INVESTMENT OPPORTUNITIES IN ZAMBIA

PRESENTATION FOR ITALY
May 2016
Presentation Outline

- Location of Zambia
- Economy at a glance
- Priority Sectors and Investment Opportunities
- Why Invest in Zambia
Strategically Located

By Road

Nairobi – 2hrs 46mins
Harare – 30mins
Johannesburg – 1hr 45mins
Addis Ababa – 4hrs 9mins
Dar-es-Salaam – 2hrs 4mins
Windhoek – 2hrs
Lubumbashi – 1hr

By Air

By Rail
At the Centre of Two Regional Markets
Untapped growing regional market

**COMESA – 2014**
Approx. 482 million people
Real GDP US $ 353.8 billion

**SADC – 2014**
Approx. 301 million people
Real GDP US $ 529 billion

**Tripartite Agreement with EAC – 2014**
Approx. Total 700 million people
GDP US $ 1.3 trillion

Other Market Opportunities include:
- EU through EBA
- USA through AGOA initiative
- Canadian, Chinese & Japanese Market Access Initiatives
Stable Political & Social Environment

Global Competitiveness Index 2014–2015 of 144 Countries

- 96th – World
- 7th – Africa

2014 Mo Ibrahim’s Index of African Governance 52 Countries

- 13th

2015 World Bank’s Ease of Doing Business Out of 189 Countries

- 97th – World
- 11th – Africa
Economy at a Glance
ECONOMIC STATISTICS

Area: 752,614km² (39th)
Population: 15.02 million (2014 est.)

Foreign Exchange Reserves
• $2.9 Billion (Dec. 2015)

GDP: $27.07 billion (2014)
Per Capita: $1,802 (2014)
GDP Growth Rate: 3.2% (2015)

Inflation (CPI): 21.1% (Dec 2015)

Credit Rating (2016)
Moody’s B3
Fitch B
S&P B
UNCTAD: In 2013, Zambia had the highest FDI inflow among the 16 landlocked countries in Africa.

Zambia’s Average Real GDP Growth in comparison to COMESA, SADC and SSA (2000 – 13)

<table>
<thead>
<tr>
<th>Region</th>
<th>2000-2013 Average Real GDP Growth</th>
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<tbody>
<tr>
<td>COMESA</td>
<td>3.8</td>
</tr>
<tr>
<td>SADC</td>
<td>4</td>
</tr>
<tr>
<td>SSA</td>
<td>4.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>7.02</td>
</tr>
</tbody>
</table>

Source: World Bank’s 2015 world development indicators

Trend in FDI Inflow (Million US $) 2004 – 2014

Source: UNCTAD’s World Investment Report 2014, and MoFNP
Priority Sectors and Investment Opportunities
Priority Sectors

- Agriculture
- Manufacturing
- Tourism
- Energy
- Infrastructure
Enabling Legal Environment

- Government enacted the **Zambia Development Agency Act of 2006** which created the Zambia Development Agency (ZDA) as a one-stop-shop for all matters relating to investment in Zambia.

- The ZDA Act also provides for certain fiscal and non-fiscal incentives for investment in Priority sectors.

- Government also enacted the **Public-Private Partnership Act of 2009** which created the Public-Private Partnership (PPP) Unit under the Presidency to deal with all matters to do with PPP projects.

- The PPP Unit deals with investment by the private sector in public infrastructure development and provision of social services.

- The PPP Act allows the private sector to submit both (a) solicited proposals through public tender and (b) unsolicited proposals.
Services provided by ZDA

- Provide information on markets and industries
- Assist in plant site selection
- Assist in seeking business partners
- Consult on Investment incentives
- Arrange meetings with government officials
- Provide administrative support

Comprehensive support to foreign & local investors
The Zambia Development Agency Act of 2006 provides for incentives:

1. **Tax Incentives**
   - Corporate Income Tax: 0% for 5 years
   - No Import Duty on equipment and machinery for five years
   - Zero percent tax rate on dividends for 5 years

2. **Non-Tax Incentives**
   - Investment guarantees and protection
   - Free facilitation for application of permits, licenses, land acquisition and utilities

3. **Location Support**
   - Multi Facility Economic Zones
   - Industrial Parks
   - Rural Area
Infrastructure Sector

- A land linked country surrounded by 8 countries thus access to sea ports and international markets is through roads, rail, and air
- Investment opportunities include:

1. **ROADS**
   - **Link Zambia 8000 km project** to open up the whole country for investment, access to markets, and facilitate trade – EPC mostly
   - Chirundu Border to Lusaka (124 km) with traffic of approx. 3,000/day
     - Links Zambia and Zimbabwe

2. **MASS TRANSIT TRANSPORT SYSTEM IN LUSAKA**
   - Light Rail Transport around Lusaka Town
3. RAILWAYS

- Chingola-Sol-Jimbe (540km)
- Livingstone-Katima Mulilo (200km)
- Chipata-TZR Mpika (406km)
- Kafue-Lions Den (341km)
4. REAL ESTATE & UNIVERSITY INFRASTRUCTURE

Real Estate & Government Accommodation

- Zambia has a housing deficit of about 2 million houses
  - Lusaka & Copperbelt provides better market for houses
  - The country requires about 200,000 houses annually to reduce deficit in the next 10 years
- Government upmarket office accommodation: require investment in Jubilee City – 16 Hectares

Student Accommodation in Public Universities

- University of Zambia has deficit of bed space of about 12,000
- Copperbelt University bed space required approx. 8,000
- Mulungushi University bed space required about 6,000
- Evelyn Hone College bed space required approx. 8,000
- Lack of adequate library facilities at all public universities
6. Other opportunities through PPPs

- **Specialist Hospitals**
  - The country requires Specialist Treatment and Diagnostic Hospitals – Government spend more than US$1 million a year referring patients abroad for specialist treatment
  - Require 3 Specialist hospitals in Lusaka and Copperbelt

- **Multi-Facility Economic Zones**
  - We need to create a “Copper City” for value addition to the Copper that we mine
  - Government can provide free land
  - Other private sector enterprises could participate in setting up factories in the Copper City
  - The Developer of the Copper City could earn land rental fees
Energy sources include: electricity, petroleum, coal, biomass, and renewable energy

Until March 2015 Zambia used generate about 2,000 MW of electricity. But only generates less due to drought

Electricity generation potential on surveyed rivers is 6,000MW

Demand for electricity exceeds 2,000MW domestically and 80,000MW in the Sub-Region

Zambia belongs to Southern African Power Pool – any excess power produced can be exported into the Region

Demand for bio-fuels: estimated at 84 million litres; production is limited as the sector is new and has only five companies
Energy Sector - Opportunities

Investment opportunities:
1. Geo-thermal – potential exists
2. Biofuel – from cassava
3. Waste-to-Energy – potential exists especially in big towns
4. Hydro Power:
   • Kafue Gorge – 750MW (approx. US$3 billion)
   • Batoka Gorge – 800MW (approx. US$4.8 billion)
   • Devil’s Gorge – 800MW (approx. US$4 billion)
   • Mombututu – 950 MW (approx. US$5 billion)
5. Solar Energy Projects -- almost 12 months of sunshine
Fig. 8.1: PV electricity output from a free-standing fixed-mounted PV system with a nominal peak power of 1 kWp - longterm averages of daily/yearly sum.
Agricultural Sector

- Total land area: 752,614 km$^2$, 58% arable but only 14% is currently being utilized.
- Total irrigation potential: 2.7 million hectares; only 6% is currently being utilized.
- Sector includes livestock, crops, fisheries and forestry.
- Investment opportunities exist in:

1. **Farm blocks**: 100,000ha in each of the 10 Provinces (total 1 million)
   - Model include Anchor farm of 10,000 Ha
   - Commercial farms of 5,000 Ha
   - Out-grower schemes
   - Value addition – processing plants
Farm Blocks under Development

<table>
<thead>
<tr>
<th>Farm block</th>
<th>Size (Ha)</th>
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<tbody>
<tr>
<td>1   Nansanga</td>
<td>100,000</td>
</tr>
<tr>
<td>2   Kalumwange</td>
<td>100,000</td>
</tr>
<tr>
<td>3   Luena</td>
<td>100,000</td>
</tr>
<tr>
<td>4   Manshya</td>
<td>100,000</td>
</tr>
<tr>
<td>5   Mikelenge/ luma</td>
<td>100,000</td>
</tr>
<tr>
<td>6   Musakashi (SADA)</td>
<td>100,000</td>
</tr>
<tr>
<td>7   Mungu</td>
<td>100,000</td>
</tr>
<tr>
<td>8   Simango</td>
<td>100,000</td>
</tr>
<tr>
<td>9   Mwase-phangwe</td>
<td>100,000</td>
</tr>
<tr>
<td>10  Muchinga</td>
<td>100,000</td>
</tr>
</tbody>
</table>
Tourism Sector

- Tourism is one of the fastest growing sectors in Zambia
- 19 National Parks
- 32 Game Management Areas

Investment Opportunities:
1. Tourism Accommodation Facilities – hotels, lodges
2. Development of an ultra-modern multi-purpose conferencing facility in Lusaka and Livingstone
Mining Sector

- Sector accounts for over **86% of FDI** and about 80% of exports earnings
- Mineral resources include: *metals, gemstones, industrial minerals, agricultural, building and energy minerals*
- Zambia is the second largest copper producer in Africa
- Zambia produces about 20% of the world’s emeralds: the most sought after due to their deep green color
- Investment opportunities exist in the extraction and processing of various mineral resources including diamonds, gold, and uranium among others.
The manufacturing sector in Zambia accounts for about 11 percent of the country’s Gross Domestic Product (GDP).

Zambia’s manufacturing sector has considerable investment potential as the domestic economy is relatively well endowed with resource factors such as raw materials, required labor force, abundant land, water and rich minerals.

Investment Opportunities:

1. Agro Processing: edible oils, food processing
2. Mineral Processing: copper, cobalt, gemstones
3. Light Engineering: Agriculture Equipment
## SUMMARY

### 10 Reasons to invest in Zambia

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<tbody>
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<td>1</td>
<td>Stable Political System</td>
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<td>2</td>
<td>Positive and investor friendly economic environment</td>
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<td>3</td>
<td>Investment guarantee and securities</td>
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<td>4</td>
<td>Abundant natural resources presenting excellent investment and trade opportunities</td>
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<tr>
<td>5</td>
<td>Thriving private sector</td>
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<td>6</td>
<td>Attractive investment incentives</td>
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<td>7</td>
<td>Unlimited repatriation of profits &amp; no exchange controls since 1994</td>
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<tr>
<td>8</td>
<td>Duty free access to regional, wider Africa, EU and USA Market.</td>
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<tr>
<td>9</td>
<td>Progressive banking, legal and insurance services of international standards and stock exchange.</td>
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<tr>
<td>10</td>
<td>Good place to work and live friendly people with a rich culture.</td>
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THANK YOU
Contact

EMBASSY:

The Ambassador
Zambian Embassy in Italy
Via Ennio Quirno Visconti, 8
00193 Roma
ITALY
Email: info@zambianembassy.it

OR: Mr Glyne Michelo
glynemichelo@gmail.com
Primo Segretario (Economia & Commercio)
Mobile: +39 366 996 0134

ZAMBIA:

Mr. Henry Sakala
Director
Public-Private Partnership Unit
State House
Lusaka, ZAMBIA
Mobile: +260 979 258 295
Email: sakala_h@yahoo.com