia Electric Company (ZESCO), Zambia Postal Services Corporation (ZAMPOST), Zambia State Insurance Corporation (ZSIC), Tanzania-Zambia Railways (TAZARA) and the National Airports Corporation.

Gross receipts from privatization were estimated at \$433 million, with the mining sector alone accounting for \$339 million. In addition, the transfer of ownership and operations of mining companies to private hands had revived production in the sector, which saw its output plunge to 226,192 metric tons in 2000 from a high of 700,000 metric tons in 1972. After privatization, production has climbed up once again, mainly due to increased investments in plant rehabilitation and expansion of operations, in addition to high copper prices. For the year 2009, copper production was estimated to reach 662,000 metric tons.



Economic environment

Guided by the overall vision of transforming Zambia into a middle-income-country by 2030, the Zambian Government aims to promote economic diversification to ensure a broad-based and sustained economic growth that would help lift the majority of its people out of poverty. While copper production and its by-products are the life-blood of the country, there is an increasing realization of the urgency to further develop other sectors such as agriculture, manufacturing and tourism and enhance their contribution to the economy. Measures are being put in place towards this end, such as increasing the availability of land for farm production through the opening of farm blocks (see section on agriculture) for medium- and large-scale farming and the promotion of other tourist destinations coupled with further enhancing the attractiveness of the Livingstone area (see section on tourism). The argument for diversification has become even more prominent with the global economic crisis bringing the price of copper down by more than 30 per cent \$2,811 per metric ton in December 2008 from a record high of \$8,985 in July 2008.

The mining sector, however, remains the key driver of the Zambian economy, with the sector growing by 13 per cent in 2009 and copper production rising to about 662,000 metric tons from 575,000 in 2008. This has been attributed to improved copper prices (amid improved inflation rates) coupled with the commencement of production at Lumwana Copper Mine and the expansion and rehabilitation of other existing mines. Other sectors have seen upward growth trends as well, including agriculture, which was estimated to grow by 5 per cent in 2009, compared to 1.9 per cent growth in 2008 and the construction sector, which is projected to grow by 10 per cent largely on account of increased public and commercial infrastructure investments and high demand for housing. Among the sectors most hit by the crisis include the tourism sector which saw a sharp decline in tourist visits to national parks at 23 per cent. The sector's projected decline in 2009 was 15 per cent but was expected to rebound in 2010 from the spill-over effects of the World Cup in South Africa.

TABLE II.1. MAIN ECONOMIC INDICATORS

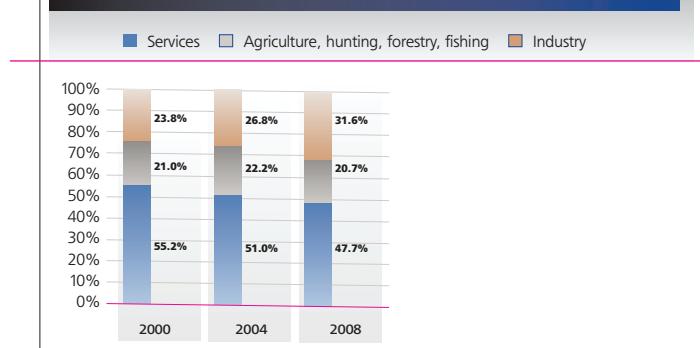
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009*
GDP (\$billions, current prices)	3.6	3.7	4.3	5.4	7.3	10.9	11.6	16.5	14.5
GDP growth (%)	4.9	3.3	5.1	5.4	5.3	6.2	6.2	5.7	6.3
GDP per capita (\$, current consumer prices)	341	340,1	388,9	482,7	633,5	930,7	974,1	1,150	1,100
Inflation (end of period consumer prices)	18.7	26.6	17.2	17.5	15.8	8.2	8.9	16.6	9.9
Exchange rate (\$)	3,611	4,398	4733	4,778	4,460	3,603	4,002	4,858	4,500

* 2009 values are preliminary estimates.

Source : Zambia Central Statistical Office, National Accounts Statistics; Zambia Development Agency.

Overall, despite the global economic crisis, the economy has maintained a positive growth of 4.3 per cent in 2009, albeit a little less than the earlier projected 5 per cent growth. Inflation, which peaked at 180 per cent in the early 1990s, has since dropped significantly, and from 16.6 per cent in 2008, was estimated to have dropped to 12 per cent in 2009.

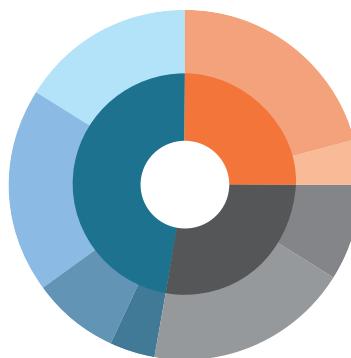
FIGURE II.1: SECTORAL COMPOSITION OF GDP BY MAJOR SECTOR OVER TIME



Source : GlobStat, UNCTAD intranet portal statistics. Data last updated on June 2010.

FIGURE II.2: DISAGGREGATED SECTORAL DECOMPOSITION OF GDP IN 2009

Primary Sector	24%
Agriculture, Forestry, Fishing	21%
Mining and Quarrying	4 %
Secondary Sector	29%
Manufacturing	9%
Construction and Utilities	19%
Tertiary Sector	47%
Transport, Storage, Communications	4%
Financial Intermediaries and Insurances	8%
Wholesale, Retail, Restaurants, Hotels	19%
Other	16%



Source: Zambia Central Statistical Office; data accessed online in June 2010.

6 Trade Policy Review Report Zambia, Revision. Report by the WTO Secretariat, 8 October 2009.

7 Zambia Trade Brief 2008, World Bank.

8 2010 Budget Address by the Minister of Finance and National Planning to the National Assembly, 9 October 2009. Accessed via the Bank of Zambia website: www.boz.zm

Trade and investment

International trade

Zambia has a highly open trade regime with trade liberalization an integral part of its reform effort. It is a member of the World Trade Organization (WTO) and two subregional economic groupings namely COMESA and SADC.

Import duties on virtually all raw materials and most industrial or productive machinery fall within the 0 per cent to 5 per cent tariff categories and nearly 70 per cent of mining and quarrying-related tariff lines attract the 5 per cent tariff rate. Agriculture remains the most protected sector with

an applied average MFN tariff rate of 19.1 per cent⁶. The 25 per cent maximum most-favoured-nation (MFN) tariff rate is half that of an average sub-Saharan Africa (SSA) country and over a third of imports are MFN duty free⁷.

The country experienced a steady increase in both exports and imports between 2000 and 2008. In 2009, however, Zambia's exports fell by 16.8 per cent due mainly to weaker demand for metals. Metal export earnings were 30 per cent lower at \$2,780.1 million compared to last year's \$4,001 million. Similarly, import receipts dropped by 25 per cent as a result of the steep depreciation of the Kwacha during the first half of the year⁸. Trade balance remained positive at \$448 million.

FIGURE II.3. TRADE BALANCE, 2003 TO 2009, IN MILLION \$



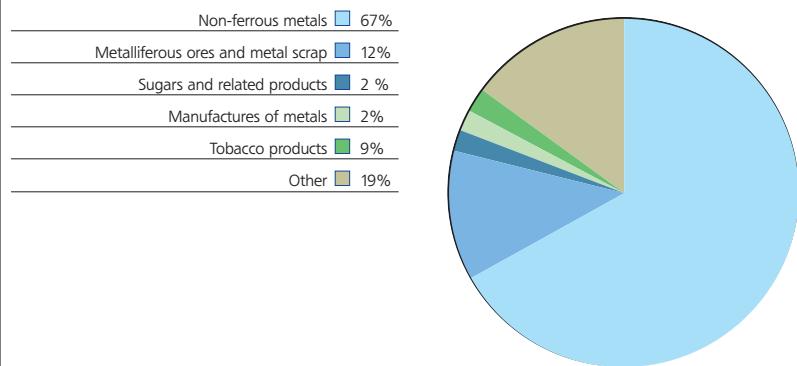
Source : UNCTAD, based on raw data taken from The Monthly, January 2010, Zambia Central Statistical Office. Accessed online in February 2010.

9 Trade Policy Review Report Zambia, Revision. Report by the WTO Secretariat, 8 October 2009.

Zambia accords tariff preferences to COMESA and SADC members on a reciprocal basis. With the launching of the COMESA Customs Union in June 2009, the member States have agreed on common external tariffs (CET) on imports into COMESA with applicable rates as follows: 0 per cent for raw materials and capital goods; 10 per cent for intermediate products; and 25 per cent for finished products. Issues on classification of certain products including on some raw materials or processed products are still being discussed.

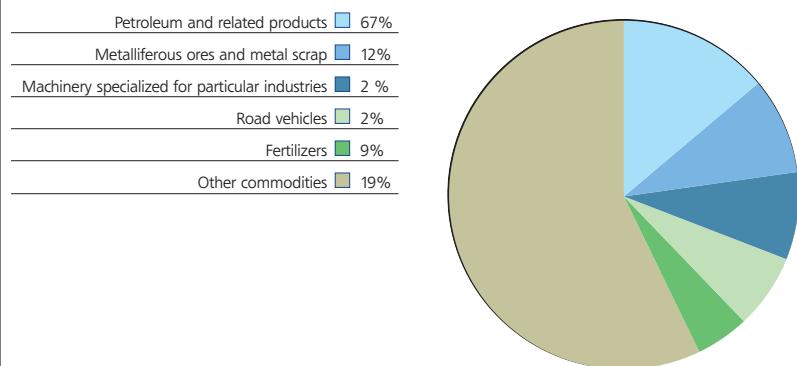
Close to 70 per cent of Zambia's exports is accounted for by copper. Main export destinations are Switzerland, South Africa, Egypt and China. Switzerland accounts for over half of Zambia's exports because copper is recorded as transiting Switzerland on its way to a final destination. Thus, this large share is mainly an accounting procedure rather than the copper actually making the journey⁹. Imports into Zambia are dominated by investment goods including electrical equipment and machinery which account for a quarter of total imports. Petroleum products and vehicles are also significant imports. Main sources of these imports are South Africa, Kuwait, the Democratic Republic of the Congo, China and India.

**FIGURE II.4: MAIN EXPORT PRODUCTS OF ZAMBIA, 2009
(PER CENT OF TOTAL EXPORTS)**



Note: Data indexed according to Standard International Trade Classification (SITC) scheme.
Source: United Nations COMTRADE database, accessed online in June 2010.

**FIGURE II.5: MAIN IMPORT PRODUCTS OF ZAMBIA, 2009
(PER CENT OF TOTAL IMPORTS)**



Note: Data indexed according to Standard International Trade Classification (SITC) scheme.
Source: United Nations COMTRADE database, accessed online in June 2010; SITC figures used.

As to country groupings, among Zambia's major export partners between 2002 and 2008 include: SADC, which received 28.9 per cent of Zambia's exports; COMESA (non-SADC countries), receiving 13.2 per cent; Asia, 18.9 per cent; China, 5 per cent; and the EU, 7.4 per cent

Foreign direct investment

Zambia has affirmed its commitment to fostering private sector development and attracting FDI. Since the 1990s, FDI has come to play an increasing role in Zambia's economy, contributing to increased capital inflows and investment, rehabilitating the copper industry and boosting the production and export of non-traditional products and services as well.

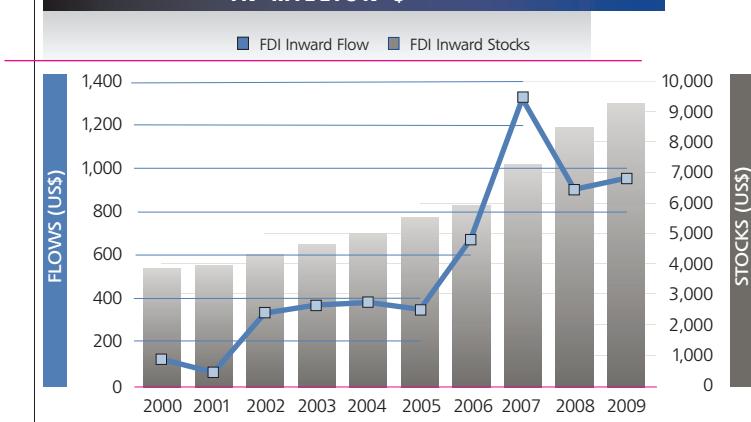
FDI flows had been on the rise, due mainly to a massive pouring in of investments in the mining sector. Of the total investment pledges by ZDA-licensed companies for 2008, 70 per cent were directed into the mining sector. The second largest sector for FDI is the services sector, with the entry of new international banks and the expansion of investments by current players in the telecommunications sector. The tourism industry is also attracting new foreign investments in recent years, particularly with the active promotion and development of the Victoria Falls region, including the opening of new game parks in the sites around the area. New destinations are also being developed in the Northern region. Agriculture has likewise been attracting FDI particularly in the production of horticultural and floricultural products, as well as fruits, cotton, maize, tobacco and sugar.

**TABLE II.2. TOP EXPORT AND IMPORT MARKETS IN 2009
(PER CENT OF TOTAL)**

EXPORT MARKETS		IMPORT MARKETS	
Switzerland	47.0%	South Africa	40.0%
China	11.2%	Dem. Rep. of the Congo	12.8%
South Africa	9.2%	Kuwait	10.6%
Dem. Rep. of the Congo	7.0%	China	4.7%
United Arab Emirates	3.3%	United Kingdom	3.6%
Saudi Arabia	2.7%	India	3.5%
Egypt	2.5%	United Arab Emirates	2.9%
United Kingdom	2.0%	Kenya	2.1%
Zimbabwe	2.0%	Japan	1.7%
Rep. of Korea	1.8%	Germany	1.6%

Source : UN COMTRADE database, accessed online in June 2010.

**FIGURE II.3. TRADE BALANCE, 2003 TO 2009,
IN MILLION \$**



Source : UNCTAD FDI/TNC database – www.unctad.org/fdistatistics

10 Most of the figures for this section were taken from African Economic Outlook, accessed online at www.africaneconomicoutlook.org in February 2011

The government of Zambia has undertaken several reforms aimed at strengthening the country's foundations to make it an attractive destination for investments. Building on its privatization programme and the subsequent private sector reform programme, the country has set ambitious goals to address some of the major bottlenecks to doing business and the main concerns for investors including improving basic infrastructure and facilities, simplifying business registration procedures and the reduction of required licences, improving access to finance, especially for SMEs and fighting graft and corruption.

The Zambia Development Agency (ZDA) which was created in 2006 to facilitate economic growth through three main channels – investments, exports and small businesses – now serves as a one-stop agency providing incentives and other business facilitation support services to companies with ZDA licences (a detailed discussion on the ZDA is found in Part IV).

The Government is also looking beyond its traditional investment partners including China and India which in recent years have invested in large-scale projects either through public-private partnerships (PPP) or joint ventures.

The first Multi-facility Economic Zone (MFEZ) (refer to Part III for a discussion on the MFEZ), the Chambishi Multi-Facility Economic Zone located in the Copperbelt region was established by China Non-ferrous Metal Company (CNMC). The Chambishi MFEZ is estimated to generate investments of \$900 million over a five-year period. Another \$100 million Chinese investment was committed for the construction of the Lusaka sub-zone near the Lusaka International Airport.

Infrastructure and utilities

Telecommunications¹⁰

Existing ICT infrastructure covers 72 per cent of the population, mainly through mobile telephone services, which are available in all district capitals. In general, teledensity remains low, with a ratio of 0.77 per 100 inhabitants for fixed-line, 36 for mobile subscribers and 0.14 for internet users. The rural areas are less serviced, with only 0.3 per cent having fixed telephone lines. 28 per cent of rural areas remain with no access to mobile services. Zambia Telecommunications Company (ZAMTEL) provides approximately 90,000 fixed lines throughout the country with 12 million people. ZAMTEL also provides mobile services but controls a very small share of the market. The two other companies providing mobile services are Zain (formerly Celtel), which controls around 70 per cent of the market for mobile telephony, and South Africa's MTN, which has 15 per cent share. With the easing of access to mobile subscription (around 98 per cent use prepaid), there was a huge jump in subscription from 2.4 million in 2006 to 3.5 million by 2008. There are 19 Internet access private providers servicing a relatively small market of about 18,000 subscribers. Zamnet, which started operations in early 1990s, is the oldest provider. Efficiency and reliability of service remain hampered by poor fixed-line infrastructure.

Telecommunications and Internet user fees are high relative to regional average, owing partly to a number of taxes (e.g. 10 per cent tax on airtime, 16 per cent VAT and 5 per cent regulatory fee) and duties on imported equipment (ranging from 5 to 25 per cent). Fees for a one-minute call are about \$0.5 on peak time and \$0.35 on off-peak time.

Efforts are underway to improve telecommunications infrastructure to realize a more cost-efficient operation translating into better and cheaper service with a wider reach. The new Telecommunications Act liberalized the international gateway through a reduction of the license fee from \$12 million to \$350,000. The reduction subsequently resulted in a 40 to 80 per cent price cut in international calls by mobile phone operators. Zambia is connected to the South Atlantic 3/West Africa submarine cable through Namibia and plans to establish other transit partnerships to further

11 Energy Sector Report 2008, Zambia Energy Regulatory Board, 2010-2012 Medium-Term

12 Expenditure Framework and the 2010 Budget, Ministry of Finance and National Planning, August 2009.

13 "World Bank accepts electricity hike", *The Zambia Chronicle*, 26 July 2009. Accessed online on 01 March 2010.

reduce costs. New mobile telephony technologies like broadband and 3G are being installed for leasing. Improving the rural population's access to information is also a priority with mobile operators being given incentives to provide services in remote areas.

Energy

Zambia is well-endowed with hydropower and other energy resources which also include woodlands and forests, coal and renewable sources of energy. Currently, electricity production in Zambia is almost 100 per cent from hydropower sources. A large regional exporter of electricity until 2005, Zambia became a net importer as generation capacity fell with the commencement of rehabilitation work on its ageing hydroelectric power stations. As a result, households suffered between 30 to 40 hours (in some cases, more) of unplanned outages in 2008 alone.

While installed capacity stands at 1,822 MW, current rehabilitation and upgrading works on some generation plants has reduced the available capacity to about 1,300 MW, which is not enough to meet demand, the peak of which was recorded at 1,500 MW. Power deficit is expected to increase without new capacity being commissioned. The on-going rehabilitation works of the main hydro stations including that of the Kariba North Bank, Kafue Gorge Lower and the Itezi-tezhi is expected to add between 1,000 to 1,100 MW to the existing capacity. The mining sector ranks as the biggest consumer of power taking up about 54.5 per cent of total consumption.

Electricity access rates remain very low, with only 22 per cent of the total population having access (49.3 per cent in urban areas and only 3.2 per cent in the rural areas)¹¹. The government's target

is to increase the electricity reach to 66 per cent of households nationwide by 2030, of which 90 per cent would be for urban areas and 51 per cent for rural areas.

Zambian's electricity tariffs are among the lowest in the region and are seen as one of the main reasons for the continued inadequacy of funds to undertake the required upgrading of and maintenance work on existing power plants to ensure their efficient production. To address this, the government has announced its goal to have electricity tariffs at cost-reflective level by 2011. To this end, average tariffs were to be increased by 25 per cent in 2009 and 26 per cent for 2010¹². The tariff increases have been much-awaited and are crucial to attracting the necessary private investments into the energy sector. The World Bank estimates that \$4 billion is needed for new generation and rehabilitation projects and over \$1 billion for transmission.¹³

Zambia continues to trade power with the interconnected utilities in the Southern Africa Power Pool (SAAP). High voltage exports were mainly to ZESA of Zimbabwe and Eskom of South Africa while low voltage exports were supplied to border towns. Imports were mainly from Eskom of South Africa and SNEL of Congo.

With a potential estimated at 6,000 MW and high demand for power in the Southern Africa region, the opportunity in this sub-sector is enormous both in electricity generation and transmission. The Government is encouraging private sector participation through public-private partnership (PPP) initiatives. The Kafue Gorge Lower Hydro Project (600 MW generation capacity), the largest planned power project, is estimated to cost \$1.5 billion at completion in 2014. About 11 local and international firms have shown interest in the project.

TABLE II.3. EXPORTS AND IMPORTS OF ENERGY, IN MWH, 2006 TO 2008

	2006	2007	2008	% CHANGE
Exports	552,283	416,720	95,843	77%
Imports	45,609	274,828	263,706	4%

Source : ZESCO Statistics 2008.

14 This project eases transport between Zambia's Copperbelt and Luapula Province, and the Democratic Republic of Congo; an important development for the mining sector.

The Itezhi-tezhi project (120 MW generation capacity) is being executed on a PPP between ZESCO and TATA Africa Holdings. The project is expected to cost \$270 million at completion in 2013. The Kariba North Bank Expansion project (360 MW generation capacity), with an estimated cost of \$312 million, has started and is expected to be completed and commissioned in 2013. These, together with private investments in the development of mini-hydro power plants, are expected to significantly improve Zambia's performance in electricity provision and exports as well. The construction of mini-hydro power plants is seen as particularly important to service far-flung villages and promote and support more productive activities there, including agriculture and agri-business activities of SMEs

Box 1. The North-South Corridor Project: Improving road and rail transport to facilitate trade

The North-South Corridor Project is a joint COMESA-EAC-SADC initiative to better facilitate the movement of goods and people by improving the road and rail travel along two priority corridors: the Dar es Salaam Corridor, which links the port of Dar es Salaam to the Copperbelt and the North-South Corridor, which links the Copperbelt to the southern ports of South Africa. The Corridor, along with its spurs, services eight countries: United Republic of Tanzania, Democratic Republic of the Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique and South Africa.

The costs of transport in Eastern and Southern Africa are affected by the quality and availability of roads, the cost of fuel and the ease of border clearance. The longer the transit delays, the higher are the costs of transport to users. As long as internal transport and energy costs remain relatively high, the incentive to invest in the productive economy is reduced, and production levels will stay low.

The North-South Corridor Project seeks to address these issues. Aside from improving the physical transport infrastructure (e.g. roads, rail, border posts, ports) and electricity (e.g. distribution and generation), it also seeks to contribute to the enhancing the regulatory environment for trade, transport and energy by simplifying and reducing cross-border clearing procedures, harmonizing transit and transport regulations, simplifying administrative requirements and addressing electricity tariff issues along the length of the North-South Corridor.

The North-South Corridor was selected as a pilot aid-for-trade programme because it is the busiest corridor in the region, both in terms of volume and the value of goods in transit; and traffic along the corridor is expected to get even busier in years to come. The goal is to ensure that investments and measures to facilitate trade are implemented in a coherent, coordinated and sequenced manner, so as to maximize synergies and amplify the positive impact on producers and consumers.

Source: Aid for Trade at a Glance 2009: Maintaining the Momentum, OECD and the WTO..

Transport

Like many landlocked developing countries, transport infrastructure plays a key role in Zambia's economy and an important factor determining its competitiveness. The transport system of Zambia consists mainly of road and railways and to a lesser extent airlines and inland water. More than three quarters of total goods trade are transported by road or by rail. The Government realizes the importance of infrastructure development and in this regard, has increased budgetary allocations to finance key infrastructure projects. Complementary to these efforts are support from donors, increased private sector participation, in particular, through PPP projects and regional projects carried out through COMESA or SADC.

Road transport

An estimated 70 per cent of Zambia's trade in terms of volume goes through its road networks, with South Africa being among its key trading partners (its number one import partner in 2008) accounting for about 45 per cent of total freight traffic. Currently, of Zambia's 40,113 km of classified road network, only 7,213 km are paved with the remaining 32,900 km unpaved.

The poor state of Zambia's road infrastructure has resulted not only in higher cost of transportation due to frequent replacement costs for transportation providers but, more importantly, has made the cost of doing business in the country very prohibitive. This is especially accentuated in the case of landlocked Zambia, where road networks are its vital arteries to source key inputs from neighbouring countries or have access to their ports. Zambia is currently engaging in active private-public partnership arrangements to develop its key infrastructure, especially roads.

In line with the Government's commitment to improve road infrastructure to reduce the cost of doing business, improve access to rural areas and promote new tourism destinations, among others, several projects were made a priority for 2010. Among these include the completion of the Zimba-Livingstone Road, the upgrading of the Choma-Chitongo and the Chembe-Bridge-Mansa¹⁴ and the improvement of other key road networks and feeder roads, particularly those leading to pro-

moted tourism destinations and farm block projects. Rural road development in nine identified provinces was also a priority. With the support of key donors, the Government's Road Sector Investment Programme (ROADSIP), which is now in its second 10-year phase (2004-2013), is expected to bring the core road network (40,113 km) to a maintainable condition. Similarly, several other projects are being implemented at the sub-regional level through SADC and/or COMESA (please see box below).

Rail transport

Zambia's geographic location makes it a strategic transit point for the transport of goods to and from the surrounding region and to the ports of Benguela (Angola), Dar-Es-Salaam (United Republic of Tanzania), Beira and Maputo (Mozambique), and the main port of South Africa. For this reason and to complement the heavy road traffic volume, the development of the railway system remains one of the Zambian government's priorities.

The Zambian railway network operates on two systems – the Zambia Railways Limited (ZRL), which was concessioned in 2003 for 20 years to Railway Systems of Zambia (RSZ), and the Tanzania-Zambia Railway System (TAZARA). TAZARA runs from Dar-es-Salaam to Kapiri Mposhi, near Lusaka, where it connects to the ZRL system. It is the main route for the transport of copper cathode to Europe, China, and the United States. It is jointly owned by the Governments of Zambia and United Republic of Tanzania, and was initially financed by China in 1975. The state of Zambia's railway networks is very poor and needs urgent improvements. Its non-reliability as an alternative to road transport has contributed to the further deterioration of the already heavily-loaded highways that link Zambia with its neighbours.

Important improvements are foreseen to restructure and expand the railway network. The Government has signed an agreement with Northwest Rail, a private company, to build a 685-kilometer railway linking the Copperbelt region to Angola's Benguela for an estimated cost of \$250 million. The construction of the 27-kilometer Chipata-Mchinji railway, which links the Zambia's Eastern border with Malawi through to Nacala Port in Mozambique,

bodes well for fostering regional trade and offers a cheaper alternative to road transport. The Government is likewise exploring ways to improve TAZARA's performance, including seeking private participation in the management and operation of the rail network. Likewise, RSZ has committed itself to rehabilitate the existing network and during the duration of its concession.

Air transport

Air transport is vital for several non-traditional exports notably horticulture, floriculture and tourism. But Zambia's aviation market remains one of the smallest in the Southern African continent, with only British Airways, South African Airways and Kenya Airways operating intercontinental flights. Its four main international airports are in Lusaka -- the country's main gateway to the rest of the world, Ndola (servicing the Copperbelt region), Livingstone and Mfuwe. Passenger movement, which has seen a steady increase in recent years, was recorded at 1.2 million in 2008. Similarly, traffic at Zambian airports grew by 12 per cent between 2007 and 2008¹⁵.

The government has made some progress in and continues to prioritize the rehabilitation of airports and airstrips across the country, including improving the Kasama Airport, a key access point to the Northern district which is being promoted as a new tourist destination and the Solwezi Airport at the Northwestern province, where mining is also a key activity.

16 2008 Educational Statistical Bulletin, Ministry of Education, Zambia; African Economic Outlook, Zambia Social and Human Resource Development. Accessed online via www.africaneconomicoutlook.org Accessed on February 2011.

Health services

Like many countries in sub-Saharan Africa, Zambia suffers from the debilitating effects of poor health systems, with a significant part of its population suffering from various serious but otherwise preventable illnesses such as malaria, HIV/AIDS and tuberculosis, among others. Health conditions had impacted on worker productivity and the quality of human resources available for employment. The Government, together with various donors and cooperating partners, have stepped up efforts in recent years to improve Zambia's health care system.

While expenditure on health saw an increase from 7 per cent to 12 per cent between 2006 and 2009, the Ministry of Finance and National Planning foresees a steady decline during the period 2010 to 2012 (8 per cent) due mainly to reduced donor contributions over the medium term. Although the available resources will be allocated to continue key projects such as construction of health infrastructure, recruitment of personnel and procurement of drugs (particularly for the prevention and treatment of HIV/AIDS) and medical equipment, this decrease in donor contributions might jeopardize the improvements that have been recorded in the recent years, as the table below shows.

The Government has announced that, despite the external funding shortfall, it has increased the domestically-financed budget for the health sector and allocated resources to pursue projects to improve the overall health system provision. These projects include: the construction of additional hospitals and health posts and the rehabilitation of existing ones; making essential drugs and medical supplies more widely available, including for the prevention and treatment of HIV/AIDS; actively fighting against malaria; and recruiting qualified essential and frontline medical staff to improve health service delivery.

There are good privately-run clinics and hospitals in Lusaka and the Copperbelt area for treatment of normal health problems. Specialist medical centres are being developed and encouraged. There are also several good dentists in major cities.

Education

The FNDP 2006-2010 committed the Government to increase funding to education as a key sector in development. Expenditure in the education sector stood at 17.2 per cent (of total expenditure) in 2009 and expected to increase to 18.6 per cent in 2012. Strategic programmes include the construction and rehabilitation of schools and technical colleges and the recruitment of teachers.

Substantial progress in the provision of education has been observed in the recent years, not least with the rise in number of basic schools from 5,773 in 2003 to 8,195 in 2008. In addition, net enrolment rate in grades 1 to 9 increased from 78.8 per cent to 104.71 per cent (for both male and female students), completion rates increased from 38 per cent to 49 per cent, and the number of teachers in basic schools increased from 41,500 to 61,111 with additional 5,000 new teachers recruited in 2008 alone¹⁶. Access at high school level has, however, not progressed at the same pace as at the basic schools, with inadequate infrastructure impeding the absorption of children progressing to higher grades. The adult literacy rate, which is 70.6 per cent, is higher than the sub-Saharan Africa and low-income country averages.

TABLE II.4. KEY HEALTH INDICATORS OF ZAMBIA

INDICATOR	2004/2005	2007/2008
Under five mortality rate (per 1,000 live births)	168	119
Life expectancy at birth (years)	38	38.63
Hospital beds (per 10,000 population) %		2.3
HIV/AIDS prevalence about adult (age 15-49) %	16.5	14.3
Malnutrition rate (underweight)% of age 3-59 months	20	14.6
Fully immunized children under 1 years	80	84.9
Clinical officers	1,161	1,386
Nurses	8,369	9,190
Doctor	646	815
Pharmacists	108	158

Source: WHO, Statistics of Ministry of Health, Fifth National Development Plan 2006-2010, UNDP-MDG Status Report 2008.

Zambia has three public universities: the University of Zambia located in Lusaka and the oldest and the largest in terms of faculty; the Copperbelt University located in Kitwe; and the Mulungushi University located in Kabwe, Central Zambia. There are also a few private universities. Zambia is faced with the challenge of retaining qualified staff and lecturers. In the past years, Zambia's deteriorating economic conditions have led to the exodus of professionals in the education sector to other parts of southern Africa. For Zambia, this was a huge loss and impacts significantly on its own ability to train the younger generations to meet the needs of the government and the employment market. The shortage of skilled human resources has been highlighted as a critical issue for the Zambian economy. The country is not only wanting in skilled personnel for managerial and technical positions (engineers, surveyors) but also lacks training for certain artisanal jobs required in the construction and mining sectors. For this reason, and to be an attractive investment destination, there is a strong imperative for the government to improve the educational sector, including addressing the issue of educational staff/professor retention.

Vocational training is widely available and is regulated by the Technical Education, Vocational and Entrepreneurship Training Authority (TEVETA). It is estimated that around 300,000 youths leave the school system each year and a majority of these could not pursue further education and could be absorbed by the employment market either. The vocational training institutions, numbering 304 in 2009 and are established in various locations in the country, are intended to provide targeted learning to meet the current needs of the industries or prepare those interested to set-up their own businesses (self-employment). Access to vocational training services by potential and eligible population has remained low at less than 13 per cent. For the 2010 budget, the Government committed increased resources for the construction of basic school buildings and additional classrooms and the procurement of educational materials for primary and secondary schools, and for tertiary and TEVET institutions, increased disbursement to support operations and infrastructure development.

There are satisfactory private infant, primary and secondary schools in Lusaka catering to expatriates including the American International School, the Lusaka International Community School, the International School and the Baobab School. There are also privately-run nursery schools for children between two and a half and six years old.

TABLE II.5. LITERACY RATE: ZAMBIA AND RELEVANT COUNTRY GROUPINGS

COUNTRY/GROUPING	ADULT LITERACY RATE (%)
Zambia	70.6
Sub-Saharan Africa	62.9
Least developed countries	56.6
Low-income countries	63.5

Source: Human Development Report 2009, UNDP.
Accessed online in March 2010. Latest available data was for 2007.

17 Trade Policy Review Report Zambia, Revision. Report by the WTO Secretariat, 8 October 2009

18 Ibid.

19 Information on the banking system is drawn from Bank of Zambia's Annual Report 2008 (the most recent report available as of end of March 2010).

Labour

Labour legislation in Zambia is mainly contained in the Employment Act and the Industrial and Labour Relations Act, both of which are currently under review. The Employment Act stipulates basic employment conditions including the minimum contractual age, establishment of employment contracts, settlement of disputes, appointment of labour officers and conditions of employment, among others. The 1993 Industrial and Labour Act as amended by Act No. 30 of 1997 and Act. No. 8 of 2008 includes provisions on the conduct of industrial relations, the establishment of workers/employers organization, collective bargaining, settlement of disputes and consultative machinery.

Zambia has an estimated 4.9 million people comprising the labour force, 70 per cent of which is employed in agriculture. Low labour productivity is one of the main challenges that the country has to address. According to the World Bank, Zambian firms use over \$12,000 of capital per unit of labour, compared to East African countries' average of \$3,500¹⁷. This low productivity is attributed to several factors, including poor education, outdated labour laws and low life span (due mainly to the HIV/AIDS epidemic), which adds additional burden to firms who need to train multiple people to fill in key positions¹⁸.

The minimum wage, as prescribed under the Statutory Instruments 55 and 57 is currently set at K 268,800 (\$57) without allowances and at K 500,000 (\$105) with allowances per month for the lowest category of worker. In addition to salary payments, employers are also required to provide housing or equivalent allowance, transport services or equivalent allowance and lunch/meal allowance. Employees are entitled to two days of leave per month of service. Maternity leave is granted for 12 weeks under the Employment Act and 16 weeks under the Statutory Instruments.

The Government is currently undertaking extensive consultations through the Tripartite Consultative Labour Council which comprises the Government, employers and employees' representatives. Among those discussed is the Employment Act, which is a direct response to the concerns of the business community on the various aspects of the Act which are deemed to increase the cost of doing business in Zambia.

The financial sector

Zambia's stable macroeconomic environment and improvements in its regulatory framework have contributed to the satisfactory performance of Zambia's financial system in recent years. The Bank of Zambia (BoZ), which is the country's central bank, regulates the financial system. The country has complied with most of the Basel principles of 2002 and the Government's Financial Sector Development Plan 2004-2010 (FSDP) had led to a number of recent reforms such as the modernization of the national payment system and insurance of corporate governance guidelines by the BoZ.

The banking system¹⁹ is relatively well-capitalized, with all banks meeting the minimum capital adequacy ratio of 5 per cent and 10 per cent for primary and total regulatory capital, respectively (Basel II requiring 4 per cent and 8 per cent). The overall banking sector's capital adequacy ratios in 2008 closed at 15.7 per cent and 28.6 per cent for primary and total regulatory capital, respectively. Asset quality was satisfactory with the ratio of gross non-performing loans (NPLs) to the total gross loans lower than in previous years at 7.2 per cent in 2008 compared to 8.8 per cent in 2007 and 11.3 per cent in 2006. The banking sector's total assets in 2008 stood at \$3.6 billion, a 24.4 per cent increase from last year's.

Domestic credit registered a 37.8 per cent growth in 2008 compared to 19.8 per cent recorded in 2007. In absolute terms, it increased to \$2.2 billion in 2008 from \$1.61 billion in 2007. Credit to the private sector increased by 50 per cent while that to households grew by 164.4 per cent. Commercial loans and advances registered a relatively lower growth at 41.4 per cent in 2008 compared to 2007's 46.7 per cent.

The Insurance sector in Zambia is small, but growing rapidly. The Insurance Act requires composite insurance companies registered under Pension and Insurance Authority (PIA) to split life and non-life business. The State-owned Zambia State Insurance Corporation (ZISC) is no longer the leading player in the field with Professional Insurance Corporation dominating the non-life sector and Madison Life dominating the life sector respectively. There are currently 12 registered insurance companies

20 Towards a strategy for microinsurance development in Zambia - A market and regulatory analysis, Centre for Financial Regulation and Inclusion, Business School, July 2009.

21 2010 Budget Address by Dr. Situmbeko Musokotwane, Minister of Finance and National Planning to the National Assembly on 9 October 2009. Accessed online via BoZ website: www.boz.zm. Accessed in January 2010.

operating in Zambia namely ZSIC (life insurance), Professional Life Assurance, Madison Life Assurance, Blue Assurance Services Zambia (registered in 2009), African Life Assurance, Cavmont Life & Asset Management Company Ltd, Cavmont Capital Insurance Corporation Ltd, Goldman Insurance Ltd, Nico Insurance Zambia Ltd, Madison General Insurance, Professional Insurance Corporation (Zambia) Ltd. and ZSIC. Zigi Insurance, which used to be a major player, is currently in the process of being wound down. There is also great potential and need for microinsurance in Zambia. Madison Insurance and NICO Insurance have reached the low-income market through partnerships with microfinance institutions (MFIs). Blue Assurance Services (Zambia) was incorporated by an MFI and focuses mainly on developing microinsurance products for the under-served rural areas²⁰.

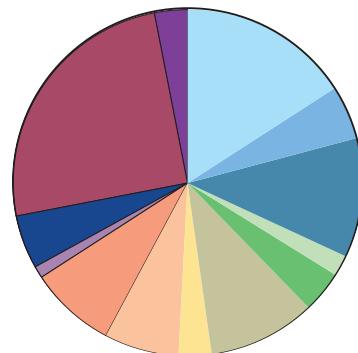
As of 2008, there were 21 registered micro-finance institutions (MFIs), a significant jump from 8 in 2007. MFIs are increasingly seen as alternative sources of much-needed finance to the low-income groups and SMEs. All BoZ-licensed MFIs were adequately capitalized, with total assets amounting to \$98.6 million. New entrants' capital and retained earnings increased the total assets of MFIs by 84 per cent compared with 2007 figures.

While the banking sector has seen the entry of new banks (to a total of 14 banks in 2008) and the expansion of existing banks including to locations previously not served (mainly in rural areas), as well as the increase in the number of microfinance institutions (21 in 2008), access to local finance has been identified by many investors as among the major factors impeding the setting-up or expansion of business ventures in Zambia. For one, locally-available commercial lending rates have remained high, at 27.9 per cent in 2008, albeit down from 27.9 per cent in 2006 and 2007. In addition, there are other stringent requirements such as collateral, mainly land, which many individual borrowers do not have, and the relatively short time-frame (usually a year) given to pay out the loan.

The Government has announced that the BoZ will introduce an overnight lending facility to commercial banks to increase liquidity in the market. It will also introduce a framework to facilitate secondary market trading for government securities and other debt instruments to provide additional liquidity to investors²¹.

FIGURE II.7: DISTRIBUTION OF LOANS AND ADVANCES BY SECTOR, 2008

Agriculture, Forestry, Fishing & Hunting	16%
Mining and Quarrying	5%
Manufacturing	11%
Electricity, Gas, Water & Energy	2%
Construction	4%
Wholesale & Retail Trade	10%
Restaurants & Hotels	3%
Transport, Storage & Communications	7%
Financial Services	8%
Community, Social & Personal Services	1%
Real Estate	5%
Personal Loans	25%
Other Sectors	3%



Source: Bank of Zambia, Annual Report 2008.

The Lusaka Stock Exchange

The establishment of the Lusaka Stock Exchange (LuSE) in 1993 was part of the Zambian government's efforts at developing its financial and capital markets. The LuSE offers trading in equity securities and in 1998 served as the official market for trading in government bonds. Listed companies include those in the banking, retail trading, oil marketing, manufacturing, property, agricultural processing and hospitality services. Market capitalization rose by 7.9 per cent to \$4.3 billion in 2008 on account of the listing of Copperbelt Energy Corporation, Zambia National Commercial Bank and Celtel (Zain).

Some of the incentives that the LuSE offers to investors include:

- Absence of restrictions on shareholding levels and foreign ownership;
- No capital gains tax;
- No withholding tax on dividends paid by listed company to individuals;
- Discount of 2 per cent on corporate income tax of companies for the first year of listing;
- No property transfer tax on listed securities.

The market is regulated by the 1993 Securities Act and enforced by the Securities and Exchange Commission.

The private sector

The private sector is represented by various trade and sector associations in policy discussions and advocacy and to some extent, policy reforms and formulation. The two main umbrella organizations are the Zambia Association of Chambers of Commerce and Industry (ZACCI), which represents district trade associations, and the Zambia Business Forum, which gathers together nine sectoral associations, including ZACCI, the Zambia Association of Manufacturers (ZAM), the Tourism Council of Zambia (TCZ), the Zambia National Farmers Union (ZNFU), the Zambia Chamber of Small and Medium Business Associations (ZCSMBA), the Chamber of Mines, the Zambia Indigenous Business Association (ZIBA), the Zambia Federation of Employers and the Bankers Association of Zambia (BAZ).

The Zambian Business Forum participates in the government's Private Sector Development Reform Programme (PSDRP) on behalf of the private sector.

In 2004, the Government of Zambia launched the PRSDP which aimed at creating a favourable and competitive environment for a vibrant private sector. Its goal was to lay the foundation for faster sustained private sector led growth by improving the investment climate. It encompassed reforms across various sectors of the economy.

TABLE II.6. PSRDP REFORM AREAS

REFORM AREA	REFORM OBJECTIVE
Policy environment & institutions	Create an enabling macroeconomic environment, strengthen the public agencies that support PSD and enhance public/private dialogue
Laws & regulations	Improve regulatory frameworks and revise investment code to foster Private Sector Development (PSD)
Infrastructure	Enhance infrastructural platform for PSD by encouraging private investment in infrastructure
Business facilitation & economic diversification	Remove administrative barriers to business entry and operation and facilitate development of high growth sectorsLow-income countries
Trade expansion	Create opportunities to access regional and international markets by Zambian businesses
Citizens empowerment	Unlock the growth potential of the MSME sector through business development support and local empowerment initiatives

Source: Private Sector Development Reform Programme Completion Report, January 2006 - May 2009.
Prepared by the PSDRP Programme Management Unit, June 2009.

The Programme was developed around six reform areas with defined reform objectives.

After the project's first phase (2004-2009), the programme takes credit for the creation of new institutions, the amendment and enactment of new laws (including the ZDA Act and the Labour and Industrial Relations Act) and the approval of a number of policies (e.g. ICT Policy and the National Energy Policy), all of which concern the private sector and have implications on improving the

business environment and enhancing the investment climate in Zambia. On addressing administrative impediments to business establishment, the programme has effected the reduction of registration time from two weeks to 3 days and the registration of business name could now be done in one aimed to reduce the number of licenses required to start-up and operate a business in Zambia by 30 per cent, this remains among the challenges that the second phase of the project, running from 2010 to 2014, has to address.

Box 2. The Citizens Economic Empowerment Act: Empowering Zambians through business entrepreneurship

The Citizens' Economic Empowerment Act of 2006 was enacted to ensure the substantial and meaningful participation of Zambian citizens and companies in the economy and thereby decrease income inequalities. The intended beneficiaries are the following: (a) targeted citizens (women, youth, the disabled and people living with HIV); (b) citizen empowered companies (with citizen participation ranging from 25 per cent to 50 per cent); (c) citizen-influenced companies (those who employ at least 25 people with 5 per cent and 25 per cent citizen's participation); and (d) citizen-owned company (where citizens own 50.1 per cent and more). Among others, it seeks to empower these beneficiaries through (a) providing possibilities to own productive assets and resources; (b) increasing the levels of employment in the formal sector; (c) increasing household incomes; (d) expanding literacy and skills development; and (e) ensuring preferential procurement and access to services of state institutions.

In the area of investments, partnerships with the Act's beneficiaries are particularly encouraged. Art. 21 of the Act states that "licences to foreign investors to engage in specific businesses... shall be granted on the basis of joint ventures and partnerships with citizens and citizen empowered companies". It further provides that "priority concessions, licences and incentives given under law shall be granted to companies that are implementing the programmes under this Act". The Act does not prescribe any requirement on the extent of partnership, but the Citizens Economic Empowerment Commission (CEEC) insists that any such joint ventures must be 25 per cent Zambian.

In its initial years, an Empowerment Fund amounting to \$25 million dollars was earmarked to implement the priority empowerment programmes. A total number of 3,598 applications had been received as of September 2009, of which, 240 projects had been approved, mainly in the following sectors: agriculture, manufacturing and tourism.

Source: Interview with Citizen Economic Empowerment Commission (CEEC) official;
various CEEC brochures.



Areas of opportunity



22 Bank of Zambia.

23 Ibid.

24 The last time this figure was reached was in the 1970

Zambia is welcoming private sector investments and public-private sector partnerships in a number of sectors, including in agriculture and agro-processing, energy, tourism, and manufacturing. Mining has been the country's primary area of growth in the last decades.

The section that follows provides a description of some of Zambia's attractive sectors for investment. A full listing of the priority sectors and those that are eligible for incentives are listed in the appendix.

Mining and related sectors

The mining sector has been the backbone of the Zambian economy, with copper and cobalt production being the two main contributors to the country's gross domestic product (GDP) and export earnings. Zambia, in addition to copper and cobalt, is also endowed with gold, diamonds, zinc, gemstones (emeralds, amethyst, aquamarine, tourmaline, garnets and citrine), coal and a variety of agro and industrial minerals.

As the world's seventh largest producer of copper and the second largest producer of cobalt, the country saw copper production increase by 19 per

cent in the first 11 months of 2009 compared to the same period in 2008, reaching 636,528 tons versus the previous year's 536,460 tons²². Exports of copper rose to 612,021 tons between January and November 2009 compared with 517,647 tons in the corresponding period in 2008. Similarly, for the same period, cobalt production rose to 5,464 tons from 4,324 tons and exports increased to 5,275 from 4,259 tons²³.

With the completion of mining companies' expansion projects, including those of Konkola Mining Company's and the Lumwana Mining Company's, copper and cobalt outputs are expected to further rise, with copper production alone projected to reach 750,000 tons in 2012²⁴. With a total mineral resource of at least two billion tonnes in the Copperbelt region alone, the mining sector offers real potential for growth and further expansion.

Most large-scale operations in the mining industry are concentrated in copper and cobalt production, with small-scale mining operating in a variety of gemstones extraction and processing. The total investment in the mining sector is over \$8 billion, concentrated mostly in new mining projects of which 14 are foreign-owned.

TABLE III.1. MINERAL PRODUCTION AND VALUES IN EXPORT, 2002-2008

	2002	2003	2004	2005	2006	2007	2008	
Copper (in thousands)	336.7	349.8	427.8	459.3	497.2	535.0	604.7	Production (in tons)
Cobalt	4200	3400	6100	5400	4659	4809	4616	
Copper	521.4	609.8	1074.6	1485.9	2938	3406.5	3407.2	Value of export (in million \$)
Cobalt	50	62	284.2	158.2	146.1	261.2	302.1	
Gemstones	37.1	23.7	16.3	19.5	18.1	28.6	25.3	

Source : Ministry of Mines and Mineral Development.

TABLE III.2. LARGE MINING COMPANIES IN ZAMBIA

COMPANY	OWNERSHIP	PROJECT LOCATION(S)	MAJOR OPERATIONS
Konkola Copper Mines (KCM)	London-listed company Vedanta Resources Plc, – (51%) Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) – (20.6%) Zambia Copper Investments Ltd – (28.4%)	Konkola, Nchanga, Nampundwe	Konkola Deep Mining Project – projected to increase production capacity at Konkola from 2 million tons to 6 million tons of copper ore per annum Nchanga mine and Nchanga process plants Construction of a smelter at Nchanga with a capacity of 300,000 tons per annum
Mopani Copper Mines (MCM)	Glencore International (Switzerland) – 73.1% First Quantum Minerals (FQM) Ltd (Canada) – 16.9 % Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) – 10%	Kitwe, Nkana, Mufulira	Four underground mines, a concentrator, cobalt plant in Kitwe Underground mine, concentrator, smelter and refinery in Mufulira Expansion of Mufulira deep to extend the life of the mine by 15 years
Lumwana Mining Corporation	Equinox Minerals Limited – 100%	Malundwe and Chimwungo (Solwezi North-Western Province,)	The Malundwe and Chimwungo deposits (combined) are one of the world's largest copper deposits. The mine is expected to produce an average of 169,000 tons per year of copper metal contained in concentrates for the first six years of its mine life. Equinox' \$762 million investment is the biggest single investment in Zambia's history
Chambishi Mine	NFC Africa Mining Plc (NFCA) and China Non-ferrous Metal mining Group Co. (CNMC) – 85% Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH) – 15%	Chambishi	Chambishi Mine is expected to produce one million tons of copper ore per year Chambishi Copper Smelter – owned by CNMC and Yunnan Copper Group Co. – has the capacity to process 400,000 metric tons of copper concentrate annually

Source: Zambia Development Agency; company interviews; various other sources.

Box 3. The Citizens Economic Empowerment Act: Empowering Zambians through business entrepreneurship

The enactment of the Mines and Minerals Development Act in 2008, which replaced the previous 1995 Act, drew negative reactions from the major players in the mining sector, with some either cutting down their existing operations significantly or postponing planned exploration or expansion projects, resulting in a drop in production, job retrenchments and loss on government revenue. The mining companies' reaction was in opposition to what they considered a unilateral move by the government, with no consultations conducted, to scrap its Development Agreements with these companies while it introduced a new tax regime that significantly increased their tax burden.

During the process of privatization of the mining sector, the Zambian Government sought to attract private investments into the sector by offering various incentives, including those contained in the Development Agreements that it signed with mostly large-scale mining operators. Among others, these Development Agreements contained tax and regulatory conditions for mining companies which were meant to be binding for a fixed period of between 10 and 20 years and can only be modified through mutual consent.

The 2008 Act stipulated that, "the development agreement shall cease to be binding on the Republic." At the same time, a new tax regime for the mining sector introduced the following changes:

- (a) Increase in income tax from 25 per cent to 30 per cent where the income does not exceed 8 per cent of gross sales;
- (b) Introduction of a variable profit tax charged on net profit as a percentage of turnover -- sliding rate from 30 per cent to 7 per cent;
- (c) Introduction of windfall tax on turnover triggered at various copper prices (roughly equivalent to four times the royalty tax). This was subsequently repealed in April 2009;
- (d) Increase in royalties from 0.6 per cent to 3 per cent;
- (e) Elimination of privilege to deduct 100 per cent of expenditures on capital equipment from taxable income. Now companies are only allowed 25 per cent capital allowance deductions;
- (f) Hedging income no longer forms part of the mining income; losses from hedging are allowable deductions for five years;
- (g) Introduction of 15 per cent export tax for copper and cobalt concentrates.

The Government of then-President Levy Mwanawasa justified the new fiscal and regulatory regime as necessary to realize a more equitable distribution of mineral wealth. He added that despite these changes, Zambia's taxes remain comparable, if not lower than other copper-producing countries. With such measures, the Government expected to earn \$400 million in additional revenue. But this expectation was not met, as revenue from the mining sector fell to \$77.7 million in 2009 compared with \$128.4 million the previous year, despite the increase in production and exports, as some mining companies scaled down operations and refused to pay the Government their tax dues. Subsequently, Zambia abolished the windfall tax in April 2009.

Despite the tension it caused in the industry and the mining companies' and the chamber of commerce's uproar, no company has completely pulled out and new investment applications continue to pour in. The drama is still unfolding as companies and their representatives continue to press the Government to go back to the negotiating table and discuss the reinstatement of the scrapped Development Agreements. The Government is currently engaging with mining companies on a case-by-case basis.

Source: UNCTAD Survey, various online news clippings

The sector's contribution to the economy and, by extension, its development is, however, very dependent on the movements in the world prices of copper and cobalt as well as exchange rates. In 2002 for example, the price for copper went as low as \$1,560 per ton and reached a record high of \$9,600 at the end of 2010. For this reason, the Government has, time and again, emphasized the value of diversification of the economy and the development and promotion of other economic activities such as agriculture and tourism, in addition to encouraging more investments in the exploration of Zambia's rich mineral resources like gemstones and engaging in processing of copper and farm products for higher value addition.

Aside from copper and cobalt, Zambia also boasts precious stones such as emeralds, amethyst, aquamarine, gold and diamonds, among others. Zambia has the second-largest deposit of emeralds in the world, comprising 20 per cent of the world supply. Zambian emeralds are among the best and are preferred for their deep green crystal color. The sector is largely dominated by small-scale operators, with a few large operations including the Gemfields Resources (a London-listed company), which owns a majority stake in Kagem Mining Ltd., the largest emerald mine in Zambia, with annual sales of \$15 million in 2008 alone, and Grizzly Mining, which also operates the largest washing gemstones in the mining area. Zambia has the largest deposits of amethyst and aquamarine reserves in Africa, both largely unexploited, and offer opportunities for exploration and development. The country also has one of the highest-grade zinc and lead deposits in the world, with an estimated 11 Mt of ore containing 40 per cent combined zinc and lead in Kabwe area.

Zambia also has uranium deposits in various geological formations, most importantly in sediments of the Karoo basin that covers a large part of Southern Africa. Mineralization has been identified in parts of the Copperbelt region and southern regions of the country. Zambia has no immediate plans to use uranium locally, but currently works to build capacity in management and marketing of uranium according to standards of the International Atomic Energy Agency (IAEA).

Box 4. Licenses, taxes and incentives

The following three types of license are available to large-scale operators:

- (a) Prospecting license, which confers the right to prospect for any mineral over any size of area for a period of two years renewable;
- (b) Retention license, which confers the right to retain an area subject to the Ministers agreement, over which feasibility studies have been completed but market conditions are unfavorable for development of a deposit at that time; and
- (c) Large-scale mining license, which confers exclusive rights to carry out mining operations and other acts reasonably incidental thereto in the area for a maximum of 25 years.

All applications must be accompanied by environmental protection plans and by proposals for the employment and training of citizens of Zambia.

The following taxes, deductions and other incentives are offered to investments in the mining industry:

- (a) Royalties: A royalty is payable calculated as 3 per cent of the market value of minerals f.o.b. less the cost of smelting, refining and insurance, handling and transport from the mining area to the point of export or delivery within Zambia. Royalty payments may be deferred if the cash operating margin of a holder of a large-scale mining license falls below zero;
- (b) Corporate tax: The tax rate is 35 per cent; any mining company holding a large-scale mining license carrying on the mining of base metals is taxed at 30 per cent. Companies listed on the Lusaka Stock Exchange are taxed at 2 per cent discount of the prevailing tax rate;
- (c) Relief from income tax: Deductions from income tax are allowed on the following expenditures: capital expenditure – allowances of 25 per cent on plant, machinery and commercial vehicles; 20 per cent on non-commercial vehicles; 5 per cent on industrial buildings; prospecting expenditure under special circumstances; mining expenditure under special circumstances; mining expenditure on a non-producing mine; mining expenses incurred by a mine of irregular production close to the end of its life;
- (d) Relief from other surcharges: A holder of a mining right is exempt from customs, excise and VAT duties in respect of all machinery and equipment required for exploration or mining activities;
- (e) Remission: There are no restrictions in respect of the amount of profits, dividends, or royalties that may be externalized, although a general withholding tax of 15 per cent is levied;
- (f) Loss carry forward: Losses from mining can be carried forward for period of 10 years.

In general, the Zambian tax regime also provides the following terms:

- (a) 100 per cent deduction of pre-production expenses and other capital expenditures as defined in the Income Tax Act;
- (b) Accelerated depreciation allowances for expenditure on machinery and equipment which does not qualify for the 100 per cent deduction;
- (c) Losses can be carried forward for a period of five years for all businesses except mining;
- (d) Import duties are charged on specific items and the duty varies between 0-40 per cent. Certain essential goods such as crude oil, medical supplies and fertilizers are exempt from import duty.

Other taxes include non-resident withholding taxes, all charged at 15 per cent, including rents, contractors, dividends, interest, management fees and royalties.

Source: Zambia Ministry of Mines and Minerals Development website:
www.zambiamining.co.zm/mining-legislation.htm, accessed on 2 March 2011.

The Government furthermore plans to issue oil and gas exploration licenses to foreign investors and local companies in the course of this year. After geological surveys confirmed traces of oil in the North-western, Western and Eastern provinces in 2007, the Government issued an international tender to explore 23 blocks in 2009. At the same time, it also revised the Petroleum Production and Development Act and is currently working on new regulations for the monitoring and supervision of the sector. Overall, the Zambian Government actively seeks to create an enabling environment for investors into the petroleum sector as it sees an opportunity to diversify its mining sector away from copper and hedge against volatile copper prices.

The Zambia Development Agency has identified the following as among the opportunities awaiting to be tapped:

- (a) Joint-ventures with existing small-scale operators or in green field investments in gemstone mining and processing (emeralds, amethyst, aquamarine, tourmaline, garnets and beryl);
- (b) Manganese mining and processing for exports. Export markets include South Africa, Switzerland, Belgium and the Democratic Republic of the Congo;
- (c) Setting-up of smelting facilities, with the country's current shortfall standing at 300,000 tpa;
- (d) There are also various opportunities to provide mining support services (in particular, machinery) for the mining sector.

25 Fifth National Development Plan 2006-2010.

26 As 94 per cent of Zambia's total land falls under the Customary Land Tenure System, the Government has negotiated with traditional authorities to allocate portions of the land they control as farm blocks which are then made available to prospective investors for agricultural purposes.

Agriculture and related sectors

Agriculture currently accounts for 22 per cent of GDP and provides livelihood to more than 50 per cent of the population. It is the main source of income and employment for the Zambian people, employing about 67 per cent of the labour force.

Zambia has 752,000 square km of landmass, 58 per cent of which is arable. Currently, however, only 14 per cent of the arable land is under cultivation, which explains the Government's resolve to further develop the sector given its key role in promoting growth and in reducing poverty. Aside from the availability of land, Zambia is also endowed with a conducive climate, abundant water resources and labour.

Box 5. Environment framework for the mining industry

Key steps in establishing a project as laid down by existing regulations:

- Preparation of a project brief to the Director of Mines Safety describing the site, proposed activities and all aspect of potential environmental impact;
- The Director may request more information or can forward the brief to the Environmental Council of Zambia recommending either: rejection; acceptance after submission of a full Environmental Impact Statement; the project be accepted and be allowed to proceed immediately;
- Preparation of an Environmental Impact Statement and submission to the Director of Mines Safety;
- The Director of Mines Safety submits his recommendations to the Environmental Council which makes the final decision;
- Environmental Impact Statements, if called for, has to be updated annually or within fifteen months of the first statement;
- Environmental audits of project to be completed annually;
- If a developer finds the provisions of any regulation unduly onerous, he may apply to the Minister or Director of Mines Safety for an exemption from that regulation. The exemption may be granted under prescribed conditions;
- Developers of large-scale mining projects to contribute to the environmental Management Fund for rehabilitation purposes.

Source: Zambia Ministry of Mines and Minerals Development website:
www.zambiamining.co.zm/mining-legislation.htm, accessed on 2 March 2011.

The FNDP 2006-2010 agricultural development programme sought to increase spending on agriculture-related support services to increase agricultural productivity. The Government planned to increase the spending on agriculture to 9.0 per cent of total government budget by 2010 from 5 per cent in 2006. Aside from improving basic infrastructure and strengthening agricultural extension services, the government also promotes diversification in the production of both staple and cash crops to ensure food security. The on-going land development programme which involves opening up new farming blocks for commercial development and expansion of the agriculture sector will also be continued.

Each farming block is designed to have at least one core large-scale farm (core venture) of 10,000 hectares, several commercial farms of 1,000 to 5,000 hectares and small farm holdings of between 30 to 3000 hectares preferably under out grower arrangements. Currently, the Government has identified three priority Farms Blocks – the Nasanga, Kalumwange and Luena blocks. Farm blocks provide both local and international investors ready access to already surveyed land for agro productions purposes. For these three, the Government is providing and installing basic infrastructure and facilities such as trunk roads, bridges, electricity, dams, schools and health centres. The Government is actively looking for investors for the Nasanga Farm Block, which is the first block to be developed.

Promoting the agricultural sector is one of the government's strategy to diversify the economy and move it away from over-reliance on its traditional products and exports – copper and cobalt. Among the non-traditional crops with potential and are prioritized for investments include cotton, coffee, tobacco, sugarcane, pineapples, cashew nuts, cassava and horticultural/floricultural crops.

TABLE III.3. IDENTIFIED PROPOSED FARM BLOCKS

FARM BLOCK	PROVINCE	DISTRICT	SIZE (Ha)
Nasanga	Central	Serenje	155,000
Kalumwange	Western	Kaoma	100,000
Luena	Luapula	Kawambwa	100,000
Manshya	Northern	Mpika	147,000
Mikelenge/Luma	North-Western	Solwezi	100,000
Musakashi (SADA)	Copper-belt	Mufulira	100,000
Muku	Lusaka	Kafue	100,000
Simango	Southern	Livingstone	100,000
Mwase-Phangwe	Eastern	Lundazi	100,000

Source : Ministry of Agriculture and Cooperatives, Zambia

The cotton sector has recorded consistent growth in cotton production during the last 10 years and reaching its peak at 227,000 metric tons during the 2003-2004 period, only to drop significantly during the 2006-2007 season to 55,000 metric tons due to a large reduction in the area planted as a result of low crop price in the previous cropping season. Cotton is the number one small-holder farmer crop grown by over 280,000 households in Zambia under an out grower programme.

Box 6. Investor story: Zambia Sugar

Zambia Sugar, which started as a sugar refinery in 1960, expanded into sugarcane growing in 1964. Now a subsidiary of Illovo Sugar of South Africa, it benefits from the world class research and technological innovations in sugarcane growing. At present, it grows sugarcane at the Nakambala sugar estate situated about 135 km south of Lusaka. In addition, it also engages in outgrower scheme production. In 2007, Nakambala and Outgrowers produced a combined 1.88 million tons of cane.

Zambia Sugar markets sugar both for local and export consumption under the "White Spoon" label. The domestic sugar market remains the company's most important market with good growth prospects. With the entry into force of the new EU sugar arrangements incorporated into the terms of the new Economic Partnership Agreements (EPAs), Zambia Sugar is expected to increase its exports into the EU on a duty-free, quota-free basis. There is also a growing demand for Zambian sugar in the regional markets.

In 2007, the company launched the Nakambala Expansion Project, a two-year agricultural and factory expansion project worth \$200 million – the largest single investment made in Zambian agriculture to date. The project benefited from, among others, an investment Promotion and Protection Agreement concluded with the Zambian Government and an investment licence, issued by the Zambia Development Agency. The expansion included increasing the cane crushing capacity of the factory as a result of expanded sugar cane growing and the construction of new canals. On the agricultural side, the expansion translated into the construction of a network of dams, canals, pipelines, pump stations, roads and power reticulation to service the new areas of sugarcane development, which have all been planted to centre pivot irrigation system.

The expansion project prides itself for involving more small- and medium-scale Zambian growers. Zambia Sugar is well-renowned for its outgrower schemes within sub-Saharan Africa. The Nakambala Expansion has introduced for the first time in Zambia the Cane diffuser technology. In addition, it makes available a 160-ton steam boiler with supporting power generating plant capable of producing 30 Megawatts of power. The company aims to become self-sufficient in respect of power requirements for its own factory and agricultural operations and to supply power into the national electricity grid as well.

Zambia Sugar PLC is the largest single employer in the agricultural sector with a 6,000-strong work force at peak. The company offers accommodation and utilities to its employees on its estate and townships with 3,000 housing units. The company runs 5 clinics and 6 schools on the estate. The company has an active HIV/AIDS programme and VCT is encouraged. The company has an enviable reputation in environmental, health and safety standards and endeavours to maintain safe, healthy and environmentally friendly conditions in each and every work station.

Source: UNCTAD, from information provided by the Ministry of Commerce, Trade and Industry.

The major out grower promoters include Dunavant, Cargill, Great Lakes, Zambia-China Mulungushi Textiles, and Continental Ginneries.

Zambia's capacity to process (gin) seed cotton stands at about 261,500 metric tons of seed cotton per annum, well above the highest annual seed cotton production, demonstrating that there is reserved processing capacity which can accommodate increased seed cotton production. The government also sees the possibility of increasing cotton production from the current hectarage of about 300,000 to the full potential of 800,000. This could be through increasing yields of small-scale cotton growers as well as encouraging large-scale investments in cotton production.

Tobacco production is attractive to Zambian farmers because it is about 7.5 times more profitable per hectare than maize production and 14 times more profitable than cotton. Currently, Zambia produces and processes Burley and Virginia tobacco. Also comprised mainly of out-grower schemes, small, medium and large-scale production is welcome in the sector. The government also aims to increase tobacco processing for more value-added. Many small-scale tobacco growers are assisted by the Tobacco Association of Zambia (TAZ) as well as other major world buyers including Stancom and Dimon.

Sugar is among Zambia's most important agricultural export commodities. Currently, 55 per cent of sugar production is exported, including 10 per cent to the European Union under preferential trade agreements. The sector was privatized in 1994, and Zambia Sugar Plc, which is majority-owned by Illovo Sugar Ltd of South Africa, controls around 91 per cent of all sugar production in Zambia. In 2010, it was estimated that production reach 450,000 metric tons in a bid to increase sugar exports to the European Union and on the back of an investment of \$177.2 million. Aside from Zambia Sugar, sugarcane is also grown and processed by Consolidated Farming and the Lalungwishi Sugar Estates, both of which produce sugar exclusively for the domestic market.

The Government is also exploring the possibility of diversifying into bio-fuel production and eyes the production of bioethanol and biodiesel as a way to reduce the country's reliance on traditional fuel.

TABLE III.4. AGRO-ECOLOGICAL REGIONS OF ZAMBIA

PROVINCE	ANNUAL RAINFALL	SUITABLE AGRICULTURAL ENTERPRISES
Southern and parts of Eastern and Western Provinces	Less than 800 mm	Maize, cotton, sesame, millet, sorghum, ground nuts, beef, dairy
Lusaka, Central, Southern and Eastern	800 mm to 1,000 mm	Maize, cotton, soya beans, irrigated wheat, paprika, flowers, sunflower, tobacco, vegetable production, beef, dairy
Western	800 mm to 1,000 mm	Maize, rice, cashew nut, cassava, millet, vegetables, timber, beef, dairy, poultry & fish
Northern, Luapula, Copperbelt, North-Western	1,000 mm to 1,500 mm	Maize, pineapples, millet, rice, sorghum, coffee, beans, sugarcane, cassava, groundnuts and fish farming

Source: Ministry of Agriculture and Cooperatives.

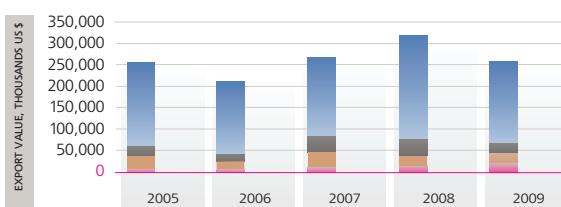
TABLE III.5. CROPS PRODUCTION FOR THE 2007/08 AGRICULTURAL SEASON

PROVINCE	AREA PLANTED (Ha)	EXPECTED PRODUCTION (MT)
Maize	916,738	1,141,429
Sorghum	24,350	9,993
Rice	24,176	24,023
Millet	45,510	33,934
Sunflower	32,495	12,662
Groundnuts	144,200	70,527
Soya bean	25,840	43,715
Cotton	111,307	71,821
Irish potatoes	1,058	10,196
Burley tobacco	1,816	4,659
Tobacco	9,299	17,005

Source: Zambia Central Statistical Office.

FIGURE II.1: SECTORAL COMPOSITION OF GDP BY MAJOR SECTOR OVER TIME

■ Primary Agricultural Products ■ Horticultural Products ■ Floricultural Products ■ Animal Products



Source : GlobStat, UNCTAD intranet portal statistics. Data last updated on June 2010.

27 ZDA Spotlight, Issue 4, June 2009.

The government is working to promote investments into the sector, including through a Task Force Committee on Renewable Energy. It is also looking into the Jatropha crop as an alternative to sugarcane. In June 2009, ZDA signed a memorandum of understanding (MoU) with MAN Ferrostaal AG of Germany aimed at establishing a 150,000 hectares facility to grow Jatropha and refine biodiesel from it²⁷.

Maize is yet a major agricultural product and is exported to neighboring countries such as Malawi, Zimbabwe and the Democratic Republic of the Congo. In 2009, maize production grew by 26.7 per cent (1.9 million tons), the largest harvest recorded in 10 years. Maize is grown in the Eastern, Southern and the Central provinces, where there is ample rainfall.

Horticulture and floriculture are among Zambia's most promising non-traditional exports. These two labour-intensive sectors, which have grown considerably in terms of production and export values in the past years, are part of the Government's poverty reduction strategy. At its peak, export of flowers and vegetables reached 13,000 tons in the 2003 marketing season. Positive prospects for the sector have seen the increase of investments in year-round irrigated production by medium and large-scale farmers, as well as expansion of out-grower schemes.

Among the fruits that Zambia promotes for possible expansion of production and processing both for domestic and international consumption include pineapple, mango, banana and citrus fruits. While several large-scale commercial farms are already growing these fruits, the government sees opportunities in further expanding production, engaging in a more organized and intensive marketing and venturing into fruit-processing.

Over 60 varieties of rose flowers and seven varieties of summer flowers are grown in Zambia. Seventy per cent of cut flowers are exported to the Netherlands and the remaining 30 per cent are exported to South Africa. There is potential to expand distribution to new markets, including the United States. Among Zambia's horticulture products include baby corn, fine bean, sugar snaps, spring onion, chillies, baby carrots, asparagus, courgettes and okra. Most of its horticulture exports are directed to the United Kingdom and South Africa. There are opportunities to engage in agro-processing and move up the value chain and investments through joint ventures are particularly welcome. For example, some flower farms have been making flower bouquets for European supermarkets and packaging "ready-to-cook" products for exports are also being explored.

The livestock subsector accounts for approximately 35 per cent of agricultural GDP and 7 per cent of total GDP. Investment opportunities exist in beef production, small ruminants, poultry production, pig production, dairy production, production and processing of meat, dairy products and animal feed. Zambeef Products Plc., a wholly-owned local company, which had modest beginnings, is now the major player in Zambia's production, processing, distribution and retailing of livestock products and their by-products. Zambeef exports to the region and has presence in two other countries.

Agriculture is predominantly rain-fed and, therefore, the sector's performance is determined by rainfall patterns. The irrigation potential is estimated at 430,000 hectares, of which only 100,000 hectares are developed, mostly by large-scale commercial enterprises. With an estimated 45 per cent of the total water resources in the Southern African subregion, Zambia has massive irrigation farming potential and the Government sees investment opportunities here as well.

TABLE III.6. VOLUME OF FRESH PRODUCT EXPORTS (METRIC TONS)

	2006	2007	2008	2009
Flowers	3,938	4,733	4,260	3,479
Vegetables	6,862	5,779	5,058	3,496
TOTAL	10,800	10,512	9,318	6,975

Note: The decline in production by as much as 40 per cent from the peak level of 2003 was attributed mainly to the high price of oil (which affected the airfreight cost) and exchange rate fluctuations.

Source: Zambia Export Growers Association (ZEGA).

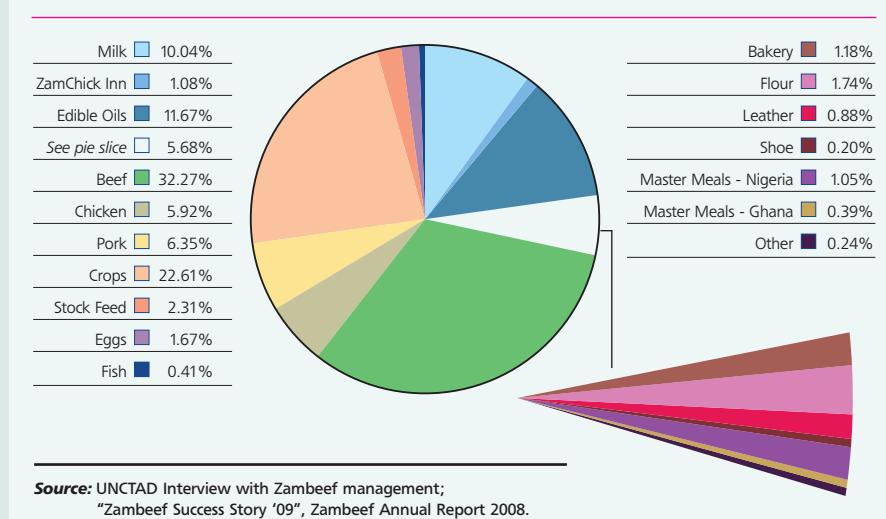
Box 7. Zambeef Products – Keep Moving, Keep Growing, A successful agro-business story

Zambeef Products is an African agro-success story. Fifteen years ago, the company started as a feedlot business with 60 workers at two rented butcheries in Lusaka. Since then, it has grown to become one of the largest agri-businesses in Zambia and the region involved in the production, processing, distribution and retailing of beef, pork, chicken, eggs, milk, dairy products, edible oils, flour and bread throughout Zambia and West Africa. Now with 3,400 employees, it has 105 retail outlets throughout Zambia, Nigeria and Ghana, 8 abattoirs and a transport fleet of over 200 units. It slaughters 60,000 head of cattle, 3.5 million chickens, 35,000 pigs and produces 8.5 million liters of milk and 50,000 tons of crops per annum. It also produces 24 million liters of oil per annum and has now expanded into palm plantation as well. The company has expanded to leather and footwear as well, processing 60,000 hides per annum through tannery and exports these to South Africa, the Far East and Europe. It is a major producer of industrial footwear and leather protective clothing for the mining sector, school shoes and casual shoes.

The company has experienced very encouraging growth patterns in the past years, with a United States-dollar turnover up by 80.9 per cent in 2008 compared to 2007 figures – from \$75.8 million in 2007 to \$137.13 million in 2008. Profit after tax has grown by 70.5 per cent, from \$6.10 million to \$10.40 million.

Represented by their catch copy "feeding the nation", Zambeef prides itself for maintaining a diversified portfolio, which it believes has reduced the company's earning volatility.

FIGURE III.1: ZAMBEEF OPERATING PROFITS



In keeping with its corporate social responsibilities, Zambeef has reported to have complied with environmental and health and safety regulations, assisted and supported activities aimed at reducing poverty (e.g., giving cash donations, providing meat and dairy products, construction of schools and health centres, financial support to teachers and health workers, among others) and sent staff for training on various areas, including food hygiene, solid waste management, customer service and marketing, among others.

Aside from its country-wide operations in Zambia, the company has operations in Ghana and Nigeria and exports products to its African neighbors Angola, Botswana, the Democratic Republic of the Congo, Malawi, Namibia, the United Republic of Tanzania, South Africa and Zimbabwe, as well as countries beyond the region such as China, England, Hong Kong (China), India and Italy.

For the coming years, the company is set to further reinvest in the country with new projects in the pipeline including setting up of a poultry hatchery, building a modern piggery, expansion of the processed meats division, expansion of the irrigated cropping operations, establishment of ranching operations and the development of a new stock feed plant.

Source: UNCTAD Interview with Zambeef management; "Zambeef Success Story '09", Zambeef Annual Report 2008..

Box 8. Incentives for agriculture

Aside from the overall improvements in the business environments and the across-the-board incentives provided to investors in the country (discussed in Part IV), the Government has also introduced some agriculture sector-specific incentives, for both local and foreign investors, which include:

- Provision of wear and tear of 50 per cent for the first two years on machinery used for farming;
- Exemption from tax of dividends from farming for the first five years;
- Capital expenditure allowance of 100 per cent on farm improvements;
- Capital expenditure allowance on the growing of certain crops such as coffee, tea, bananas, citrus fruits or similar plants which qualify for a development allowance of 10 per cent per year up to the first year of production;
- Farm work allowance of 100 per cent on farm land such as stumping, clearing, prevention of soil erosion, boreholes, wells, water conservation and aerial or geo-physical surveys.

Customs-related incentives include:

- Exemption from customs duty on most machinery and equipment for agriculture;
- Duty free imports of raw materials such as organic and inorganic chemicals, rubber, steel and plastics;
- Reduced customs duty:
- 5 per cent customs duty on other capital machinery and equipment;
- 5 per cent customs duty on other raw materials;
- 15 per cent customs duty on intermediate goods; and
- 25 per cent customs duty on finished goods.

As to tax rates, income from farming and export of non-traditional products is levied at 15 per cent, much lower than the average tax rate of 35 per cent for incomes from other economic activity (see section on taxation for details). In addition, the value added tax (VAT) of 16 per cent is zero-rated for exported cash and food crops.

Source: Ministry of Agriculture and Cooperatives, Zambia.

Tourism

Zambia's tourism potential lies in its vast natural resources, most of which are pristine and unexploited and cater to a diverse and broad range of interests, including varied sceneries, wilderness and wildlife, adventure activities, diverse culture and national heritage. Although known mainly for the world famous Victoria Falls, a UNESCO world heritage site, Zambia boasts many other attractions, including 19 National Parks and 34 Game Management Areas covering over 22.4 million hectares. As much of tourism is concentrated in a limited number of national parks including the South Luangwa, Kafue, Lower Zambezi, Musi-o-Tunya and Kasanka, there are opportunities for investors venture into developing the other parks as well. Zambia's wildlife estate is one of the largest in the subregion, with wildlife protected areas occupying about 40 per cent of the country's land surface area. There is scope for development of private wildlife estates given the availability of land in communal areas. Moreover, Zambia has a variety of ecosystems with over 3,000 different species, 40 per cent of which comprise shrubs and plants.

The tourism sector contributes significantly to any economy, given the forward and backward linkages that it creates in various other sectors including in many services sectors, e.g. construction, telecommunications, transportation, banking and insurance and business services as well as agriculture, arts and handicrafts. In addition, it provides employment and contributes to community development. For these reasons, the Fifth National Development Plan (FNDP) 2006-2010 has set as its goal for the tourism sector the further enhancement of the sector's contribution to economic growth and poverty reduction. To realize this, the Government has identified a set of specific programmes including infrastructure development in the priority tourism areas, tourism investment and enterprise promotion, tourism marketing and promotion and community tourism development.

Zambia's tourism sector has seen positive growth in recent years, with tourist arrivals increasing by 20 per cent on average during the period 2004–2007. Like many countries, Zambia has not been spared by the impact of the economic crunch, with tourist arrivals dropping by 9.5 per cent in 2008.

In addition to the Zambian Government's various efforts to improve the general business environment, additional tourism-specific incentives are provided, including:

- (a) Priority access to land allocation and provision of other utilities;
- (b) Facilitation of acquisition of self-employment work permits for foreign investors;
- (c) Duty-free importation of equipment and tourism vehicles;
- (d) Value added tax (VAT) of 16 per cent zero rated on tour packages for Zambia;
- (e) Zero-rating of VAT on revenue from accommodation in the Livingstone area up to 31 December 2010;
- (f) Liberalized air policies that promote access into and within Zambia.

In addition, the Government is willing to negotiate better incentives on a project basis for big and anchor projects in tourism development areas.

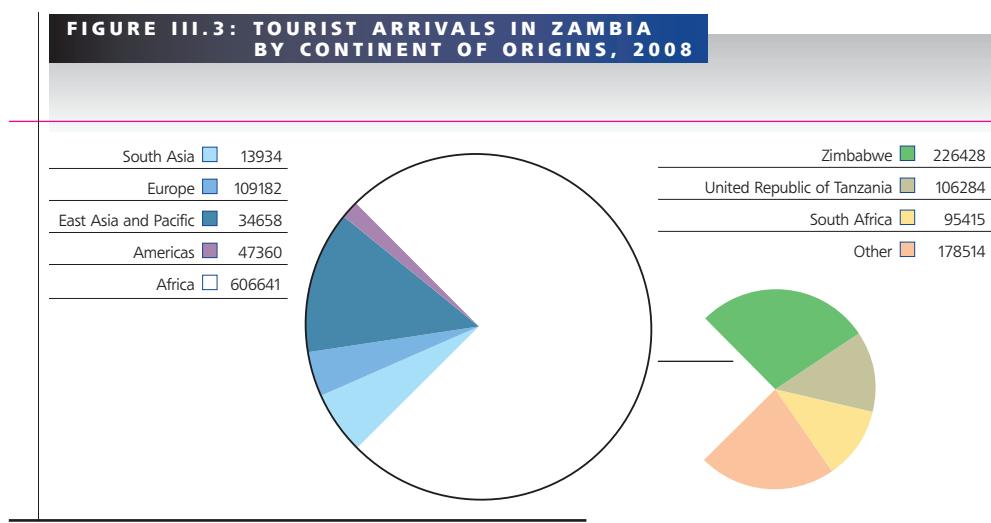
TABLE III.7. TOURIST ARRIVALS, 2004–2008

	2004	2005	2006	2007	2008
Total arrivals	515,000	668,862	756,860	897,413	811,775
Total yearly percentage changes		29.9	13.2	18.6	(9.5)

Source: Zambia Export Growers Association (ZEGA).

FIGURE III.2. INTERNATIONAL ARRIVALS, 2000–2008

Source : Globstat, UNCTAD intranet portal statistics; World Development Indicators, World Bank. Data accessed in 2011.

FIGURE III.3: TOURIST ARRIVALS IN ZAMBIA BY CONTINENT OF ORIGINS, 2008

Source: World Tourism Factbook, UN-WTO. Data accessed in 2011.

**TABLE III.8. ZDA-IDENTIFIED SPECIFIC INVESTMENT OPPORTUNITIES
IN THE TOURISM SECTOR**

PROJECT NAME	DESCRIPTION	INVESTMENT REQUIREMENT	ESTIMATED INVESTMENT COST
Chishimba Falls Project	Chishimba Falls, located in Kasama District, is unique for having three falls separated by a distance of less than 300 metres. The site has been declared a National Monument and boasts also of the unspoilt Bemba village life where ancient ways of life are practiced.	Construction of tourist accommodation offering meals, handicrafts, cultural tours and tour guides to the falls.	\$500,000
Samfya District Tourism Project	The district's attraction include white sandy beaches at Lake Bangweulu (second longest and deepest lake in Zambia), unspoilt wetlands and bountiful wildlife. It is easily accessible by land and has basic infrastructure (telecommunications, electricity, water, banking services).	Construction of tourist accommodation in and around the district offering meals, boat cruising and water sport facilities on Lake Bangweulu.	\$500,000
Mintongole Lodges	Two lodges are proposed for construction in the Nsumbu National Park, along the shorelines of Lake Tanganyika (Northern Province), the longest and deepest lake in Zambia and second in Africa. The sites provide beautiful scenery of various animals and a clear sunset view. Existing accommodation facilities are not enough, especially during the tourist peak season (June to October).	The 24-room proposed lodges are intended to provide motor boat game viewing on Lake Tanganyika and game drives in Nsumbu National Park, in addition to providing accommodation and meals.	\$1.1 million
Sunset Safari Lodge	The project is to be constructed in a 50 acres of land with 99-year leasehold title located in Livingstone. The site has good road network as well as electric power and telephone connections.	Construction of thatched lodge (100 beds) and self-contained "Time Share" holiday homes.	\$2 million
Golf-course (18 hole)	The project is to be constructed in a 116 acres of land with 99-year leasehold title located in Livingstone. The site has good road network as well as electric power and telephone connections.	Construction of an 18-hole international competition course with club house and time-share homes dotted within the course in grass thatch.	\$8 million

Source: Zambia Development Authority.

Box 9. The Northern Circuit: An unspoiled beauty waiting to be explored

The Ministry of Tourism, Environment and Natural Resources is in the process of opening up the Northern part of the country, which comprises of the Northern and Luapula provinces for tourism development and investment. Though Zambia's best known waterfall is the Victoria Falls not many know the off-the-beaten track wonderful waterfalls up north, such as the Kalambo, Kundalila, Lumangwe, Kabwelume, and Chishimba Waterfalls.

These waterfalls take visitors to the unspoiled "Real Africa" and when combined with watery wilderness of Bangweulu, Samfya beaches, Kasanka National Park and other beautiful sceneries, both natural and artificial such as hot springs and Shiwa N'gandu House, make the Northern Circuit an excellent tourism development area. The area is endowed with a lot of untapped and undeveloped heritage sites include, and Mwela Rock Art Paintings National Monuments.

Nsumbu National Park located on the shores of Lake Tanganyika, is endowed with both aquatic and terrestrial wildlife resources. Nsumbu National park is strategically located to offer a variety of tourist activities in terms of water-based activities as well as the conventional game drives. Nsumbu National Park has an amazing scenic view of the famous Lake Tanganyika which has beautiful sand beaches with a variety of fish species.

Source: Zambia Ministry of Tourism, Environment and Natural Resources.

Box 10. Tourism and community development: Improving the quality of life of local communities

Zambia's Ministry of Tourism, Environment and Natural Resources (MTENR), as part of its community development efforts, works through its regional offices to:

- (a) Improve the quality of life of local communities in Zambia by providing alternative means of employment through tourism;
- (b) Increase linkages between tourism and local industries;
- (c) Preserve and promote Zambia's cultural heritage and traditional lifestyle;
- (d) Diversify Zambia's tourism product to include a quality cultural component;
- (e) Increase partnerships between Government agencies, local district officials, lodge operators and local communities for the development of a sustainable tourism industry.

Within the framework of the United Nations World Tourism Organisation's (UN-WTO) Programme on Sustainable Tourism-Eliminating Poverty (ST-EP), MTENR has embarked on developing "Cultural Centers" in the two communities of Chiawa and Mwandi in the Lower and Upper Zambezi River with the aim of promoting community-based tourism in Zambia.

This project, which adopts a village development approach, hopes to empower local communities and bring economic benefits to them and reduce poverty, using sustainable means. Their participation will be either through the development of a community-based business which engages tourists directly or an indirect relationship such as selling crafts to another village or an agent.

Source: Zambia Ministry of Tourism, Environment and Natural Resources.

28 A complete list of the MFEZ priority sectors is found in the appendix.

The Multi-facility economic zones

With the enactment of the Zambia Development Agency Act in 2006, the Zambian Government approved the establishment of Multi-facility Economic Zones (MFEZ) to promote and facilitate domestic and the export-oriented business in Zambia for the country's industrial and economic development. There are two ways of participating in an MFEZ. One may opt to develop the multi-facility economic infrastructure itself (MFEZ permit) or to locate in an existing MFEZ (MFEZ license).

An MFEZ developer is required to provide and maintain in the economic zone standard infrastructure facilities such as telecommunications, water sewerage networks, uninterrupted power supply source, internal roads, waste water treatment and other facilities as required for the effective and efficient operations of the MFEZ. In addition to ready-made standard factory buildings, warehouse and factory spaces, housing, schools, medical institutions, and recreational facilities will also be built.

If an investor decides to apply for a MFEZ license to operate a business in an existing zone, the following requirements have to be fulfilled:

- (a) Physically locate in an MFEZ;
- (b) Invest in an MFEZ priority sector²⁸;
- (c) Demonstrate the investment's impact on, among others, the attraction of local and foreign direct investment, employment creation, skills transfer, expansion of local production, use of local raw materials and intermediate goods, technology transfer and environmental protection. In addition, the applicant may be required to likewise demonstrate the project's contribution to diversifying the economy and to social development, the degree to which the project is export-oriented, the extent to which it leads to import substitution and increased utilization of preferential trade agreements and result in increased foreign exchange earnings.

Among the MFEZ investment incentives offered include:

- (a) Zero per cent tax rate on dividends of companies operating under the MFEZ/Priority Sector for a period of five years from the year of first declaration of dividends;
- (b) Zero per cent tax on profits made by companies operating in the MFEZ/Priority sector or a period of five years from the first year profits are made. From 6 to 8 years only 50 per cent of the profits should be taxed and for years 9 and 10, 75 per cent of profits should be taxed;
- (c) Zero per cent import duty rate on raw materials, capital goods, machinery including trucks and specialized motor vehicles for five years for enterprises operating in MFEZ; and
- (d) Deferment of VAT on machinery and equipment including trucks and specialized motor vehicles imported for investment in the MFEZ/priority sector.

A number of land banks have been identified by the Government to develop MFEZs. The identified areas include Lusaka, Ndola, Mpulungu, Kasubalesa and Mwinilunga, but any interested investor is free to propose other locations in the country deemed feasible for development. Two types of MFEZ are being promoted: Production MFEZs for manufacturing related businesses and Export Trade MFEZs for commercial trading, warehousing, etc. to exploit export markets.

The first MFEZ, the Chambishi Multi-Facility Economic Zone, which is located in the Copperbelt region and has a total area of 4,100 hectares, was established by China Nonferrous Metal Company (CNMC) in cooperation with the Government of China. The Chambishi MFEZ is estimated to generate investments of \$900 million over a five-year period and is expected to attract about 50 to 60 enterprises and create 6,000 jobs. Several Chinese enterprises have already settled in the zone,

including the Chambishi Copper Smelter, Sino Metals Limited, and Sino Acid Limited. Another MFEZ is planned to be established in Lusaka South to be developed jointly by the government of Zambia and another developer. It will be located 15 kilometres South of Lusaka and approximately 35 km away from Lusaka International Airport. According to the Government, the MFEZ will employ 6,000 local workers and will be ready for investment by 2011. The Government recently also declared an MFEZ in the Lumwana Mine area near Solwezi. It estimates the Lumwana MFEZ to facilitate investments of \$1.2 billion by over 90 enterprises in various sectors, employing 13,000 people by the year 2020.





29 There are 26 functions enumerated in the ZDA Act. Those listed above are only some of the functions which bear on foreign investment promotion and facilitation. For a complete listing, please refer to the ZDA Act (No. 11 of 2006).

Zambia, in the last 10 years, has initiated regulatory reforms and private sector support programmes to make the country more conducive to the operations of businesses. Reforms have been implemented or are currently being planned in the area of business licensing, the automated registration for the Patents and Companies Registration Office (PACRO), permits and visa processing, registration of land, and customs clearance. The labour laws are also currently under review.

While there remain key business constraints that the country has to address, including access to and cost of finance, inadequate infrastructure (notably relating to transport and power supply) and lack of manpower in some key occupations, there is an acknowledgement that the current business environment has seen significant improvements. Zambia's Doing Business ranking has likewise improved from 116 in the 2008 report to 99 in 2009 and 90 (out of 183 countries) in 2010. Within SADC, it is second only to South Africa and in comparison to other comparator countries in sub-Saharan Africa, it fares relatively better in most of World Bank's Doing Business indicators (see table below).

This section presents the legal aspects of the investment environment together with the administrative procedures for doing a business in Zambia. It should be read together with the next chapter on investor perceptions.

Legislative, executive and legal system

Zambia is a multi-party democracy with a separation of powers among the different organs of government, namely, the legislative, the executive and the judiciary. The president is the constitutional Head of State, the executive Head of Government, and the Commander-in-chief of the Defense Forces. The president is elected for a five-year term with the possibility of reelection to another term.

Legislative power rests with the unicameral National Assembly, which has 150 members elected by universal suffrage for a five-year term. The president has the discretion to nominate another eight members. The Zambian legal system is founded on English Common Law and Customary law principles. The judicial system has the Supreme Court at its apex, with judges appointed by the president.

Institutional framework

Foreign investors can own 100 per cent of an enterprise registered in Zambia and may invest in any activity open to the private sector except arms production, security printing and the manufacture of dangerous substances which requires case-by-case investment approval.

Foreign and domestic investors go through the same general registration procedures and are afforded the same incentives that the Zambia Development Agency (ZDA) provides to ZDA licence holders.

The ZDA, which was established in 2006 by an Act of Parliament (ZDA Act) undertakes investment facilitation and promotion functions for the government, in addition to a couple of dozen other functions that it assumed from the mandates previously carried out by five statutory bodies that were dissolved after the ZDA was formally made operational in 1 January 2007. These institutions were the Export Board of Zambia (EBZ), Small Enterprise Development Board (SEDB), Zambia Export Processing Zones Authority (ZEPZA), Zambia Investment Centre (ZIC) and the Zambia Privatization Agency (ZPA).

Among its mandated functions include²⁹:

- (a) Formulate investment promotion strategies;
- (b) Promote and coordinate Government policies on and facilitate investment in Zambia;
- (c) Assist in securing from any State institution any permission, exemption, authorization, license, bonded status, land and any other thing required for the purposes of establishment of operating a business enterprise;
- (d) Undertake economic and sector studies and market surveys so as to identify investment opportunities;
- (e) Oversee all aspect of the implementation of privatization programme;
- (f) Develop multi-facility economic zones or facilitate the development of multi-facility economic zones by any investors;
- (g) Promote and market multi-facility economic zones among investors;
- (g) Protect the interests of industries, employees, consumers and the community that are likely to be affected by the measures proposed by the agency;

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- (h) Maintain regular, productive and effective dialogue and cooperation with the public and private sector and encourage public-public dialogue, private-private and private-public dialogue.
 - (i) Maintain regular, productive and effective dialogue and cooperation with the public and private sector and encourage public-public dialogue, private-private and private-public dialogue.
- Participation in international organizations and treaties**
- On the international scene, Zambia is a member of some global and regional organizations and a beneficiary of several preferences of interest to potential investors, including the following;
- (a) African Growth Opportunity Act (AGOA);
 - (b) African Trade Insurance Agency (ATI);
 - (c) African Intellectual Property Organization (AIPO);
 - (d) African Regional Industrial Property Organization (ARIPO);
 - (e) Common Market for Eastern and Southern Africa (COMESA);
 - (f) General System of Preference (GSP);
 - (g) International Convention on the Settlement of Investment Disputes (ICSID);
 - (h) Multilateral Investment Guarantee Agency (MIGA);
 - (i) Southern African Development Community (SADC) Trade Protocol;
 - (j) Southern African Development Community - Mozambique, Malawi, United Republic of Tanzania and Zambia (SADC-MMTZ) Agreement;
 - (k) United Nations Commission of International Trade Law (UNCITRAL);
 - (l) World Intellectual Property Organization (WIPO);
 - (m) World Trade Organization (WTO);
- It has also signed bilateral investment treaties with 15 countries including Belgium, Ireland, Luxembourg, China, Croatia, Cuba, Egypt, Finland, France, Germany, Ghana, Italy, the Netherlands, Switzerland and the United Kingdom³⁰.

TABLE IV.1. DOING BUSINESS RANKINGS: ZAMBIA AND SELECTED SUB-SAHARAN COUNTRIES

	STARTING A BUSINESS		DEALING WITH CONSTRUCTION PERMIT		PROTECTING INVESTORS	ENFORCING CONTRACTS	CLOSING A BUSINESS
	Procedures (number)	Time (days)	Procedures (number)	Time (days) protection index (0-10)			
Sub-Saharan Africa	9.4	45.6	17.3	260.5	4.4	643.9	3.4
Botswana	10	61	24	167	6	687	1.7
Kenya	12	34	11	120	5	465	4.5
Malawi	10	39	21	213	5.3	432	2.6
Mauritius	5	6	18	107	7.7	720	1.7
Namibia	10	66	12	139	5.3	270	1.5
South Africa	6	22	17	174	8	600	2
United Republic of Tanzania	12	29	22	328	5	462	3
Zambia	6	18	17	254	5.3	471	2.7

Source: Doing Business Report 2010, World Bank.

**TABLE IV.2. CONSTRAINTS TO DOING BUSINESS,
FIRM PERCEPTIONS**

	MSMEs	LARGE ENTERPRISES
Access to finance	55%	23%
Transportation	39%	10%
Cost of finance	34%	34%
Access to land	32%	9%
Corruption	26%	19%
Crime	26%	14%
Macroeconomic instability	25%	34%
Electricity	16%	38%
Political environment	13%	9%
Business licensing	13%	5%
Telecommunications	11%	5%
Tax rates	11%	24%
Trade regulation	8%	11%
Worker education	8%	9%
Labour regulation	8%	2%
Tax administration	8%	13%

Source: "The Profile and Productivity of Zambian Businesses, based on Zambia Business Survey 2008 (A joint initiative of the Business Forum, Zambia's Private Sector Development Reform Programme, FinMark trust and the World Bank.

Note: MSMEs are micro, small and medium enterprises.

**Box 11. UNCTAD–JBIC Blue Book on Best Practice in Investment Promotion and Facilitation:
The Government of Zambia's progress in implementing the action plan**

In 2006, the Government of Zambia endorsed the Blue Book on Best Practice in Investment Promotion and Facilitation prepared jointly by UNCTAD and the Japan Bank for International Cooperation (JBIC). The Blue Book, which was a product of intense brainstorming and consultations with stakeholders and experts, contained an action plan of 10 measures, actionable over a period of one year, to orient the country's investment environment towards best practice in investment promotion and facilitation. The table below reflects the progress made so far on the implementation of the action plans.

ACTION PLAN	PROGRESS TO DATE
Ratify outstanding BITs and negotiate new ones	Not undertaken
Set up the Zambia Development Agency Train government institutions dealing with investors in client-orientation	Achieved completely
Establish the Zambia International Trade Commission	One training workshop for the ZDA was undertaken
Promote private sector participation in the operation of the international voice gateway	Not undertaken
Install a computerized investor tracking system	Gateway has been liberalized (although the private sector says the fee is too high)
Organize an investment forum for Asian pharmaceutical companies	Not undertaken
Establish a one-stop border post in Chirundu	Achieved completely
Negotiate new double taxation treaties	Achieved completely
Establish a pilot business linkages project comprising 5 transnational corporations (TNCs)	Currently ongoing
	Currently ongoing

While there are remaining four action plans that have not been implemented, it is hoped that with the ongoing initiatives and programmes to improve the overall investment climate through the Private Sector Reform Development Programme and the various legislative amendments that are being proposed on some laws affecting investments, all these will eventually be addressed.

Source: Zambia Development Agency; UNCTAD.

Entry and exit

Business registration and investment license application

Establishing a business in Zambia starts with company registration with the Patents and Companies Registration Office (PACRO). The first step is to have the company name cleared. Once cleared, foreign companies could proceed with the registration with the following requirements:

- (a) A certified copy of the Certificate of Incorporation from the country of origin, to be attached to the application form;
- (b) The charter, statutes, regulations, memorandum and articles, or other instrument relating to a foreign company;
- (c) Signed consent to act as director or secretary by each person named in the company's application;
- (d) Declaration of guarantees, if applicable;
- (e) Registration fee of K 1,350,000 (\$285)
(See Table IV.4).

The minimum share capital of a company is K 5,000,000 (\$1,055). The law requires that half the directors of the company be resident in Zambia.

In addition to registration with PACRO, companies are also required to register with the local Zambia Revenue Authority (ZRA) office to obtain a corporate tax number, file VAT registration form with ZRA to obtain a VAT tax number and register with the National Pension Scheme Authority for social security.

TABLE IV.3. SCHEDULE OF FEES UNDER THE COMPANIES ACT, GENERAL

DESCRIPTION	FEES PAYABLE (KWACHA)
Private company – minimum nominal capital	5,000,000
Registration fee	125,000
Certificate of Incorporation	30,000
Certificate of share capital	30,000
Minimum capital certificate	10,000
Companies form 5	10,000
Companies form 11	10,000
Sealing	10,000

Source: Patents and Companies Registration Office.

TABLE IV.4. SCHEDULE OF FEES RELEVANT TO FOREIGN COMPANIES.

DESCRIPTION	FEES PAYABLE (KWACHA)
(a) Registration of a certified copy of the charter, statutes or memorandum and articles of association of a company or other instrument constituting or defining the constitution of a company;	1,000,000
(b) Registration of any document or making a record of any fact authorized to be delivered, sent, or forwarded to the Registrar and not specified At (b) above;	150,000
(c) Certificate of Registration;	150,000
(d) Sealing.	50,000

Source: Patents and Companies Registration Office.

Applying for a ZDA Investment License

Companies that are eligible and would like to avail themselves of the range of incentives that the ZDA offers may in addition opt to apply for a ZDA investment license. The following categories of companies qualify for various incentives (for details of the incentives, see section on tax and other incentives):

- (a) Investors who invest not less than \$10 million;
- (b) Investors who invest not less than \$500,000 in the Multi Facility Economic Zones (MFEZ) and /or in a priority sector or product;
- (c) Investors qualifying as micro or small enterprises under the ZDA Act;
- (d) Investors who invest less than \$500,000 in a sector or product provided for as a priority sector or product;
- (e) Investors who invest any amount in a sector or product not considered as a priority sector or product.

The following are the priority sectors/products: (for the MFEZ priority sectors, see appendix)

- (a) Floriculture – fresh and dried flowers;
- (b) Horticulture – fresh and dried vegetables;
- (c) Processed foods – wheat flour and other processed foods;
- (d) Beverages and stimulants – tea and tea products; coffee and coffee products,
- (e) Production and the processing of the following products in the textiles sector – cotton; cotton yarn; fabric; garments;
- (f) Manufacturing of the following engineering products – copper products; iron ore and steel; cobalt; other engineered products;
- (g) Beneficiation of phosphates and any other related material into fertilizer;
- (h) Beneficiation of rock materials into cement;
- (i) Production and processing of raw timber into wood products;
- (j) Production and processing of the following products in the leather sector – cattle hides; crust leather; leather products;
- (k) Building of mini-hydro power stations;
- (l) Education and skills training.

The major documents required to support an application for an Investment Certificate include the following:

- (a) Copy of Certificate of Incorporation, issued by the Registrar of Companies;
- (b) Certificate of Share capital;
- (c) Proof of finance (certificate of deposit at bank or latest bank statement);
- (d) Detailed Business Plan;
- (f) Proof of having secured a place/land to operate from (Lease Agreements or Title Deed or Letter of Offer);
- (g) Brief resumes/CVs for shareholders and/or directors;
- (h) Non-refundable application processing fee of K 1,280,000 (\$270);
- (i) License fee of K 7,670,000 (\$1,618), payable only upon collection of licence.

Any promoter seeking approval to establish an enterprise, under the Zambia Development Agency (ZDA) Act No. 11 of 2006, should include in their proposal, a clear and concise statement on how the enterprise could contribute to the country's economic growth and development.

All investment projects require either a project brief or a full Environmental Impact Assessment (EIA) that is done by the Environmental Council of Zambia (ECZ).

Box 12. Illustration of sectoral requirements: the tourism sector

Aside from the general registration requirements described above, a foreign investor may be required to obtain some or all of the following authorizations to invest in the tourism sector:

Zambia Wildlife Authority Permit:

Investment projects located in a Game Management Area require a permit issued by the Zambia Wildlife Authority (ZAWA). Applications for the permit should be supported by:

- (a) the project proposal;
- (b) a list of shareholders;
- (c) information on promoters' business experience; and
- (d) a recommendation letter from the District Council.

District Council Recommendation Letter:

The District Council may issue a recommendation letter to ZAWA, upon submission of: (a) a letter of intent;

- (b) a Letter of Consent from the chief (Game Management Areas fall under traditional land which is under the jurisdiction of the local chief);
- (c) the project proposal; and (d) building drawings.

Tourist Enterprise Authorization License:

Investors in any tourism-related activities, including the construction of a hotel or commercial accommodation establishment, a tour operating business, a travel agency, a camp site, restaurant or café, a discotheque, a campsite, an air charter, a convention centre, among others, will also require a Tourist Enterprise Authorization License. The Ministry of Tourism issues the license upon submission of the following documents:

- Five-year business plan;
- Cash flow statement or proof of capital requirement;
- Building and/or architectural plans;
- Letter from promoters' commercial bank;
- Financial and personal information about the shareholders;
- Curriculum vitae of the shareholders;
- Copy of the company's certificate of incorporation;
- Memorandum and Articles of Association (for limited liability companies);
- Title deed or lease agreement;
- Most recently audited accounts (for existing businesses);
- Environmental Impact Assessment or project brief (for small companies);
- No objection letter from ZAWA (for project locating in Game Management Areas or National Parks);
- Investment Certificate issued by the Zambia Development Agency.

Hotel Licence:

If the investor intends to provide lodging services he/she will require a hotel license. The Ministry of Tourism, through the Hotels Board, may issue a hotel license to the applicant upon submission of :

- (a) Tourist Enterprise Authorization License;
- (b) Health Permit and fire safety certificate from the local council; and
- (c) a liquor license from the local council. The furniture and equipment must be in place and the premises must pass final inspection from the Hotels Board.

Hotel operators interviewed complained of the cumbersome licensing procedures, including the fact that there are about ten licenses required to operate a business and that the period to obtain planning consent has risen from six months to two years.

The issue of streamlining licensing procedures in the various sectors is being addressed by Private Sector Reform Development Programme and the revised Hospitality Act.

Source: Zambia Development Agency; UNCTAD survey.

In most cases, the relevant sectoral licenses as in the examples given below may also be required:

- (a) Telecommunications projects such as mobile cellular companies, internet service providers (ISPs), etc require telecommunication license from the Zambia Information and Communication Technology Authority (ZICTA);
- (b) Licenses and permits to operate in hotels, safari hunting/walks, tour guides, casinos, restaurants, night clubs in national parks and Game Management Areas (GMAs) are to be obtained from the Zambia National Tourist Board (ZNTB), Zambia Wildlife Authority (ZAWA) and Local Municipalities;
- (c) Financial and non-financial institutions such as banks and bureaus require approval from Bank of Zambia while insurance companies and insurance brokers have to obtain authority from the Pensions and Insurance Authority (PIA) or Securities Exchange Commission (SEC);
- (d) The Ministry of Mines and Mineral Resources is responsible for the issuance of licenses and permits for large scale mining, small scale mining, prospecting license, prospecting permit, retention license, gemstone license, gemstone sales certificate, artisan's mining rights and reconnaissance permit;
- (e) The Energy Regulations Board is responsible for issuance of licenses in the energy sector;
- (f) Manufacturing projects require a manufacturer's license from local municipalities.

For a foreign investor, a ZDA investment licence, aside from affording generous incentives, likewise provides guarantee on important matters such as funds transfer, due process in expropriation and recourse to adequate dispute settlement. The ZDA Act obliges the Agency to decide whether or not to grant an investment licence within 14 days of application. An investment licence is valid for 10 years and is subject to renewal. It is not transferable without the ZDA's approval. ZDA approvals should apply only for the grant of special conditions or incentives to qualified investors.

Construction permits

The whole process of obtaining construction permits in Zambia takes in total 254 days and involves 17 procedures, a process which is relatively cumbersome and burdensome to business. In fact, among the World Bank's Doing Business Indicators, this is an area where Zambia fares very poorly (151 out of 183 countries) compared to its neighbours in the region. In the table below, the steps in obtaining a construction permit is presented.

TABLE IV.5. DEALING WITH CONSTRUCTION PERMITS IN ZAMBIA			
	DESCRIPTION	TIME TO COMPLETE	COST TO COMPLETE
1	Obtain planning permit (location permit)	60 days	no charge
2	Obtain notarization of property title	1 day	\$2
3	Obtain building permit from) (City Development Department)	60 days	K 6,250,000
4*	Submit Environmental Impact Assessment	2 days	K 25,000,000
5	Inform the municipality of the beginning of construction and receive inspection of foundation works	1 day	no charge
6	Request and receive inspection of concrete works	1 day	no charge
7	Obtain completion certificate/ occupancy permit	40 days	no charge
8*	Receive inspection by the fire department	1 day	no charge
9*	Receive inspection by the Environmental Council	1 day	no charge
10*	Request opinions on project completion by the Public Health Agency	6 days	no charge
11	Request power connection	1 day	no charge
12	Receive inspection of electric works	1 day	no charge
13	Obtain electric power connection	89 days	K 3,120,000
14	Request water and sewerage services and inspection	1 day	no charge
15*	Receive site inspection by the water authority	1 day	no charge
16*	Obtain water and sewerage connection	7 days	K 500,000
17*	Obtain telephone connection	30 days	K 300,000

* Takes place simultaneously with another procedure.

Source: Doing Business Report 2010, World Bank.

Customs clearance and valuation	Tariff structure
<p>Customs clearing procedures continue to be streamlined to facilitate the importation of machinery and other primary inputs for the expansion of the industrial sector. Reforms include the establishment of a one-stop border post at Zambia's busiest border post – the Chirundu border post with Zimbabwe, pre-clearance facility, accreditation of compliant clients and the automation of custom systems using the Automated System for Customs Data and Management (ASYCUDA). Registration for VAT, previously requiring 21 days can now be done in 3 days.</p>	<p>Zambia applies tariffs on the c.i.f. (cost, insurance and freight) basis. Customs tariffs are calculated on the basis of the dutiable value, based on the WTO Agreement on Customs Valuation. Most tariffs are ad valorem, but a few specific tariffs remain. Virtually all raw materials and most industrial or productive machinery fall within the 0 and 5 per cent tariff categories. Imported intermediate goods are subject to 15 per cent and imported final products are rated at 25 per cent. Zambia's simple average import tariff is about 14 per cent.</p>
<p>The basic documents to be presented to clear goods through customs include the bill of lading, airway bill and commercial invoice. Customs clearance can normally be completed within hours, if all documents are in order. Incomplete forms and lack of supporting documents can result in substantial delays. Import prohibitions are maintained for environmental, health and security reasons. Import licensing is required for most agricultural products.</p>	<p>Levies and charges</p> <p>Zambia levies excise duties on certain products at rates ranging from 3 per cent to 145 per cent. The excise duty is collected on mineral water, electricity and petroleum products. The VAT of 16 per cent applies to both goods and services, of domestic production and those that are imported. VAT is levied on the c.i.f. value plus customs tariff. Exemptions from VAT include social services such as health, education, and funeral services.</p>
	<p>Export procedures</p> <p>Exporters must complete an export declaration form accompanied by an original commercial invoice and a packaging list for shipment. An airway bill or bill of lading for transportation of exports should be obtained either from the freight forwarder or the transporter being used. Zambia does not impose any export taxes, charges and levies. If preferences are being claimed in the exporting market, the appropriate stamped certificate of origin, to be obtained from the ZRA, is required. A very limited number of goods require a special export permit. For example, gemstone exports require a permit from the Ministry of Mines and timber requires a timber verification certificate from the Forestry Department.</p>

Exit

The investor is free to exit from a venture in accordance with the Zambian law. There are no limitations posed on disinvestment.

Rights of investors

Protection of property

Expropriation may only be done by an act of Parliament and only relating to the specific property expropriated. The law provides for a fair market value compensation convertible at the current exchange rate.

Article 19 of the ZDA Act provides that:

- (a) An investor's property shall not be compulsorily acquired nor shall any interest in or right over such property be compulsorily acquired except for public purposes under an Act of Parliament relating to the compulsory acquisition of property which provides for payment of compensation for such acquisition; and
- (a) Any compensation payable under this section shall be made promptly at the market value and shall be fully transferable at the applicable exchange rate in the currency in which the investment was originally made, without deductions for taxes, levies and other duties, except where those are due.

Investors have a guarantee that investments will not be adversely affected by any changes in the Investment Act for a period of seven years.

Intellectual property rights protection

Intellectual property rights are defined by the Patents Act (patent protection for 16 years with the possibility of renewal), the Trade Marks Act (protection for 7 years and renewable in 14 year blocks after the first protection), the Registered Designs Act (protection for 50 years for copyright and 5 years for registered designs), and the Copyright and Performance Rights Act. The PACRO is responsible for the registration of patents, trademarks and industrial designs.

Zambia is a member of the World Intellectual Property Organization (WIPO) and has signed the

1883 Paris Convention on industrial property and the 1886 Bern Convention on literary and artistic works. It is also a member of the African Regional Industrial Property Organization (ARIPO), which was established to promote harmonization of intellectual property laws in the region. While it has been a member of the WTO since 1995, it is exempt as an LDC from complying with the TRIPS Agreement generally until 2013, and until 2016 for product patents on pharmaceuticals.

Dispute resolution

International arbitration is a right for investors covered by bilateral investment treaties (BITs). Otherwise, and if both parties agree, investors may resort to international arbitration as stipulated under the 2000 Arbitration Act. Zambia is a signatory to the 1958 New York Convention, has signed the United Nations Commission on International Trade Law (UNCITRAL) model law and is a member of the International Centre for the Settlement of Investment Disputes (ICSID). This means that where international arbitration is used, the resulting arbitral award is binding and must be enforced in Zambia.

The 2000 Arbitration Act also provides for domestic arbitration, which was used successfully in the case of private mobile phone provider Telecel versus State-owned ZAMTEL. The dispute was settled in seven months. The results of domestic arbitration are also legally binding. USAID and the Law Association of Zambia are currently in the process of reviewing the legal and institutional framework in favour of strengthening national arbitration.

Zambia has different bodies mandated to deal with trade-related disputes, including the Revenue Appeals Tribunal, the Industrial Relations Court, and Land Tribunal.

The Revenue Appeals Tribunal is established by the Revenue Tribunals Act (Volume 18, Chapter 321). The Tribunal hears appeals under the Customs and Excise Act (Volume 18, Chapter 322), the Income Tax and Value Added Tax. The tribunal provides a specialized forum to resolve disputes between taxpayers and Zambian Revenue Agency (ZRA).

Established by the Industrial Relations Act of 1990 and subsequently adopted by the Industrial and

31 Sector-specific fiscal incentives as well as incentives to companies operating in multi-facility zones (MFEZ) are discussed in Part III on Areas of Opportunity.

Labour Relations Act of 1993, the Industrial Relations Courts have original and exclusive jurisdiction to hear and determine any industrial relations matters. These include:

- (a) Inquiries, awards and decisions in collective disputes;
- (b) Interpretation of the terms of awards, collective agreements and recognition agreements; and
- (c) General inquiries into, and adjudication on, any matter affecting the rights, obligations and privileges of employees, employers and representative bodies.

The Lands Act 1995 established a Land Tribunal in order to settle disputes relating to land.

In 2008, the Government created the Small Claims Court to settle disputes involving less than \$400. High-value claims are adjudicated by the commercial division of the High Court established in 2004.

Conversion and transfer policies

There are no controls on the transfer of capital in and out of Zambia and no exchange controls as well. Likewise, the ZDA Act provides guarantees for rights of repatriation with respect to profits, debt service, fees, royalties and disinvestment proceeds.

Competition

Competition policy in Zambia is governed by the Competition and Fair Trading Act. This act is enforced by the Zambia Competition Commission. According to the Act, the Commission's role is to prevent abuse of dominant position, predatory behaviour, discriminatory pricing, restrictions on distribution and collusion. The Commission is an independent body and its decisions can be appealed against in the High Court.

The Commission must authorize all mergers and acquisitions before they are completed. The Commission applies a merger threshold of 50 per cent. This means that the Commission must investigate a foreign investment if the newly created entity would have more than 50 per cent of the market or if the new entity, together with two other existing firms in Zambia, would together

have more than 50 per cent of the Zambian market and therefore risk oligopolistic behaviour. In investigating, the Commission bases its assessment on whether the merger or acquisition would restrict or distort competition 'to an appreciable extent' or have a negative effect on the economy.

Although most foreign investors view obtaining investment licenses from the ZDA as the critical entrance issue, for investors merging with or acquiring Zambian companies, the clearance of the Competition Commission is also an important regulatory process to take into account.

Investors' experience of the Commission has been positive. Companies surveyed by UNCTAD agreed that the Commission's past authorizations of mergers have shown a good balance between competition objectives and concern for policies aimed at promoting foreign investment in Zambia. Furthermore, investors appreciated the Commission for dealing swiftly with requests for approval.

The Commission also plays a valuable role for investors by ensuring that players entering the market do not meet structural entry barriers such as highly concentrated industries and exclusive dealing contracts with major distributors that could limit market access.

Tax system

The Income Tax Act, the Customs and Excise Act and the Value Added Tax Act are the basic laws governing Zambia's tax system. The principal taxes include direct taxes (i.e., corporate tax, Pay-As-You-Earn (PAYE), other personal income), customs and excise duties, VAT, property transfer tax and mineral royalty³¹.

Corporate tax

General corporate tax is levied at 35 per cent but there are variations according to the type of business. For example, income from the agricultural sector, non-traditional exports and from chemical manufacture of fertilizers is levied at 15 per cent while companies listed on the Lusaka Stock Exchange are taxed at 33 per cent. Banks with income in excess of K 250 million (\$52,722) are levied at a rate of 40 per cent.

Personal income tax

Personal income tax rates range between 25 and 35 per cent but the maximum rate applicable to farmers is 15 per cent. Under the PAYE, employers are required to deduct the appropriate tax from the emoluments of employees and remit the same to the Zambia Revenue Authority. Emoluments paid or payable to an expatriate employee for work performed or services rendered in Zambia are liable to tax and are subjected to deduction according to the PAYE system.

Value added tax

VAT is generally levied at 16 per cent, but some goods and services are zero-rated or exempt. Registration for VAT purposes is mandatory for every dealer or supplier of standard-rated and zero-rated goods and services whose taxable turnover exceeds K 200 million (\$42,178) per annum. Businesses with a smaller turnover may apply voluntarily for VAT registration. Major zero-rated items include basic foods and agriculture products, exports of goods, hotel accommodation in Livingstone district, medical supplies, basic services (health, water, education). Input VAT can be claimed within a period of one year from the date of the tax invoice.

TABLE IV.6. TAXES AND ALLOWANCES, 2010

		TAX RATES (%)
COMPANIES INCOME TAX		
On income from LUSE listed companies	33%	
On income from manufacturing & other	35%	
On income from banks registered under the Banking and Financial Institutions Act, Income up to K 250,000,000 1)	35%	
On income from banks registered under the Banking and Financial Institutions Act, Income in excess of K 250,000,000	40%	
On income from farming	15%	
On income from non-traditional exports	15%	
On income from chemical manufacture of fertilizer	15%	
On incomes from commercial activities of exempt organizations	15%	
On income of trusts, deceased or bankrupt estates	35%	
PERSONAL INCOME TAX		
On income from zero (0) to K 800,000	0%	
On income from K 800,001 to K 1,335,000	25%	
On income from K 1,335,001 to K 4,100,000	30%	
On income above K 4,100,000	35%	
CAPITAL ALLOWANCE		
Plant and machinery	25%	
Non commercial vehicles	20%	
Industrial buildings	5%	
Commercial buildings	2%	
Farm works and improvements	100%	
Equipment used in manufacturing farming and tourism	50%	
Improvement allowance under the ZDA Act	100%	
Development allowance on growing roses, tea, coffee, banana plants or citrus fruits and similar plants	10%	
Leased plant, machinery and implements	50%	
CUSTOMS DUTIES		
Capital Equipment and Raw Materials	0-5%	
Intermediate Goods	15%	
Finished Goods	25%	
MINERAL ROYALTY TAX		
Gemstone, small scale and artisan mining license	5%	
Other mining licenses	3%	
PROPERTY TRANSFER TAX		3%

Source: 2010 Tax Guide, ZDA. Please refer to Part III for sector-specific tax incentives and MFEZ-related incentives

Withholding tax (WHT)

The following are charged a withholding tax of 15 per cent:

- (a) Interest, dividends, royalties, rent income and management and consultancy fees;
- (b) Payments to non-residents entertainers and sports persons;
- (c) Payment to non-resident contractors; and
- (d) Commission paid to non-employees.

Payments to foreign contractors of MFEZ and industrial park developers are exempt from the WHT charge.

Carry forward of losses for tax purposes is restricted to five years, except for hydro and thermal power generation companies, which are allowed to carry forward losses up to 10 years.

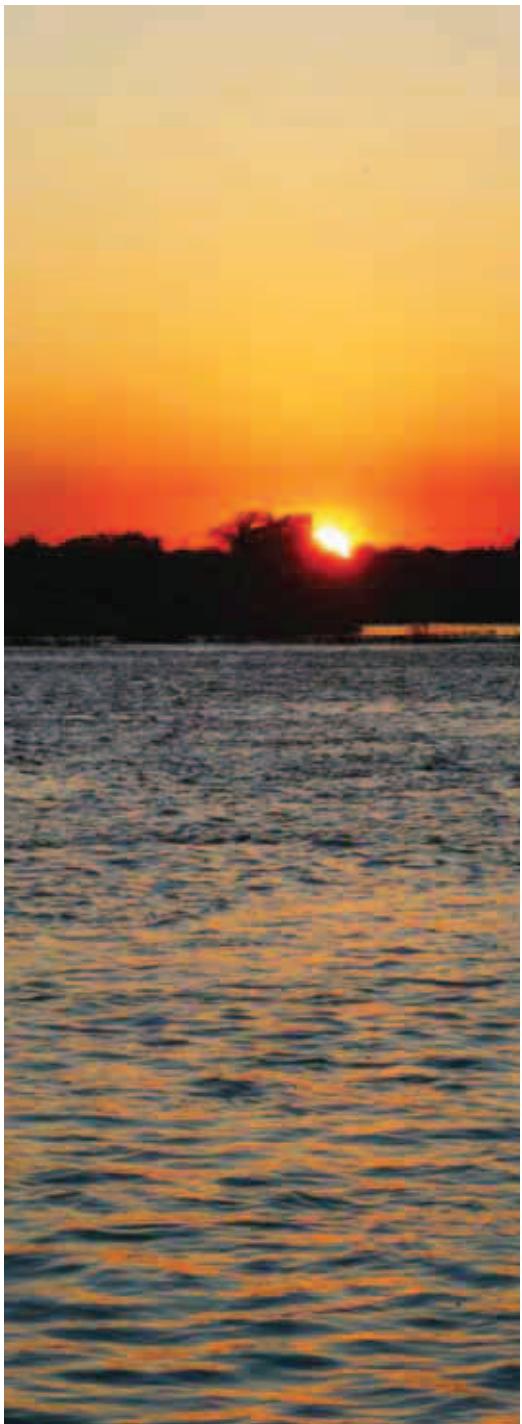
Below is a summary table of the taxes and allowances enforced in Zambia.

Fiscal administration and calendar

The tax year runs from 1 April to 31 March of the following calendar year. Taxpayers are expected to adopt 31 March as the accounting date. ZRA's prior approval is required should taxpayers choose to adopt a different accounting date. The ZRA requires that annual tax returns including accounts and supporting schedules are submitted on or before 30 September in respect of the tax year ending 31 March of the same calendar year.

Double taxation agreements

Zambia has double taxation agreements with the following countries: Canada, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Kenya, Mauritius, the Netherlands, Norway, Romania, South Africa, Sweden, Switzerland, the United Republic of Tanzania, Uganda, the United Kingdom and Zimbabwe³².



Tax and other incentives

Companies with ZDA licenses are entitled to tax, non-tax and facilitation services incentives. The ZDA classifies investors into five categories and provides incentives accordingly.

Investors who invest not less than \$10 million:

These are entitled, over and above what they might already gain under the ZDA Act, to negotiate with the Government for additional incentives. Investors who invest not less than \$500,000 in the Multi Facility Economic Zones (MFEZ) and /or in a priority sector or product: In addition to the general incentives, these investors benefit from:

- (a) Zero per cent tax rate on dividends for 5 years from year of first declaration of dividends;
- (b) Zero per cent tax on profits for 5 years from the first year profits are made; for year 6 to 8, only 50 per cent of profits are taxable and for years 9 & 10, only 75 per cent of profits are taxable;
- (c) Zero per cent import duty rate on raw materials, capital goods, machinery including trucks and specialized motor vehicles for five years;
- (d) Deferment of VAT on machinery and equipment including trucks and specialized motor vehicles.

Investors qualifying as micro or small enterprises under the ZDA Act: Aside from the applicable general incentives, the following additional benefits are provided:

- (a) For an enterprise in an urban area the income shall be exempt from tax for the first three years;
- (b) For an enterprise in a rural area, the income shall be exempt from tax for the first five years.

Investors who invest less than \$500,000 in a sector or product provided for as a priority sector or product: This category is only entitled to general incentives.

Investors who invest any amount in a sector or product not considered as a priority sector or product. These investors are only entitled to general incentives provided under the various pieces of legislation.

The general incentives include the following:

- (a) Income earned by companies in the first year of listing on the Lusaka stock exchange qualifies for a 2 per cent discount on the applicable company tax rate in the particular sector, however companies with more than one third of their shareholding in the hands of Zambians qualify for a 7 per cent discount;
- (b) Implements, machinery and plant used for farming, manufacturing or tourism qualify for wear and tear allowance of 50 per cent of the cost per year in the first two years;
- (c) Building used for manufacturing, mining or hotel qualify for wear and tear allowance of 10 per cent of cost in first year and 5 per cent of cost per year in subsequent years;
- (d) Duty-free importation of most capital equipment for the mining and agriculture sectors;
- (e) Corporation tax at 15 per cent on income from
 - (i) farming;
 - (ii) Fertilizer production; and
 - (iii) non-traditional exports;
- (f) Farm works allowance of 100 per cent of expenditure on stumping, clearing, prevention of soil erosion, bore holes, aerial and geophysical surveys and water conservation;
- (g) Development allowance of 10 per cent of the cost of capital expenditure on growing of coffee, banana plants, citrus fruits or similar plants;
- (h) Farm improvement allowance – capital expenditure incurred on farm improvement is allowable in the year of incurring the expenditure;
- (i) Dividends paid out of farming profits are exempt for the first five years the distributing company commences business;
- (j) Initial allowance of 10 per cent on capital expenditure incurred on the construction or improvement of an industrial building is deductible;
- (k) Foreign exchange losses of a capital nature incurred on borrowings used for the building and construction of an industrial or commercial building are tax deductible;
- (l) Dividends declared by companies assembling motor vehicles, motor cycles and bicycles are exempt for the first five years of initial declaration of dividends;

(m) Carry forward losses:

- (i) Copper and Cobalt mining – 10 years;
- (ii) Other mining – 5 years;
- (iii) Non-mining – 5 years;
- (iv) Farming and non-traditional exports – 5 years.

(n) Value added tax:

- (i) Relief for VAT registered enterprises on imports of eligible capital goods (VAT deferment);
- (ii) Zero rate on export of taxable products;
- (iii) Relief of vat on transfer of business as a going concern;
- (iv) Equal treatment of services for VAT-reverse VAT;
- (v) Cash accounting for specialized associations e.g. association of building and civil engineering contractors;
- (vi) VAT relief on input tax paid for purchases made by registered suppliers;
- (vii) Input tax claim for three months prior to vat registration for businesses that have already commenced trading; and
- (viii) Reduction of VAT rate for investors in tax free zones.

Non-fiscal incentives and facilitation services

Other than the tax incentives, the ZDA Act entitles to investors who invest at least \$250,000 to a self employment permit and employment permits for up to five (5) expatriates. In addition, the ZDA also assists registered investors to fulfill other related procedures in connection with their establishment including to:

- (a) acquire land,
- (b) obtain water, electric power, transport, and communication services and other facilities required for their investments;
- (c) regularize their immigration status;
- (d) acquire other licenses required to operate a business in any particular sector.

Land acquisition

Land in Zambia is classified into two types – State land, which is about 10 per cent of the country's land and customary land, falling under the jurisdiction of traditional chiefs, which comprises the remaining 90 per cent of the country's land. Zambia has no freehold tenure system but applies instead the leasehold and customary tenure. The former is granted, initially for 14 years, renewable for 99 years thereafter, subject to satisfactory application of the terms of the tenure. If land is surveyed, initial lease is for 99 years.

Customary land can likewise be converted to leasehold. It first requires the tribal chief to give his consent to declassify the customary land. This procedure is handled by the local council, which is also responsible for demarcating customary land suitable for title. It then requires the consent of the President to be sold as titled land. This latter procedure can take up to six months. Once customary rights are extinguished, the land cannot be reconverted back to customary tenure. In recent years, with the aim of making more lands available for commercial exploitation, the Government has requested the conversion of some customary lands into farm blocks and industrial blocks for use by Zambians and non-Zambians alike. The ZDA and the Surveyor General's department likewise plan to implement a land bank programme to identify lands appropriate for investment. Where the land concerned is customary, the Government plans to negotiate with tribal chiefs to convert the status in anticipation of investment. In urban areas, where the land is titled, the programme intends to purchase the land and either lease or sell it to interested investors.

Non-Zambians can acquire land under the following conditions:

- (a) He/she is a permanent resident in Zambia;
- (b) He/she is an investor within the meaning of the Zambia Development Agency Act or any other law permitting investment in Zambia;
- (c) A person registers a company under the Companies Act, with no less than 75 per cent Zambian shareholding, in which case, the Title Deed will be issued in the name of the registered company;
- (d) Under a short term tenancy of not more than five years;
- (e) If the person is granted concession or right – under the National Parks and Wildlife Act; and
- (f) In exceptional cases by Presidential consent in writing.

A foreign investor can also acquire land under a short-term tenancy of not more than five years or under a concession or right granted under the National Parks and Wildlife Act.

The titled land can be inherited or sold. For the sale, presidential consent, through the Commissioner of Lands is required. Presidential consent is also required to renew or extend the lease. When a leasehold title is granted, the land becomes state land.

The Land Act of 1995 also provides for the establishment of a Lands Tribunal, which considers complaints by leaseholders and customary rights holders and speeds up the resolution of land disputes. The decision of the Tribunal may be appealed with the Supreme Court.





This chapter summarizes the results of consultations with the private sector in Zambia. The consultations were carried out through individual meetings with investors, firm managers and business association representatives.

This summary should be seen as no more than indicative of private sector opinion in Zambia.

General observations

The safe and secure environment, a stable democratic political system, a warm and friendly people, several untapped opportunities including in tourism, agriculture and agro-processing, hydropower generation and the country's strategic geographic location were among the pluses and attractions mentioned in the interviews. Among the things that are of concern to them and which they consider as hurdles in their business operations include (a) shortage of certain skills; (b) some aspects of the labour law, in particular, the prohibitive redundancy pay; (c) licensing procedures which remain cumbersome; (d) the state of basic infrastructure, in particular road transport and power supply; and (e) several others, such as high cost of inputs to production, governance issues, cost of finance, and currency fluctuations.

While there was an acknowledgement of the reforms that the Government is undertaking including within the context of the Private Sector Reform Development Programme (PSRDP), it was equally recognized that the positive attributes of the country and the opportunities that are present can only be fully enjoyed and exploited if the remaining impediments to doing business are addressed, the most commonly cited of which are discussed in detail below.

Specific points

Licensing procedures

Reforms have been implemented to streamline licensing procedures and these have to some degree eased the burden of business operations in Zambia. Yet requirements, considered by some to be unnecessary, remain. One business association mentioned that there are still 230 cross-sectoral licenses remaining (although down from 520) while another gave the example of the hospitality

industry, where the period to obtain planning consent has actually risen from six months to two years and that there are about 10 sector-specific licenses required to operate a business. Some have also highlighted the additional burden of having to renew these licenses and permits every year. Others mentioned the absence of a real one-stop window for processing licenses. Investors have found creative ways of coping with these difficulties. The government is cognizant of these problems and through the PSRDP, had made streamlining of administrative hurdles one of its priorities.

Human resources/labour issues

Managers interviewed underlined this as among their concerns, with most of them having encountered problems in finding some personnel ranging from artisanal workers (brick layers, forklift operator, welders) to professional and technical staff (accountants, engineers, surveyors, hotel staff). Professional staff, when available, tend to be expensive and hiring foreign workers is subject to stringent labour needs test. Some mentioned the difficulty of separating staff, leading to firms resorting to contractual employment. Reforms are underway including the amendment of labour laws and a more targeted training of human resources through improved linkages between the public training institutions and the private sector. Investors in the hospitality sector cited concerns with the quality of output of hotel schools.

Basic infrastructure

While electricity tariffs in Zambia are among the lowest in the region, the unstable power supply has affected production, with some companies requiring the use of their own generators to be able to continue their activities. This has increased their cost of production. The Government is now embarking on a phased electricity tariff increases to make the rates cost-reflective. This is to allow the power authority to recoup its costs as well as save for rehabilitation of old plants and the construction of new power plants.

The poor state of the country's road infrastructure has likewise been a concern, especially given the fact that 70 per cent of the goods that get in and out of the country are transported through roads. Related to this is the practice of installing

numerous roadblocks, which adds to delays and could encourage discretionary practices. This has proved unfavourable for firms transporting goods with short shelf-lives. Road infrastructure upgrading and development are ongoing and priority is given to those areas leading to promoted tourism destinations and farm block projects. A regional initiative, the North-South Corridor Project, a joint project of COMESA–EAC–SADC, will provide Zambia with easier access to the ports of Dar es Salaam and the southern port of South Africa in addition to easing the movement of people, goods and services to and from the other eight countries that Zambia shares border with.

Governance issues

Though not very blatant, a number of managers have mentioned that lengthy and slow bureaucratic processes, including in procuring the necessary licenses and permits and going through border and road checks, encourage bribery and are becoming more and more a common route to getting things done quickly. Further streamlining of business licensing procedures and greater transparency should alleviate the problem.

There was a mixed sentiment on the Government's engagement with the private sector, both in terms of maintaining an open dialogue and in engaging it in the design of policies relevant to it. While a majority of those interviewed expressed satisfaction in the way the Government takes on board their views, with some confirming that they have seen concrete results in such engagements, others differed and claimed that the private sector had to fight to be heard.

An additional concern, raised particularly by those in the mining sector, is the lack of certainty in the application of laws, where changes to current laws and privileges afforded to the private sector were changed without prior notice. A few others have equally raised some issues with the judicial processes being cumbersome and lengthy, and thus, also encourages corruption.

Investors in the tourism sector were concerned that fees for entry and re-entry visas and for national park licences had been raised at short notice. This had created difficulties in their financial planning and discouraged visitors to the country;

it was felt that Zambia risked losing its competitive edge over Zimbabwe. In addition, investors looked forward to the ZDA fulfilling its role as a one-stop-shop and unique interlocutor for all their investment concerns. They also looked forward to a longer term plan for their sector and a clear strategy on environmental management.

Other concerns

While investors and managers admitted that they had to learn to cope and to adjust to the present environment, they nonetheless expressed hope that the Government would speedily pursue all its planned and avowed reform projects and that these would be implemented as soon as possible. They have no regrets in investing in the country and some of them are even planning to expand their operations. Notwithstanding the progress made, some challenges remain to be tackled:

With a very limited option for procuring key inputs in the country, many firms and industries source their inputs to production abroad. Those who import machinery from non-SADC countries noted high customs duties and other taxes, including VAT. Others added that these costly inputs, together with the high cost of other factors of production (e.g. labour) and other difficulties and delays in customs procedures for import and export (although customs pre-clearance procedures worked well), hamper manufacturing operations and have made their products uncompetitive, and at times, even more expensive than imported finished products.

Taxes, though mentioned only by a few of those interviewed, were considered to be high, although they admitted that these were within the regional range. Some investors have admitted encountering problems related to VAT refund.

Fluctuations in the value of the Zambian kwacha relative to the United States dollar was a particular concern, especially for firms which receive payment for their goods and services in dollars but have to buy all their inputs (both goods and services) in kwacha.

Investors noted that vigilance was required on financial matters as a major foreign-owned bank had been defrauding its clients.

General observations

Prime growth sectors for investment are:

- Agriculture and agro-processing;
- Tourism;
- Manufacturing;
- Energy;
- Mining.

Investments of not less than \$500,000 in any of the priority sectors listed below are entitled to fiscal incentives if registered with the ZDA:

- Floriculture – Fresh and dried flowers;
- Horticulture – Fresh and dried vegetables;
- Processed foods – Wheat flour and Other processed foods;
- Beverages and Stimulants – Tea and tea products; Coffee and coffee products;
- Production and the processing of the following products in the textiles sector – Cotton; Cotton yarn; Fabric; Garments;
- Manufacturing of the following engineering products – Copper products; Iron ore and steel; Cobalt; Other engineered products;
- Beneficiation of phosphates and any other related material into fertilizer;
- Beneficiation of rock materials into cement;
- Production and processing of raw timber into wood products;
- Production and processing of the following products in the leather sector - cattle hides; crust leather; leather products;
- Building of mini-hydro power stations;
- Education and skills training;

Multi-facility Economic Zone (MFEZ) Priority Sectors

- Information and Communication Technology (ICT);
- Development of computer software;
- Assembly/manufacture of ICT equipment;
- Health:
- Manufacture of pharmaceutical products;
- Repair and maintenance of medical equipment;
- Provision of laundry services to medical institutions;
- Ambulance services;
- Medical laboratory services;
- Diagnostic services; and
- Other medical services.

- Education and skills training;
- Manufacture of:
 - Machinery and machinery components;
 - Iron and steel products;
 - Electrical and electronic products & components and parts thereof;
 - Chemicals and petrochemicals;
 - Pharmaceutical and related products;
 - Wood and wood products;
 - Palm oil and their derivatives;
 - Pulp, paper and paper board;
 - Textile and textile products;
 - Transport equipment, component and accessories;
 - Clay-based, sand-based and other non-metallic mineral products;
 - Plastic products;
 - Professional medical, scientific and measuring devices/parts;
 - Rubber products;
 - Leather and leather products;
 - Packaging and printing materials;
 - Fertilizer; and
 - Cement.
- Tourism;
- Processing of:
 - Agricultural products;
 - Forest products;
 - Non-ferrous metals and their products;
 - Gemstones.

General observations

All sectors are open for private investments and investments under the public–private partnerships (i.e. joint government and private sector ventures). While in principle there are no restrictions as to what sector foreign investors can venture into, the ZDA does not normally issue investment licences to foreign investors intending to venture into trading and small scale mining as these sectors are reserved for the local investors.

Appendix 2

33 Source: Zambia Development Authority. Note: This list is not exhaustive. Contact ZDA for the complete list.

Sample of foreign investors per sector³³

Name of company	Ownership	Business	Contact details
SECTOR: AGRICULTURE			
Zambia Sugar Plc	South Africa	Sugar production	Phone: +260-213-230666/ 230696/231111 Fax: +260-213-230166 www.zambiasugar.co.zm
Freshpikt	Zimbabwe	Agro processing	Phone: +260-211-240107
Mpongwe Development Farms	United Kingdom	Wheat, soya, maize and coffee production.	Phone: +260-212-510604/217298
Yorkfarm	United Kingdom	Agro-business	Phone: +260-211-274020 Ramamurthy@yorkfarm.co.zm
SECTOR: CONSTRUCTION			
China Geo-Engineering Corporation	China	General construction	Box 34470 Lusaka. Farm 609 Chudleigh. Phone: +260-211-291556
Grinaker LTA Construction	South Africa	Construction engineers	Phone: +260-212-311207, Plot 655 Zimbabwe Road, Chingola
Bicon Zambia	United States of America	Construction engineers and project managers	P.O. Box 39528 Phone: +260-211- 232978/9 www.biconzambia.com
Flame Construction Ltd	Egypt	General construction	Katima Mulilo Road, Lusaka
Stefanutti and Bressan Zambia Limited	South Africa	Civil engineering and construction	Phone: +260-211-286309 www.stefanutti.co.za stefzam@coppernet.zm
China Henan International Corporation Company Limited	China	General construction	Phone: +260-211-216065
Raubex Construction Zambia Limited	South Africa	General construction	Phone: +260-211-290474
SECTOR: HEALTH			
Prime Pharmaceuticals	India	Supply of medical drugs and services	Phone: +260-211-226852 primepharma@zamnet.zm
Circle Pharma	Zimbabwe	Supply of medical drugs	
Victoria Hospital	India	Hospital	Phone: +260-211-223263
Medicare and Care for Business	Malaysia	Hospital	Nkwazi Road, NIPA, Lusaka
SECTOR: EDUCATION			
Cavendish	United Kingdom	Education provision	Phone: +260-211-230105
AIBT	Australian	Education provision	Phone: +260-211-260864 patrick@aibt.co.zm

Name of company	Ownership	Business	Contact details
SECTOR: MANUFACTURING			
Parmalat Zambia	France	Agro processing	Phone: +260-211-286321 parmalat@parmalat.co.za www.parmalat.co.za
ZAMEFA	United States of America	Processing of copper and aluminium	Phone: +260-212510023/ +260-966991433 Kangwa_Bwalya@pdic.com
Gurock Industries	India	Canvas and rope manufacture	Phone: +260-211-237309
Larfarge Cement	France	Cement manufacture and cement clinker	Phone: +260-211-279029/40, ian.coulter@lafarge.com www.chilanga.co.zm
Zambian Breweries	South Africa	Beverage manufacturing	Phone: +260-211-622411
Tap Zambia	Zimbabwe	Manufacturing of building materials	Phone: +260-211-278315 tapsales@coppernet.zm www.tapzambia.com.zm
TATA	India	Car assembly	Phone: +260-211-287160 tatazambia@zamnet.zm
Nampak	South Africa	Production of packaging materials	Phone: +260-211-242616 nampak@nampakzambia.com.zm
Southern Biopower	Germany	Diesel manufacturing	
Zambia Sugar Plc	South Africa	Sugar production	Phone: +260-211-213557 pederbillard@zamsugar.zm
SECTOR: MINING			
Konkola Copper Mine	India	Mining of copper	Phone: +260-212-350026 www.kcm.co.zm
Mopani	Canada	Mining of copper	Phone: +260-212-247000 mopani@mopani.com.zm
First Quantum Mine	Canada	Mineral exploration, development and mining	Phone: +260-212 651555, info@fqml.com www.first-quantum.com
NFC Mine	China	Mining of copper	Phone: +260-212-236688
Lumwana Mine	Australia	Mining of copper	Phone: +260-211-257644 info@austafrika.com www.austafrika.com
Kansanshi Mine	Canada	Mining of copper	Phone: +260-212 658300, kansashi@fqml.com www.first-quantum.com
SECTOR: FINANCE			
ZANACO	Netherlands	Banking	Phone: +260-211-223082 www.zanaco.co.zm
Standard Chartered Bank	United Kingdom	Banking	Phone: +260-211-228515 Customer:first@standardchartered.com
Barclays Bank	United Kingdom	Banking	Phone: +260-211-225050 www.barclays.com/africa/zambia
Stanbic Bank	South Africa	Banking	Phone: +260-211-224991 customercare@stanbic.com

Name of company	Ownership	Business	Contact details
SECTOR: FINANCE (continued)			
Bank of China	China	Banking	Phone: +260-211-238711
Inter-market Bank	Cameroon	Banking	Phone: +260-211-220929, idh@intermarket.co.zm www.intermarket.co.zm
Access Bank	Nigeria	Banking	Phone: +260-978777737 www.accessbankplc.com
Eco Bank	Togo	Banking	Phone: +260-211-250202 ecobankzm@ecobank.com
Banc ABC	South Africa	Banking	Phone: +260-211 -257970-76 Fax: +260-211-257980 abczm@african bankingcorp.com
SECTOR: SERVICE			
Toyota Zambia	Japan	Car dealership	Phone: +260-211-229109 customercare@toyotazambia.co.zm
Southern Cross	South Africa	Car dealership	Phone: +260-211-214778 admin@southerncross.co.zm
CFAO	South Africa	Car dealership	Phone: +260-211-243108 www.cfaogroup.com
Hazida Motors	Republic of Korea	Car dealership	Phone: +260-211-286745 Vsales.hazidamotors.co.zm
Shoprite Checkers	South Africa	Trading	Phone: +260-211-255710
Spar	South Africa	Trading	Phone: +260-211-257915
Pep Stores	South Africa	Trading	Phone: +260-211-246446 administrator@pep.co.zm
Budget Stores	South Africa	Trading	Phone: +260-211-273275 budgetstores@vip.163.com
Game Stores	South Africa	Trading	Phone: +260-211-255450
Omnia Fertilizers	South Africa	Fertilizer manufacturing	Phone: +260-211-246542
SECTOR : TOURISM			
David Livingstone Safari	South Africa	Hotels and tourism	Phone: +260-213-320606
Taj Pamodzi	India	Hotels and tourism	Phone: +260-211-254455 www.tajhotels.com Pamodzi.lusaka@tajhotels.com
Intercontinental	India	Hotels and tourism	Phone: +260-211-257842, www.ichotelsgroup.com
Zambezi Sun	South Africa	Hotels and tourism	Phone: +260-213-321122, www.suninternational.com
Southern Sun	South Africa	Hotels and tourism	Phone: +260-211-251666 res@southernsun.co.zm www.southernsun.co.zm
Golden Bridge	China	Hotels and tourism	Phone: +260-211-239888
Protea Hotels	Cyprus	Hotels and tourism	Phone: +260-211-242780/ +260-977868655 efi@uniongold.co.zm

Name of company	Ownership	Business	Contact details
SECTOR: TRANSPORT			
Sable Transport	South Africa	Transportation	Phone: +260-211-274362
British Airways	United Kingdom	Air transport	Phone: +260-211-271199, www.ba.com Cotactba.1.zambia@ba.com
Railway Systems	South Africa	Rail transport	Phone: +260-211-234797
Rainbow Investments	South Africa	Transportation	Phone: +260-211-242024
SECTOR: TRANSPORT			
Sable Transport	South Africa	Transportation	Phone: +260-211-274362
British Airways	United Kingdom	Air transport	Phone: +260-211-271199, www.ba.com Cotactba.1.zambia@ba.com
Railway Systems	South Africa	Rail transport	Phone: +260-211-234797
Rainbow Investments	South Africa	Transportation	Phone: +260-211-242024
SECTOR: ICT			
Zain	Kuwait	Mobile telecommunication	Phone: +260-211-250595 www.zm.zain.com
MTN	South Africa	Mobile telecommunication	Phone: +260-211-257733 www.mtnzambia.co.zm
Iconnect	United Kingdom	Internet service providers	Phone: +260-211-221685 ICONNECT.ZM
Uunet	United States of America	Internet services providers	Phone: +260-211-223715 sales@zm.uu.net
SECTOR: ENERGY			
Copperbelt Energy Corporation	Ireland	Power transmission	Phone: +260-212-244000 crouchern@cec.com.zm www.copperbeltenergy.com
Manferroustal	Germany	Bio-fuel	P.O. Box 32587, Mpika
Denison Mines		Uranium mining	Phone: +260-211-264666
BP Zambia	United Kingdom	Oil marketing	Phone: +260-212-223847 www.bp.com
Total Zambia	France	Oil marketing	Phone: +260-212-242887 www.total.com
Caltex Zambia	France	Oil marketing	Phone: +260-211-242327 www.caltex.co.zm
Engen	South Africa	Oil marketing	Phone: +260-211-226196 www.engen.co.zm
Kobil Zambia	Israel	Oil marketing	Phone: +260-211-294259 www.kenolkobil.com
Petroda	Malawi	Oil marketing	Phone: +260-211-234468

Appendix 3

Sources of further information	
Government agencies	
Zambia Development Agency P O Box 30819 Lusaka Tel: +260 211220177/223859 Fax: +260 211 225270 E-mail: zda@zda.org.zm Website: www.zda.org.zm	Bank of Zambia P.O. Box 30008, Lusaka Phone: +260 211 228888/228903-20 Fax No:+260-211-221767 E-mail: pr@boz.zm
Zambia Revenue Authority P.O. Box 35710 Lusaka Tel: +260 211 223754/ 229214-8	Immigration Office P.O. Box 50300, Lusaka
Lusaka Stock Exchange P.O. Box 34523 Lusaka Tel: +260 211 228537/ 228391 Fax: +260 211-225969 E-mail: luse@zamnet.zm	Business associations
Environmental Council of Zambia P.O. Box 35131, Lusaka +260 211 254130/1 Fax: +260-211-254164 E-mail: ecz@necz.org.zm Website: www.necz.org.zm	Zambia Association of Manufacturers P.O. Box 31992 Lusaka Tel: +260 211 229364/ 222709 Fax: +260 211 229371 E-mail: shyams@zamnet.zm
Zambia National Tourist Board P.O. Box 30017 Lusaka Tel: +260 211 222714 Fax: +260 211 225174 E-mail: zntb@zamnet.zm www.zambiatourism.com	Zambia Export Growers Association P.O. Box 31705 Lusaka Tel: +260 211 221895 Fax: +260 211 221895 E-mail: zega@zamnet.zm
Ministry of Commerce, Trade and Industry P.O. Box 31968, Lusaka Phone: +260 211 228301-9 Fax: +260 211 226984 E-mail: mcti@gov.co.zm Website: www.mcti.gov.co.zm	Zambia Association of Chambers of Commerce & Industry P.O. Box 30844 Lusaka Tel: +260 211 252369 Fax: +260 211 252483 E-mail: zacci@zamnet.zm
	Zambia National Farmers Union P.O. Box 30395 Lusaka Tel: +260 211 223222 Fax: +260 211 222736 E-mail: znfu@zamnet.zm
	Zambia Business Forum Plot 4 United Nations Ave. Long Acres P.O. Box 37202 Lusaka Fax: +260-211-257167
	Zambia Federation of Employers P.O. Box 31941, Lusaka Phone: +260 211 295541/82 Fax: +260 211 295582 E-mail: zfe@zamnet.zm

Consulting firms/Law firms

Grant Thornton Associates
P.O. Box 30885 Lusaka 10101
Tel: +260 211 227722

KPMG
Box 31014 Lusaka
Tel: +260 211 228874
Fax: +260 211 22 28 61

Deloitte & Touche
P.O. Box 30030 Lusaka
Tel: +260 211 228677/9
Fax: +260 211 226915

Price Waterhouse Coopers
P O Box 30942 Lusaka 10101
Tel: +260 211 8889
Fax: +260 211 22 07 68

MNB Legal Practitioners
P.O. Box 34207 Lusaka
Tel: +260 211 236 921
Fax: +260 211 236134

Lukona Chambers Advocates
P.O. Box 31160 Lusaka
Telephone: +260 211 254748
Fax: +260 211 253166

Permanent Chambers P.O. Box 35702 Lusaka
Tel: +260 211 225884
Fax: +260 211 225049

Chibesakunda & Company P O Box 30279 Lusaka
Telephone: +260 211 236319
Fax: +260 211 236478

Appendix 4

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List of public holidays

2011	2012	
1 January	1 January	New Year's Day
8 March	8 March	International Women's Day
14 March	12 March	Youth Day
22 April	6 April	Good Friday
25 April	9 April	Easter Monday
1 May	1 May	Labour Day
25 May	25 May	Africa Freedom Day
6 July	6 July	Heroes' Day
7 July	7 July	Unity Day
3 August	3 August	Farmers' Day
24 October	24 October	Independence Day
25 December	25 December	Christmas Day*

*Many organizations close shortly before Christmas for "industry break" and reopen after first week in January

Government agencies

Government and private sector offices:

Mondays thru Fridays: 8.00 - 13.00 hours; 14.00 - 17.00 hours

Banks:

Mondays thru Friday: 8.15 - 14.30 hours;

first and last Saturdays of each month: 8.15 - 11.00 hours

Appendix 5

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34 Source: Zambia Development Authority.

Privatization²⁴

1.0. LIQUIDATED PUBLIC ENTERPRISES					
YEAR	NAME OF COMPANY	TYPE OF BUSINESS	SECTOR		
1992	Zambia State Property Development Company	Property development	Service		
1992	Zambia State Security Limited	Security services	Service		
1995	Amalgamated Milling	Milling	Agro processing		
1996	Lukanga Investment and Development Co	Development consultancies	Service		
1995	Zambia Housing Development Fund Ltd	Housing development	Real estates		
1995	Zambia National Shipping Line	Freight services	Service		

2.0. LIST OF PRIVATIZED PUBLIC ENTERPRISES						
YEAR	NAME OF COMPANY	TYPE OF BUSINESS	SECTOR	% STATE OWNERSHIP BEFORE PRIVATIZATION	METHOD PRIVATIZATION	% STATE OWNERSHIP AFTER PRIVATIZATION
1993	Agip Zambia	Oil marketing	Energy	50	Share sales	20
1993	Nanga Farms	Farm produce	Agriculture	100	Share sales	100
1993	Prime Marble	Marble products	Manufacturing	100	Assets sales	0
1994	Chilanga Cement	Cement producer	Manufacturing	74	Share sales	0
1994	Zambia Breweries Limited	Alcoholic beverages	Manufacturing	100	Assets sales	0
1995	ROP Zambia	Cooking oil producer	Manufacturing	100	Assets sales	0
1995	Kapiri Glass Products	Glass products	Manufacturing	89	Asset sales	2
1995	Indeco Milling	Milling company	Agro Processing	100	Asset sales	0
1995	National Breweries Limited	Opaque beer production	Manufacturing	51	Share sales	0
1995	Nchanga Farms	Farm produce	Agriculture	100	Assets sales	0
1995	Rothmans Zambia	Cigarettes producer	Manufacturing	18	Shares sales	0
1995	Zambia Engineering Company	Engineering products	Manufacturing	100	Assets sales	0
1995	Zambia Sugar Company	Sugar products	Manufacturing	100	Shares sales	0
1996	Nkwazi Manufacturing	Fish nets producer	Manufacturing	86	Share sales	0
1996	BP Zambia	Oil marketing	Energy	50	Share sales	0
1996	Choma Milling	Milling company	Agro processing	100	Assets sales	0
1996	Dairy Produce Board	Dairy products	Agro processing	100	Assets sales	0
1996	Kabwe Industrial Fabrics	Textile garments	Manufacturing	100	Asset sales	0
1996	Lint Company of Zambia	Cotton producer	Agriculture	100	Asset sales	0
1996	Zambezi National Parks	Game safaris	Tourism	100	Leased	0
1996	Lusaka Engineering Co.	Engineering products	Manufacturing	60	Share sales	0
1996	MEMACO Farms	Farm produce	Agriculture	100	Asset sales	0
1996	Kawambwa Tea Company	Growing of tea	Agriculture	100	Asset sales	0
1996	Metal Fabricators of (Z)	Copper cables	Manufacturing	51	Share sales	18
1996	NDC Properties	Property development	Real estates	100	Assets sales	0
1996	National Hotels Dev. Corp.	Hospitality	Tourism	100	Leased	0
1996	Mwaiseni Stores	Departmental store	Retail trade	100	Assets sales	0
1996	National Drug Company	Medical drugs	Health	100	Assets sales	0
1996	National Milling Company	Milling company	Agro processing	51	Share sales	0
1996	NIEC Overseas Services (Z)	Export and Import	Service	100	Management buy out	0
1996	Northern Breweries	Alcoholic beverages	Manufacturing	100	Assets sales	0
1996	Zamcargo	Freight and forwarding	Service	100	Management buy out	0
1996	National Tobacco Company	Tobacco	Agriculture	100	Assets sales	0
1996	Luangwa National Parks	Game safaris	Tourism	100	Leased	0
1996	ZAL Elevators	Elevators maintenance	Service	100	Management buy out	0
1996	Zambia Ceramics	Ceramic products	Manufacturing	100	Management buy out	0
1996	ZCBC Stores	Departmental stores	Retail trade	100	Assets sales	0
1996	Zambia Supplies & Building Ser.	Building contractors	Construction	100	Assets sales	0
1996	Zambia Cold Storage	Meat products	Agro processing	100	Assets sales	0
1996	Zambia Coffee Company	Coffee production	Agriculture	100	Assets sales	0
1996	Supa Baking Company	Bakery products	Manufacturing	100	Assets sales	0
1996	Zambia Horticultural Products	Fruit and vegetables	Agro processing	100	Assets sales	0
1996	Zambia Pork Products	Pork products	Agro processing	100	Assets sales	0
1997	Zambia Oxygen Company	Gas production	Energy	100	Assets sales	0

2.0. LIST OF PRIVATIZED PUBLIC ENTERPRISES (continued)

YEAR	NAME OF COMPANY	TYPE OF BUSINESS	SECTOR	% STATE OWNERSHIP BEFORE PRIVATIZATION	METHOD PRIVATIZATION	% STATE OWNERSHIP AFTER PRIVATIZATION
1997	Zambia Concrete Limited	Rail slippers production	Manufacturing	100	Assets sales	0
1997	Zambia National Insurance Brokers	Insurance broking	Financial	100	Assets sales	0
1997	Indeni Petroleum	Oil refinery	Energy	50	Share sales	45
1997	Luangwa Industries	Bicycle assembly	Manufacturing	100	Assets sales	0
1997	Kafironda Explosives	Explosives producer	Manufacturing	34	Share sales	0
1997	Norgroup Plastics	Plastic products	Manufacturing	100	Assets sales	0
1997	Mplelembe Drilling	Drilling services	Service	100	Management buy out	0
1997	Zambia Detonators	Explosives services	Service	100	Shares sales	0
1997	Zambia Dairy Farms	Dairy farms	Agriculture	100	Assets sales	0
1997	Zambia Cashew Company	Cashew nuts production	Agro processing	100	Share sales	0
1997	ZCCM (B) – Luanshya	Mining precious metals	Mining	100	Assets sales	15
1997	ZCCM (E) – Kansanshi Mine	Copper and gold mine	Mining	100	Assets sales	20
1997	ZCCM (J) – Power Division	Electricity for the mines	Energy	100	Assets sales	20
1997	Zambia State Financing Company	Financial services	Finance	100	Management buy out	0
1997	ZCCM – Chibuluma Mine	Copper and cobalt mine	Mining	100	Assets sales	15
1998	ZCCM (D) – Chambeshi Mine	Copper and cobalt mine	Mining	100	Assets sales	15
1998	ZCCM (G) – Chambeshi Cobalt	Colbalt plant	Mining	100	Assets sales	10
1998	ZCCM (H)–Ndola Precious Metals	Precious metals plant	Mining	100	Assets sales	0
1998	Duncan, Gilbey & Matheson	Alcoholic beverages	Manufacturing	41	Share sales	0
1998	Dunlop Zambia Ltd	Tyres producer	Manufacturing	24	Share sales	0
1998	Intercontinental Hotels	Hospitality	Tourism	100	Assets sales	0
1998	Roan Air	Air transport	Transport	100	Management buy out	0
1998	Munda Wanga Gardens	Zoo and botanic garden	Tourism	100	Assets sales	0
1998	Scaw Zambia	Steel products	Manufacturing	100	Assets sales	0
1999	Mosi- oa-Tunya Hotel	Game safaris	Tourism	100	Leased	0
1999	ZCCM Bulk Transport Services	Mine products transport	Transport	100	Management buy out	0
1999	ZCCM Kabwe WATSAN Plant	Water and sanitation	Water & sanitat.	100	Assets sales	0
1999	ZCCM Techpro Zambia	Mine technical services	Services	100	Management buy out	0
1999	Zambia Seed Company	Agricultural seed	Agriculture	40	Share sales	37.5
2000	ZCCM (C) – Mufurila Division	Copper and cobalt mine	Mining	100	Assets sales	10
2000	ZCCM (F) – Nampundwe Mine	Pyrite mine	Mining	100	Assets sales	20
2000	ZCCM (L) – Chingola Refractory	Copper ore dumps	Mining	100	Assets sales	20
2000	ZCCM Konkola Divison	Copper and cobalt mine	Mining	100	Assets sales	20
2000	ZCCM Nchanga Divison	Copper and cobalt mine	Mining	100	Assets sales	20
2000	ZCCM Nkana Mine	Copper and cobalt mine	Mining	100	Assets sales	10
2001	ZCCM Lusemfwa Power Station	Electricity supply	Energy	100	Assets sales	0
2001	Lundazi Castle Hotel	Hospitality	Tourism	100	Assets sales	0
2001	Kagem Mining	Gemstones mining	Mining	100	Share sales	13
2002	New Savoy Hotel	Hospitality	Tourism	100	Share sales	0
2002	ZAFFICO Sawmills	Wood products	Wood processing	100	Assets sales	0
2003	Kafue National Parks	Game safaris	Tourism	100	Leased	0
2003	Zambia Railways Company	Rail transport	Transport	100	Concession	0
2005	Kafue Textiles of Zambia	Textile garments	Manufacturing	100	Assets sales	0
2008	Poultry Processing Company	Day old chicks hatchery	Agriculture	100	Assets sales	0
2008	Zambia National Commercial Bank	Commercial banking	Finance	100	Share sales	49
2009	Maamba Collieries	Coal mining	Mining	100	Assets sales	0

3.0. ENTERPRISE BEING OR TO BE PRIVATIZED

NAME OF COMPANY	TYPE OF BUSINESS	STATUS	METHOD OF PRIVATIZATION
Mukuba Hotel	Hotel management	Privatization of the company under review	To be advised
Mulobezi Railway	Railway transport	Options study on privatization finalized	To be advised
Njanji Commuter Services	Railway transport	Assets were advertised for tender	To be advised
Ndola Lime Limited	Limstone mining	Options on privatization being reviewed	To be advised
National Airports Corporation	Aviation services	Privatization of the company under review	To be advised
Nitrogen Chemicals of Zambia	Chemical fertilizer production	Awaiting further guidelines	To be advised
State Lotteries Board	Lottery services	Seeking expressions of interest from potential investors	To be advised
TAZAMA Pipeline	Oil pipeline	Examining options for commercialization and hiving-off from government grant finance	To Be Advised
Zambia Electricity Supply Corporation	Electricity generation & transmission	Awaiting further guidelines	To Be Advised
Tanzania Zambia Railways Limited	Railway transport	Commercialization underway	To Be Advised
Zambia Educational Publishing House	Book publishing	Options for private sector participation under review	To Be Advised
Zambia National Building Society	Housing development	Awaiting further instructions	To Be Advised
Zambia Postal Services Corporation	Postal services	Commercialization underway	To Be Advised
Zambia State Insurance Corporation	Insurance services	To study options for private sector participation	To Be Advised
Zambia Telecommunications Company	Telecommunications services	Privatization underway	To Be Advised
Contract Haulage	Transport services	Awaiting Cabinet approval for mode of privatization	To Be Advised
Engineering Services Corporation	Engineering services	Preferred bidder, NAPSA, to open negotiations for the development of the Lusaka Plot	To Be Advised
Kariba Minerals Limited	Gemstones mining	Privatization of the company under review	To Be Advised



Appendix 6

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³⁵ Source: Zambia Development Agency.

Major laws and regulations affecting foreign investment³⁵

NAME/TITLE (OF THE LAW) (YEAR)	DESCRIPTION OF COVERAGE OF THE LAW
• ZDA Act No 11 of 2006	Law governing investment and trade
• Companies Act, Cap 388	Law governing the registration of companies
• Income Tax Cap 323	Law governing taxation
• VAT Act 331	
• Customs and Excise 322	
• Taxation (Provisional Charging), Cap 364	
• Bank of Zambia Act, Cap 360	Law governing finance
• Banking and Financial Services Act, Cap 387	
• Financial Institutions (validation of Acts), Cap 420	
• Insurance Act, Cap 392	Law governing insurance
• Public Audit Act Cap 378	
• Public Finance Act No 15 of 2004	Law governing audit
• Employment Act Cap 268	Law governing labour
• Industrial & Labour Relations Act, Cap 269	
• Minimum Wages and Conditions of Employment Act, Cap 276	
• Employment of Young Persons and Children Act, Cap 274	
• Immigration and Deportation Act, Cap 123	Law governing immigration
• Citizenship of Zambia Cap 124	Law governing citizenship
• Environmental Protection and Pollution Act Cap 204	Law governing environmental protection
• Forests Act, Cap 199	Law governing forests
• National Council for Construction Act, No 13 of 2003	Law governing construction
• Lands Act, Cap 184	Law governing land
• Land Acquisition Act, Cap 189	
• Lands and Deeds Registry Act, Cap 185	
• Land (perpetual succession) Act, Cap 186	
• Intellectual Property	
• Trade marks Act, Cap 401	Law governing trade marks
• Copyrights and Performance Rights Act, Cap 406	Law governing copyrights and performance rights
• Patents Act, Cap 400	Law governing patents
• Competition & Fair Trading Act, Cap 417	Law governing competition
• Arbitration Act, No 19 of 2000	Law governing arbitration

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Websites consulted for additional information:

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- Central Statistical Office of Zambia: www.zamstats.gov.zm
- FAOStat: <http://faostat.fao.org>
- GlobStat, UNCTAD intranet portal statistics
- UNCTAD FDI/TNC database – www.unctad.org/fdistatistics
- UNDP: www.undp.org
- UN COMTRADE database: <http://comtrade.un.org/>
- Zambia Development Agency: www.zda.org.zm
- Zambia Ministry of Mines and Minerals Development website: www.zambiamining.co.zm/mining-legislation.htm
- Zambia Patents and Companies Registration Office: <http://www.wipo.int/pct/guide/en/gdvol2/annexes/zm.pdf>
- Zambia Revenue Agency: www.zra.org.zm
- ZESCO website - www.zesco.com.zm

