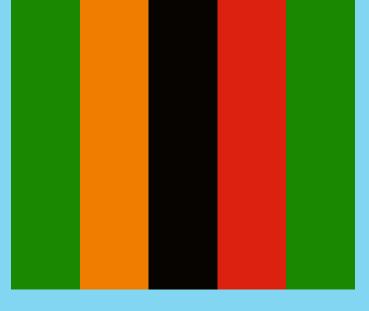
COUNTRY PROFILE POLITICS ECONOMY BANKING CAPITAL MARKETS

INSURANCE
INDUSTRY AND MANUFACTURING
ENERGY
TRANSPORT
TOURISM

AGRICULTURE
MINING
CONSTRUCTION AND REAL ESTATE
ICT
HEALTH

EDUCATION
STARTING A BUSINESS IN ZAMBIA
TAX AND ACCOUNTANCY
LEGAL FRAMEWORK
THE ENTERTAINMENT GUIDE



# **INVESTORS' ROAD MAP**





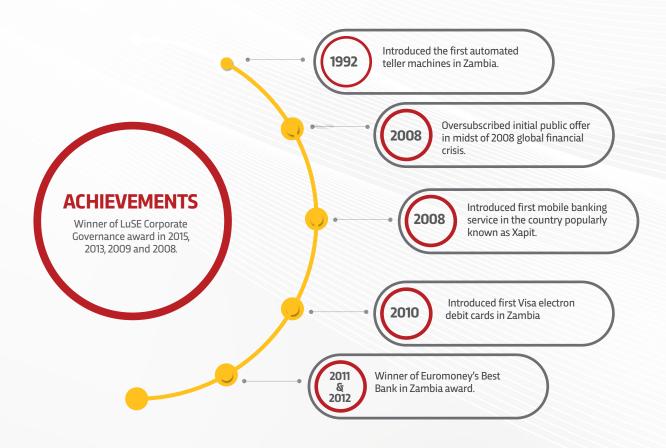
# YESTERDAY, TODAY, FOR A LIFETIME

The Zambia National Commercial Bank Plc (ZANACO) was established in 1969 shortly after attaining independence to service the financial needs of the Zambian economy and has since evolved into a leading bank nationwide popularly known as the People's Bank.

In 2007 a 49% stake was sold by the Government of Zambia to Rabo Financial Institutions Development B.V. a subsidiary of Rabo bank of Netherlands. The relationship with Rabo bank enables ZANACO to benefit from technical assistance and best practices in various areas of banking. In 2008, the bank was listed on the Lusaka Stock

Exchange (LuSE) with 25% floated to the public and the Zambia National Farmers Union (ZNFU) accounting for 3%.

ZANACO has ranked in the top 4 banks over several years on key metrics such as asset size, profitability, customer base and boasts the widest branch network across the country. With distribution at 68 branches and agencies, over 600 ZANACO Xpress agents, over 190 ATMs and over 2,000 POS machines, ZANACO has the largest customer base in the country with over 1 million customers.



### **FINANCIAL PERFORMANCE**

The bank's underlying revenue has continued to be resilient and grew by 13.5% despite the loan book shrinking following the tough credit conditions in 2016. Key drivers for revenue growth were:

- A 28% growth in fees and commission on the back of improved business growth, and improved collections.
- B 24.9% growth in net interest income driven by reduced growth in expensive wholesale deposits and asset re-pricing.



Profit after tax in 2016 was ZMW30m from ZMW118m in the prior year on the back of investing 14% of annual revenues in the transformation programme.

## WHAT WE OFFER

#### Treasury & Investment Management

ZANACO's Treasury and Investment Management offers risk management solutions that include hedging products such as Forwards, Exchange Contracts and Cross Currency Swaps. The foreign exchange services include direct dealing within the spot market while over-the-counter cash is provided at all branches nationwide. In addition, a newsletter detailing current local and global market activities is issued daily to clients.

ZANACO's fixed income product offering is in Term Deposits ranging from 7 to 365 days providing competitive rates in both the local Zambian Kwacha and United States Dollars. These rates are negotiable for deposits in excess of ZMW1m and US\$100,000. The client can select from the available tenures on offer based on their cash flow projections and needs.

The bank also facilitates the participation of clients in the bidding and settlement process of Government Securities (Treasury Bills & Government Bonds) on all offered tenures. Treasury Bills are sold in denominations of ZMW5,000 and commonly have maturities of 91, 182, 273 and 365 days. The Treasury Bills auction is conducted every 2 weeks on Thursdays and the Government bonds auction is conducted every other month.

#### **Global Transactional Services**

The Global Transactional Services within ZANACO provide Cash Management (payments and collections) solutions, Trade Finance, Domestic and International payments, Online Banking and Merchant Services (Point of Sale Terminals).

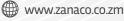
#### **Financing**

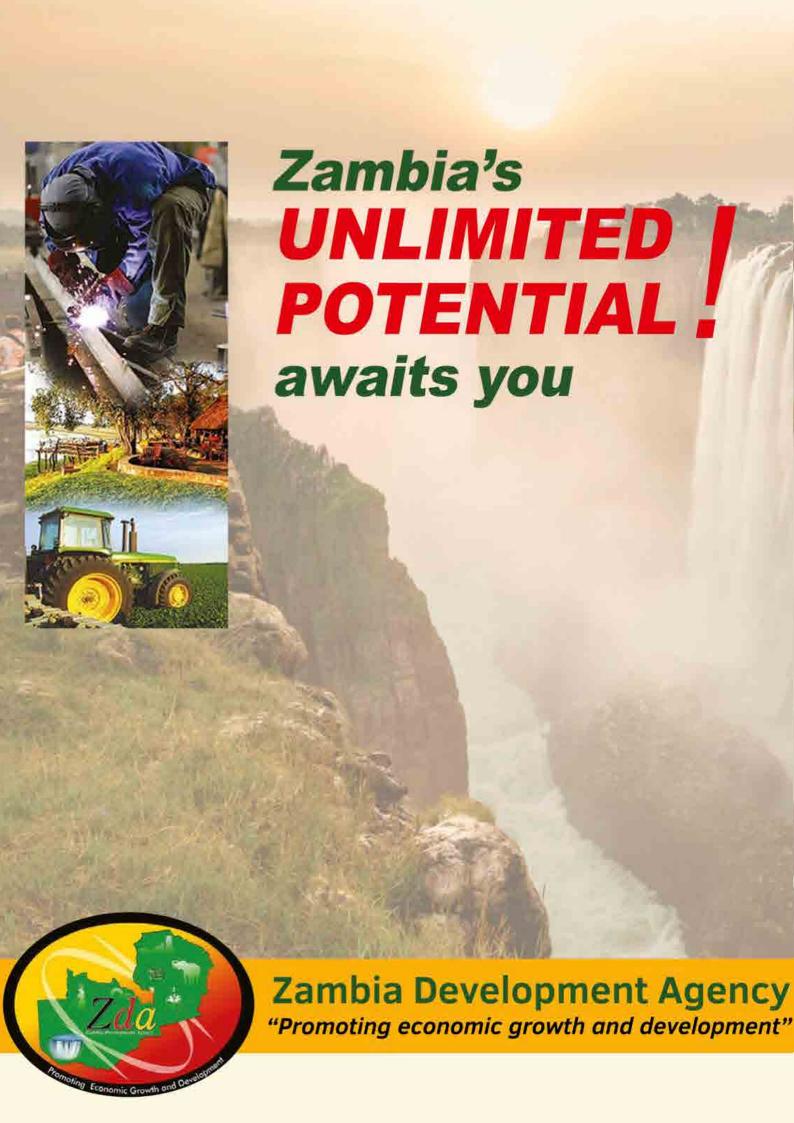
ZANACO provides a range of financing options ranging from Term Lending, Syndications, Structured Trade and Commodity Financing, Working Capital to Agricultural Seasonal & Term Finance.













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Nyambe Sumbwa - Zambian Proverbs

**Kelvin Chikomo** John Gladston Jessie Chipindu **Josh Isaacs** Selwyn Isaacs Nikki loannou **Roy Kausa** The Kaunda family

Heather Bender Charlcraft for additional photographs

Kipeshi batendekela kuwamisha mukachi. (Ki Kaonde)
A calabash is first cleaned from the inside.
A person should first put his house in order before he can tell others to do the same.

# **COUNTRY PROFILE**

Zambia, a landlocked country, bordering eight neighbours

Liberal economy with no price and exchange controls

Young, rapidly growing population with a median age of 16.7





# **A Country Abundantly Endowed**

## The Ideal Gateway into the SADC

"Zambia's central location which borders eight countries makes it the ideal gateway for reaching the whole of the Southern African Development Community (SADC) region."

"Today, Zambia has a liberal and open economy with no price or foreign exchange controls." Zambia, located in the heart of Southern Africa is a land-locked country. Zambia's central location which borders eight countries, makes it the ideal gateway for reaching the whole of the Southern African Development Community (SADC) region. The political stability Zambia has enjoyed since its independence in 1964 and the major economic reforms it has undertaken since establishing itself as a multi-party democracy in 1991 has led to ongoing attention from international investors.

Today, Zambia has a liberal and open economy with no price or foreign exchange controls. Copper and cobalt remain by far the major exports accounting for about 70% of foreign exchange earnings. The heavy dependence on base metal exports has made the country vulnerable to significant drops in global copper prices and policies are being re-directed to agriculture and other economic sectors for economic diversification.

#### **GEOGRAPHY & CLIMATE:**

At 752,614 km² (290,586 sq mi²), Zambia is the 39th - largest country in the world. It shares borders with the Democratic Republic of the Congo in the north, Tanzania in the north-east, Malawi in the east, Mozambique, Zimbabwe, Botswana and Namibia in the south, and Angola in the west.

The country is separated into ten provinces and 106 districts, 156 constituencies and 1,281 wards. Lusaka, the capital city of Zambia, is the economic hub of the country ,while the mineral rich Copperbelt province is home to the country's mining activities.

Zambia is situated on the plateau of Central Africa, between 1,000-1,600 m above sea level. The climate of Zambia is tropical and, modified by elevation, it gives the country pleasant subtropical weather rather than tropical conditions during the cool season of May to August.

There are two main seasons, the rainy season that lasts from November to April and the dry season, which is subdivided into the cool dry season (May/June to August), and the hot dry season (September to October/November). The average monthly temperatures remain above 20°C (68°F) over most of the country for eight or more months of the year.

#### POPULATION:

Zambia is 66th - most-populous country in the world at 17.3 mlillion in 2017, with that figure estimated to jump to approximately 20 million by 2022, growing steadily at an average of 3% annually. The country has a median age of 17, with the working-age population currently standing at more than 50%. Over the last 50 years, the population density of Zambia has grown exponentially from 5.1 to 22.3 people per km², with an estimated 40% living in urban areas.

#### **HISTORY:**

Zambia's long and complex human history dates back at least 200,000 years, as shown by the first human fossil ever discovered in Africa. Up until the 4th century the hunter-gatherer Khoisans were the only ethnic group occupying the territory of modern-day Zambia when Bantu tribes with more developed farming technologies started migrating from the north. The Tonga tribe were the earliest settlers among the modern day ethnic groups in Zambia. With the introduction of agriculture the population grew and more land was used for cultivation.

By the 11th and 12th centuries, long distance trade was developed exporting ivory, importing cotton textiles, and copper as currency resulted in the formation of larger political units and more complex social structures. There were four organized kingdoms during the period between

the 16th and 19th centuries in the territory of the modernday Zambia - the Kazembe-Lunda in the north, the Bemba in the north - east, the Chewa in the east and the Lozi in the west. The most powerful states in the pre-colonial Zambia were the Barotseland and the kingdom of Mwata-Kazembe, when the first European traders arrived in the 18th century.

In 1888, when Cecil John Rhodes obtained mineral rights concessions from the local chiefs, both Northern and Southern Rhodesia (Zambia and Zimbabwe today) where claimed as a colony by the British and was administered by the British South Africa Company, that Rhodes was managing.

In 1923, the British government decided against renewing the BSAC charter, therefore transferr the administration of Northern Rhodesia to the British Colonial Office in 1924. In 1928, Northern Rhodesia was transformed by the enormous copper deposits discovered in the region which then became known as the Copperbelt and, ten years later, the country was producing 13% of the world's copper extraction.

In 1953, both Southern and Northern Rhodesia formed the Central African Federation, joining too Nyasaland (today Malawi). Northern Rhodesia was affected by much turmoil and crises caused by African demands for greater participation in government and European fears of losing political control.

An election in 1962 resulted in an African majority in the legislative council and a coalition was formed by two African nationalist parties. The Central African Federation was dissolved in 1963, which paved the way for Northern Rhodesia to become the Republic of Zambia on 24 October 1964. The United National Independence Party (UNIP) won the pre-independence elections and Kenneth Kaunda was elected as the Prime Minister and later the same year President when Zambia adopted a presidential system. His left-wing economic policies focused on central planning and nationalization. When Kaunda was re-elected after the initial four years in office, Zambia implemented a one-party system banning all political forces except UNIP - a move that was formalized in the new constitution approved in 1973. UNIP became the sole political power in the country and ruled uninterrupted until 1991.

Between 1975 and 1990 the economy of Zambia declined sharply by 30% due to copper prices that were partially caused by the production increase in the then USSR, the second largest copper producer flooding the global market. The one-party rule and the poorly performing economy created discontent in citizens, and Zambia was hit by several major strikes in 1981, 1986, 1987, and 1990. The wide-spread unrest made Kenneth Kaunda realize the need for a major political reform. The ban on political parties was lifted and a direct multiparty election took place in 1991 after a new constitution had been

drafted. The era of free, democratic elections had began.

Christianity is the official religion of Zambia however, many other religious traditions are present. Traditional beliefs are blended with Christian doctrine on many occasions. In 2010, 85.5% of the population identified as Christians, 11.2% identified themselves as indigenous religions. Other religious groups include Bahá'í Faith, Islam, Hinduism, Sikhism, and Judaism.

The constitution of Zambia declared the nation as "a Christian nation while upholding the right of every person to enjoy the person's freedom of conscience and religion". As per the Article 1 of the constitution, the nation is a Sovereign Secular Republic and as per Article 25, citizens are free to express thoughts and practice any religion.

#### LANGUAGE:

Although over 70 native languages and dialects are spoken throughout Zambia, English is the official language is used to conduct official business and is the medium of instruction in schools. There are seven vernacular languages that have official status and together these represent the major languages of each province: Bemba (Northern Province, Luapula, Muchinga and the Copperbelt), Nyanja (Eastern Province and Lusaka), Lozi (Western Province), Tonga (Southern Province), and Kaonde, Luvale and Lunda (North - western Province).

An urban variety of Nyanja that incorporate many borrowings from the English language is widely spoken in Lusaka, the capital city, while a modified version of Bemba in its urban form is the lingua franca of the Copperbelt and the Northern Province.

#### **EDUCATION:**

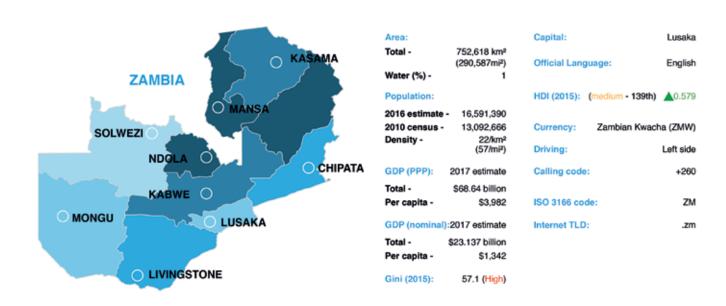
The right to equal and adequate education for all is enshrined within the Zambian constitution. Zambia also boasts a better literacy rate than most countries in Africa achieving 85.5% in 2015. The education system in Zambia is largely composed of three main structures: Primary education (Grades 1-7), Secondary education (Grades 8-12) and Tertiary education. Education at the Primary level at all government schools is free, while Secondary and Tertiary education is fee paying. There are more than 30 higher education institutions in 2017, including three public universities - University of Zambia, Mulungushi University, and Copperbelt University.

#### **NATURAL RESOURCES:**

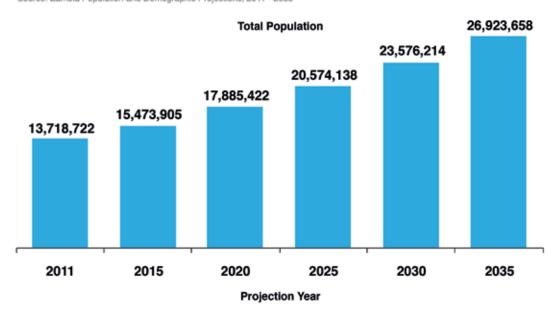
Natural resources are plentiful in Zambia. Lying beneath its natural splendor are significant deposits of copper, cobalt, zinc, lead, coal, emeralds, gold, silver and uranium. Zambia holds 6% of the global copper reserves and is the fifth largest copper producing nation in the world and Africa's largest producer of cobalt.

It is estimated that Zambia has 40% of the water resources of the Southern African Development Community. The immense water resources found in Zambia not only address the irrigation needs of the country's rapidly developing agricultural sector, but are also used for generating hydropower as 99.71% of the country's electricity production is from renewable sources. With a further 2,434 MW

Zambia has unexploited hydropower potential 0f 6000 MW. Of the country's total land mass of 752,618 km², 47% is arable, of which is currently used agriculturally. Zambia's most important crops include maize, sorghum, rice, millet, cassava, tobacco, cotton, tea and coffee. Maize and wheat are Zambia's most important sources of food. The country is not only self-sufficient producer of both crops; in 2017 it once again become an exporter of wheat and maize to East Africa and the Great Lakes Region due to a ban that was lifted in the first half of 2017.



Total Projected population for selected years (medium Variant), Zambia 2011 - 2035 Source: Zambia Population and Demographic Projections, 2011 - 2035



# POLITICS

A stable Multi - party democracy for almost three decades

Aim to be a prosperous middle - income nation by 2030

Declared one of the most peaceful countries in Africa

Inclusive, tolerant, compromising of 72 ethnic groups





## **Politically Stable with Lovely People**

#### Zambia's Vision to Become a Prosperous Middle-Income Nation by 2030

Zambia is a landlocked country in Southern Africa. It neighbours Angola, Botswana, the Democratic Republic of the Congo, Malawi, Mozambique, Namibia, Tanzania and Zimbabwe. The capital city is Lusaka, which is in the south-central part of Zambia. Zambia has ten provinces that are divided into 103 districts, 156 constituencies and 1,281 wards. The population is concentrated mainly around the main economic centres of the country, namely Lusaka and the Copperbelt Province.

Zambia has a population of around 15 million people, which is comprised of a staggering 72 ethnic groups, most of these peoples speak Bantu-based languages. About 90% of the population falls within nine major ethnolinguistic groups. There is a large community of people from Asia, mostly from Chinese and Indian origin, as well as a number of people of European origin. Due to these different ethnic groups, the country is culturally diverse and one of the few countries in the world with very little ethnic/tribal animosity, and this existence of so many ethnic groups/tribes has proved less of a political problem than in many other countries. Due to the migration of different groups of peoples towards economic centres, cultures have entwined and made these areas very multicultural and vibrant.

#### **EARLY HISTORY:**

The area was initially inhabited by the Khoisan. By the early 12 century, Bantu expansion across Africa was underway and the area experienced an influx of Bantu people. By the late 12th cen-

tury, advanced kingdoms and empires had been established across the area. Since the late 19th century, the various peoples have remained in the current areas where they then established themselves. The late 18th century saw the first European explorers enter the area with more to follow; David Livingstone being the most famous and his accounts encouraged the movement of Europeans into the area. By 1888, the British South Africa Company (BSA Company), led by Cecil John Rhodes, obtained mineral rights in the area and later was the administrator for what was known as Northern Rhodesia. This control was ceded to the British government in 1923.

#### INDEPENDENCE:

On 24 October 1964, Zambia gained independence from the United Kingdom with Kenneth Kaunda being voted in as the first president and thereafter Northern Rhodesia became known as the Republic of Zambia. From 1964 until 1991, Kaunda's socialist United National Independence Party (UNIP) ruled the country; it was the sole political party from 1972 to 1991 and nationalised the economy. In 1991, under growing discontentment of the government, Kaunda reinstated multiparty democracy and multiparty elections were held. The new political and electoral system in the Republic of Zambia was within the framework of a presidential representative democratic republic. This is whereby the President is the head of state and the head of government, which is within a pluriform multi-party system. The government has

"the country is culturally diverse and one of the few countries in the world with very little ethnic/tribal animosity." executive power, while legislative power is under both the government and parliament.

#### **DEMOCRATIC ERA:**

Kaunda lost and handed power over to Frederick Chiluba, of the social-democratic Movement for Multi-Party Democracy (MMD). Government decentralisation was implemented and a period of social-economic growth occurred. In 2002, Levy Mwanawasa took over from Chiluba until his death in 2008. During this time, the economy stabilised, single-digit inflation was attained, there was growth in the real GDP and levels of trade. and interest rates decreased. This could be attributed to foreign investments in mining and the higher global price of copper; nonetheless, it has led to the country being courted by foreign investors and aid donors, and a rise of investor confidence in the country. He has also been credited with a reduction in corruption and improved standards of living in the country.

Rupiah Banda was elected President in 2008 and was the Acting President in the interim period before elections. He was defeated in the 2011 elections and stepped down. Michael Sata, of the Patriotic Front (PF), led the country until his death in October 2014. With elections to be held in January 2015, Guy Scott served briefly as the Acting President and had to, according to the constitution, set presidential elections within 90 days. Edgar Lungu, of the PF, was elected as the sixth President in January 2015. The elections were tight, with Lungu winning 48.33% of the votes; just 1.66% above Hakainde Hichilema's 46.67% (United Party for National Development). Opposition parties claimed that there were irregularities during the vote and in the counting thereof. Agitated members of different political parties were calmed and no violence occurred.

Lungu finished Satas' term and elections were held shortly thereafter on the 11th of August 2016. In addition to the presidential elections, a referendum to amend the bill of rights and Article 79 was also held. In previous elections, the President was elected in a single round of voting, with the person with the most votes being declared the winner ("first-past-the-post") and Vice-president appointed after the elections. This was changed in 2015 with the President requiring over 50% to achieve victory and to include the election of the vice-president who could then be appointed President if the incumbent was declared unfit to rule. Regarding the National Assembly, 150 members are elected via the first-past-the-post system from single-member constituencies, eight are appointed by the President and, from outside of the National Assembly, the Speaker of Parliament is elected.

Lungu won the 2016 elections with 50.35% of the vote and his party, the PF, won 80 of the 156 seats. Lungu's opponent, Hichilema, won 47.63% of the vote. There was periodic violence before the election, which marred the country's record of peaceful elections, but elections were conducted peacefully. The opposition cried foul over the results, as there were delays in the announcement of election results. However, EU observers found the elections to be peaceful, and declared the election process free, fair and transparent despite the delays. The head of the AU observer mission in Zambia, Goodluck Jonathan, found the elections to be peaceful, but added that the inclusion of the referendum could have possibly been confusing. Other observer missions found that the election was free and fair. The leader of the Commonwealth mission said that it was unfortunate to have had pockets of violence. After the results were announced, members of opposition parties provoked riots in some parts of the country. However, the turmoil was short lived and the country reverted back to its known peacefulness.

#### **FOUNDATIONAL STABILITY:**

The country has a long-term development plan, known as Vision 2030. The Vision resulted from a nationwide consultative process that was inclusive by nature. Among other stakeholders, it included ordinary citizens, civil society, traditional leaders, government Ministries and cooperating partners. As such, it has had buy-in from across the political spectrum. The Vision entails the peoples' vision of becoming a "prosperous middle-income nation by 2030". Vision 2030 furthers this generalised statement into seven broad categories that are underpinned by the aspiration to live in a strong and dynamic middle-income industrial nation that provides opportunities for improving the wellbeing of all, embodying values of socioeconomic justice, underpinned by the principles of:

- A) Gender-responsive sustainable development;
- B) Democracy;
- C) Respect for human rights;
- D) Good traditional and family values;
- E) Positive attitude towards work;
- F) Peaceful coexistence; and
- **G)** Private-public partnerships.

"Lungu won the 2016 elections with 50.35% of the vote and his party, the PF, won 80 of the 156 seats.."

In addition, it talks of Zambians' aspirations for a common and shared destiny, united in diversity, equitably integrated and democratic in governance, promoting patriotism and ethnic integration. Further, the nation should have devolved political systems and structures while retaining the roots and positive aspects of their own mould of social, cultural and moral values.

This process was started in 2005 and presented in December 2006 by the late President Mwanawasa. Although Zambia has had medium-term National Development Plans (NDPs), this was the country's first long-term development plan and it would hereafter guide all future NDPs.

The country's current medium-term plan is the 7th National Development Plan (NDP7) for the period 2017 to 2021 and has the theme of "Accelerating development efforts towards the Vision 2030 without leaving anyone behind". The previous three NDPs had all been geared towards the attainment of Vision 2030's objectives.

The NDP7 builds upon the achievements and lessons learnt during the implementation of the previous NDPs, and has deviated from the previous NDPs by moving away from sectoral-based planning to a more integrated-development approach. This new integrated approach has recognised the multi-faceted and interlinked nature of sustainable development, which requires interventions to be coordinated and approached simultaneously in implementing development programmes. It is ultimately envisaged that the NDP7's integrated development approach will help change the focus of government line ministries and provinces from competing against each other to coordinated harmonisation for the greater good.

Regarding politics in the NDP7, it has been noted that the country has undertaken eight successful elections since the return to multi-party politics in 1991. These elections have been characterised by peaceful transitions of power, which makes Zambia one of the most stable countries in Africa. The country has recognised that good governance and a stable political framework are necessary for sustainable development as they aid in the promotion of a conducive business environment, increased market confidence and attract foreign direct investment, among others. In the country's quest to attain the above, the Government has continued to implement policies that promote transparency, accountability and citizen participation as well as the strengthening of governance institutions. It states that a stable political environment gives Zambia an opportunity to continue strengthening its institutions in order to support growth and development, and maximise the attainment of its development outcomes.

#### **POLITICAL MATURITY:**

In Early 2017, Hichilema, the leader of the opposition was arrested by police and charged with treason for allegedly obstructing the motorcade of the President as well as disobeying police orders. There were various arguments about Hichilema's arrest, such that he needed to be detained in order to keep the peace in the country. Regardless of political agendas, Hichilema presented law agencies with the opportunity for his arrest as, by law, he had to pull over for the police's blue lights and he did not. During the interview process of this document, many of the CEOs were not worried about the outcome of this event as they realised a peaceful political solution would be found. There was a worry about the short-term perceptions that would be created, but now that this event has ended without any drama, it is further proof that Zambian political issues are dealt with peacefully. Another exhibition of political maturity in the country's political system was revealed during the interview process. A business leader had seen that the Government's Ministries did not make political appointments within their Ministries, but selected people that were vibrant and passionate about their work, people that wanted to make a difference in their country; the Government's leaders want to work with the right people for the job. This business leader went on further to say that if one's company delivers good quality products and services, then one's company gets opportunities; political sides didn't matter.

Other business leaders also commended the political maturity of the Government and implemention of investor-friendly policies. It was said that the predictability of policy framework is obligatory for the growth of any economy and that they found the policy and regulatory framework satisfactory. The new constitution of Zambia, which came into effect in 2016, was called an investor-friendly policy document that is innovative and encouraged innovation. It was felt that the Government was competent and business orientated with its established long-term plans. One stated that there was a serious demonstration of commitment to the development of the economy by removing subsidies, which showed consistency of policy and its implementation.

"Business leaders also commended the political maturity of the Government and implementing investorfriendly policies."



## **Forging Ahead**

#### Edgar Lungu, His Excellency, the President of Zambia

A strong economy, which enables the poor to afford necessities of life and minimises their exposure to vulnerabilities of whatever form is fundamental to achieving development that is pro-poor and indeed inclusive. A stable macro-economy, which provides a supportive environment for all to create wealth and access jobs that lead to poverty, vulnerability and inequality reduction, will be a key priority of focus for my Government.

This is in line with our aspirations contained in Vision 2030 and the Seventh National Development Plan. These aspirations are also firmly anchored in the United Nations Sustainable Development Goals and the African Union Agenda 2063, all of which have been mainstreamed in the Seventh National Development Plan.

After subdued economic activities, whose growth rate was reduced by 2.9%, in 2015, the Zambian economy has rebounded in 2017. It is worth noting the factors that adversely affected the growth rate in the recent past in order to inform our policies going forward. Copper prices declined, power generation capacity also declined due to poor rainfall. This negatively affected industrial production and provision of services. Agriculture production also dropped due to poor rainfall patterns. Consequently, domestic pressures arising from huge demand to meet contractual obligations, mainly in the infrastructure sector, increased. My Government reacted boldly with well-intended measures to remove subsidies and ease pressures on ex-

penditures. This move was also intended to attract investment, especially in the power sector, following our move to migrate to cost reflective tariffs. Growth is projected to strengthen about 4.1 % of GDP in 2017 and this is further expected to be buoyant in the years ahead as we implement our economic stabilisation programme. The harvest and electricity production will continue to be stronger due to the anticipated favourable weather patterns, copper production will also increase because of the improved technology in the mines and good prices at the international market.

The appreciation of the kwacha as witnessed in the recent past – thanks to our good policies – has helped ease the cost of servicing the external and dollar denominated debt. Inflation has continued to remain at single digits. This is attributed to our fiscal consolidation efforts, which have resulted in the economy being stable and working well for the majority of Zambians. Maize prices have declined significantly. For those in business it is now cheaper to import industrial equipment than before and can pass on the benefits of the cost of imported goods to consumers.

In order to maintain a stronger economy, Government will continue to dismantle the stock of public expenditure arrears and improve commitment controls and monitoring with a view to ensure that there is no uncontrolled build-up of arrears. To augment public expenditure management further, including cash-flow management, the Gov-

ernment will roll-out the treasury single account to all administrative units under the central Government. This entails consolidating several accounts held by Government institutions, thereby improving utilisation of public funds and reducing administrative costs.

Regarding debt management, Government will continue to put in place measures to ensure that our national debt remains within sustainable levels. Government will, therefore, contract loans only for economically viable projects. Further, in accordance with the constitution, this August House will continue providing oversight on public debt contraction as debt sustainability is pivotal in re-balancing the economy.

The theme of the Seventh National Development Plan is "Accelerating development efforts towards Vision 2030 without leaving anyone behindd".

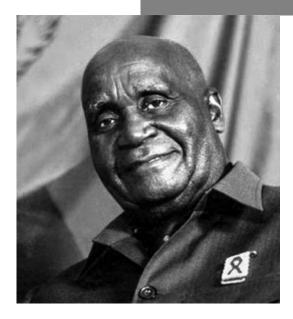
Unlike previous national development plans, it has adopted an integrated multi-sectoral approach to development. This is a smart and more pragmatic approach to the development of our nation. This smart approach entails that sectors will now work together in clusters to achieve the desired development outcomes our people have been yearning for. The approach will ensure that resources are not thinly spread to the various sectors. In this manner and together, we will end hunger and reduce poverty. No one will be left behind.

In the next five years, our strategic focus is diversification, value addition and job creation, poverty and vulnerability reduction, reducing developmental inequalities, enhancing human development and creating a conducive governance environment for a diversified and inclusive economy. Key sectors include agriculture, manufacturing, energy and tourism. The time has come for us to wean

our economy from its dependence on mining and embrace other sectors. There is a need for us to upscale our efforts towards the industrialisation programme. In our quest to achieve industrialisation, our focus will be home-grown industries and the mandate to undertake this programme has been given to the Industrial Development Corporation. Our efforts of the home-grown industrialization programme are bearing fruit and we are seeing activity taking shape in such specially - earmarked economic zones such as the Lusaka South Multi-Facility Zone.

Despite the setbacks experienced in the previous years, Government is committed to attaining a resilient and diversified economy. An economy where all Zambians, young and old, female and male, rich or poor, not only benefit from development, but also play an active role in its realisation. We are pursuing economic diversification and job creation through value addition and industrialisation anchored on agriculture, mining and tourism. The overall success in these strategic areas will be driven by private sector investment, while Government will continue to play its role of improving the policy and business environment. Development is not an accident, but a result of a series of conscious decisions. For this reason, we have set ourselves a transformational agenda to attain a smart Zambia. A Zambia where every citizen embraces a transformational culture. A Zambia that is promoting and maintaining a clean, healthy and safe environment. A Zambia whose citizens are patriotic and put the nation first before self.

The path we have taken in accelerating development, through the multi-sectoral approach in our national development plan, is expected to achieve more for less. With this approach, I am confident that there will be a reduction in developmental inequalities, poverty levels and vulnerability.



## **My Vision for Zambia**

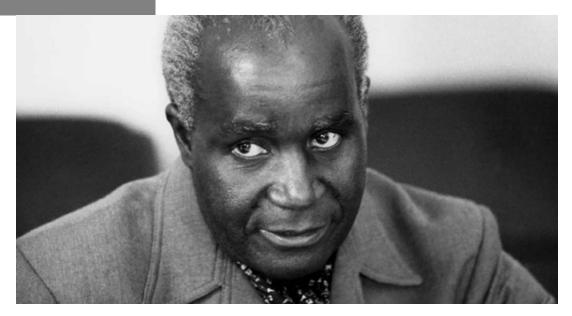
#### Dr. Kenneth Kaunda, His Excellency, the First President (1964-1991) of Zambia

The young men and women running our country today have their work cut out for them. All their fellow countrymen are looking to them to maintain our peace and stability and are also highly expectant of jobs and opportunities. It is famously said the world has become a global village. Political and economic interaction with actors outside of our country's borders is not only unavoidable, but happens at amazingly lightning speeds. Obviously the room to manoeuvre amidst a morass of constantly changing international issues and challenges is limited. This is compounded by the fact that Zambia is a small, relatively undeveloped nation sitting on comparatively large mineral and natural resources.

Wealth is unevenly spread and this needs to be corrected. Now, how do I answer the questions you raise, which themselves raise so many other questions concerning the present and future welfare of our country? I fall back on what I consider to be the basics and I will deliver my answers in broad strokes. This is because I have not sat, in these many years, at that lonely and challenging

desk in State House from which the republican president guides our beloved nation. Government has provided us the general picture. About 80% of our population live in the rural areas and the vast majority need to be lifted out of poverty. Paradoxically, 95% of foreign direct investment has been directed into the mining sector with agriculture and manufacturing ending up with less than 4%. It therefore makes sense to do a rethink on this equation. And rethinking is what we have always been doing since independence. Minerals are, needless to say, a diminishing resource and we must, if we are to survive, veer away from that sector and direct investment into agriculture.

Like many of my compatriots, I do have a personal vision for my republic. First of all, I am an eternal optimist. And I cannot talk about the future without referring to my creator, the Lord God Almighty, who has given us our marching orders to obey Him by being of service to His people, namely our fellow men and women. We must love Him, and after that we must love them. We must do unto others as we would have them do unto us.



Zambia is a Christian nation and so declared in the preamble of our constitution. Therefore if you ask me for only three signs of hope in the Zambian economy, this would be the first one. The second would be that throughout our history we have been a people of dialoguers, if there be such a word. At all our points of crisis we have always managed to talk over our problems and move on, in peace and stability, often into unknown spaces. The third is that Zambians are a communal people. Bent more often than not on helping those less fortunate than themselves. I believe that economic challenges will always exist, but so too will our natural inclination to hold fast to these cultural norms. This background forms a central pillar in my hopeful vision for Zambia.

Yes, I know I have not given you my faith in our economy in terms of trends and indices. But which economy that benefits the masses can exist in the midst of the chaos of wars and conflict? Our ability to maintain our peace and stability through six presidential regimes is the primary indicator to current and potential investors that Zambia is a good destination for their capital. On the Zambian side of the equation we need to do more in terms of improving our one-stop shop for our investors. We also need to have a clear dos and donts list so that the investors do not find booby traps as their works progress.

When my colleagues and I governed in the first and second republics our thrust was that the human being was the centre of all that we say and do. This was our guideline and it informed our vision at any one time. I encourage every President of the day not to meander too far from this primary principle. Yes, improving the bottom line will always remain important as we work to grow our economy, but far more important is not to forget a single human being in the fight against poverty.

The diversification of our economy is directly related to the reason why we engaged in the struggle for freedom. We felt that our colonial masters were suffocating our desire for free enterprise. We were defined as hewers of wood and drawers of water and capable of nothing else. Yet, what we wanted was to own our own land, our own businesses, fly our own planes; in effect we desired to plot our own destiny. So, even today, we must continue with more vigour to incubate and support SMEs, cooperatives and the like to promote the diversification of our economy. In short, diversification will work if we invest adequately in the people in proper tandem with the development of supportive infrastructure. The handshaking with our foreign partners will be more successful if we maintain an eagle eye on this process. Our aim should be quality products that will satisfy local, regional, continental and international markets. Our success will be determined by how well

Our success will be determined by how well -thought our plans are and how strong our political will is to implement them.

I shall, as a final word, say this to our investors from outside Zambia. You are truly welcome.



# Together, We Can

#### Sindiso Ngwenya, Secretary General, COMESA

BRIG: How can COMESA distinguish itself from other regional groupings as a venue for economic cooperation?

#### Sindiso Ngwenya:

Over the years, COMESA has focused on the gradual transformation of isolated national markets into a single regional market for Eastern and Southern African countries. Remarkable achievements have been made, especially in trade liberalization and facilitation through reduction and elimination of tariff and non-tariff barriers between Member States.

COMESA launched a Free Trade Area (FTA) in November 2000 with the aim of facilitating regional integration through zero custom tariffs on goods traded among the Member States. The FTA provides for rules that prohibit the re-imposition of custom duties and non-tariff barriers, with systems for addressing any trade barriers that may come up. Since the establishment of the COME-SA FTA, intra-COMESA total exports increased from \$1.5bn in 2000 to \$8bn in 2016 representing 433% growth. COMESA also launched a Customs Union in June 2009 and it is in the process of being operationalized.

The Regional Economic Communities of COME-SA, EAC and SADC, under the Tripartite Agreement, are implementing an online mechanism for reporting, monitoring and eliminating NTBs. Since

the establishment of the mechanism in 2008, 204 NTBs have been reported among COMESA Member States and 199 have been resolved, resulting in a success rate of 98%.

COMESA implements a wide range of programmes including trade, infrastructure, investment, agriculture, industrialization, peace and security among others. COMESA's trade facilitation instruments are the benchmark on the continent. They range from transit traffic facilitation, payments, infrastructure and transport corridor development, and free movement of persons and trade in services. Some of our flagship programmes that make COMESA stand out on the continent include:

- The COMESA Carrier's License: It allows commercial goods vehicles to use one license to operate in all Member States;
- The Regional Customs Transit Guarantee Scheme (NTGC): A customs transit regime designed to facilitate the movement of goods under customs seals in the COMESA region. It provides the required customs security and guarantee to the transit countries;

- regional third party motor vehicle insurance Scheme which provides third party legal liability cover and compensation for medical expenses resulting from road traffic accidents caused by motorists visiting countries in the Scheme
- COMESA Virtual Trade Facilitation System (CVTFS): An online system that integrates other COMESA trade facilitation instruments (Yellow Card, RCTG, Carrier License Harmonized axle load etc.) on one platform. It also helps to monitor cargo along different transport corridors across the region.

COMESA has also established various specialized institutions and agencies, some of which have now become continental and global institutions; They include the Trade and Development Bank, PTA Reinsurance Company (ZEP Re); the African Trade Insurance Agency (ATI); COMESA Clearing House, Leather and Leather Products Institute, Council of Bureaux on Third Party Motor Vehicle Insurance Scheme; Federation of National Association of Women in Business.

**BRIG:** What barriers currently hinder trade among COMESA members and how can their effects be mitigated?

#### Sindiso Ngwenya:

Intra-COMESA exports, as a proportion of global total exports, remains low accounting for 11% in 2016 compared with 61.6% in the European Union and 24.5% in the Association of Southeast Asian Nations. Intra-COMESA trade remains low relative to its potential estimated at \$82.4bn in 2014. The key factors hindering the growth in intra-COMESA trade are reliance on related categories of agricultural, mineral and other raw or semi-processed commodities, non-compliance in the implementation of the member states obligations, poor transport and communication infrastructure, high transport costs, limited information on available market opportunities in other Member States and potential clients within the region, complex customs procedures and non-tariff barriers. To mitigate effects of these barriers, there is a need to diversify their export products and promote value addition in their commodities, facilitate business enterprises to penetrate the local distribution networks through organizing trade fairs,

business forums in clusters, developing trade information system, which could be accessible online, developing a regional supply chain strategy to regional manufacturers, as well as setting up trading houses to facilitate the distribution of goods. COMESA Member States should adhere to the NTB resolution time frames set out in the COMESA regulations on NTBs to ensure timely resolution and harmonize the sanitary and phytosanitary measures through the implementation of the COMESA Green Pass to facilitate trade in agricultural products, which constitutes the bulk of the intra-regional trade, and fast-track the ongoing COMESA transport infrastructure projects.

**BRIG:**How can you help COMESA members keep economies open, thereby avoiding trade-restrictive measures?

#### Sindiso Ngwenya:

Regional integration is a key strategy for development and intra-regional trade. Intra-regional trade plays a significant role in accelerating economic growth and poverty reduction. COMESA's Vision is to be a fully integrated internationally competitive regional economic community within which there is economic prosperity and peace as evidenced by political and social stability and high living standards of its people. The Mission is to "endeavor to achieve sustainable economic and social progress in all Member States through increased co-operation and integration in all fields of development". Therefore, regional integration is important in achieving COMESA's Vision and mission and Member States should be encouraged to eliminate trade restrictive measures by:

- Fast-tracking implementation of the Digital Free Trade Area (DFTA) which aims at empowering traders to do cross-border trade using Information and Communication Technology (ICT) as a tool to minimize physical barriers and providing traders with the necessary digital tools and infrastructure they need for enhancement of intra-COMESA and global trade.
- Ensuring implementation of the COMESA Competition Regulations. The regulations prohibit certain anticompetitive business practices as incompatible with the objectives of the Common Market in so far as they affect trade between Member States. The goal of the Regulations is to safeguard competi-

tion in the Common Market to enhance intraregional trade, protecting consumer welfare and ensuring efficient allocation of resources in the Common Market.

 Utilizing the COMESA Adjustments Facility (CAF) which is a special facility of the COME-SA fund with the objective of providing adjustment support to implement regional integration and trade related programmes within COMESA Member States.

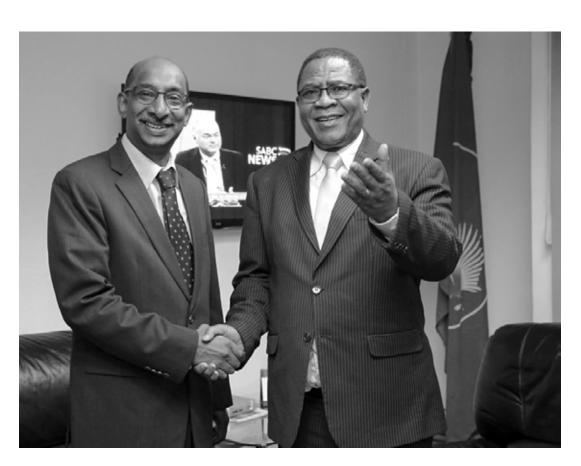
The CAF provides support to eligible Member States for social and economic costs adjustments which include:

- Addressing the loss of customs and other related tax revenues and other conditions in a sustainable manner;
- Contributing to the implementation of policy reforms designed to improve the efficiency of domestic markets, the business environment, facilitating the reallocation of capital, labour resources and assisting firms in meeting the cost of compliance to new obligations and further meet the social and economic costs of

liberalization;

- Contributing to improvement of the global competitiveness and resilience of economies and industries so that they can take advantage of new market opportunities through support to productive infrastructure and investment in developing new products, processes, and technologies;
- Easing the movement of persons, goods and in services within the region by ratifying and implementing the Protocol on the Gradual Relaxation and Eventual Elimination of Visa Requirements, and the Protocol on Free Movement of Persons, Labour, Services, the Right of Establishment and Residence.

Since the adoption of the COMESA Free Movement Protocol in June 1998, only Burundi, Kenya, Rwanda and Zambia have signed, and Burundi being the only country ratifying it. Mauritius, Rwanda and Seychelles have since waived visas to all COMESA citizens, while Zambia has issued a circular waiving visas and visa fees for all COMESA nationals on official business.



Akaboko, kakonka akabiye. (Bemba)
A little arm follows another.
A person gets help from those he helps. One good turn deserves another.

# **ECONOMY**

Zambia's long-term economic plan well on track

Government's policy reforms give way to accelerated GDP growth

Stable and predictable policy environment ensures macroeconomic stability

Zambia named among the top 10 improvers in 2018 by the World Bank





# **Economically Upward**

### **People Ready to Prosper**

#### **HISTORICALLY SPEAKING:**

For more than 100 years, Zambia's economy has been driven by the copper mining industry with it contributing the majority of foreign direct investments and earnings. In the mid-1960s, Zambia gained independence and towards the end of the 1960s, the government of Zambia implemented a policy of nationalisation. Thereafter the country's economy declined, which was partly caused by the downward turn of the global copper price. The economy never recovered and by the early 1990s, privatisation of state companies was implemented. This saw the economy recover and investment in the country grow. In order to gain access to international financing, several policy reforms were required. These reforms have been aimed at opening market access and boosting business opportunities. The country's long-term development plan, known as Vision 2030, is to make Zambia a prosperous middle-income country. The country has medium-term development plans that are used to achieve the broad aim of Vision 2030. The current medium-term development plan is known as the Seventh National Development Plan (7NDP), which runs from 2017 to 2021.

"The country's long-term plan is to make Zambia a prosperous middle-income country."

#### **RECENT ECONOMIC DEVELOPMENTS:**

Growth in the economy has continued to depend on the copper industry. This has made the country's economy vulnerable to commodity price fluctuations. Due to this, the government has encouraged, through policy reforms and investment incentives, the diversification of the economy by building the manufacturing and agricultural sectors, amongst others.

Between 2006 and 2015, the Gross Domestic Product (GDP) had experienced growth at an average of 6.9%. During this time, the inflation rate has decreased to single digits. In 2015, however, the GDP dropped to 2.9%, which was due to a decline in commodity prices, depreciation of the Kwacha and low power generation. This was despite an increase in government spending on infrastructure projects. In 2016, GDP growth was 3.4%. The World Bank has forecasted Zambia's 2017 GDP growth rate at 3.8%. In the World Banks 2018 Doing Business report, Zambia came among the top 10 improvers with a forecasted GDP growth rate of 4.3% in 2018 and 4.7% in 2019. This has been credited to the government's policy reforms. The IMF has raised concerns about the country's rising external debt and public sector wage bill. As such, the government has for the first time published a medium-term debt strategy that can be updated annually as progress is made.

In October 2015, inflation levels rose to over 14%, which was largely due to the depreciation of the Kwacha. Inflation reverted back to single digits in 2016. The Consumer Price Index (CPI) was recorded at 199.84 in November 2017 in comparison to 188.0 in November 2016. The inflation rate was measured as 6.3% in November 2017, which moved downward from 6.4% the month before. This downward movement has been attributed to lower fuel prices.

Necessitated by the Government's increased infrastructure investments, the Government's borrowing has risen and the pressure on lending rates (averaging above 20%) has been largely

"The government has encouraged, through policy reforms and investment incentives, the diversification of the economy." due to stringent monetary policy measures. This is against the backdrop of the need for increased borrowing to fund infrastructure development; the infrastructure gap is seen as a binding constraint to the country's growth. This explains the fiscal deficit with a percentage of 9.4% in 2015, which fell to 5.7% in 2016. In a joint IMF and World Bank assessment, Zambia's external debt risk has been determined as moderate and its macroeconomic policies have been acknowledged for the role they have played in ensuring sustainability. However, greater diversification of the country's export base, strong debt management and improved project appraisals were recommended to maintain debt sustainability.

#### **INTERNATIONAL TRADE:**

In terms of international trade, traditional exports refer to metal (mostly copper) exports, while nontraditional exports (NTEs) refer to any other exports. The trade surplus/deficit is dependent on copper exports and its global price. Between September and October 2017, metals and their products contributed just over 70% to total exports. The trade deficit in October 2017 was K885.2m, which was a reduction of 58.4% from K2,125.6m recorded in September 2017. This was due to a 25.2% increase in the export of copper and higher copper prices. NTEs are divided into agricultural and non-agricultural products. Major export commodities of agricultural products include maize, tobacco and maize seed. Agricultural products contributed 29.9% to Zambia's NTEs, while nonagricultural commodities contributed 70.1% to the NTEs. Major non-agricultural commodities include cobalt oxides, articles of stone or other mineral substances and sulphuric acid. In October 2017, the major import products by category were capital goods at 30.1%, intermediate goods with 28.5%, followed by consumer goods with 26.8% and raw materials with 14.6%.

#### **SOCIO-ECONOMIC DEVELOPMENTS:**

From the early 1990s, the national poverty incidence was 79%, by 2015 this has been reduced to 54.4% with greater poverty levels in rural areas as most economic growth is concentrated around urban areas and major industries are not labour intensive. Economic growth has not had a significant impact on reducing poverty levels, which is due to low employment creation. Formal employment has been sluggish with the majority (around 80%) of the population employed in the informal sector. Although there has been a decrease in the level of poverty, the Gini coefficient measurement

of income inequality has increased over the last decade. When one looks at the Gini coefficient in urban and rural areas, the former has decreased during this period, while the latter increased.

Over the past decade, there have been recorded improvements in certain socio-economic indicators. Access to safe drinking water has significantly increased from 58% to 67.7%. Regarding urban and rural areas, access increased from 88% to 89.2% and from 42% to 51.6% respectively. Sanitation logged marginal improvements from 20% of households having access to improved sanitation to 25% of households; there was a 2% decrease in urban areas to 35% and an increase of 7% in rural areas to 19%. Access to electricity improved from 22% to 31%; urban areas' access increased from 53% to 67.3% and rural areas' access decreased from 5% to 4.4%. Improvements in health facilities and services have generally yielded positive results.

There are a number of social protection interventions in place to assist incapacitated households and vulnerable people to live decent lives: these interventions include social cash transfers. school feeding schemes and food security packs. Households and people within these programs have greater food availability, small-scale investments have increased and the school feeding programme has increased its support and has contributed to improving school attendance and retention of learners. In terms of primary education, access has been enhanced through new classrooms being built and more teachers being employed. Access to tertiary education and training has also noted improvements, with the focus on enhancing the quality of training and increasing its relevance to the needs of industry. Existing facilities have been upgraded, new institutions constructed and lecturers' qualifications have been improved.

#### **DEVELOPMENTAL PLANS:**

During the 7NDP's period, the Government's policy stance will remain focused on maintaining price and financial system stability. In addition, the Government will remain focused on sustaining single-digit inflation levels and a stable exchange rate to enhance economic competitiveness, which will be critical in supporting growth.

The 7NDP's macroeconomic framework is a paradigm shift from a sectoral to an integrated (multisectoral) development approach, which takes into account the country's regional comparative advantage and aims to deal with the impact of slow and

"Although there has been a decrease in the level of poverty, the Gini coefficient measurement of income inequality has increased over the last decade."

"Positive and sustained growth, and fiscal consolidation is needed to support macroeconomic stability and improve the country's competitiveness.."

fragile global economic growth prospects, domestic challenges and the effects of climate change. The 7NDP's macroeconomic framework also aims at achieving economic transformation for livelihood improvement and creation of decent, gainful and productive employment, especially for the youth. A stable and predictable policy environment for macroeconomic stability, which will increase investor confidence and help build a resilient and diversified economy, will underpin this. For price and financial market stability, maintenance of a favourable monetary policy environment will be central in sustaining single-digit inflation, a stable market and a competitive exchange rate. Positive and sustained growth, and fiscal consolidation is needed to support macroeconomic stability and improve the country's competitiveness.

The macroeconomic objectives are:

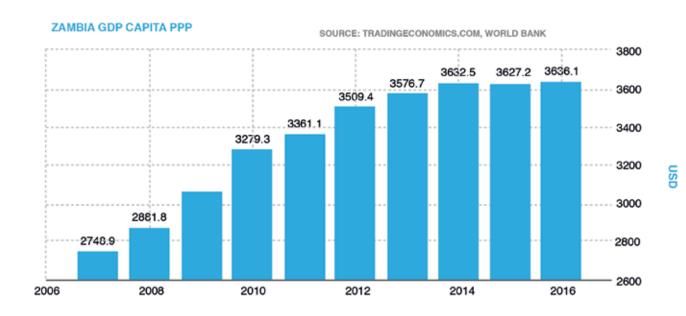
- Attain an average annual real GDP growth rate of over 5%;
- Maintain single-digit inflation;
- Increase international reserves to at least four months of import cover:
- Raise domestic revenue collections to over 18% of GDP:
- Limit domestic borrowing to below 2% of GDP:
- Reduce the budget deficit to below 3%;
- Create a million productive and gainful job opportunities, and improving the country's competitiveness:
- Increase the share of earnings from non-mining exports to about 50%; and

Improve infrastructure development in the transport and energy sectors, with an emphasis on increased private sector participation.

With economic growth projected to be above 5%. the Plan's economic growth strategies include:

- interventions Policy related creased investments in sectors poised for growth(agriculture, energy, manufacturing and tourism), which will be supported by mining and public infrastructure development in transport and communication, especially in the rural areas:
- Sustained investment in education and health, and continuous improvements in service delivery:

Industrialisation strategies to reinforce the economic growth prospects. These are aimed at increasing foreign exchange earnings from agriculture, tourism and small-scale mining, which would increase the economy's resilience to external shocks and dilute the mining sector's share of contributions to foreign exchange earnings. During the Plan's period, fiscal policy will be to ensure financial restoration, prudence and sustainability, especially in light of recently experienced challenges that arose from both domestic and international factors. The focus of such policies will be to restore budget credibility and transparency, while ensuring policy consistency. Fiscal consolidation of both revenue and expenditure will continue as



a means to provide a supportive environment that unlocks development bottlenecks and stimulates growth. In addition, public-private partnerships will be utilised for resource sharing where viable economic programmes and projects exist. Crucial fiscal activities for this period will include:

- Resolving the accumulation of high interest payments on public debt and their risks associated with it by minimising domestic and foreign borrowing, among other things;
- Re-alignment of infrastructure spending for budgetary sustainability;
- Enhance the credibility of the budget through strict adherence to budget allocations and ending the accumulation of arrears;
- Continuously reform, review and/or better target subsidies in fuel, electricity and agriculture:
- Develop robust funding systems so that revenue collection entities have adequate funding by introducing fiscal registers and the strengthening of tax administration, which includes the increased interaction between and among revenue collection agencies; and
- The strengthening and roll out of collection mechanisms. In terms of the monetary and financial sectors, the focus is on maintaining price and financial system stability, maintaining a single-digit inflation level and a stable exchange rate. Policy will be focused on ensuring stability in the bank and non-bank sectors; this includes increased access to financial services that support economic growth.

Other points of focus in these sectors are:

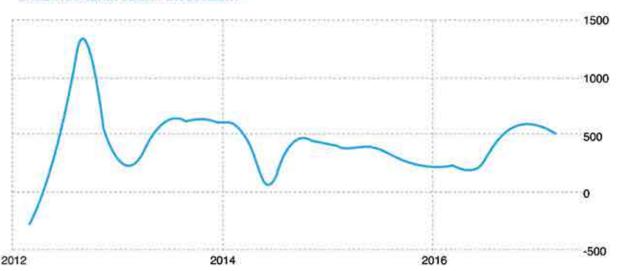
- Addressing the cost of finance;
- Putting in place measures to improve credit provision to Micro-, Small- and Medium-sized Enterprises;
- Mitigating risks in key sectors such as agriculture, tourism and mining; and
- Develop a new policy and strategy for financial inclusion that makes financial services inclusive and affordable to all.

Government policy will remain focused on maintaining an open economy that has a competitive and market-driven foreign exchange rate regime, while maintaining the stability of the Kwacha. A diversified export base that focuses on non-extractive sectors (agriculture, forestry and energy) will be promoted.

#### IN CONCLUSION:

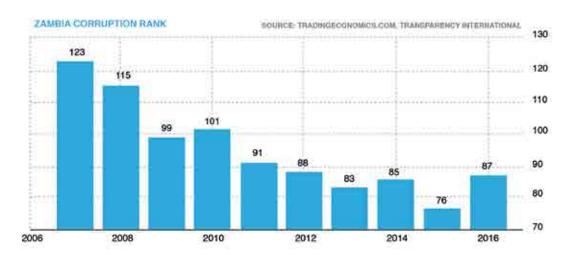
Above and beyond the statistics mentioned and the trends thereof, Zambia is a figurative gold mine in terms of resources and opportunities for good returns on investments, the Government policies are investor friendly and improved upon when need be. The ease of doing business is a continuous activity of improvement too. The country's long-term vision is universally accepted and is directed by medium-term plans aimed at achieving the vision. However, as much as policies and stats, and their trends, can explain a situation, it should be remembered that these figures do not run an economy; people do! The people of Zambia are friendly and easy to work with. They are humble, genuine, willing and hard workers; eager for both personal and national development. They are passionate; the kind of people that you would want on your team. Invest in Zambia, invest in the **Heart of Africa!** 

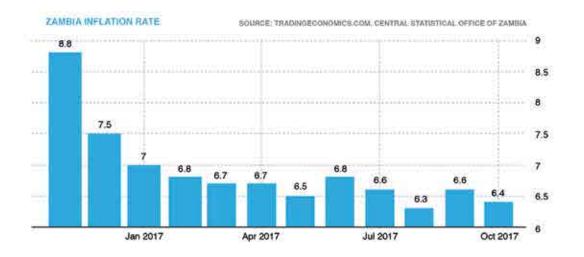
#### ZAMBIA FOREIGN DIRECT INVESTMENT



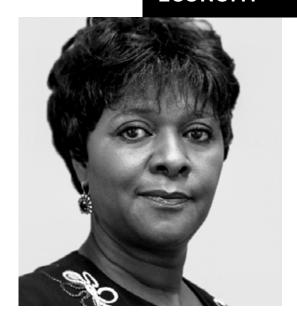
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| Agency  | Rating | Outlook  | Date        |
|---------|--------|----------|-------------|
| S&P     | В      | stable   | Aug 25 2017 |
| Moody's | В3     | negative | Aug 19 2017 |
| TE      | 34     | stable   | Apr 16 2017 |



# **A Very Attractive Business Environment**

#### Hon. Margaret Mwanakatwe - Minister of Commerce Trade Industry

**BRIG:** How is Zambia positioning itself as an attractive investment destination and distinguishing itself from the regional competition?

**BRIG:** How has the regulatory framework facilitated increased levels of FDI?

The Government of the Republic of Zambia has continued to create investment and economic policies aimed specifically at establishing an enabling investment climate to attract Foreign Direct Investment (FDI). Government has also put in place policies that have made the country attractive for investment due to it's political stability.

It is a well-known fact that Zambia is endowed with natural resources which can provide an impetus to economic development. Therefore, while mining still remains important and will continue to be promoted, there is a need to aggressively diversify the economy to other sectors in order to cushion the economy against the negative effects of external shocks.

Zambia's economy has been growing at an average rate of around 6.3% over the last ten years and the country has seen steady growth in sectors such as mining, agriculture, construction, transportation, as well as information technology. The economy has also seen greater involvement of the private individuals and private companies' involvement in all sectors. Government has provided attractive incentive packages to all those investors who wish to invest in our priority sectors.

Government is keen on enhancing private-sector led growth and has been working on creating an enabling environment for business, as evidenced by the enactment of the Business Regulatory Act of 2014 that was meant to create a cost effective and business regulation framework in Zambia. Because of our business environment reforms, Zambia is now ranked 8th in SADC and 4th in COMESA in terms of the ease of doing business. Furthermore, Zambia is ranked the 8th most competitive country in Africa on the Global Competitiveness Index. Recently, Zambia was ranked 7th by Forbes as the best country for doing business among 54 African countries.

Government is working to make further improvements to the regulatory environment – particularly in areas such as commercial licencing, enforcing contract, registering property and resolving solvency. The new Business Regulatory Review Agency should go a long way towards alleviating current bottlenecks and reducing business costs.

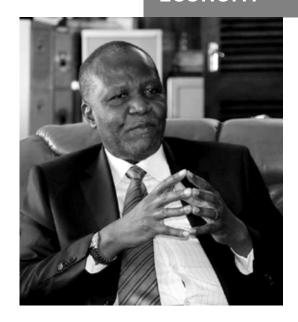
**BRIG:** How can Zambia further benefit from regional integration?

Regional integration and economic cooperation remain crucial to unlocking diversified growth. Zambia is part of the free trade areas of both the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC), which bestow dutyfree access to strategic markets across the continent. Expanded access to regional, as well as global markets, has seen a substantial expansion in trade in the past decade. The country has also become part of the new Tripartite Free Trade Area (TFTA) between COMESA, SADC and the EAC; an agreement that is projected to bring Zambia a net benefit of \$149.9m annually, not counting the proceeds from new investment opportunities into priority areas for diversification, value addition and innovation. The Zambian Government has on many occasions called for the strengthening of the investment and economic partnerships between African countries to contribute to the growth and development of each economy and the continent. this also places a lot of importance on fostering joint venture partnerships between local and foreign-owned companies.

**BRIG:** What role does increased investment in infrastructure play in developing the economy?

There is need to close the infrastructure gap in Zambia as it is a hindrance to industrialization. Investments in research and development focused on driving industrialization, modern services and structural information, and investments in physical and virtual infrastructure such as road, railways, ports, ICTs and energy are all critical in closing the competitiveness gap of African firms. Just as there is no industrialization without infrastructure, one cannot trade efficiently and effectively without infrastructure. Without infrastructure development, job creation and nation-wide industrialization will remain elusive and this is a position Government will not accept.





### Statement on the Economy and Engagement with IMF

#### Hon. Felix Mutati - Minister of Finance

Economic performance has rebounded with inflation down to single digits, the exchange rate remaining largely stable, while GDP growth has started recovering.

#### **GDP GROWTH:**

Growth in 2017 is projected to rise to 4.3% against an initial forecast of 3.4%. This is as a result of increased agricultural output, recovering generation of electricity and higher mining output, supported by better prices and power supply. Other sectors that are supporting growth are construction, wholesale and trade and tourism sectors.

#### INFLATION:

Inflation closed at the end of 2016 at 7.5% and reduced further to 6.5% in May 2017. This was supported by the continued stability of the exchange rate, lower food prices in view of a good harvest and improved market confidence in the country's policy direction. Inflation is projected to remain in single digits in 2017.

## EXCHANGE RATE AND EXTERNAL SECTOR DEVELOPMENTS:

The exchange rate of the Kwacha against major currencies has remained stable, with a bias towards an appreciation. The Kwacha appreciated against the US dollar to an average of K9.34 in May 2017 from K9.92 in December 2016. The sta-

bility of the currency is on account of an improved supply of foreign exchange, better outlook for copper prices and positive market sentiment. In the external sector, the country's current account deficit narrowed to \$257.1m in the first quarter of 2017 from a deficit of \$574.7m in the fourth quarter of 2016. This was largely explained by an improvement in the trade and primary income balances.

#### **FOREIGN RESERVES:**

As at end of May 2017, foreign reserves stood at \$2.4bn, which translated to around 3.3 months of import cover. The Government's goal is to attain 4 months of import cover over the medium-term.

#### **LENDING RATES:**

Lending rates are still very high for sustainable economic growth. In the first five months of 2017, the rates averaged 28%, a level that limits lending to the private sector. This rate is slightly below the 29% average rate recorded at the end of 2016. In an effort to lower the cost of credit and increase lending to the private sector, the Bank of Zambia eased monetary policy. Both the policy rate and statutory reserve ratio were reduced to 12.5% from 15.5%, and from 18.0%, respectively. These measures will be complimented by Government's fiscal restraint. The Banking community is urged to reciprocate and pass on cheaper credit to the market.

#### **FISCAL PERFORMANCE:**

Fiscal performance in the first five months of 2017 was challenging. Revenues under-performed by 10% compared to the budget. The underperformance in revenues has been on account of low tax compliance by taxpayers, and delayed implementation of budget measures such as land titling, installation of electronic fiscal devices to improve VAT collections, implementation of electronic equipment in the communications sector to improve the performance of excise duty and the introduction of a single window at entry points to reduce turnaround times at borders and boost revenue. To contribute to resolving the challenge of low revenue collections, we are enhancing tax compliance efforts, coupled with getting additional resources through the tax amnesty. Further, we must all play our part by ensuring that we meet our tax obligations. Failure to do so will attract punitive measures. Following the lower than projected revenues during the first five months of 2017, the Government, will reduce and realign expenditures to meet its deficit target and fiscal consolidation objective. The Government will also hasten the implementation of the 2017 budget measures.

# EXTERNAL AND DOMESTIC DEBT PERFORMANCE:

Zambia's external debt stock as at end ofMay 2017 increased to \$7.2bn from \$6.9bn in December, 2016. The increase in the stock was on account of new disbursements. The domestic debt stock was K38.6bn in May 2017 compared to K33bn in December 2016. The rise is explained by increased demand for Government paper. In order to ensure continued debt sustainability, Government has finalized a Medium Term Debt Strategy that provides a framework for prudent debt management. Further, regular debt sustainability analysis will be the guiding principle for future borrowing activities.

#### STOCK OF GOVERNMENT ARREARS:

As at end of March, 2017, the stock of domestic arrears was K17.35bn. In 2017 alone, the Government has paid out a total of K4.3bn towards the clearance of arrears. To address the arrears situation in a sustainable manner, Government has designed a time-specific arrears-dismantling strategy. The strategy also includes measures that will stop accumulation of new arrears.

#### **STRUCTURAL REFORMS:**

The Government will continue to implement structural reforms aimed at strengthening public finance management to support fiscal prudence and address other structural challenges to stimulate inclusive growth. These include: 1. The full roll-out of the Integrated Financial Management Information System (IFMIS) and full implementation of the Treasury Single Account (TSA) by the end of 2017. 2. Full implementation of the e-voucher system under the Farmer Input Support Programme (FISP). 3. Revision of a number of laws including the Public Finance Act, a new Zambia Public Procurement Bill, review of the Loans and Guarantees (Authorization) Act and introduction of the Planning and Budgeting Bill to Parliament.

#### THE MEDIUM-TERM OUTLOOK:

As outlined in the Seventh National Development Plan, growth over the medium-term is forecast to rise to at least 5.0%. Growth will be mainly driven by the agricultural, energy, mining, construction and manufacturing sectors. The exchange rate stability will be sustained while inflation is projected to be within the target range of 6-8%. Regarding the fiscal position, the Government will work towards fiscal sustainability and consolidation. This will create room for lending to the private sector, and stimulate increased economic activities. Overall, pressure on the external sector was

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expected to continue in 2017 mainly attributed to the slow pick up in export earnings. However, the external sector is expected to rebound through the medium-term, largely driven by the expected increase in copper and non-traditional export earnings. Copper export earnings will mainly rebound on account of increased production while growth in non-traditional export earnings will be supported by Government's diversification measures.

### GOVERNMENT'S ENGAGEMENT WITH THE IMF:

The country has made tremendous social and economic progress. However, risks remain on the external side. Based on the need to support the external sector, increase market confidence, enhance investment flows and leveraging more resources from cooperating partners, Government has engaged the IMF on a possible programme. In this regard, we hosted the IMF in discussions

from 29th May to 10th June, 2017. During these meetings, the Government and the Fund agreed on remaining actions needed to reach staff-level agreement on a programme that could be supported under the IMF's Extended Credit Facility. When the agreed required actions are implemented. The major issues required to be addressed for us to proceed to conclusion mainly relate to higher than projected budget deficits, accumulation of arrears and an increase in debt levels. The key policy and structural measures aimed at mitigating these challenges, including reforms in energy and agriculture were highlighted previously. Further, recognizing that the reforms might have adverse effects on vulnerable members of society, Government will scale up the social protection programmes. In addition to increased resources that Government has committed for the programme, our cooperating partners have also augmented resources for social protection.



#### A Closer Look at Kasumbalesa Border

#### **Ministry of Finance Statement**

Kasumbalesa, between the Democratic Republic of Congo (DRC) and Zambia, is the busiest transit border in Zambia and handles an average of 650 trucks per day.

Through Kasumbalesa, Zambia's main exports to the DRC are sugar, cement, timber, mattresses, acid, mealie-meal, agricultural products, and cooking oil, among others.

On the other hand, Zambia mainly imports mineral ores and concentrates from the DRC. The imports are destined for Konkola Copper Mines, and Chambishi Copper Smelter in the Copperbelt Province.

The Minister of Finance Felix Mutati recently toured Kasumbalesa Border for an on-the-spot inspection of revenue enhancement prospects available at the location and to appreciate the operational challenges being faced by Zambian government agencies in their quest to optimize performance.

Kasumbalesa is the only border in Zambia collects border/terminal crossing fees. The arrangement is under a Public-Private Partnership (PPP) Agreement between the Government of the Republic of Zambia and the Zambia Integrated Property Border Crossing Company (ZipBCC).

On inception, the total investment by ZipBCC in border infrastructure was approximately \$33m, of which \$20m was raised from the Development Bank of Southern Africa (DBSA), \$5m from Zambia's BankABC, while the balance was injected as a shareholders' loan.

Under the 20-year concession agreement, the Concessionaire has been permitted by the Zambian Government to collect border/terminal crossing fees to the level of \$100 per truck. ZipBCC initially operated the concession from March 2011 to October 2012. The Zambian Government, through ZRA, then operated the concession until December 2015, when the concession was officially handed back to ZipBCC.

The system ZipBCC has installed at Kasumbalesa facilitates speedy movement of people and goods through an ultra-modern electronic traffic management system. For the period January to October, 2017, the total number of trucks coming into Zambia and crossing the Kasumbalesa border increased by 13% to 81,055 from 71,933 during the same period in 2016.

On the other hand, the total number of trucks exiting Zambia and crossing the Kasumbalesa border increased by 18% to 82,943 compared to 70,098 in the same period in 2016.

Flow of traffic influences the collection of border/terminal crossing fees. For the period up to October, 2017, \$16.8m was collected as border/terminal crossing fees, compared to only \$14.4m during the same period in 2016; thereby, representing performance improvement of 16.8% from 2016 to 2017.

From 2015, ZipBCC has invested a further \$4m in rehabilitation and improvements works to allow the smooth flow of traffic between the two countries.

Clearly, border traffic flow has an exponential effect on the revenue performance of Zambian government agencies operating at the border and collecting either tax or non-tax revenue.

As a result of improved operational efficiency, the importation of copper ores and concentrates through Kasumbalesa has now resulted in an upswing in total revenue collection, with Value Added Tax (VAT) accounting for more than 96%.

Kasumbalesa has surpassed the 2017 revenue target by over K14m, collecting K342m as at 31st October 2017 against the annual target of K328m. The collection was boosted by an increase in both small-scale trading and commercial consignments.

At the moment, Kasumbalesa experiences incidences of smuggling into the DRC from Zambia. Among other challenges, the close proximity of Zambia's Bilanga market to the border, has been identified as a contributing factor to smuggling. At Kasumbalesa, the majority of traders are Congolese who cross into Zambia to buy food stuffs and sometimes sell merchandise.

In as much as Zambia is benefiting from the buying power of the Congolese, trade happens haphazardly and transactions are poorly accounted for due to smuggling. This situation has made the location look disorganized, thereby affecting the flow of motor vehicles and creating an atmosphere for facilitation of smuggling.

As stated in the 2017 Budget Address, Zambia is making efforts to prioritize international trade as a tool for attaining inclusive growth and development

In this regard, efforts are underway to operationalise the Bilateral Trade Agreement with the Democratic Republic of the Congo and establish trade centres for our major non-traditional export markets beginning with Kasumbalesa, Kipushi and Chirundu borders.

Going forward, the One Stop Border Concept is an important trade facilitation tool that will help to improve the flow of traffic across the border. Progressively, Zambia and the DRC have already signed an agreement to implement the One Stop Border Post (OSBP) concept at Kasumbalesa.

Kasumbalesa is a low hanging fruit for enhancement of both tax and non-tax revenue collection for Zambia.





### **National Financial Inclusion Strategy**

#### **Ministry of Finance Statement**

This National Financial Inclusion Strategy (NFIS) is a renewed commitment to financial inclusion in Zambia and builds on previous efforts and ongoing initiatives by Government. The vision for financial inclusion in Zambia is to have universal access to and usage of a broad range of quality and affordable financial products and services. In achieving this vision, it is expected that all Zambians will reap the full benefits of financial inclusion: that is, individuals will be able to use appropriate savings, credit, payment, insurance, and investment services to manage risks, plan for the future, and achieve their goals, and firms will be able to access affordable financing to facilitate innovation and firm growth and create employment.

Despite recent progress on financial inclusion whereby 4.8m (59.3% of the adult population) were financially included as of 2015, much remains to be done to achieve this vision. More than 3.5m Zambian adults (approximately 41% of the adult population) are financially excluded and more than 5m Zambian adults (approximately 60% of the adult population) do not use financial products and services from regulated providers.

In addition, significant disparities in financial inclusion remain between rural and urban areas, men and women, youth and adults, and small and medium enterprises (SMEs) and large firms. The potential to leverage digital technologies to reduce costs and expand the reach of the formal financial sector has not yet been fully exploited.

Non-bank financial institutions such as insurance companies, pension providers, and microfinance institutions have limited outreach. Low levels of financial capabilities among some consumers and limited consumer protection mechanisms also

constrain their ability and willingness to use formal financial products and services to meet their goals.

- To address these gaps, this NFIS sets forth a coordinated and sequenced set of actions to be executed by the public and private sectors. The successful implementation of these actions will achieve the following:
- An overall increase in financial inclusion (formal and informal) from 59% to 80% and an increase in formal financial inclusion from 38% to 70% by 2022;
- Improved physical access to high-quality financial delivery channels, including branches, agents, and automated teller machines (ATMs), such that the number of financial access points per 10,000 adults will increase from approximately 7 to 10 by 2022;
- Innovative and diverse financial products and services that meet customers' needs leading to the percentage of adults with at least a transaction account growing from 36% to 70% by 2022;
- Improved outreach and adoption of digital financial services;
- Greater availability of affordable financing for SMEs, smallholder farmers, and agricultural entities, thereby reducing the number of SMEs reporting access to finance as a major constraint from 27% to 20% by 2022; and
- Enhanced consumer protection and increased financial capabilities of consumers, resulting in an increase in the percentage of adults with high financial product awareness levels from 36% to 50% by 2022.

The NFIS Framework (Figure 1) outlines the key components required to achieve the NFIS vision. The Framework is built on three key enablers: (i) Public and Private Sector Commitment and Coordination; (ii) Policy, Legal, and Regulatory Environment and Supervisory Capacity; and (iii) Financial Infrastructure. Strengthening these enablers will provide the foundation for a healthy and inclusive financial sector. The Framework also outlines four key drivers: (i) Widespread and Accessible Delivery Channels; (ii) Diverse, Innovative, and Customer-Centric Products; (iii) Finance for SME Growth; and (iv) Financial Consumer Protection and Capability.

This NFIS contains a detailed action plan with a broad range of 50+ targeted and sequenced actions reflecting the enablers and drivers in the NFIS framework. The achievement of these actions is expected to result in the attainment of the previously listed strategy objectives and targets. Actions that are considered to be "high priority, high impact" include the following:

 Migrate government-to-person and personto-government payments to digital platforms;

- Issue agency and mobile banking regulations:
- Design, test, and launch simplified and tailored products for unserved and underserved consumers, including via mobile-based channels:
- Review and finalise the Credit Reporting Bill;
- Promote utilisation of the Movable Property Security Interest Register to increase assetbased lending, especially to SMEs; and
- Build capacity of regulators to undertake financial consumer protection supervision.

The implementation of this NFIS will be guided by a coordination structure that leverages expertise and resources from the public and private sectors. Measurement of progress toward the NFIS vision and objectives will be supported by a robust monitoring and evaluation system, which includes a range of national-level and action-level key performance indicators and targets, in addition to those previously listed. Implementation of this strategy will complement other financial sector initiatives, including the pursuit of financial stability and financial integrity.

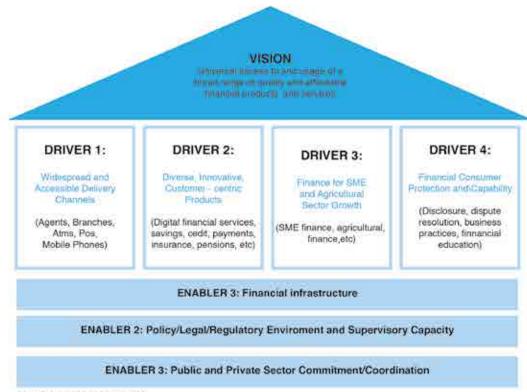


Figure 1, NFIS Framework



### **A High Margin Potential**

#### Jason Kazilimani, Managing Director, KPMG

**BRIG:** What three signs best exemplify your optimism for the Zambian economy?

#### Jason Kazilimani:

Zambia has recently seen improved electricity generation, with Government introducing more cost-reflective tariffs. The inflation rate has stabilized, down to 7% from over 20% in 2015.

The local currency, the Zambian Kwacha is strong and the Bank of Zambia eased liquidity requirements for banks, enabling them to lend more.

There has been a definite focus on the generation of electricity, which will consequently encourage manufacturing and mining activities. Some of the efforts are already bearing fruit. As an example, in 2016, Maamba Collieries, a local coal producer, added value by producing 300 MW of thermal power from which the majority is sold to the national grid. Also, Dangote Cement recently set up a cement plant in Ndola with an in-house electricity generation plant and ZCCM-IH made a multimillion dollar investment in another cement plant in The Copperbelt.

There has been a strong focus on infrastructure development with the Government's investment in road construction enabling the country to improve transport linkages with neighbouring countries. The agriculture sector, as one of Zambia's priority areas is on a definite path of further development with value addition and industrialization efforts.

Zambia's agricultural potential is slowly being tapped with investments in cotton, maize, soya, and tobacco growing steadily. We can expect FDI in agriculture to rise sharply.

I would define Zambia as a high-cost environment, but with potentially very high margins.

**BRIG:** What are the main challenges an investor encounters in Zambia?

#### Jason Kazilimani:

Multiple challenges to doing business persist. The cost of borrowing is still high, with prevailing interest rates at around 30%. These high real-lending rates continue to limit access to credit by the viable sectors of the economy and reflect a continuous contraction of credit to the private sector due to the banks' preference for government securities and prohibitive collateral requirements. The Bank of Zambia, however, has reduced the interbank lending rate from 14% to 12.5% recently in a bid to reduce interest rates.

Regarding ICTs, Zambia, unfortunately, has a concentration of information technologies in Lusaka and on the line of rail, so internet connection is at times not available or is limited.

**BRIG:** What should international investors know when looking to expand their portfolio in Zambia?

The tax framework is satisfactory. There is room for improvement with some regulations and tax incentives clarified. The problem in Zambia is the relatively small size of the formal sector, which is heavily taxed and the enormous informal sector which is not taxed, and so the tax burden falls on few. Lower tax rates would encourage the informal sector to register their operations and more people would be given a chance to participate in the economy. Government procurement should involve SMEs, promoting a more inclusive business environment accordingly.

Zambia should reduce corporate taxation for exporters as a lower tax rate for local manufacturers would free up more capital to reinvest in their growth.

#### Jason Kazilimani:

The local tax regime is one of the areas where the international investor should educate themselves. Engaging a professional services firm is highly recommended. Occasionally, when a business requires Cabinet approval, things take some time. Relatively recently however, the administration introduced e-services at ZRA, NAPSA, and PACRA, which has improved the speed and quality of doing business. Quicker Government approvals are needed, especially in issuing business licenses.

On the other hand, Zambia has very attractive investment incentives, there are no exchange controls, and the country is politically and economically stable, relatively speaking. Our population is young, educated and sophisticated, with a strong entrepreneurial gene and we have an abundance of land and water resources.



#### **How Fiscal Policy has Shaped the Zambian Economy**

#### By Shebo Nalishebo, Research Fellow, ZIPAR

Until recently, Zambia was a poster child for economic growth in sub-Saharan Africa. Following the privatisation of the copper mines in the early 2000s, the rebound in copper prices and associated massive investments contributed to the increase in copper output from 260,000 tons at the turn of the century to 771,000 tons in 2016.

The country's debt reduced significantly following debt forgiveness when it reached the Highly Indebted Poor Countries (HIPC) Completion Point in 2005, creating some fiscal space. Between 2006 and 2012, the economy grew at an annual average of over 6% per annum. The country was reclassified to a lower-middle income country by the World Bank and etched its name in the 'Africa Rising' narrative and was considered part of the 10 African Lions (the fastest growing economies at the time, which were set to outrun the growth rates of the Asian Tigers.

Faced with a huge infrastructure deficit, Zambia used its newly found economic exuberance to take advantage of international investors looking for high yields in frontier and emerging markets, and, in 2012, jumped onto the bandwagon of other African countries who issued Eurobonds. The debut \$750m Eurobond was to be used mainly to finance road construction and rehabilitation. A significant portion was also allocated to the electricity utility firm ZESCO to develop electricity infrastructure and the recapitalisation of struggling railway firm Zambia Railways. These were considered projects of high economic return, which would pay back the loan in the immediate future. In order to fulfil the 2011 election pledges of "putting more money in your pockets", Government effected a higher than projected wage award to public sector workers in 2013.

Therefore, the wage bill, which was 6.5% of GDP in 2011, escalated to 9.4% of GDP in 2014. In terms of revenue, it increased from less than 38% of domestic revenues in 2011 to nearly 52% in 2014. Oblivious to the effect of these spending overruns, allocations to infrastructure, particularly road projects, remained a sacred cow and continued to increase.

Government's policies extended to spending overruns in costly and poorly targeted agriculture and fuel subsidies. They soared from 21% of 2015 domestic revenues to nearly 30% of 2016 domestic revenues.

With revenues generally being lower than projected, due in part to the drop in revenues from copper proceeds as a result of a drop in prices, mainly due to reduced demand from China, and inconsistencies in the mining tax regime, the fiscal deficits mounted and averaged 7% of GDP during the last five years.

To finance the deficit, Government relied heavily on external sources and therefore issued the second Eurobond in 2014 worth \$1bn at a coupon rate of 8.5% and the third in 2015 amounting to \$1.25bn at an even higher coupon rate of 8.97%. Due to the three Eurobonds, the stock of commercial external debt, and the accompanying interest payments, rose sharply.

However, the funds raised on the international markets did little to stem Government's liquidity problems and fiscal and external imbalances. Despite the uncertainty with regards to global financial markets and the high refinancing risks associated with the Eurobonds, no appropriate contingency plans to service the Eurobonds at maturity were instituted.

Soon after the issuing of the third Eurobond, the age-old problem of electricity supply constraints came to a head following a partial drought in 2015. With hydropower accounting for 98% of the country's total electricity output, the deteriorating energy situation contributed to severely reduced output and productivity in the nation's manufacturing factories and other businesses and increased costs as firms and households had to find alternative strategies to cope with the crisis. Faced with an increasing debt burden and a huge wage bill, non-discretionary expenditure now accounted for over 75% of domestic revenue, leaving very little

for growth sectors and programmes.

These and other factors shaped the performance of the Zambian economy leading to slow economic growth which hit a trough of 2.9% in 2015, the slowest growth since the 1990s. About \$6bn was wiped off from the nominal GDP in 2015 when

nominal GDP, which stood at \$27.2bn in 2014, reduced to \$21.2bn in 2015. Zambia has since made some modest economic recovery with GDP growth posting 3.6% in 2016 and is expected to end 2017 at 3.4%.



### A Pro-Business Approach

#### The Investment Vehicle of the Zambian Government

When addressing a United Nations General Assembly event on Africa's industrialization, the President Edgar Chagwa Lungu stressed the important role that industrialisation plays in emerging markets to achieve socially-inclusive and environmentally-sound sustainable economic growth. "It is, therefore, an inevitable solution to bring about the much-needed structural economic transformation. Industrialization-induced structural economic transformation will enable our countries to diversify their economies, raise productivity, create better jobs and increase their competitiveness in the global market."

The Industrial Development Corporation of Zambia was created in early 2014 and is an investment company owned by the Ministry of Finance of Zambia and was established to lead the development of Zambia's domestic industrial capacity and job creation.

The IDC plays its role through evaluation, pricing and lowering the investment risk profile by serving as co-investor alongside private-sector investors, and ultimately creating a conducive business environment for the private sector. Created as a government investment vehicle, the IDC is a very unique institution - a government entity that is structured like a private company. The corporation, as per its modus operandi, tends to be an effective solution to the oftentimes unstable business climate in Africa ensures that foreign partners can team up with a government entity that has easy and quick access to the policy makers of the country for a safe and guaranteed investment.

The IDC facilitates provision and raising of long -term finance for various government initiated projects and also serves as an investment holding company for State-Owned Enterprises and new investments that ultimately generate earnings for the proposed Zambia Sovereign Wealth Fund. Today, the IDC is an active shareholder and frontier investor focused on a wide variety of sectors including agriculture, forestry, manufacturing, financial services, mining, energy, telecommunications, logistics, medical, education, tourism, real estate, and media, and holds shares in more than 30 companies/parastatals.

Bullish on Zambia's economic growth prospects, the IDC has led the way by launching the first large-scale renewable energy project which is expected not only contribute immensely to the national power generation by adding 600 MW to the national grid, but also support various other industries by creating a conducive manufacturing environment. The first phase of the project saw the Italian-based Enel Green Power Limited and Neoen First Solar of France win the bid to construct two separate solar plants at the Lusaka South Multi-Facility Economic Zone. During the second phase of the solar project, 12 international companies have already been shortlisted to compete for the \$300m project to equip Zambia with additional 300 MW.

The enabling business model of the Industrial Development Corporation has already attracted various international partners. Rabobank of the Netherlands owns 49% of shares of the Zambia National Commercial Bank, commonly referred to as ZANACO, where IDC is the majority stakeholder. Indo- Zambia Bank is another financial company under the IDC umbrella, a joint venture between the Government of the Republic of Zambia and the Government of India represented through its three large public-sector banks: Bank of India, Bank of Baroda & Central Bank of India each contributing 20% share capital with the remaining 40% owned by the IDC.

As per the presidential vision, all state-owned enterprises must list on the Lusaka Securities Exchange within the next five to ten years to economically empower Zambians and encourage

them to participate in the stock market. The Industrial Development Corporation is seeking to be an important tool in achieving this ambitious goal by, first, making these entities profitable, attracting the needed investment, and giving the citizens an opportunity to own these companies by purchasing shares.

The current government of Zambia is extremely business savvy and seems to be able to demonstrate to an increasing number of international actors that Zambia is an attractive investment destination with a resilient economy and a low-risk business and political environment. Since 2011, the political administration has embarked on the largest infrastructure development programme since independence and wants to establish Zambia as a regional trade hub and a launch pad for businesses into other neighbouring countries, comprise an attractive mass market of 600 million people. Developing exports has become a strategic national interest and the manufacturing businesses establishing their operations in the centrally-located SADC country only confirms the fact that Zambia is good for business.



### Ten Reasons to Invest in Zambia

- 1. Political stability, peace and democracy
- 2. Adherency to rule of law, positive and investor-friendly environment
- 3. Investment guarantees and security
- 4. Abundant natural resources presenting excellent investment and trade opportunities
- 5. Private sector driven Government Economic Development policies in place
- 6. Attractive investment incentives
- 7. No exchange controls and repatriation of 100% of profits since 1994
- 8. Duty free access to regional, wider Africa, EU and USA Market.
- 9. Progressive banking, legal and insurance Ssrvices of international standards
- 10. Good place to work and live, friendly people with a rich and vibrant culture







### Developing Zambia

In Zambia, state owned entities were formed to act as a catalyst for industrialisation to provide critical services, generate tax revenues and decent jobs.

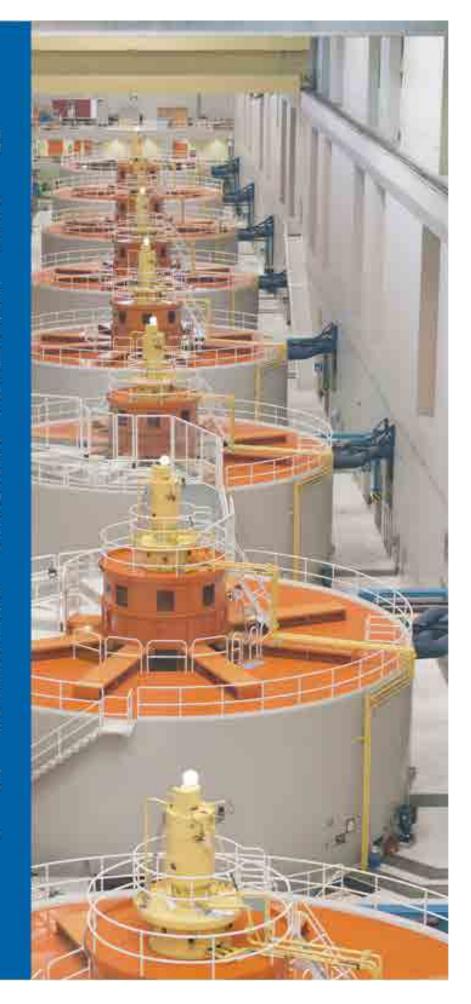
Through decades of structural and supervisory changes, this thrust was lost. In August 2015, in a move to address underperformance and provide the necessary strategic direction to restore them as strong successful companies, they were brought under the control of the Industrial Development Corporation.

In between the IDC's vision and the deployment of strategic plans lies an infinite number of possible directions. At KPMG, we combine world class methodologies, state of the art tools, experienced resources and deep market knowledge to position ourselves as the clear choice of business partner to work with.

As we rebuild an economy facing serious challenges, we stand ready to support the IDC through the provision of independent audit, effective tax and specialised advisory services. Our emphasis on practical problem solving, a collaborative approach and the delivery of clear impartial advice make us stand out as the go to practice for business turnaround services.

For more information about our Advisory services, we can be reached on the address below.

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Abalya imbulu, balapalamana. (Bemba)
Those who eat water monitors are found close to each other.
People with common interests always interact. Birds of a feather flock together.

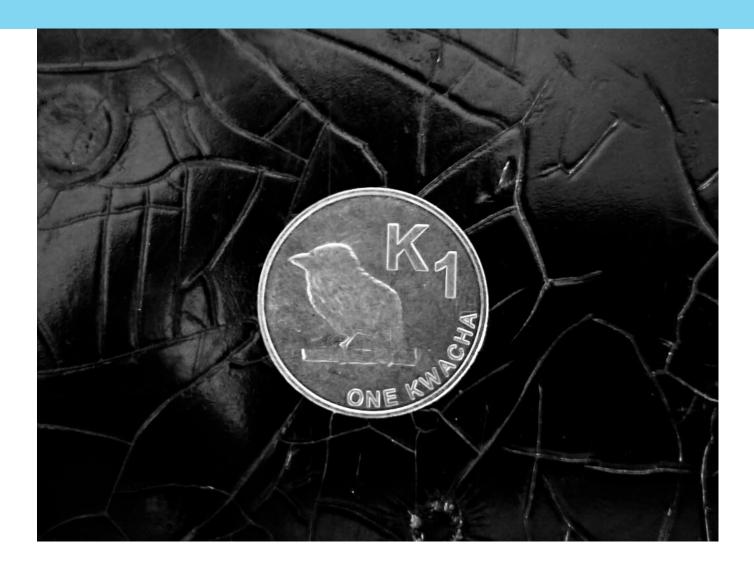
# BANKING

Vast regulatory changes in line with international best practices

Recent reduction in inter-bank lending rates

Sector shows strong resilience during economic challenges

Rise in mobile payment systems





### **Funding Development**

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#### **BACKGROUND:**

When Zambia's economy was liberalised in the early 1990s, the banking sector's growth accelerated with new entrants, from around five to the present 19 commercial banks as well as a large number of Non-Bank Financial Institutions (NBFI). Zambia's central bank, the Bank of Zambia (BoZ) oversees the banking sector and reports to the Ministry of Finance; the Banking and Financial Services Act of 2017 governs the sector. The sector has undergone vast regulatory changes to remain up to date with international best practices. BoZ has been credited with the major improvements seen in bank oversight in the recent past.

The 19 commercial banks are comprised of both international and local banks. By law, all banks that operate in the country need to be incorporated locally, hence there are no branches of foreign financial institutions, only subsidiaries. The composition of Non-Bank Financial Institutions (NBFI) is composed of 76 bureaux de changes, 36 microfinance institutions, 1 savings and credit institution, 7 leasing and finance companies, 1 development finance institution (the Development Bank of Zambia), 1 credit reference bureaux and 3 building societies.

The sector has a high rate of competition and, as such, their product offerings have expanded to better satisfy consumer needs and their operations have spread over the different sub-sectors (e.g. banking, capital markets, insurance, etc.). However, each sub-sector has their own regulator and as a result, the regulatory environment is somewhat fragmented.

The Bankers Association of Zambia (BAZ) stated that the commercial banking industry's overall financial performance and conditions have been stable and satisfactory in terms of profitability, lending and capitalisation levels with the quality of total loans and advances being satisfactory. This has been attributed to the country's economic diversification with developments in the agriculture, transport and communication, manufacturing and forestry sectors, among others, as major contributors to the stability of the financial sector.

In 2012, the Government increased the minimum capital requirement that banks must have on hand. This was undertaken to strengthen the balance sheets of commercial banks in supporting Zambia's growing economy. The minimum capital requirement for local banks is K104bn and K520bn for foreign banks. Prior to this, the minimum capital requirement for all banks was at K12bn. It is arqued that these new capital requirements are expected to boost the banks' lending to the private sector. It appears that the banks seem to be adequately capitalized. With the recent reduction of interest rates, growth in the sector has resumed. Partnerships and syndicated lending between financial service providers are growing, this is whereby institutions form joint ventures in funding large projects. Microfinance is viewed as a sub-sector that is undergoing significant growth. There is a large number of microfinance service providers and greater regulation is needed here, especially in limiting default.

#### **TOTAL ASSETS AND LIABILITIES:**

The total assets of the commercial banks have seen a steady growth path over the last 10 years. The loans and advancements were K5.7bn in December 2007, rising to K10bn in May 2011 and K20bn by April 2014. It had a peak of K27.3bn in November 2015, which has since decreased and resumed its stable growth path. As of September 2017, the commercial banks' loans and advancements were K23.5bn. According to the BoZ, personal loans (others) and, agriculture, forestry, fishing and

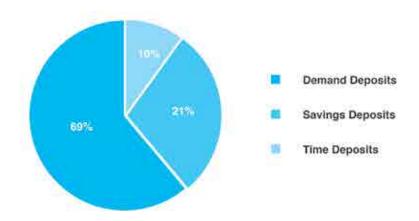
hunting had the greatest distribution of loans and advances. The value of these loans and advances' value and distribution percentage are displayed below in Table 1.

Table 1: Distribution of loans and advances as of September 2017 (BoZ)

| Distribution of loans and advances         | K'000      | %    |
|--|------------|------|
| Personal Loans (Others)                    | 6 068 835  | 23.4 |
| Personal Loans (Home Mortgages)            | 674 063    | 3.1  |
| Agriculture, Forestry, Fishing and Hunting | 4 572 653  | 21.0 |
| Manufacturing                              | 1 663 724  | 9.4  |
| Wholesale and Retail Trade                 | 2 403 466  | 10.8 |
| Financial Services                         | 1 018 298  | 2.7  |
| Transport, Storage & Communications        | 1 272 380  | 5.3  |
| Mining & Quarying                          | 1 501 792  | 5.4  |
| Construction                               | 838 887    | 3.5  |
| Restaurants and Hotels                     | 244 336    | 1.1  |
| Electricity, Gas, Water & Energy           | 610 456    | 2.7  |
| Others                                     | 2 663 814  | 11.5 |
| Total                                      | 23 532 703 | 100  |

However, the commercial banks' total assets in September 2017 were K67.7bn. At this same time, total liabilities were just under K58bn and shareholder's funds were over K8.8bn; of these funds, over K50bn were total deposits. The composition of deposits is displayed below in Figure 1.

Figure 1: Composition of deposits



#### **CREDIT EXTENSION:**

There has been the assertion that the banking sector is not doing enough for the development of the economy as the concentration of its investments is in Government securities (considered as a safe investment during trying times) and is providing little capital to the private sector. The BAZ has said that contrary to this assertion, the sector's share of investments in the private sector is around 78%, while government securities account for 22% of the funds and that the sector is dedicated in its support for the growth of the private sector. It was said that the Government's delay in payment to contractors and suppliers was contributing to an increase in the private sector's non-performing loans. Growth in non-performing loans is above industry norms. 69% Demand deposits, 10% Savings deposits, 21% Time deposits.

#### **BRANCHES:**

According to the Bank of Zambia, the 19 commercial banks in Zambia have a total of 420 branches across the country, with Zambia National Commercial Bank Plc having the most with 68, which was followed by Atlas Mara Zambia with 65. One bank had only two branches. The majority of these branches were in Lusaka and the Copperbelt Province.

#### **USAGE OF PAYMENT SYSTEMS:**

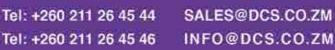
The use of electronic payments has increased substantially in the past few years and these types of financial transactions are being encouraged. This is in the form of internet banking and mobile transfers. Mobile transfers have been identified as a means to decrease the total of the unbanked population. Due to the competitiveness in the sector, banks have been innovating means to access bank products to gain customers. Agent banking is also on the rise in areas where building a traditional bank would be unfeasible, an example of such a bank agent would be a retail shop. This has helped increase access to banking services as small amounts of money are moved; under normal circumstances, people would feel intimidated to use the bank with such amounts of money.

#### **REGULATIONS:**

The sector is regulated by various laws and regulations, which are discussed below. The Seventh National Development Plan 2017-2021 (7NDP) has specific reference to monetary and financial sector policies. The Government's policy stance will continue its focus on maintaining price and financial system stability, which includes an increase in access to financial services as a means to support economic growth. The Government's priority during the 7NDP's period is to address the cost of finance and improve credit provision to Micro-, Small and Medium-sized Enterprises (MSMEs), including the mitigation of risks. The main critical reform focus in this sector is to harmonise and strengthen various policies and pieces of legislation that govern the sector. This will include the development of a new policy and strategy on financial inclusion that will drive the agenda of inclusive and affordable financial services to all Zambians. In line with this, various acts and policies have been updated in 2017. In addition, the improved access to finance for production and export is one of the strategies in the Plan's stimulation of various economic development initiatives. The National Financial Inclusion Strategy (NFIS) is a renewed commitment to financial inclusion in Zambia and builds on previous efforts and ongoing initiatives by Government. The vision for financial inclusion in Zambia is to have universal access to and usage of a broad range of quality and affordable financial products and services. In achieving this vision, it is expected that all Zambians will reap the full benefits of financial inclusion. This includes individuals being able to use appropriate savings, credit, payment, insurance and investment services to manage their risks, plan for the future and achieve their goals; and firms being able to access affordable financing to facilitate innovation and growth, and create employment.

The National Financial Sector Development (FSD) Policy of 2017 was developed in order to grow and transform the financial sector. The Policy is aimed at having a well-developed and inclusive financial system that supports efficient resource mobilisation and investment for sustainable economic development. This Policy follows







Zambia's first and second Financial Sector Development Plans (FSDPs), which ran in two successive five-year cycles from 2004 to 2009 and from 2010 to 2015. The FSDPs represented both a vision and a comprehensive strategy by the Government to address weaknesses in the Zambian financial system by focusing on five core pillars: these were:

- 1. Legal reforms and corporate governance;
- 2. Payment systems;
- 3. Market efficiency and contractual savings;
- 4. Financial education; and
- 5. Access to finance and financial markets.

The Banking and Financial Services Act No 7 of 2017 is an Act to provide for a licensing system for the conducting of banking or financial business and provision of financial services; to provide for the incorporation of standards, principles and concepts of corporate governance in institutional systems and structures of banks and financial institutions; to provide for sound business practices and consumer protection mechanisms; to provide for the regulation and supervision of banking and financial services; to repeal and replace the Banking and Financial Services Act, 1994; and to provide for matters connected with, or incidental to, the foregoing. This revised Act has been undertaken to deal with complex developments in the sector, such as the various global bank crises, and incorporate Basel III recommendations. The Act has clearly defined the consequences of non-adherence by Directors, Managers and Senior Officials.

In terms of the BoZ Strategic Plan 2016-2019 in the area of financial stability, the oversight of financial service providers will be through the implementation of Basel III Standards, the establishment of an e-deposit protection scheme and an e-system for electronic monitoring of bureaux de change transactions. Implementation of the Basel III standards is aimed at strengthening capital requirements and increasing bank liquidity. The BoZ will also formulate and implement a financial stability framework.

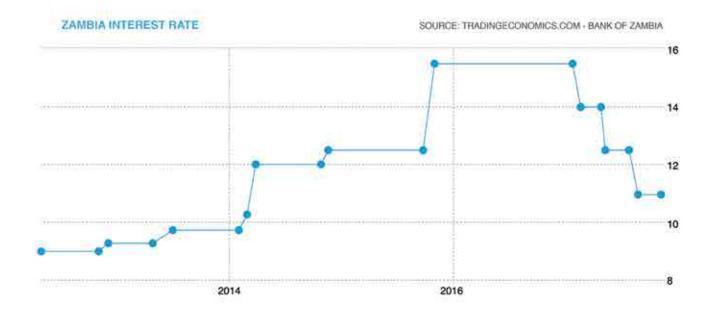
These measures are expected to enhance the resilience of the financial system to internal and external economic and financial shocks.

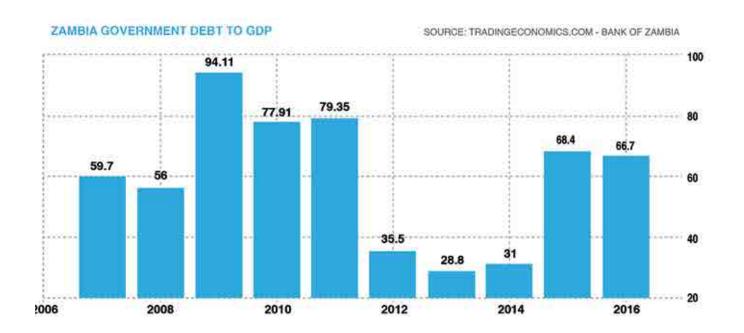
KPMG has unveiled new accounting standards aimed at providing clarity and transparency in the banking sector. These new requirements come into effect on January 1, 2018. Banks will need to develop a plan to ensure that their systems and processes meet the new standards. This new standard provides an opportunity to align the management of the business and its reporting. In the past, the focus was on contractual terms and business intentions when reporting on loans. Data and reporting will be the most affected and banks will have to make significant changes to ensure that management can track information and report within the framework of the new requirements. A key change relates to the calculation of impairment, which is an accounting principle that describes a permanent reduction in the value of a company's assets, normally a fixed asset. The calculations require that management consider and report on future expectations with regards to the performance of the bank's loan book. This change is likely to increase the impairment charges in many banks. The standard has also introduced the requirement to consider impairment of unused facilities, overdrafts, credit cards and government securities based upon expected losses. The new changes in impairments could increase the capital requirement of the banks; although this would make the banks safer, it will also affect investors' returns.

#### CONCLUSION:

The banking sector has remained resilient during economic challenges and the upward adjustment of the minimum capital requirement for commercial banks encountered over the past two years. Banks are continually innovating products and means of access to such in order to gain a greater market share, especially with the unbanked. The sector is stable and regulations are up to date with international best practices.







### **Banking in Zambia**

#### A Long Journey of Ups and Downs

#### By Caesar Cheelo, Senior Researcher, ZIPAR

Banking in Zambia has come a long way since the early days of Grindlays Bank, Standard Chartered, Barclays and a couple of others that were around at independence. All of those banks were foreign owned. Over time, banks have come and gone, and the financial landscape has changed greatly. A few like StanChart and Barclays have stood fast, sticking around since before 1964.

For most of the post-independence era, until 1992, commercial banks operated under very constraining economic conditions. Before Zambia initiated the 1992 free-market economic reforms, the state controlled everything, including commodity prices, foreign exchange trading, the exchange rate, interest rates, import and export licensing, and a host of other economic and financial aspects. A lucky break came in 1991 with the change of political party in power to the MMD after 27 years of UNIP rule. This is what ushered in the new thinking that yielded the far-reach liberalisation, privatisation and public sector reforms of 1992. Price and exchange controls were eliminated and the financial sector was liberalised as was the rest of the economy.

In the post-1992 environment, privatisation became the order of the day. Even the largest state-owned bank, Zanaco, founded in 1969, would eventually be privatized in 2008, with the Government reducing its stake to 49%. Over time, the number of commercial banks has grown steadily, from 11 in 1992 to 19 in 2017. Other financial institutions — leasing companies, building societies, micro-finance institutions, development banks, financial businesses, bureau de changes, savings and credit institutions, a Credit Reference Bureau and mobile financial services providers — also set up shop in Zambia.

The early part of the liberalisation period was not without incident. The 1992 financial sector liberalisation created a buzz of new energy, prompting the creation of eight new banks by 1995, raising the total to 19. But in 1995, disaster struck. Zambia's largest private bank, Meridien BIAO, collapsed under the weight of a money laundering and siphoning scandal. The contagion to other commercial banks could not

be easily contained. A number of other commercial banks would also fold before stability was eventually restored around the turn of the Century.

In the 21st Century, Zambia's financial sector remained stable. It modernised quickly, keeping pace with modern banking innovations around the global. Zambia was a particularly late starter in allowing the introduction of credit cards onto the market, but is now slowly catching up with innovations. Various other forms of digital banking are also taking root.

Over the past decade and a half, the banking sector has therefore done quite well in serving the 6.6m people who reside in urban areas. More than 70% of adults in urban spaces are so-called financially included. This is partly because out of every nine people you come across in urban

areas, only two are poor. Most of the country's persons with formal employment (77%) reside in the urban areas. Urban spaces are also readily serviced with modern infrastructure (electricity, transportation systems, office accommodation and so on).

As such, commercial banking services are concentrated in urban areas. Not a single commercial bank in Zambia is headquartered outside the capital, Lusaka.

Because Zambia is a highly dichotomous country with a strong rural-urban divide, so too is the spread of banking services. Among the 9.4m people who inhabit the rural areas of the country, three out of every four people you encounter are poor. Most of them bearly get by, relying on informal, subsistence or small-scale agriculture. The majority do not have electricity, water and sanitation services in their homes. They mostly live more than 15 km from the nearest school and hospital. Unsurprisingly, only about half the adults in rural areas have access to financial services.

The banking-sector-specific digital revolution offers a tiny glimmer of hope for some rural dwellers to gain access to financial services . The innovative new services are opening up new products that could improve financial access to informal, rural communities who once went without.



However, the extent to which technology can be harnessed and spread to rural areas is hampered by the limited incomes and tech-savviness of rural populations. From 2004 to 2015, the Government pursued financial inclusion mainly through the Financial Sector Development Programme, which officially ended in June 2015, with no account of its success or failure. The Bank of Zambia has continued to conduct financial literacy campaigns and developing mechanisms to encourage outreach of financial services to rural areas. The fiscal and development authorities have also implemented rural programmes like the Farmer Input Support Programme (valued at about K300m in 2017) and social cash transfer schemes, which have supported urban-to-rural resource transfers.

But despite the growing market of potential financial services clients in rural areas, the proliferation of banking services to these areas remains low. After all, as someone once said: "a real banker doesn't make money off poor people". Thus, the expansion of affordable commercial banking services to rural areas is a human progress Story that is yet to happen in Zambia.



### A Confident Look to the Future

#### Mizinga Melu, Managing Director, Barclays Zambia

**BRIG:** There is a strong focus on the stimulation of Zambia's economy through the diversification of its main sectors and the deepening and supporting of Zambia's industrialization capacity. How do you evaluate the outlook for Zambia and Government's efforts to stimulate the economy?

**BRIG**: How would you describe the current competitive landscape for retail banking?

#### Mizinga Melu:

Zambia's economic outlook is positive with the Ministry of Finance projecting 4.3% growth for the year 2017 mainly supported by increased copper production and improvements in agricultural conditions and output. The exchange rate is expected to remain stable given currency appreciation through most of 2017, though losing some of its gains more recently. The local currency has been supported by improved flows from the mining sector and off-shore investors in Government securities. Off-shore participation has reduced in the second half of the year, probably pending the closure of the long awaited IMF deal. The Monetary Policy remained relaxed since February, resulting in increased liquidity in the market and decline in interest rates, which is expected to result in credit extension support to key sectors of the economy. The only risk to interest rates will be Government domestic financing through securities, which could push interest rates to edge upwards. The inflation rate has stabilized and is expected to remain in single digits. After the difficult years of 2015 and 2016, the copper price has risen globally by 17%, positively affecting the Zambian exchange rate stability and economic activity in general. The positive economic outlook of the country was affirmed by the Standard & Poor's credit rating upgrade from negative to positive with a stable outlook.

#### Mizinga Melu:

The environment is very competitive. With nineteen banks active in the market, the competition has increased in the last few years. Furthermore, the interplay with foreign financial intermediaries such as multi-national corporations and aggregators has increased the intensity of competition and has resulted in an increase in the cost of doing business in the Banking sector, leading to reduced margins. It is important to note that the change in the landscape has resulted in a major shift in the banking sector as customers are being provided with a wide range of products and services. Therefore, the healthy competition has been beneficial to customers and has helped the sector to grow, making it more aligned with global banking trends that are anchored on convenience and flexibility for the customer. Ultimately, banks have become more innovative in the solutions that they are providing, especially around digital channels and the future continues to look more positive based on how much more we can offer customers.

**BRIG:** How can the Government and the private sector make Zambia more competitive globally?

#### Mizinga Melu:

There are certain steps that should be taken. First of all, Public-Private-Partnership should be encouraged, and the government and the private sector should work together in formulating such a policy. The formal sector should be strengthened by providing tax incentives as there are still very few players and a large informal sector that does not contribute to the country's tax base. The banking sector would be further developed if cash interactions were reduced by introducing statutory instruments; for example implementing item value limits on cash payments. The ease of doing business must be deliberately simplified by streamlining the business registration and licensing process for example the registration of a company, VAT, tax, the trading and investment licences should be handled by one institution and processed within a very short period of time, ideally 24 hours. Zambia should also institute policies that make the cost of capital and borrowing cheaper. We should encourage the local investors to participate in the economy with enhanced access to finance.

**BRIG:** What makes Zambia an attractive investment destination?

#### Mizinga Melu:

The Zambian economy has under gone critical reforms under the Economic Stabilisation and Growth Programme to implement fiscal consolidation, removal of subsidies, reforming the energy sector, and embark on the diversification of the economy through agriculture development and industrialisation. The government is also committed to ensuring fiscal consolidation, economic stabilisation, and growth. Steps have been taken to reduce borrowing by enhancing resource mobilisation initiatives such Public -Private-Partnerships, increasing grant-inflows, and reinforcing tax-related initiatives that are targeted at strengthening enforcement and compliance. As such, the Zambian economy is certainly one that investors should look at to make their investments.





#### The Experience of Alternative Financing in Zambia

#### By Lishala C. Situmbeko

#### The Challenge:

In a 2007 study of 26 African countries (Gelb et al), results showed that on average, the percentage of firms citing access to finance as a major or severe constraint was higher than for any other constraint (electricity, corruption, macro-economic instability, and labour regulations). Zambia is no exception with about 27% of Zambian businesses citing access to finance as a challenge, with the weight of this problem falling disproportionately on micro, small and medium enterprises (MSMEs), as revealed by a World Bank Enterprise survey of 2010. Many firms therefore rely on internally generated funds to finance investments and to grow. Banks are the third largest source of funds or largest external single source of funding to enterprise in Zambia. It's probably as a consequence of this that banks have borne the brunt of criticism for not doing enough to meet the private sector's borrowing needs. However, it is likely that due to the infancy of the Zambian capital markets and under-utilization of alternative sources of finance, the financing problem is exacerbated.

#### The Corporate and Private Business Landscape:

To provide some context to the issue of financing it is important to consider the landscape of Zambian business. Over 90% of businesses in the country are MSMEs with a 2000 study describing the business environment as consisting of dual universes of a large number of MSMEs and a small number of large corporates with a relatively missing middle. This is an important note for our discussion as the financing needs

of a business will vary across the different stages of its growth. It is not surprising therefore that while access to finance ranked as the top challenge for SMEs, it fell outside the top 3 challenges for large firms, which included practices of the informal sector, electricity and sufficiently educated workforce. About 34% of large businesses have a credit line with a bank compared to about 5.2% of small businesses.

#### Why Can't Banks Lend More?

Bank lending to the private sector in sub-Saharan Africa, including Zambia, has actually improved over the past years. In Zambia, commercial bank lending to the private sector was equivalent to about 16.5% of gross domestic product (GDP) in 2014, representing over 200% growth over the preceding decade. However, the country lagged behind several of its peers in the SADC region on this measure, which gives some credence to cries from the private sector to ease access to bank credit.

It should be clear at this juncture that a financing gap exists in the market. It is also at this point that we must step back and ask: What is the appropriate type of financing to fill this gap? It is safe to say that, in Zambia, it is a commonly held belief that if you need financing, you get a loan and ideally from a bank. It is therefore, disappointing for both enterprise and individuals alike when they are unable to obtain a loan from the bank after either failing to meet lending requirements or interest charged on the proposed facility is too high. This is especially true for small busi-

Lishala Situmbeko is Chief Commercial Officer at Zanaco Bank Plc. He is an experienced finance professional with a combined 21 years of experience in commercial banking, central banking and government. An accomplished economist, Lishala has a passion for business strategy and bringing the best of global business practice to Zambian businesses. All views expressed in this articles are those of the author and should not be attributed to any institution.

nesses, which tend to have little collateral, inadequate financial records and little management experience or track record. Larger businesses on the other hand may sometimes run into challenges to fund large projects, which banks may not easily accommodate or lack the appetite for either single entities or in syndicate.

Evidently the banking sector cannot fill this financing gap alone and we must therefore consider the alternatives. In countries with well-developed capital and money markets, several players outside commercial banks play a key role in the smooth functioning of the financial system and meeting the diversity of investment and funding needs of the market. These players include stock exchanges, investment banks, private equity and hedge funds as an example.

In Zambia, notwithstanding the several positive developments in the capital markets, it is within reason to state that most markets outside banking are still at their nascent stages, particularly in comparison to peers such as South Africa and Kenya. Let us then review the role that capital market players away from commercial banks have played and can play to reduce the financing gap we earlier highlighted.

#### **Private Equity for Early Stage Companies:**

During the early stages of a company's formation, the business will tend to have little capital, intermittent or no cash flow or fewer performing assets. The business owner or entrepreneur is unlikely to have much management experience or be financially savvy. This poses a high risk for any lender, more so for banks with a risk appetite tempered by regulatory considerations as well as their fiduciary responsibility to depositors

Given that early-stage businesses form a large part of the Zambian business community partially highlights the difficulty in accessing finance. Debt is not particularly suitable for early-stage businesses and ideally at this stage an angel investor or equity partner will be more constructive in growing the business. Financing early-stage businesses is a realm particularly suited for private equity (PE) funds and venture capitalists (VC).

The number of venture capital funds remains small in Zambia, but has grown over the years with names like Kukula Capital as a prominent example of a locally based fund. Foreign VCs do operate in the country, but more on a deal basis with the parties likely to have struck the deal in their home country. With strong fundamentals and the country's high ranking on the ease of doing business, Zambia is an attractive target for foreign venture capitalists and private equity managers. The country ranked in the top 10 for PE deals and mergers and acquisition targets in 2016.

Challenges however include the relatively small pool of optimal deal sizes and family owned businesses unwilling to cede control of their business and therefore preferring debt financing. The benefits of having a venture capital partner, however, can be immense, including bringing to the business expertise and networks that VCs usually come with. It is important therefore to sensitize small businesses to the existence and benefits of these avenues of financing and help them understand and meet VCs' requirements for investment.

#### The Stock Exchange, Equity and Debt Financing:

The Lusaka Stock Exchange is the sole platform for listed equity trading and was established in 1994 at the time to mainly facilitate privatization of state -owned enterprises. It has a market capitalization of about \$6.1bn with a total of 24 companies listed on the exchange.

After a flurry of listing in the 1990s mainly after the privatisation of state-owned companies, listings significantly slowed down in the 2000s. Of the 24 companies listed on the exchange, 4 were listed after the turn of the millennium with activity dominated by rights issues and medium-term note issuances. About 14 rights issues, 7 corporate bonds and 11 medium-term notes have been listed on the exchange from 1999 to 2016. The issue of bonds and notes was primarily dominated by financial institutions and possibly

represents an unutilized opportunity for other market players.

This particular avenue of financing is particularly suitable for obtaining long-term capital. Adoption of this option has been highlighted by the slowdown in initial public offerings (IPOs) and dominance of foreign players and financial institutions in debt issuance on the exchange. Some of the challenges that have been put forward from the business community include the administrative and financial cost of listing as well as the increased scrutiny and cession of corporate control.

### Commercial Bank Lending and Making It All Come Together:

Commercial banks, due to the nature of their funding i.e. volatile deposits mainly from ordinary individual and business customers, are less able to take the

risks that say a venture capitalist can take. However, banks are an important source of short, to medium, term credit including trade finance that allow businesses to run their daily operations more smoothly and add some leverage to the capital structure to optimize returns. However, commercial banks cannot sufficiently meet all the financing needs of businesses and this is where the synergy opportunities across the different providers of finance discussed above exists. With the ongoing developments in Zambia's capital and money markets, we should ideally be able to, in the near future, create a strong financing value chain where start-ups and young businesses with potential are financed and developed by venture capitalists and equity partners, their growth accelerated by commercial bank financing and finally facilitating their major expansion through debt issues or public listing.





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### **100% Indigenous**

Simangolwa Shakalima, Managing Director, Investrust Bank

**BRIG:** There is a strong focus on the stimulation of Zambia's economy through the diversification of its main sectors and the deepening and supporting of Zambia's industrialization capacity. How do you evaluate the outlook for Zambia and Government's efforts to stimulate the economy?

#### Simangolwa Shakalima:

The diversification agenda has been topical over the last few years. What has been lacking in the past is a deliberate resolve and taking the right approach the correct policy directives, and the support from the various sectors of the economy, including the banking sector. Now, we are starting to see more tangible results – the discussion has gone from boardrooms and political rhetoric to actual economic activity. We are starting to see a shift and changes even in the banking sector landscape. If you look at the Bank of Zambia statistics with respect to lending, the "other" category where the individuals fall in, is 30%, the agriculture sector accounts for 20%, mining sector 6%, manufacturing 10%. From these figures, we see that diversification is already yielding results.

Secondly, there has been a realization, not just from the Government but from the citizenry, about the real opportunities in other sectors. One can see many Zambians nowadays venturing into other sectors other than mining. There is vast potential in the energy, tourism and agriculture sectors. Zambia has learned the best practices from other economies and we see the interest from international companies and offshore players in forming partnerships with local individuals and companies who need assistance in terms of expertise and financing.

Thirdly, we have had much support from the co-operating partners, namely the development finance institutions, who are deliberately supporting several such initiatives with funding and risk sharing to support the diversification agenda. The outlook of the economy is extremely bright and on the right trajectory as Zambia has embraced the diversification of the economy fully, from the National budgets stretching to the Seventh National Development Plan.

**BRIG:** How would you describe the current competitive landscape for retail banking?

#### Simangolwa Shakalima:

It is very competitive. We probably have too many banks for the existing economic activity and clients are spoilt for choice. It has had many benefits, notably, that the strength of the banking sector has reached unprecedented levels and the financial literacy amongst individuals and companies have grown. The focus, though has been on the formal banking practices and, while the retail segment is very competitive, opportunities have arisen in terms of the unbanked. Banks have become very innovative on how to increase "the size of the cake". The signifi-

cant investment in ICT has assisted this acceleration and is supporting the growth of the wider retail banking. It also increases the competition, however, it also creates room for collaboration between the various players in the sector. Competition is now much wider as it encompasses not only banks, but micro-finance institutions, insurance companies and mobile network operators.

**BRIG:** What developments are taking place in the Zambian market for business loans and other financing?

#### Simangolwa Shakalima:

Firstly, the Government itself is now able to access financing from international lenders to support infrastructure development. In the last five years we have seen more developments than the two decades before. And, we are already starting to see the downstream developments as there are opportunities to support the suppliers and contractors who are involved in the value chain and business loans are being availed.

We have broader services than we used to have in the past. Previously, we had traditional lenders – banks, however, the sector has changed to let in the microfinance institutions, we have a few venture capital entities, we are also seeing the insurance companies becoming asset managers, so the depth of the supply side is growing and more options have become available. The demand has always been there, and the biggest changes we are seeing are in the supply of lenders.

We have recorded quite a few success stories when it comes to performance. In the past, the default rates were extremely high, however, due to the maturity of the market they are decreasing and encouraging further growth in business loans. Investrust Bank is expanding business lending to sectors other than mining. Invoice discounting in Zambia has also grown as a subsector, especially in the mining and agriculture sectors to enable companies to have operating capital.

**BRIG:** Micro-finance is currently growing as a subsector. Do you feel the oversight of this segment is satisfactory?

#### Simangolwa Shakalima:

It is satisfactory, but more needs to be done and we welcome the new regulations of the segment by the Bank of Zambia who are stepping in as a regulator to create oversight for capital levels and other metrics of compliance. We see a positive change happening in terms of corporate governance and consumer protection. The number of companies providing micro-finance services is very high and the regulatory bodies still have room for improvement on this issue.

**BRIG:** How can the Government and the private sector make Zambia more competitive globally?

#### Simangolwa Shakalima:

First of all, we all have to agree on priorities and that confidence building is crucial. The government must be able to prove to all stakeholders that they are firm on their policies and regulations. For example, the fiscal consolidation is paramount and is on course. We will not be able to develop this market if we rely on external sources alone. Even as we access global markets, the public sector needs to show they are on the right track. Secondly, ongoing engagement is critical. We have various fora available to us to sustain such engagement and the voice of the private sector is being heard. Thirdly, the government has availed several public private partnerships and it is critical for the Banking sector to support such initiatives.

**BRIG:** Do you have a final message to the potential investor interested in Zambia?

#### Simangolwa Shakalima:

Our business environment in terms of macro-economic indicators is very stable. After the unique challenges of 2015 and 2016 we have returned to a point where the economy is stabilizing and improving and the ROI is growing. Secondly, the opportunities for growth in the Zambian market are immense, especially seen in sectors other than mining. The financial sector has enough depth to allow for proper risk management to support various businesses. So, Zambia remains an attractive investment destination.

## Zambia as an Example of Leap-Frogging Forward through Adaptation of Technology

Words by Kelvin Chikomo, Director, cGrate, Zambia Limited (543 Konse Konse)

I have often been asked why I left South Africa and moved back to Zambia. South Africa has the life-style and more developed amenities and Zambia is still growing with less-developed infrastructure. One main reason has been the opportunity to make a real difference to our African communities in a field that has been dominated more by developed nations.

The top three companies by market capitalization in the last three years have all arguably been Information Technology (IT) companies, i.e. Apple, Alphabet and Microsoft. IT has the ability to transform people and nations with limited investment. IT has transformed the way we interact and operate; some good examples include Uber (Ride Sharing), AirBnB (Home Sharing) and MoBike (Bike Sharing). IT has the ability to address socio economic challenges in more efficient ways and in non-traditional ways.

Zambia has its equal fair share of socio-economic challenges. The traditional copy and paste approach of implementing what the 1st world has done is not the way to address these socio-economic challenges. As Zambia, the geography of the country is different, the population densities are different, the levels of literacy are different, the culture is different, the source of income and levels of development are all different. Zambia requires solutions that speak to these differences and address the unique challenges as they are; some of these solutions will leap-frog solutions that are predominantly used in the 1st world.

One particular challenge that one encounters when coming to Zambia is the availability of ATMs and points to access cash. Zambia has fewer than 2,000 ATMs in a country that is 752,618 km² in size, in comparison, Hong Kong has over 3,200 ATMs in a territory that is 273 times smaller than Zambia at 2,754 km²

in size, this translates to roughly 1 ATM per 376 km² in Zambia as compared to 1 ATM per 0.86 km² in Hong Kong. Zambia has a population density of 21.15 per km² yet Hong Kong stands at 6,690 per km². An ATM in Zambia is less profitable than it is in Hong Kong, purely based on the population densities. This is a classic case of Zambia needing its own unique cost-effective way of customers accessing their funds, a challenge that can be addressed through innovative IT solutions.

One common feature in Zambia is the prevalence of small grocery shops everywhere you go, be it in the urban or rural areas. How about having all these small grocery shops serve as mini ATMs, they are liquid with cash from their sales and have a challenge of taking the funds to the banks. How about providing an IT platform to ensure that customers withdraw from these shops and the grocers have funds immediately remitted to their bank accounts? The service is an extension of the grocer's existing business, which means it does not put a strain on profitability and is not a new cost. The availability of these grocers countrywide addresses the challenge of setting up expensive ATMs in a country of very low population density. The cost of the device used by the grocer is either negligible or a very small fraction of what an ATM would cost.

As such, we are providing means for customers to access their funds by linking bank customers to their banks through grocers and online merchants. Such solutions address our day to day socio-economic challenges in our own unique way, which fits in well with our current economic capabilities, our literacy levels, our sources of income, our geography and most importantly our culture. Often, we blame ourselves and our colonial history for our social ills, it is gratifying being able to make a difference, being part of the solution and being part of this new wave of African Renaissance.

Ubunang'ani, tabulisha kasuma. (Bemba)
Laziness does not enable one to eat something good.
One should work hard to lead a good life.

# CAPITAL MARKET

Several incentives established to promote growth in the sector

Rules and listing requirements updated in 2016

Financial inclusion and literacy programmes developed

Second-tier market to promote listing of SMEs





### **Capitalising on the Situation**

#### A Trend of Upward Trajectory

#### **BACKGROUND:**

The stock exchange in Zambia is known as the Lusaka Stock Exchange (LuSE). LuSE opened its doors on the 21st of February 1994 after the International Finance Corporation's and the World Bank's preparatory technical assistance in the preceding year. Its establishment followed Zambia's economic and political liberalisation in the early 1990s. In 1993, the Securities Act of 1972 was amended, which allowed the establishment of the Securities and Exchange Commission (SEC) in order to regulate the Zambian securities market. The amendment of this Act was aimed at holding shares, in trust on behalf of Zambians, from the divestiture of state-run companies as they became privatised. LuSE's establishment was part of the Government's economic reforms aimed at the stimulation of the private sector in becoming the driving force of economic growth in the country. The Government provided grant funding to the LuSE until 2009. Thereafter, LuSE was dependent on listed companies in generating operational income and, its sustainability dependent on increasing the amount and size of companies listed on the exchange.

Several incentives had been established for the promotion of rapid development in the country's capital market. These incentives include the following:

- No exchange controls;
- No restrictions on foreign ownership;
- No capital gains tax;
- No withholding tax;
- Corporate tax discount of 3%
- · No property transfer tax on listed securities.

LuSE consists of stockbroking corporate members and it is incorporated as a non-profit limited liability company. There are currently six members of the exchange with three firms handling the bulk of the trades. Besides its role

of supporting and enhancing private-sector initiatives, it also has a role in attracting foreign portfolio investments in recognition of Zambia, and the region, as an emerging capital market that has potentially high-investment returns. Its other role is the facilitation of divesting the Government's ownership in parastatals towards the attainment of the objective to create a broad and wide shareholding ownership of the citizenry through a fair and transparent process.

#### **REGULATIONS:**

LuSE's rules and listing requirements are supported by legislation that was enacted as the Securities Act No 41 of 2016, which repealed and replaced the Securities Act No 38 of 1993. This Act regulates the entire Zambian securities market and is specifically designed to ensure adequate investor protection and, support the operation of a free, orderly, fair, secure and properly-informed securities market. The Act created and defined a central market in which both unlisted and listed securities could trade on exchange as opposed to the dual market system.

The Act established the SEC as a corporate body. The SEC has powers under the Act to regulate and supervise the securities industry in the country. The regulatory powers of the Commission have four major requirements:

- That any person dealing or advising on securities must be licenced by the SEC;
- That any securities market must be licensed as a securities exchange by the SEC;
- That all securities of a public company, which are publicly traded, must be registered by the SEC; and
- That collective investment schemes must be authorised by the Commission.

Under the Act, a Compensation Fund was established

and designed to compensate persons who suffer a pecuniary loss occasioned by the default of a licensed dealer or licensed investment advisor. It is a mechanism that is aimed at creating investor confidence in event of default by a dealer or investment advisers. Without this, investors could lose confidence in the Zambian securities industry. This revised Act has addressed Private Equities, previously not included. Institutional funds can now invest in existing unregulated private equity structures and there is protection of their interests. Provision for a Capital Markets Tribunal has also been included.

The National Financial Sector Development Policy (NF-SDP) of 2017 has the broad policy objective of providing a framework that will lead to the development of a stable, resilient, competitive, innovative and inclusive financial sector that contributes to broad-based wealth creation and sustainable economic development. It has seven specific objectives that stem from this; these are:

- To develop a competitive and resilient financial sector:
- 2. 2.To develop and maintain an enabling regulatory environment for the financial sector;
- 3. To make the financial sector more inclusive and deepen the financial markets;
- To develop MSMEs and rural finance;
- To enhance financial infrastructure in accordance with international best practices;
- 6. To increase financial literacy and strengthen consumer protection; and
- 7. To facilitate effective and sustainable partnership in the provision of financial products and services.

Specific measures that are pertinent to capital markets have been extracted from the specific policy objectives described above and the measures relating to these are described below. Measures relating to the development of a competitive and resilient financial sector are to:

- Build the institutional capacity of financial sector regulators to carry out assessments of the development of the financial sector and subsectors;
- Undertake programmes to modernize the structure, functions, and operations of regulators;
- Promote the development and implementation of subsector strategic plans;
- Encourage the development of customer-tailored products and needs;
- · Promote the mobilisation of local resources; and
- Promote attractive savings and investment products

Pertinent measures for the development of a more inclusive and deepened financial markets are to:

 Promote the establishment of well-developed and diversified financial products and services, including savings, credit, transfers, capital markets products for low-income groups, micro pensions and micro insurance;

- Develop and implement a framework for SME listing on the stock exchange;
- Promote the diversification of delivery channels through partnerships and other market-based synergies; and
- Formulate and implement a national financial inclusion strategy.

In terms of the promotion of increased financial literacy and stronger consumer protection, the measures are to:

- Develop and implement a new National Strategy on Financial Education (2018–2023) that is inclusive of all financial subsectors;
- Develop and implement a framework to support consumer protection and product information disclosure: and
- Enhance the supervisory functions of financial sector regulators.

The Policy's implementation and monitoring will be closely monitored by the Ministry of Finance to ensure its institutionalisation across the sector. Financial sector stakeholders will develop indicators in line with the strategy with baseline benchmarks agreed upon by other stakeholders. The policy is in effect for ten years and will be revised to according to developments in the sector.

The NFSDP of 2017 stated that in line with the SEC's mandate, "it shall be responsible for, but not limited to, development of a regulatory framework for the capital markets that promotes business and protects investors from fraudulent market, operations. It shall promote diversification of capital markets, products and services, efficient capital markets infrastructure and institutional arrangements, and investor education and public awareness for capital markets, products and services".

### MODERN STOCK EXCHANGE AND CENTRAL MARKET SYSTEM:

LuSE was set up as a modern stock exchange that is based on the most recent international standards and practices, which include the following:

- · Use of a central share depository system;
- Trade-for-trade netting clearing and settlement process;
- Rolling settlement 3 days after the trade (T+3);
- Meets G30 recommendations for clearing and settlements system design and operation; and
- Strong investor protection legislation and centralised market.

The country's securities market was designed as a central market system or unified market. This is whereby virtually all trading is conducted through the stock exchange. This differs to the dual market system where only selected stocks are listed and traded on exchange (occasionally referred to as the organised exchange or exchange market), while the remainder is traded as unlisted stocks (typically known as traded over-the-counter/OTC and oc-

casionally termed a decentralised market). Zambia's central-market design allows unlisted public companies and government bonds to be quoted and traded on LuSE's second-tier market. Beyond this advantage, it has several others. All trading activity is channelled through one market. This enhances liquidity (ability to trade both quickly and without substantially moving prices) and market depth (the ability to transact at the current market price), which ultimately determines the success or failure of a market. A central market is an effective method aimed at compensating for low volumes and thin trading activity that is characteristic of newer stock markets; thus enhancing market liquidity by providing the necessary critical mass. It also reduces duplication of efforts and provides maximum transparency of deals in securities, which minimises the opportunities for malpractice and enhances price reliability.

Another advantages of LuSE's centralised structure is from empirical evidence on shares' price formation on the LuSE. Stock price movements show a general pattern of initially high market entry prices, which is followed by a significant drop in prices; over time with increased trading activity, prices gradually level off to a stable price. This is a display of market transparency, which enhances market efficiency and price formation.

LuSE is a self-regulatory body. Any regulatory changes are discussed with stakeholders and thereafter approved by the SEC. Information systems are linked to global platforms in real time, thus local developments are displayed globally and daily trading information is published on LuSE's website. The LuSE All Share Index (LASI) was introduced in 1997 and had a base of 100 points, it has since risen to 5,343.25 as of early December 2017. The LuSE had 23 listings as of early December 2017 and has recorded very few new listings since inception. When compared to the GDP at the end of 2016, the exchange had a low market capitalisation ratio of 16%. The LuSE private debt market, consisting of corporate bonds and notes issued under a medium-term notes programme, is underdeveloped, with almost no secondary market trading. However, issuance thereof is more frequent than the equity market.

#### TRADE:

In order to increase trading activity, the trading rules were changed by separating the ownership of shares from brokerage. With these new requirements, brokerage compa-

nies need to buy trading rights but not necessarily shares. Secondary trading in government bonds is limited, which consists mainly of bilateral trades between banks and this is reported to the LuSE. Additionally, bonds and commodities derivatives exchanges are recent entrants in the capital market. Between 2011 and 2016, brokers and investment advisers have increased by more than 50%. During the same period, assets under fund management that used collective investment schemes almost increased by 300%. However, the capital market is largely underdeveloped and characterized by low issuances, illiquidity, low turnover, lack of depth, devaluation of some stocks and, minimal interest from both potential investors and issuers. Enhancing the capital markets will be based on robust policies and regulatory frameworks, diversified products and services, efficient infrastructure and institutional arrangements, and investor education and public awareness, especially among the local population.

#### **CHALLENGES AND OPPORTUNITIES:**

It has been said that Zambia's capital market is too small and underdeveloped to support the country's desired growth prospects and as a source of financing for businesses. The alternative investment market/second-tier market was introduced to cater for SMEs as a means to access long-term capital. This initiative has not been a success yet. The alternative market shows a large potential for growth as over 60% of the Zambian economy is driven by SMEs. LuSE is also working with the IDC in attracting state-owned companies to list in the medium to long term.

It has been found that the general population are barely involved in investing on the stock exchange. While there are mechanisms in place for involvement, awareness and clarity could be limiting factors. LuSE works with schools, universities and the Zambia Institute of Policy Analysis and Research in creating awareness. Other forms of creating awareness include radio shows and public awareness campaigns as well as running workshops with SMEs to promote listing. LuSE has teamed up with the ZDA and the Zambia Chamber of Commerce and Industry for the promotion of LuSE on investment roadshows. Zambians in the diaspora are also informed and encouraged to invest through the embassies and high commissions. The diplomatic community and foreign companies in Zambia are also encouraged to invest and list on the stock exchange.



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# **International Standards, Local Expertise**

Priscilla Sampa, Chief Executive Officer, Lusaka Securities Exchange

**BRIG:** What steps are being taken to strengthen good governance and increase trading transparency?

#### Priscilla Sampa:

The Lusaka Securities Exchange follows the best international practices of financial reporting. Every year we review the annual reports of the listed companies and award those who have adhered to good corporate governance principles. We have created a panel that consists of relevant institutions; namely, Zambia Environmental Management Agency (ZEMA), Zambia Chamber of Commerce and Industry (ZACCI), Zambia Institute of Chartered Accountants (ZICA), Law Association of Zambia (LAZ), Bankers Association of Zambia (BAZ) and Zambia Institute of Directors (IOD) and awards are presented in various categories — Best Leadership, Corporate Governance, Declared Dividends and Green Award.

LuSE is a self-regulatory body. The stakeholders are invited for a discussion on the regulatory changes which are then approved by the Securities and Exchange Commission. Our information systems are connected in real time with global platforms, such as Bloomberg, and Reuters thus the information on the developments on the local market are disseminated globally. LuSE similarly publishes all information on daily trading through the LuSE Daily Stock News Services and on its website.

To increase the trading activity, we have also changed the trading rules on the LuSE as a result of the demutualization process, which the LuSE embarked on in 2014. This entails the separation of the ownership of shares from brokerage. This will therefore increase the number of brokers and ultimately increase trading activity. Following the new requirements, brokerage

companies must buy trading rights, but not necessarily shares. Also, the board membership of the company is now constituted differently and consists of a total of 7 from the previous 12, three independent directors, one representative from the brokers with share ownership, one representative from the listed company, and one from the trading participants and the shareholders. LuSE has also started working with Industrial Development Corporation to attract the state-owned companies to list on the Stock Exchange in the medium and long term.

LuSE is operating an Alternative market for SMEs listings. The LuSE Alternative market (Alt-M) offers much opportunity for growth. Over 60% of the Zambian economy is driven by SMEs, just emphasising the importance of this tier. All segments of the exchange have growth potential, as there is much room for improvement and currently the LuSE is enhancing technologies through the implementation of improved new IT infrastructure and venturing into new products such as ETF's.

**BRIG:** What is supporting the current trend toward increased corporate activity in the capital markets? Is developing a second-tier market a possibility in Zambia?

**BRIG:** What types of measures are being taken to help increase the visibility of the LuSE on both domestic and international fronts?

#### Priscilla Sampa:

Increased corporate activity on the exchange, and the economy in general, is being driven by renewed investor confidence as the country's macro-economic fundamentals have significantly improved. The inflation rate has declined to single digits for some time now and is forecast to remain anchored in the 6% to 7% range. The current account deficit narrowed significantly from \$574.7m to \$257.1m since last reported in the first half of the year.

The latest monetary policy statement highlighted the many improvements in the macro-economy, resulting in the lowering of the policy rate and reserve requirements. This is anticipated to further reduce interest rates, consequently making substantial funds available at lower borrowing costs.

The resultant decrease in interest rates will mean, firstly, that yields on Government bonds will be less attractive relative to yields on equities, which will result in more trading activity on the equities market. Secondly, corporations will have an opportunity to raise funds via issuing corporate bonds as bench mark vields have fallen. This means that the costs of servicing these bonds would be lower. Thirdly, SMEs not yet in the prescribed "growth phase" will have the opportunity to borrow funds from banks and grow to a level where they will qualify to list on the alternative market. Further the GDP growth rate has now been projected to rise to 4.3% from an initial 3.4% due to increased agricultural output, recovering generation for electricity and higher mining output supported by better prices and power supply. Other sectors that are supporting growth are construction, wholesale and trade and tourism sectors. Higher copper prices will strengthen the balance of payments and reserve positions, leading to stability of the local currency, stronger economy and improved investor confidence. Stock markets usually do well in periods of high investor confidence. The nation is currently in a "construction spree" with shopping malls, especially, on the increase. The stock market provides an opportunity for corporations and the Government to list infrastructure bonds.

#### Priscilla Sampa:

The mechanisms for capital access are already in place, however the local markets still needs more awareness and sensitisation. The LuSE is working with the Zambia Institute of Policy Analysis and Research (ZIPAR), universities and schools to promote awareness. We are also running a radio show, conduct outreach/public awareness campaigns and training for SMEs to build understanding, interest and capacity among participants. In this regard we are working with ZDA as well. We are collaborating with the Zambia Development Agency and with the Zambia Chamber of Commerce and Industry to promote LuSE on their roadshows so that when both institutions are working to engage investors, they are also raising awareness of the LuSE. Likewise, information is disseminated to Zambian embassies and high commissions abroad to educate the diaspora Zambians about investing in our Capital Market.

Lusaka Securities Exchange has also taken steps to promote investment by working with the diplomatic community in Zambia and interacting with foreign companies operating here to interest them in investing in the local stock market. The recent years have shown relatively high interest coming from the US, Europe and Asian markets like China and Japan. There has been more investment in sectoral projects and greenfield initiatives and we would like to see more investment activity through foreign companies buying shares.





# **Building on the Momentum**

Muchindu Kasongola, Managing Director, and Brian Chintu, Head of Investments, Madison Asset Management Company

BRIG: How diversified is the Zambian economy?

#### Muchindu Kasongola:

Zambia has been a mono-economy since independence, depending largely on the mining sector to drive the economy. For a while there has been a realisation that there is a need to diversify the economy in order to manage the risks associated with relying on a single sector. For the last five years, we have seen more of an emphasis on diversification supported by concrete government actions and policies aimed at making practical steps to achieving this goal. This poses a new question - diversifying to what? The agriculture sector has been one of the key areas of focus for the last decade with its competitive advantages - vast land and water resources and access to markets in the SADC and COMESA blocks. Such advantages present an enormous opportunity that has not been exploited to its full potential yet. Value addition leads to salaried positions that support job creation, which in turn support the collection of domestic tax revenues, that assists in bridging the fiscal deficits, will help the economy to run on a positive trajectory.

Zambia has been hit with an economic downturn too many times for us to continue on the path of mere rhetoric. All credit goes to the Government – for the

last few years Government is making specific strides with the diversification story and making it reality. We are beginning to see an actual shift trying to encourage other sectors.

Most recently, several opportunities have arisen in the energy sector as there is a huge deficit in sub-Saharan Africa, largely on the account of drought infused effects. Zambia presents a very viable proposition for potential investors in the energy sector as the country continues on the shift in Government policies towards more cost-reflective tariffs. The recent price adjustment has created an incentive for more privatesector investment in the sector. Zambia's location and its affiliation to the Southern African Power Pool is an advantage and presents an enormous opportunity for the export of power, which will in turn begin to address the energy deficit that the region is currently facing. In my view, these are the two sectors that represent enormous opportunity with very little structural shifts from a policy perspective. If implemented correctly, with the right momentum and the continuous support from the policy makers, it can lead to a huge transformation of Zambia's economy.

#### **Brian Chintu:**

I tend to agree – these are the key sectors. The tourism sector has enjoyed valuable support from Government and an increased number of investors. A very important aspect is the value addition, especially in the agriculture sector where there is a heavy emphasis on processing locally-grown produce. The Government is also promoting the industrial hubs, setting up industrial satellite towns. These in turn, will help incentivise investors to bring in funds to process raw materials. We have also seen much investment in the private sector, processing the output of the mining sector, in copper and copper-related finished products, particularly in the construction sector.

#### Muchindu Kasongola:

One of the challenges that Zambia always encounters is its relatively small population. It does not represent a sufficient incentive for consumer-led products and services and has to be acknowledged as a short-coming. However, the location of Zambia represents a huge opportunity to access SADC and COMESA markets.

**BRIG:** What are the greatest obstacles to increasing foreign investment in Zambia and how can they be overcome?

#### Muchindu Kasongola:

The greatest obstacle has been the consistency of policies and predictability and the stability of the economy. Since the beginning of 2017, there has been a relative stability in the business environment with the exchange rate, interest rates and inflation all relatively stable and predictable. Due to such factors, we have seen an increase in foreign portfolio investments, not only on the stock exchange, but also in the primary Government securities auctions. Every portfolio investor is looking for stability. The recent stability has been augmented by the continuous stakeholder engagement by the Ministry of Finance, which now provides quarterly briefings on the performance of the economy. This level of engagement is extremely important as the access to information enhances transparency and in turn market confidence.

On the positive side, Zambia has always been a very

open market. The returns on investments are easy to expatriate as no foreign exchange controls exist in this jurisdiction. However, we maybe falling into the trap of overregulation and we need to watch it very carefully as it could take away Zambia's competitive advantage.

**BRIG:** What is supporting the current trend towards increased corporate activity in the capital market?

#### **Brian Chintu:**

In the last two years, we have seen a tightening of liquidity and rising interest rates. The precursor to this issue was the deterioration of the currency which led to increased inflation rates and the Central Bank having to intervene to tighten the currency supply and, therefore enable a shift from the equities market to the money market. During the first half of 2017, the interest rate has decreased and, again, the shift has moved back to the equities market where we predict medium and long term yields. We continue to experience illiquidity in terms of trade and stocks available. Other than the rush by investors to scale up their asset positions in high-yielding debt instruments before the rates completely come off, which has been the driver.

**BRIG:** What can be done to expand access to the capital market for SMEs and other non-traditional companies?

#### Muchindu Kasongola:

A second-tier market was introduced to cater to the SMEs segment on the stock exchange. The initial idea was to offer reduced requirements but not necessarily reduced standards which was to offer an opportunity for SMEs to access long-term capital. It was launched two years ago and to date there has not been a single listing. The question that we ask ourselves is: Why? Firstly, it is either that the stock exchange introduced the second-tier market without taking into consideration the requirements of the market they are targeting or is the SMEs segment still not ready for a reduced benchmark? There has been a lot of debate whether we need some form of intermediary sources of capital

for SMEs before going onto second-tier board. From the regulatory point of view, the New Securities Act was enacted in December 2016 and addresses the regulatory framework around private equity which was previously nonexistent. Before the regulation, institutional funds could not invest in the existing unregulated private equity structures and there was a need to protect the interests of the institutional funds. The next stage is the reform of the institutional funds and set guidelines as to what the institutional funds can be invested in. With such prerequisites, we could begin to see an increased flow of capital into this asset class.

To a large extent, the lack of education and understanding of the role of capital markets is an issue of concern. Historically, Zambians have been groomed to be employees with entrepreneurship being a last resort and only considered once the route of formal employment is unattainable. It is envisaged that with the multi-faceted efforts currently been made to address this knowledge gap, we shall see more entrepreneurs emerging in the medium term and it is hoped that developments in private equity structures could provide an answer for such entrepreneurs.

#### **Brian Chintu:**

The business culture is a major point to consider. Due to the knowledge gap, it would take another five to ten years for Zambia to have a solid entrepreneurial base. This is a constantly evolving process. Most of the young Zambians are investing, applying for mortgages, etc. There is a lack of knowledge about the policy and regulatory framework. The SMEs segment would certainly play a more active role if it realised the access to funding opportunities. Most entrepreneurs that are knowledgeable about these funding lines are

uncomfortable with a shared ownership. The regulator has initiated an education programme for school children on how the capital markets operate to bridge the knowledge gap through regular competitions that focus around the investor operations of the Lusaka Stock Exchange. Once this segment of the population evolves into the working class they will be more knowledgeable on how to access the funding for their own business ventures. Over the years, we have also noticed an improvement in the general savings culture and this has been manifested by the increasing diversity of clients particularly on the mutual funds and stock broking portfolios.

**BRIG:** How can the Government and the private sector make Zambia more competitive globally?

#### Muchindu Kasongola:

From the policy perspective, the government needs to look at how attractive and competitive its policies are. We are competing for the same capital available globally and the potential investor is searching for a market with less surprises in terms of market, political and economic risks. The current administration is trying to monitor the situation against the benchmarked criteria and Zambia has done well to create an open market. They have recognized the importance of consistency and stability of policy, and the need to incorporate the various stakeholder views. There have been many reforms that have taken place to ensure Zambia is a conducive business environment. It is easy to expatriate funds and bring investment inflows into Zambia. We have also established a full-stream commercial court a High Court, with judges specialized in commercial litigation, and the government is continuing to reinforce the independence of the judiciary.



# **BRIG** focuses on

## Real Estate Investments Zambia Plc

Real Estate Investments Zambia Plc (REIZ), originally known as the North Western Rhodesia Farmers Co-operative was incorporated in the 1920s with its current location of Central Park on Cairo Road which served as a collection centre for farming produce. The company was renamed as Zambian Farmers Co-operative in 1964 and the construction of the Farmers House building was completed in the 1970s. In 1981, all the real estate assets of the Co-op were transferred to the newly formed entity Farmers House Ltd. The cooperative owners became shareholders of the new company on a one-for-one share basis, the company became a real estate investment vehicle. The company became public under the Companies Act of 1994 and was registered as the second company to list on Lusaka Securities Exchange (LuSE) in 1996. Farmers House Plc was renamed in 2012 to Real Estate Investments Zambia Plc and today is primarily involved in investment, development and restructuring of commercial and non-commercial property for commercial letting. The Group owns a high grade office, retail and industrial real estate portfolio in prime locations with a diverse tenant base that ensures a maximised yield and attractiveness from both an investment and financing perspective.

#### **GROUP PERFORMANCE:**

Reported Kwacha rental income declined by 5.85% for the first six months period in 2017 compared to

the same period in 2016. This reduction is attributed to the strengthening of the Kwacha against the US Dollar to average K9.69/\$ compared to K10.88/\$ in 2016. In USD Dollar terms, revenue increased by 5.71% because annual escalations and new leasing. Consequent to the exchange-rate driven reduction in rental income and inflation-related increase in operating costs, profit before other income, finance cost and tax declined by 9.34%. The lower change in fair value of investment property of K1.987m compared to K14.627m in 2016 impacted profit after tax closed the half year with K24.95m compared to K38.09m in 2016. The restructuring measures in the REIZ's operations have greatly contributed to the Group's solid and fundamental performance in the first half of the 2017 financial year.

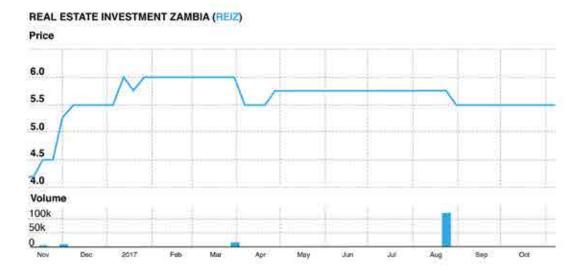
The decrease in the fair value of investment property between the two periods was reported on in the 2016 annual report and was attributed to the revaluation of investment property at 31st December 2016 which resulted in a decrease in value due to strengthening of the Kwacha against the US Dollar during the year despite REIZ's investment property portfolio posting growth in US Dollar rental income and improvements in service cost recovery. The fair value of investment property has been reassessed as at 30th June 2017 by external independent property evaluator Knight Frank Zambia Limited.



#### MARKET INFO

#### **FUNDAMENTALS**

| -14.86    | P/E       | Property                   | SECTOR      |
|-----------|-----------|----------------------------|-------------|
| 4.180%    | DIV.YIELD | Lusaka Securities Exchange | EXCHANGE    |
| ZMW -0.37 | EPS       | ZM0000000318               | ISIN        |
| 0.39      | P/B RATIO | 1996                       | YEAR LISTED |
| -8.20     | EV/EBITDA | December                   | YEAR END    |



# **BRIG** focuses on

## Standard Chartered Bank Zambia Plc

Standard Chartered Bank Zambia Plc was established in 1906 with the first branch opened in Kalomo District, Southern Province.In 2017, 110 years later, Standard Chartered bank is one of the leading Banks in Zambia, with an excellent franchise. It has a total of 25 outlets spread across the country, 47 ATMs - of which 4 are Electronic Banking Centres - and over 700 employees. The Bank has a presence in 6 of Zambia's 10 provinces with branches in the Copperbelt, Lusaka, Northern, North-Western, Southern and Western provinces.

Standard Chartered is the only international bank in Zambia listed on the Lusaka Stock Exchange (LuSE) and has been ranked the most profitable bank in the country for the last three consecutive years.

Standard Chartered Bank Zambia Plc is engaged in the business of retail and commercial banking, the securities services business as well as the provision of other financial services. Its segments include Corporate and Institutional Banking (CIB), Retail Banking and Commercial Banking. The CIB segment includes its trading, corporate finance activities, loans, trade finance, cash management, deposits and other transactions with corporate customers. The CIB segment also includes Treasury unit, which undertakes its management and centralised risk management

activities. The Retail Banking segment includes client segments, such as personal, priority and business clients. The Retail Banking segment provides services, such as current accounts, savings accounts, term deposits, trade finance, overdraft and business loans, and investment services. The Commercial Banking segment manages mid-sized companies that fall between the CIB and Retail Banking.

#### **BUSINESS PERFORMANCE:**

Standard Chartered Bank Zambia continued to grow and remained profitable in 2016, against the backdrop of a challenging global and local macroeconomic environment that started in 2015. Basic and diluted earnings per share doubled to K0.208 per share on the back of a profit increase of 94%. This growth was driven by a 25% increase in income, a 49% reduction in impairment negated by a 9% increase in other operational costs.

The 2016 year-end results demonstrate that the Bank's strategy, ability to efficiently deliver to clients and the strong emphasis on risk management have delivered value to shareholders. The capital base remains strong, which allowed the Bank to continue to support key sectors of the economy, including energy and mining. Standard Chartered Bank's advisory services to major private companies and Government

institutions also formed a key element of the Bank's activities in 2016. During the period, Standard Chartered Bank continued to deepen relationships with clients - from large corporates, medium and small businesses, to personal and priority clients. The Bank's commitment and adherence to regulatory and anti-money laundering requirements remained a key pillar in every aspect of the business. Excellent progress was made on the digital strategy. The Bank introduced, amongst others, the Standard Chartered Mobile Banking Application - SC Mobile a first on the market.





# **BRIG** focuses on

## Lafarge Cement Zambia Plc

Chilanga Cement, the Company that would one day become Lafarge Zambia, was founded in 1949 and commenced its operations in 1951 with the first major project being to supply cement for the construction of the Kariba Dam wall. Chilanga Cement was the first company to be listed on the Lusaka Securities Exchange (LuSE) in 1996 and was acquired by the Lafarge Group in 2001. Lafarge Zambia Plc is engaged in the manufacturing and selling of cement and aggregates. The company's segments include Local sales, export sales and aggregates. The Company also offers ready-mix concrete and others. It is a supplier of building materials and provides construction solutions. The 440 direct employees supported by several hundred more contracted employees continue to add value to the country's raw materials that lead to the production

of 6 innovative products; Mphamvu, WallCrete, SupaSet, PowerPlus, RoadCem and PowerCrete. The Company's aggregates products are used in a range of construction applications, from concrete to road and highway surfaces, railway ballast and fill material. The Company's Mapepe aggregates plant supplies washed aggregates in Zambia. The Company operates two cement plants (situated in Chilanga and Ndola). The Chilanga cement plant's production capacity is 830,000 tons per annum and Ndola cement plant's production capacity is 500,000 tons per annum. The Mapepe aggregates plant's production capacity is 600,000 tons per annum. The Company supplies products by road and rail to the entire country, as well as the regional market, primarily to the Tanzania, Burundi, Democratic Republic of Congo (DRC), Malawi, Namibia and Zimbabwe. The

# Company is a member of Lafarge Holcim Group. **BUSINESS PERFORMANCE:**

Lafarge Zambia continued to operate in a challenging environment characterised by adverse economic conditions, tight liquidity and competitive pressure in both export and domestic markets. Adverse weather conditions slowed down market activity during the first Quarter of 2017 impacting market demand and volume. The second quarter of the year saw domestic volumes grow by %15. The decline in total sales value was mitigated by strong performance in export markets with the company recording a %57 increase

in cement exports compared to the first six months of 2016 and a %4 increase in sales revenues reaching K421m. Strict cost management at both plants improved cash costs compared to 2016, despite the increased power costs and resulted in increase of operating cash flow by %40. Lafarge Zambia operating profit decreased from K72m in 2016 to K15m in the first half of 2017. The company anticipate increased sales volumes as it is currently supplying major construction projects such as the Kafue Gorge Lower hydro power plant and the expansion of the Kenneth Kaunda International Airport.



# **BRIG focuses on**

## Copperbelt Energy Corporation Plc

CEC's origins date back to the Northern Rhodesia Power Corporation established in 1952. Around 1954, the company became the Rhodesia-Congo Border Power Corporation supplying electricity to the mines in Northern Rhodesia and the Congo. Later, the company sourced and supplied hydroelectric power from the Congo to supply the mines in Northern Rhodesia before the production of hydroelectricity from the Kariba Dam. At Zambia's independence in 1964, the Rhodesia-Congo Border Power Corporation, became Copperbelt Power Company (CPC), a company that provided electricity to the mines until 1986 when it was absorbed into the Zambia Consolidated Copper Mines (ZCCM) as its Power Division. CEC was formed in 1997 as a result of the privatization of

ZCCM – Power Division when Cinergy Global Power (USA) and National Grid (UK) acquired the controlling stake in the company. Their 77% stake in the company was sold to a group of Zambian businessmen and was listed on the Lusaka Stock Exchange (LuSE) in 2008. Since the successful privatisation and subsequent listing CEC has actively sought to diversify its investments and has expanded its operations into Nigeria, Sierra Leone and Namibia. Today CEC, a member of the Southern African Power Pool, is a Zambian incorporated power generation, transmission, and distribution company and a major developer of energy infrastructure in Africa. CEC owns, operates, and maintains power transmission, generation and distribution assets servicing customers in

Zambia and the DRC, and is one of the largest international power traders in both countries. CEC has 50% direct equity interest in CEC Liquid Telecommunication Limited (CEC Liquid Telecom), whose business is the provision of wholesale capacity and internet bandwidth to the Zambian market, and a host of other connectivity solutions and ICT services through its subsidiary, Hai Telecommunications Limited. BUSINESS PERFORMANCE: Revenue at half year 2017 increased by 3% in US Dollar terms but was 9% lower in Zambian Kwacha terms from K1,914m to K1,749m compared to the same period in 2016 due to the appreciation of the Kwacha against the Dollar.The average exchange rate for the first six months of 2017

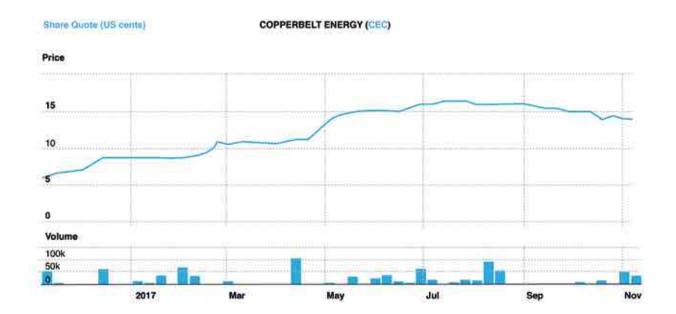
was K9.54 (2016: K10.70) to the US Dollar, an appreciation of 11%. The closing rate on 30 June 2017 was K9.14 (2016: K10.48). The Company has recorded a profit after tax, for the period, of K211m compared to a profit of K256m in 2016. The 18% drop in profit is mainly attributed to currency (Kwacha) appreciation, which has resulted in increased Kwacha operational costs such as labour. Power trading margin increased by 11% in US Dollar terms compared to 2016, however, due to Kwacha appreciation, the margin reduced by 1% in Kwacha terms. The new tariffs for 2017 were implemented effective 1 January 2017 to all the mines except for one mine which has continued to resist the increment hence, the increase in payables of 11%.



#### **MARKET INFO**

#### **FUNDAMENTALS**

| SECTOR      | Energy                     | P/E       | -2.01       |
|-------------|----------------------------|-----------|-------------|
| EXCHANGE    | Lusaka Securities Exchange | DIV.YIELD | 7.160%      |
| ISIN        | ZM0000000136               | EPS       | US(c) -6.92 |
| YEAR LISTED | 2008                       | P/B RATIO | 0.77        |
| YEAR END    | December                   | EV/EBITDA | 25.54       |



# **BRIG focuses on**

## Zambia National Commercial Bank

#### THE COMPANY:

Zambia National Commercial Bank (Zanaco) was formed in 1969 by the Zambian Government shortly after attaining independence in 1964. The Bank was formed with a goal to provide meaningful access to financial services for local business and people in a market dominated by foreign-owned banks at the time. It quickly grew to become one the country's largest banks by branch network as well as by deposits. The Bank has, since its creation, been instrumental in the development of the financial and banking industry. It introduced the first automated teller machines, Visa debit cards and mobile banking in the country and has contributed significantly to the growth of financial inclusion and industry growth, including agriculture. The Bank is listed on the Lusaka Stock Exchange following its partial privatisation in 2007 and subsequent successful initial public offer in 2008. It is currently owned by Arise (46%), the Government of the Republic of Zambia (25%), Zambia National Farmers Union (3%) with 26% held as publicly-listed shares. Zanaco is a universal bank servicing close to 1 million business and retail customers through a network of 69 branches and over 700 agents across the country. Total deposits exceed K6.9bn or about 15% market share, with a loan book of K3.2bn or about 14% market share.

#### **PERFORMANCE:**

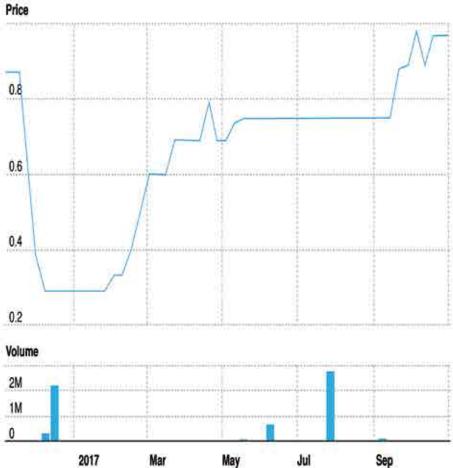
The year 2017 was an eventful one in the Zambia financial markets and particularly in the banking sector. A slowdown in the country's gross domestic product to 3.4% at the end of 2016 from a 2014 peak of 7.1% caused by weak copper prices and an acute energy deficit which set an overall bearish tone across the banking industry. A marginal uplift in the economy supported by monetary policy interventions through 2017 resulted in the industry experiencing both tightening and expansionary regulatory actions over the period with shifting challenges. Zanaco's business performance however remained resilient in the face of economic headwinds as strategic initiatives bore fruit. Total bank deposits grew 28% from K5.6bn in

September 2016 to K6.9bn in September. in 2017 despite a 36% shrinkage in total market deposits over the same period. This was a direct consequence of process and organizational transformation initiatives carried out by the Bank with a focus on increasing operational efficiency and strengthening the sales model. This also led to a 28% jump in total revenue from K844m to K1.08bn over the same period, supported by a strong retail loan book and sizeable investment securities that helped the Bank weather a challenging high interest rate environment. Interest rates, which peaked towards the end of 2016 due to a tight monetary policy impacted negatively on overall market lending which reduced 3% whilst nonperforming loans grew by 5%. Zanaco's loan book however, declined at a slower pace of 2% due to borrowing growth in the retail segment which showed a lower demand elasticity to rising interest rates. The banks' profits after tax grew 12% to K173m shy of an industry growth average of 19% mainly as a result of transformation costs which included changes to the organization structure, staff rationalisation and process optimization.

#### **OUTLOOK:**

The Zambian economy is expected to grow at a slightly faster pace in the mid-term and reflects positively for the banking sector's prospects. Overall interest rates have declined from their peak in 2016 e.g. the 364 Day Treasury bill has reduced from a peak 27.5% to 16%. This has enabled a positive turn in lending and Zanaco is well positioned to leverage a strong retail customer and deposit base and corporate relationships to grow its loan and deposit books. Transactional banking is also a lucrative opportunity for business growth, particularly money transfers and payments. In this regard the Bank has developed a strategic focus on digital banking solutions highlighted by the creation of a Digital Division in the Bank. The bank expects to exploit its wide geographic spread, infrastructure and large customer base to realise existing opportunities in this segment.





ZANACO.ZM

ZAMBIAN KWACHA

5.50

+0.00 / 0.00%

52 WEEK CHANGE

**▲** +11.49%

Full name Zambia National Commercial Bank Plc

ISIN ZM0000000250

Trading Status Active

Banking and Financial Sector

Year end December

Chief executive Martyn Schouten

market Capitalisation ZMW1,400,438,015

| ACTIVITY | Performance | MARKET INFO | FUNDAMENTALS |
|----------|-------------|-------------|--------------|
|          |             |             |              |

| SALES        | 0.97             | Today          | • | 0.00 / 0.00%     | Currency | Kwacha                 | P/E         | 48.50  |
|--------------|------------------|----------------|---|------------------|----------|------------------------|-------------|--------|
| VALUE        | ZMW89,542.64     | 52 week high   |   | 0.98             | Founded  | 1969                   | DIV.YIELD   | 0.000% |
| VOLUME       | 92,312           | 52 week low    |   | 0.29             | Listed   | 2008                   | EPS         | 0.02   |
| MARKET CAP   | ZMW1,400,438,015 | 52 week change |   | <b>▲</b> +11.49% | Year end | December               | P/B Ratio   | 1.29   |
| SHARES ISSUE | D 1,443,750,531  | year to date   |   | <b>+234.48</b> % | Index    | Lusaka All Share Index | EV / Ebitda |        |

## The Importance of Seed Funds in Emerging Economies

## Words by Jito Kayumba, Partner, Kukula Capital

Zambia, since its establishment as a Republic in 1964, has been a beacon of peace and stability in Sub-Saharan Africa. This is an attribute that Zambians jealously guard in spite of numerous challenges, including being landlocked, geographically placed in the middle of numerous bordering countries who have been embroiled in civil and political strife.

A peaceful and stable environment makes for an ideal setting for investment and economic development. Unfortunately, poverty levels, unemployment and infrastructure deficits remain high. This, however, is where the opportunity lies. Zambia has been almost entirely dependent on the extractive industry, with copper and other metals being the country's largest revenue earner.

The narrative is shifting as Zambia has evolved significantly into a liberalised economy with an aggressive economic diversification agenda being promulgated by the government and has been well received by the private sector. In this regard, small and mid-sized enterprises (SMEs) are increasingly seeking financial injection to scale up as well as integrate their respective value chains. There is also a burgeoning startup entrepreneurship scene that is evidenced by the enormous attendance at various entrepreneurship fora such as the Nyamuka Zambia conference, the Bongo hive launch accelerator events and other startup workshops. Banks and venture capital firms, such as Kukula Capital, receive a deluge of applications on a daily basis from start-up businesses seeking funding. The entrepreneurship spirit is undoubtedly palpable and there is certainly, need to create investment provisions for start-ups and early stage SMEs with low capitalisation requirements.

Historically, Zambia has not been an environment where non-publicly listed asset classes have been acknowledged as viable vehicles to place funds for a reasonable yield. The risk aversion of capital market players has restricted their placements to publicly listed equities, bonds, real estate and money market instruments. This essentially meant that there was no capital available for start-ups without a financial track

record and collateral of value. This is understandable when one ventures into the psyche of an investor. Equity investors have two important expectations. The first is not to lose any money. The second is to earn a reasonable return on the risk. This means that they first assess the downside risk before assessing the upside. The methodologies of this appraisal includes an analysis of historical, audited financial reports, a check on good governance, market evaluation, validation of concept and the scalability of the value proposition, among other elements. The unfortunate reality is that start-ups are naturally unable to provide the requirements for appraisal. The other impediment to investment in start-ups is the statistical fact that over 80% of start-ups fail.

In the last two decades, Zambia has seen a number of private equity investments take place, with notable ones such as Phatisa's investment in Golden Lay, Oakfield's Yalelo investment and Amatheon's agricultural investments, among numerous others. What these deals have in common is that they exceeded \$10m, the companies were not start-ups and the private equity firms are domiciled outside Zambia. With such activity, it gives way to an openness to look at SME investment below \$10m as well as a reconfiguration of investment guidelines to include greenfield projects with heavy risk-mitigation provisions.

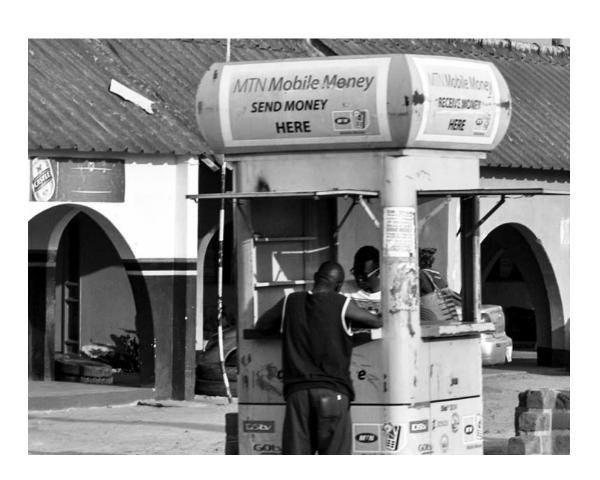
Kukula Capital, having had over seven years of experience, investing in Zambia's SME space, has noted the immense possibilities of start-up/seed investing. There have been cases where seed investments have resulted in extraordinary returns. The risk certainly corresponds with the reward. These cases had a number of elements that reduced the risk significantly. The first was that the seed investment fund took majority stake - control of the business. This involved meticulous market analysis, the establishment of a strong management team to execute and the installation of sound corporate governance from day one. The second was plugging into a sector where there were supply chain deficits and opportunities for import substitution. In these cases, there was sector validation and proof of market viability that further mitigated risk.

There is much talk about opportunities in fast moving consumer goods (FMCGs) that is driven by the 3% net annual population growth, urbanisation and infrastructure deficits. In every deficit, there is an opportunity and there are numerous that require solutions. Import dependency is another, where a range of imported goods can be manufactured locally and marginally discounted as a result of not having any import duty and logistical costs.

Development Finance Institutions (DFIs) are playing an active and crucial role in providing technical assistance for entrepreneurship development as well as funding entrepreneurs through venture funds.

The National Pension Scheme Authority (NAPSA), recently made an addition to the critical inflection point towards greater capital accessibility when they revised their investment guidelines to include private equity.

With the advent of capital market support from DFIs and NAPSA, as well as the growing track record of private equity investment in Zambia, the time is ripe for the provision of seed investment capital. The SME space in most industrialised economies is well supported through low interest rate debt financing and seed capital availability. They are responsible for creating a significant proportion of jobs and enabling greater domestic tax revenue collection for the national treasury. Seed funds are a necessity for frontier and emerging market growth. Entrepreneurs have struggled long enough with the only commonly available source of seed funding, the proverbial "three Fs," Fools, Friends and Family.



Uwawa, taimina. (Bemba)
He who falls does not rise on his own.
Help someone who has problems, the interdependent nature of Bemba society.

# INSURANCE

Gross Written Premium (GWP) turnover increased by 18% in 2015

Overall penetration rates remain low at 5.5% of adult population

Motor insurance accounted for more than 40% of general insurance





# **Insurance**

## **Creating Peace Of Mind**

#### **INTRODUCTION:**

"Zambia was among the first African countries to make insurance more inclusive by way of a multistakeholder coordination structure." Risk is a guaranteed part of life everywhere. Insurance is a mechanism that allows one to gain peace of mind and focus on other things that are more important. Zambia was among the first African countries to make insurance more inclusive by way of a multi-stakeholder coordination structure. However, the overall penetration rates remain low. To increase uptake of insurance products, particularly by low-income households and the informal sector, thedevelopment of micro-insurance (MI) has been a priority area.

# SECTOR DEVELOPMENTS AND CURRENT SITUATION:

Although small, the insurance industry has steadily grown over time; in 2016, there were 38 licensed insurers and reinsurers compared to 2008 when there were just twelve. The industry also has more than 300 licensed intermediaries and service providers. The insurance industry's contribution to the national GDP was 1.1% in 2016, up from 0.87% in 2015; this contribution is low in comparison to emerging markets' average contribution of 3%.

In 2016, the overall product mix showed that motor insurance businesses accounted for more than 40% of the general insurance business underwritten. In terms of long-term insurance businesses, these were dominated by group life and individual life insurance, which accounted for 62% of the business underwritten. Funeral insurance was reported by 33% of those with insurance, while medical and health insurance was reported by 25% and 17% of insured adults respectively.

These figures show that the country's population still faces several risks that remain uncovered. The 2015 FinScope Survey reported that 5.5% of the adult population had some sort of insurance product in 2015, up from 4% in 2009.

In terms of growth in the industry between 2014 and 2015, the overall increase of Gross Written Premium (GWP) turnover increased by 18%. In monetary terms, the GWP was K1.83bn in 2014 and this increased to K2.10bn in 2015. The Insurance Penetration Ratio (GWP to GDP ratio) was 0.67% in 2015 compared to 1.5% in 2014. The GWP for general insurance stood at K1.38bn in 2015, up from K1.21bn in 2014, while the GWP for long-term insurance was K717m in 2015, which was up from K650m in 2014.

The principal reason cited by individuals who do not use insurance products was a lack of awareness of the product, which indicates a clear need to educate the population about insurance. There is also a need to continue to innovate and scale up appropriate insurance products adapted to the needs of low-income households and farmers. Product design features need to focus on improving customer experience and convenience (including the claims process) and lowering costs. Recent efforts made in this field are encouraging and need to be expanded. Improved distribution channels and widespread digital transaction accounts will be critical to these efforts.

#### **MICROINSURANCE (MI):**

In 2009, a diagnostic study was conducted and a multi-stakeholder technical advisory group was

"The principal reason cited by individuals who do not use insurance products was a lack of awareness of the product." constituted to look at the development of MI. The technical advisory group was broadly represented and included the association of insurers as well as microfinance providers, the Government, the Pensions and Insurance Authority and donors. The regulatory framework that was developed had a primary focus on product features, distribution channels (with encouragement for non-traditional channels), consumer education and protection, training and accreditation, and dealing with aspects of bundled products, which were not supported in conventional MI models. However, the framework was based on the themes of consumer protection and the MI agents' code of conduct.

However, MI has been associated with low margins that make direct sales costly and make it an unattractive business for brokers. The use of nontraditional distribution channels, such as mobile network operators, has offered new opportunities for the insurance market. The number of MI policies grew from 200,000 in 2011 to more than 3 million in 2015, including insurance products distributed through mobile network operators, with the number of insurers offering MI having increased from five life insurers in 2012 to nine (including non-life insurers) in 2014.

#### **CREATING AWARENESS:**

Due to the low insurance penetration rate of below 6% and the industry's low contribution to the GDP, the industry introduced "The Insurance Week" as a consumer education tool in an effort to increase the uptake of insurance by the Zambian population. The Insurance Week was conceptualised and put into effect in 2013, which has received the support of all players in the country's insurance market. The two core objectives of this Week are to highlight the importance of insurance and display the insurance products that are available in the country. Since its inception, the Week has expanded in geographical coverage and activities from two provinces up to ten provinces in 2016 with the two key objectives being maintained. The 2017 theme was Insure Now: Protect You and Yours! After five years of reaching out, the year's theme was a call to action for the general population to take progressive action in getting insured. There were three messages that complimented this theme, which was:

- Insure Now: Take a decisive step now towards getting an insurance policy; now is better than later:
- Protect You: Insurance will give you peace of mind and transfers your risks to the experts and
- Protect Yours: When you get insurance, you

protect your family, your business and all that is important to you.

During the Week, all key stakeholders and other auxiliary market players used this action-evoking theme in their various product exhibitions, insurance education activities in schools, colleges and markets, and in all other general campaign messages that were aimed at influencing people to take up insurance services.

#### **POLICY AND LEGISLATION:**

The country's current medium-term development plan (the Seventh National Development Plan or 7NDP) has various strategies to the holistic advancement of the country. One of the strategies is for greater financial inclusion, within which insurance falls. Another strategy is to improve access to finance for production and exports. According to the 7NDP, this "strategy will focus on enhancing access to affordable finance for farmers, agri-business MSMEs and exporters of high-value agricultural products. Other interventions will include access to finance for auxiliary services to production and exports". Furthermore, this strategy will focus on enhancing capacities of established farmer groups to participate in export markets, while creating a conducive environment for large exporters of crops, livestock, fish and forestry products to increase their export volumes. Of the programs to meet this strategy, export financing and insurance promotion are pertinent to the insurance industry. Other official documents pertaining to the insurance sector are the National Financial Sector Development Policy (NFSDP), the National Financial Inclusion Strategy (NFIS) and the Insurance Act (Cap 392). Globally, the financial sector has been recognised as a facilitator of economic growth and development. A well-structured financial sector has generally been positively associated with financial sector efficiencies that affect all other sectors of the economy. In addition, financial inclusion has been shown to have several positive effects on alleviating poverty, the development of the private sector and stability in the financial sector. It has been found that by reducing vulnerability to economic shocks, financial inclusion has the potential to be a key driver of poverty alleviation. Inclusive financial systems can provide low-income adults with the tools to borrow, save, make payments and manage risks. This, in turn, facilitates consumption smoothing and lessens the impacts of unexpected reductions in income that are common among those in the informal sector.

Within this context, the NFIS defines financial inclusion as the "access to and informed usage of

"The NFIS is a renewed commitment by the Government to enhance financial inclusion in Zambia and it builds on previous efforts and ongoing initiatives." a broad range of quality and affordable savings, credit, payment, insurance, and investment products and services that meet the needs of individuals and businesses".

The NFIS is a renewed commitment by the Government to enhance financial inclusion in Zambia and it builds on previous efforts and ongoing initiatives. Zambia's vision for financial inclusion is for its people to have universal access to and usage of a broad range of quality and affordable financial products and services. This vision would have reached its conclusion once all Zambians can reap the full benefits of financial inclusion. This means that individuals would be able to use appropriate savings, credit, payment, insurance and investment services in order to manage risks. plan for the future and achieve their goals, while firms would be able to have access to affordable financing to facilitate innovation, growth and create employment.

The Pensions and Insurance Authority (PIA) is the authority that oversees the insurance industry. Its mission is to regulate the conduct of players in the pension and insurance industry through prudential supervision. This is in order to protect the interests of insurance policyholders and to foster the industry's growth, development and stability. By law, all insurance players in Zambia are required to be licensed annually by the PIA before transacting any insurance business activities. The PIA also conducts consumer awareness and handles consumer complaints.

Besides the Insurance Act, other important documents for players in the industry include:

- Fit and Proper Test Guidelines for Licensed Entities in the Insurance Sector;
- · Insurance Agents Minimum Requirements;
- Claims Agents Minimum Requirements;
- · Brokers Minimum Requirements; and
- · Insurance Minimum Licence Requirements.

#### CHALLENGES AND FUTURE DEVELOP-MENTS:

The insurance industry is lobbying for an insurance bill, as the one that the industry is operating from is outdated and a revised bill will address some of the problems in the market. The Minister of Finance has given assurance to some actors that a new bill will be tabled in parliament. Adaptations to the regulatory framework are important for promoting inclusive insurance, which includes lower capital requirements for micro-insurers. The

major gaps in the sector that require a policy response are market demand for greater transparency, low financial literacy, low capitalisation of industry players, an absence of legal provisions on local retention, limited mandatory insurance to cover public-liability risks, low levels of innovation in the design of products and poor distribution channels. This has contributed to significant fronting of risks by way of reinsurance to offshore companies, thus reducing resources that could be retained locally for economic development.

In terms of observed gaps in delivery channels, digitalised delivery channels, especially for MI, are non-existent with the underlying issue being that there are limited distribution channels for insurance products. Regarding observed gaps for products and services for individuals, there is a low uptake of insurance and investment products, with an underlying issue recognised as the lack of regulations for MI. Observed gaps for SMEs and agricultural finance include the poor provision of non-credit services, which includes insurance.

A diagnostic study on consumer protection/financial capability identified gaps in the existing legal and institutional framework for consumer protection. It found that the industry was characterised by overlapping jurisdictions and sector-specific laws currently have limited provisions related to consumer protection. While drafts of new sector laws contain more comprehensive provisions, these bills have not yet been passed. In addition, overlapping mandates exist between financial regulators (Bank of Zambia, the PIA and the Securities and Exchange Commission) and the Competition and Consumer Protection Commission; this complicates implementation of meaningful consumer protection measures. Furthermore, the provision of mobile and digital financial services requires that financial sector regulators collaborate with the Zambia Information and Communications Technology Authority on consumer protection. In addition, there is a need for regulators to have dedicated functions for market conduct supervision, which is currently being done alongside prudential supervision. Moreover, consumer protection rules need to not only be enhanced, but also monitored closely and enforced. Among the key gaps in the current consumer protection regime are disclosure and transparency, dispute resolution and business practices.

One of the drivers towards an inclusive financial system, which relates to the insurance industry, is

the creation of diverse, innovative, customer-centric products. Policy objectives under this driver include the following:

- Reduce documentation barriers to product uptake and usage;
- Simplify products using customer-centric design (customer-oriented designs);
- Expand supply of MI and micro-pension products; and
- Improve quality and availability of financial products and services for women, youth and rural residents.

A series of actions have been outlined to close the identified gaps. Both the public and private sectors play a key role in implementing the action plan; although it is ultimately the private sector that will drive financial inclusion in Zambia. The objective of expanding the supply of insurance products has the following required actions:

· Formulate a strategy for professional devel-

- opment and certification of insurance practitioners through the Insurance Institute of Zambia (IIZA); and
- Amend insurance regulations to lower capital requirements for micro-insurers. The targets for 2022 states that 10% of adults should have at least one insurance product, while 15% of adults should have at least one non-mandatory insurance product.

#### **CONCLUSION:**

The industry has experienced many changes that have allowed the industry to grow and develop. This includes the advancements in the provision of MI and, creating awareness on why insurance is necessary and the different insurance products that are available. While there are still challenges that are being faced, the industry is continually experiencing growth and will continue to do so as a large proportion of the population is uninsured.



Sato sakufa mbasikaula ngombe. (Lozi / Luyana)
A broken canoe will buy a cow.
Look after other people's property as damaging it may cost you a fortune in compensation.

# **INDUSTRY & MANUFACTURING**

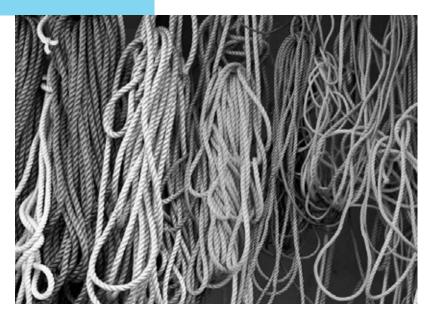
Goods manufactured in Zambia acccount for a quarter of exports

Free Trade Agreements guarantee duty-free access to 25 markets

Country's multi-facility economic zones and industrial parks record growth

Income growth paves the way for increased demand for processed foods





# **Made in Zambia**

## **Towards a Well Diversified Manufacturing Sector**

As with many of its SADC neighbours Zambia's economy has been developing towards a more value-added model. Various factors, however have so far limited the pace of the needed reforms and the country still lags behind its potential, despite the beneficial trade agreements between the SADC and COMESA communities.

Zambia, after a difficult 2015 and 2016 recorded a trade surplus of K410.60m (\$42.49m) in July of 2017. The Balance of Trade in Zambia averaged -K17.14m from 2003 until 2017, reaching an all-time high of K1,484m in January of 2011 and a record low of -K2,678m in October of 2015.

#### **ECONOMY ON A REBOUND:**

The Zambian economy rebounded in 2017. Following a positive economic performance during the first quarter of 2017, S&P Global Ratings upgraded the Zambian outlook from negative to stable. Copper exports contributed positively to the country's trade surplus. Copper prices were higher in the first half of 2017, compared to the same period in 2016 as demand for metals grew again on the global markets, particularly due to the revived demand in China and strikes in Peru, Chile and Indonesia that decreased the supply globally. It is estimated that global copper output reduced by 5-7% in the first quarter of 2017.

#### **KEY NUMBERS:**

The manufacturing sector accounted for approximately 8% of Zambia's GDP in 2016 and was one of Zambia's key drivers of growth together with mining, wholesale and retail trade, and the con-

struction sectors. During the first quarter of 2017, Zambia Development Agency (ZDA) recorded a 20% increase in FDI compared to the same period in 2015 with the manufacturing sector accounting for the third steepest growth in the country following the energy and agriculture sectors. The combined industrial sector, which included categories of mining and quarrying, construction, manufacturing and utilities like electricity, gas and water, accounted for 35.4% of the GDP in 2015, down from 36.6% in 2011. This decrease can partially be ascribed to the copper crisis in 2015, which saw a 2.9% decline in mining and quarrying activity due to reduced copper prices globally.

Growth in the sector was largely attributed to the food processing, textiles, and leather subsectors. Metals processing remains another significant industrial activity including the smelting and refining of copper. Fertilizers, chemicals, explosives, wood products and construction materials also contribute to the list of products manufactured in Zambia.

The manufacturing sector has attracted significant inflows in FDI as the Government of Zambia continued to support the sector with attractive incentives and extension of its Multi-Facility Economic Zones. Manufactured goods from Zambia account for 25% of the country's total exports and amongst others, are engineering products, processed and refined foods, chemical and pharmaceutical products, scrap metal and leather products. Zambia's manufactured products are further exported to SADC and COMESA markets with South Africa and the Democratic Republic of Congo as its main

"The Government of Zambia continued to support the sector with attractive incentives and extension of its Multi-Facility Economic Zenea"

destinations. China, Belgium, the Netherlands and Switzerland are the most important Zambian export partners outside Africa.

#### **DUTY FREE ACCESS:**

Zambia is privy to preferential market access to many key markets. As a member of the Common Market for East and Southern Africa (COMESA) the country is part of a Customs Union and the Free Trade Area of SADC. Zambia is also a beneficiary under the African Growth Opportunities Act (AGOA) and the EU Everything But Arms (EBA) programme. Given the current regional integration agenda under both COMESA and SADC, and the tripartite Free Trade Agreement (FTA) between the two blocs and the East African Economic Community (EAC), it can be anticipated that intra-regional trade will be enhanced both through intra-industry as well as inter-industry trade. Through the free trade agreements within COMESA and SADC regions Zambia has access to 25 national markets within Southern and Eastern Africa.

COMESA established a customs union in June 2009, during the 13th Summit of the COMESA Heads of State and Government. The SADC Trade Protocol promotes regional integration through trade development and develops natural and human resources for the mutual benefit of their people. Trade among SADC member states is conducted on reciprocal preferential terms. Rules of Origin define the conditions for products to qualify for preferential trade in the SADC region. Products have to be "wholly produced" or "sufficiently processed" in the SADC region to be considered compliant with the SADC Rules of Origin. The SADC and COMESA Rules of Origin are product specific and not generic.

#### **METALS PROCESSING:**

There is scope for investment in the manufacture of copper wire and other copper products, such as copper plate and tubing, and for increased copper rod and cables manufacturing activities, which are already being undertaken in Zambia and account for a significant proportion of Zambia's nontraditional exports. Government incentives support new businesses that process copper rather than exporting the raw copper. Zambia currently exports a variety of minerals in raw form. Numerous companies have benefited from the existing investment opportunity in processing copper, iron ore and steel, cobalt and other minerals into intermediate and finished engineering products.

Engineering products have a ready local market mostly from the mines and the growing construction industry in the country. Zambian manufacturers have been able to address local demand by producing window frames, doors, roofing materials, nuts, bolts, and various light engineering products. However, a gap exists in supply of spare parts for various industrial machines as Zambia currently imports all major spare components from abroad.

#### MFEZs:

Zambian Multi-Facility Economic Zones (MFEZs) were first established under the auspices of the Triangle of Hope (ToH) initiative, introduced in 2005 by the Japan International Corporation Agency (JICA) to improve Zambia's industrialization and attractiveness as an investment destination. In early 2007, the government announced the creation of MFEZ in which investors enjoy waivers on customs duty on imported equipment, excise duty and value added tax, among other concessions. There are six MFEZs and/or Industrial Parks currently operating: Lumwana, Chambishi MFEZ on the Copperbelt - including its extension, the Lusaka East MFEZ - and the Lusaka South MFEZ and two Industrial Parks - Ndola (Sub-Saharan gemstones exchange) and Roma. Foreign-owned firms enjoy the same investment opportunities in Foreign Trade Zones. An investor, foreign or local, is free to identify and suggest any other location in the country deemed economical for development of a multi-facility economic zone. although Government has prioritized designated areas in Lusaka, Ndola, Mpulungu, Chembe, Nakonde, Kasumbalesa and Mwinilunga. Zambia has continuously encouraged investors to provide local employment and skills transfer to local entrepreneurs and communities. Foreign companies operating in MFEZ are strongly encouraged to utilize local raw materials and intermediate goods and engage in technology transfer to qualify to operate in MFEZ.

Lusaka South MFEZ has over 2,100 hectares of serviced land available for different forms of development Lusaka South MFEZ is looking to attract investors with wide business interests. The Lusaka South MFEZ whose Master Plan was developed by Kulim Hi Tech Cooperation of Malaysia, the Japanese Experts and the Local Expert Team will house a variety of industries and facilities: high tech industries, research and development, commercial, residential, golf course, institutions and community facilities. The number

"Foreign-owned firms enjoy the same investment opportunities in Foreign Trade Zones." of expressions of interest to invest in the zone has already reached over 200 from both local and foreign firms. In early 2017 a new malting plant for Zambian Breweries and a manufacturing plant for NRB Pharma were commissioned within the MFEZ with ZESCO, Mylan, Zambia Fertilizer, and American Tobacco also beginning works on the premises.

#### **Chambishi MFEZ:**

The development of the Chambishi MFEZ (CM-FEZ) is being undertaken by China Non-Ferrous Metal Mining Company Limited (CNMC) and is one of the first investments resulting from the Forum on China-Africa Cooperation (FOCAC) in 2006. Zambia was selected as the first African country to benefit from investment from China in a form of trade and economic zone. The CMFEZ has made substantial progress over the years. So far, over 14 km of main roads have been tarred and linked up, and a 330 kV substation, 66 kV and 10 kV transmission lines, water supply with bore hole and rainwater drainage and sewage drainage have been completed. Internet access is also available, and a multi-functional facility of 5,000 m<sup>2</sup> with offices, meeting room, exhibition hall, internet and financial banking services is operational. A dozen standard workshops include two types: 1550 m<sup>2</sup> (with office) and 1,080 m<sup>2</sup> are completed. The zone also has a Sino-Zam Friendship Hospital, which offers comprehensive medical service to the zone staff and local citizens. The hospital has experienced doctors and quality medical facilities, such as MRI and Laparoscopy System, etc.

The CMFEZ has 48 firms operational, generating accumulated investments of \$1.3bn, and about 8,211 jobs. The investors are mostly from the mining, copper smelt, equipment assembling, construction, agro processing, and services.

#### Lusaka East MFEZ:

The Zambia-China Economic & Trade Cooperation Zone (ZCCZ) has almost completed phase I, including over 10 km main roads, a 10 kV power substation, underground drilling work, dozens of standard workshops of two types: 1,550 m² (with office) and 1,080 m², six residential buildings, and other urban amenities.

So far, the zone has approved 14 investment projects and 8 are operational. The companies are active in agro-processing, pharmaceutical, beverages, energy and logistics sectors. About \$20m

worth of investments have been committed, and over 207 local jobs have been generated.

#### Lumwana:

The Lumwana MFEZ, developed by Lumwana Property Development Company Ltd is a 1,300 km² area focusing on light and heavy industries. The MFEZ houses manufacturing of explosives, agro-processing, horticulture, fisheries, and commercial products. The developers of this MFEZ have prepared a Master Plan and plan to invest \$1.2bn for development of the MFEZ whilst creating 13,000 jobs. The Management of Lumwana MFEZ has engaged experts to assist in developing the MFEZ.

# Sub Saharan Gemstone Exchange Industrial Park:

The Industrial Park is situated in Ndola on a 100 hectare piece of land on the Kabwe – Ndola Road. The property enjoys developed premises previously owned by Ndola Precious Metals. The developers of the Industrial Park have already invested \$8m in rehabilitating infrastructure and have so far attracted three enterprises engaged in manufacturing and processing activities. It is estimated that more than 20 companies will be in the Industrial Park with projected employment levels estimated at 4,000 employees.

#### **Roma Industrial Park:**

The Roma Industrial Park is situated in Lusaka on a 113 hectare piece of land along Zambezi Road after the Roma residential area. The main promoter of the industrial park is CPD Investment Limited which is owned by Interspan Sales Corporation, a South African Company. The Industrial Park is looking to light industries, retail park, office park, warehousing and will also promote local business development through the creation of an incubator for Micro Small and Medium Enterprises. The total project cost is estimated at \$46m with projected employment levels estimated at 2,800 employees. The developers of the Park are currently working on infrastructure development and many investors have expressed their willingness to invest in the area.

#### **CEMENTED GROWTH:**

The construction sector in Zambia has shown impressive growth due to the property market expansion in the recent years and this has resulted in a notable increase in cement consumption. The market is highly competitive with 14 cement pro-

ducers present, with Dangote Quarries Zambia Limited, Lafarge Zambia, and Zambezi Portland Cement making a visible contribution to the construction market; collectively producing 1,956,519 metric tons of cement in 2016.

The subsector saw major developments in 2015 when Dangote Quarries made an entry in the Zambian market and ended the near monopoly of the French manufacturer Lafarge triggered reduced cement prices in the process.

The first quarter of 2017 saw decreased market activity due to unfavourable weather conditions causing domestic demand to fall by 14%. The market is expected to benefit from the improved performance in Zambia's construction sector for the rest of 2017.

#### **FOOD AND BEVERAGE INDUSTRY:**

The potential for agro-processing and industrial development in Zambia is largely associated with the relative abundance of agricultural raw materials and low-cost labour. The medium-term projected outlook for the Zambian food and beverage subsector remains positive. Strong signs of recovery were shown in 2017 after stagnation in 2015 and 2016. This was due to improved consumer spending and the general economic recovery. High-end consumers comprise the major portion of consumer spending with the wealthiest 20% of the Zambian population forecast to account for 72.3% of the total income in 2021, according to BMI. Non-alcoholic beverages sales are projected to grow by 9.9% in 2017 and at a compound annual growth rate (CAGR) of 11% from 2016 to 2021.

Alcoholic drinks consumption in Zambia grew by 2.7% in 2017 and at a CAGR of 2.7% from 2016 to 2021. Beer consumption is also widespread in Zambia. The local market is dominated by Zambian Breweries Plc which has a market share of approximately 90% of clear beer production. The government of Zambia reduced the excise duty on clear beer from 60% to 40% in 2017 therefore encouraging further investment in the subsector.

Following the global takeover of SABMiller busi-

ness globally by AB InBev, including the Zambian subsidiary Zambian Breweries Plc, AB InBev solidified its position in the global beer market. These changes resulted in Zambian Breweries decision to sell 70% of its shares in its subsidiaries National Breweries, which produces opaque beer brand Chibuku and Heinrich's Syndicate Limited, which produces super maheu and non-alcoholic flavoured maize drinks.

#### **OFFERED INCENTIVES:**

Zambia offers numerous incentives to support investment in the manufacturing sector. Investors who invest not less than \$500,000 in the MFEZ, an Industrial Park, a Priority Sector (agriculture, manufacturing, tourism, mining) and invest in a rural enterprise, following the framework of the ZDA Act are entitled to fiscal incentives. These include (i) Zero percent tax rate on dividends for 5 years from first year of commencement of operations, (ii) Zero percent tax rate on profits for 5 years from the first year of operation. Qualifying projects should be carried out in the Manufacturing sector in an Industrial Park, MFEZ or Rural Area),

(iii) Zero percent import-duty rate on capital equipment and machinery for five years.

Different corporate tax rates are applied to producers of organic or chemical fertilizers (15%) and agro-processing companies (10%). Also, companies importing industrial machinery may claim 50% in capital allowance.

#### **AGRICULTURAL EQUIPMENT:**

The Industrial Development Corporation, investment company wholly owned by the Zambian Government signed an agreement with Ursus S.A., a Polish company to construct a tractor and agricultural equipment assembly plant at the Lusaka South MFEZ in 2017 for the delivery of 2,694 units of tractors and 2,509 units of agriculture machinery with implements and spare parts. The plant will assemble 10,000 units annually and export tractors and other agricultural equipment to the Southern African region. Ursus Zambia will create 400 jobs in 10 service centres across the country and 300 direct jobs at the plant.

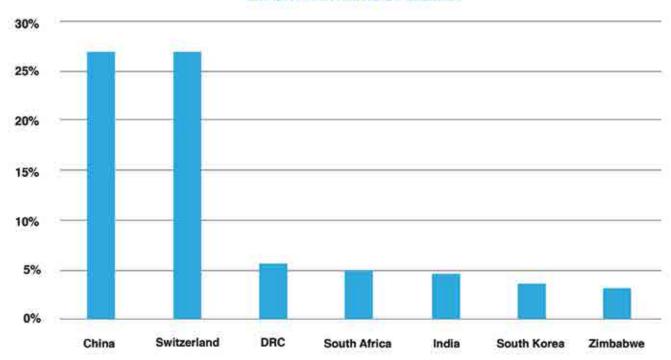
"The growing demand for processed foods and household products gives Zambia an advantage over some of its regional neighbours."

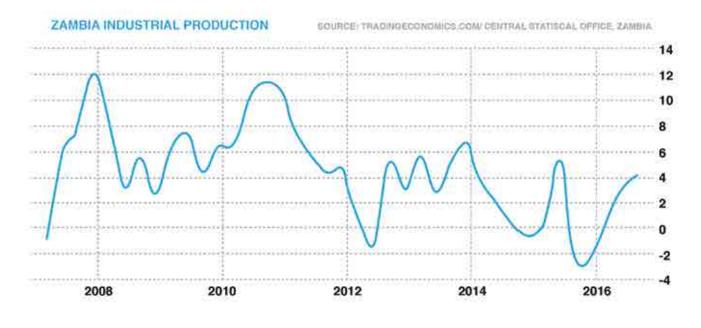
#### **CHALLENGES:**

Despite attractive fiscal incentives and access to a large workforce, Zambia has only recently started to attract more investment into industry subsectors other than mining. Certain shortcomings characterise the sector including low levels of advanced technologies, weaker innovative capacity and lower human capital threshold in local firms. The agro-processing sector experiences the most challenges in the sector, which continues to deprive Zambia of benefits associated with increased industrialization. The growing demand for processed foods and household products gives

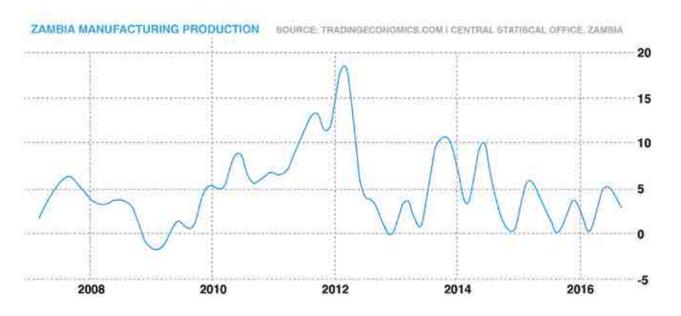
Zambia an advantage over some of its regioal neighbours enabling it to expand its export base and thereby representing an attractive investment opportunity. Incentivising local manufacturers will make Zambia more competitive globally. Domestically produced commodities should have stronger competitive power than imported commodities and they should be exported to the neighboring countries in the second stage. Industrialisation of its manufacturing sector will make it possible to export Zambian produce.

#### EXPORT PARTNERS OF ZAMBIA









#### 400

## **The Success Story of Trade Kings**

## The Odyssey of a Homegrown FMCG Collosus

His Excellency, the President, in his electoral agenda declared that 1 million sustainable, meaningful jobs would be created by 2021. The achievability of this ambitious statement was a manifestation of the following beacons:

- Industrialisation and mechanisation of the agro sector.
- Movers and shakers of the global industry to establish value-add products and services in Zambia.
- Establish educational institutions to up-skill re-skill and re-engineer the Zambian workforce and technical institutes to promote professional vocational training,
- Seamless flow of foreign exchange in and out of the country with no restrictions thereby wooing FDIs into the country,
- Sovereign protection of foreign investments under the auspices of the Zambian Development Agency Act,
- Multi-ethnicity of over 70 local tribes, thriving in peaceful coexistence, to be found nowhere else in Africa.

Given this scenario, there are a few salient takeaways that could lure potential investors. Zambia enjoys political stability supported by a long-term ambitious political-economic vision. The Government has established economic zones that provide ample tax incentives and "one stop shops" for nurturing green field industrial projects thereby curbing the bureaucratic processes. Vast investment opportunities exist in renewable energy projects, technical knowledge transfer and there is an abundant scope for expansion in the railway sector. One of the Government's priority sectors - agriculture offers untapped greener pastures in the agro-processing sector with a tendency inclined towards value addition. The investor will also appreciate free flow of foreign exchange and numerous incentives in various other sectors.

Zambia is at its pinnacle of welcoming the international community to establish industrial ventures which add value, provide employment, packaged with the least bureaucracy, to the FDIs. Trade Kings Group has been a strong advocate to these

cardinal apostles, thereby living up to its signature line, "Improving Lives".

Trade Kings Group's product range has been embraced by the Zambian populace, in view of its impeccable quality, which matches or surpasses international standards, consistent supplies, to cater to the ever-growing appetite, for its product range and predominantly, affordability to the masses. This hallmark has contributed to the domestic economy in many ways.

Today, the Trade Kings Group directly and indirectly employs over 5,000 people and actively promotes its Corporate Social Responsibility initiatives through various health, education, women empowerment, and upskill/re-skill of youth programmes. The Group plays an important role in the manufacturing and agricultural sectors by value addition to the Zambian agricultural commodities like potato, sugar, maize, and corn, converting the raw produce into chips, confectionery, beverages, biscuits and maheu. It also collaborates, through a "collective out-grower scheme", thereby uplifting the local farmers. Trade Kings has effectively developed cross border trade with its neighbouring countries that benefit from Zambia's unique geographical position, contributing to the country's export earnings, and substituting imports that save Zambia's valuable foreign exchange. Apart from being the biggest home-grown FMCG company in Zambia, Trade Kings Group has successfully executed a backward integration venture by its Group Company, Universal Mining and Chemical Industries Limited (UMCIL) which converts mineral iron ore to steel products using the cuttingedge technology DRI (Direct Reduction Iron) this demonstrates it's value addition to the country's iron ore mineral reserves.

The Group is poised for a quantum leap in the next 2-5 years. The overall vision that backed this, was based on some cardinal tenets, any expansion will primarily be organic, expansion will be lateral, or backward-integration driven enterprise and there will be no paradigm shift in basic finished product ranges.

Given these fundamentals, the overall vision is to remain the market leader in the current domains, capture newer markets and focus on agro-based backward-integration projects. As a Group, Trade Kings plans to scale up their production efficiencies to increase output and tilt their processes towards being system driven. Robust cost control measures have been introduced to improve the bottom line and the company is actively seeking to foray into newer geographies to boost the top line. The Group is proud of it's strict adherence to corporate governance and budgetary norms. Their CSR initiatives have been proudly publicised, with a view to spreading this gospel, to the rest of the corporate community. The diversification of the steel vertical product range is also an integral part of the company's medium-term vision.

On the international arena, the Group will focus on setting up manufacturing facilities in the Sub-Saharan region. Eyes have been set on the confectionery and beverage product range.

The future projects on the anvil have been carved out and are currently awaiting the shareholders' approval, which is expected to go under the hammer, before the end of 2017.





## The Success Story of ZAMEFA

## Wiring the Nation

The Metal Fabricators of Zambia Plc. (ZAMEFA) was incorporated in 1968 and listed on the Lusaka Stock Exchange (LuSE) in September 2004. The company's head office is in Luanshya in the Copperbelt Province of Zambia and has a sales and distribution centre in Lusaka. Since 2016, the majority shareholder and ultimate parent company (with 75% of shares) is Reunert International Investments Ltd (RIIL) incorporated in Mauritius, who manage a portfolio of businesses in the fields of electrical engineering, ICT and applied electronics. RIIL is a wholly-owned subsidiary of Reunert Ltd incorporated in South Africa and listed on the Johannesburg Stock Exchange.

As the company's name suggests, ZAMEFA is a metal fabrication business that has the expertise to manufacture and supply a comprehensive range of top-quality products as displayed in the table below.

#### **ZAMEFA Product Range:**

- Low voltage PVC/XLPE insulated cable 99.9% copper casted rod Building wire
- Medium voltage paper-insulated cable Medium voltage XLPE Copper shapes
- High voltage XLPE insulated cable
  Telecom cables
  ACSR
- Aerial Bundled Conductor (ABC)
  Flexible wire

The Company continues to hold full certifications for ISO 9001 (for quality management system), ISO 14001 (for environmental management system) and ISO 18001 (for occupational health and safety management system). Additionally, the Company continues to hold the South African Bureau of Standards (SABS) and Zambia Bureau of Standards (ZABS) permits for its range of low-voltage power distribution cables.

ZAMEFA has a unique processing structure and is able to process copper cathodes as a raw input material and thereafter produce cables as a finished product. Since we are situated in the Copperbelt, we are guaranteed of the best Zambia copper cathode supplies for our cable production programmes. This position enables ZAMEFA to take advantage of adjusting its manufacturing programmes at short notice to suit its customers' requirements.

However, in partnership with the Reunert's group of companies, their business offerings include products and services in electrical engineering, ICT and applied electronics. This partnership works because of a common ethos of delivering quality products and services.

The company has a board of directors and an executive management team. The Managing Director (MD) is Mrs Roseta Chabala, Mr P.W. de Villiers is the General Manager of Africa Operations and Mr G.J.H. Steyn is the Head of Administration of Africa Operations.

On the 26th of August 2016, RIIL bought ZAMEFA when the General Cable Corporation disposed of its ZAMEFA shares. The MD stated that the new owners of ZAMEFA had not expressed any intentions to change the company's management and workforce. The ZAMEFA's Board of Directors informed its shareholders that the company would change its financial year-end from the 31st of December to the 30th of September with effect from the 30th of September 2016. The change of the financial year-end was to align the financial year-end of ZAMEFA with that of RIIL. Thus, the Income Statement for 2016 covered a period of nine months, while 2017 was a full year. In respect of the year ended 30th of September 2017, shareholders were notified that the company's Annual General Meeting would be held on Tuesday the 12th of December 2017. Shareholders are notified about such events through the media and the LuSE website. Other notifications are issued through the LuSE website.

The operating profit for the 2017 financial year was K54m higher as compared to the 9-month period in 2016. This increase was mainly due to the higher gross profit that resulted from increased sales and lower operating expenses in 2017. Operating expenses in 2017 were lower than those incurred in 2016 largely due to a substantial increase in the provision for doubtful debtors, which was not repeated in the 2017 financial year. ZAMEFA's operating environment continued to be characterised by tight liquidity in the local market. The Group continues to focus on strategies to grow its share of exports.

Although business is competitive, there is great potential for growth due to an increasing demand for it's high-quality 100% copper wires and cables, which are of a better quality than the less durable

and less valuable cheap imports from India and China, which are made from a mixture of copper and other metals. ZAMEFA is now targeting the Eastern and Central African markets, where business has grown over 200% in the last two years as its products are well received due to their high quality.

Gross margins reduced by 1% to 8% in 2017. largely as a result of a change in sales mix. Profit before tax in 2017 improved by K18m as compared to 2016, despite a 1% reduction in margins. This was mainly due to savings in operating expenses. Group earnings per share were K0.89 (K0.32 in 2016). The Group obtained a long-term loan of \$20m from the parent company. This loan will allow ZAMEFA to embark on an ambitious expansion programme. A part of the expansion programme is a new wire and cable manufacturing plant that will see production capacity double. RIIL made a Mandatory Offer to buy out the mi-

nority shareholders of ZAMEFA, which opened on the 31st of July 2017 and closed on the 14th of August 2017. RIIL increased its total shareholding in ZAMEFA from 75.39% to 79.62% (up 4.23%). RIIL promptly sold these shares bought in the Mandatory Offer, and a further 0.39% of its original shareholdings, to selected Zambian institutional investors. This reduced RIIL's shareholding in ZAMEFA to 75%; thus making the Company fully compliant with the LuSE minimum free float requirements under the LuSE Listings Rules. It was noted that the vast majority of the ZAMEFA shareholders opted to hold on to their ZAMEFA shares. The ZAMEFA Board and management wish to acknowledge this overwhelming vote of support from the shareholders, which demonstrates their confidence in the future prospects of the company.



## **Uplifting Local Manufacturing through Incentives**

Mukela Lubasi, Acting Managing Director, Lusaka South Multi-Facility Economic Zone

**BRIG:** How can Zambia make itself more competitive internationally?

#### Mukela Lubasi:

Incentives undoubtedly play an important role in attracting investment in any MFEZ. Zambia must distinguish itself by clarity of regulations and policy framework. The country should especially focus on the ease of doing business and support that is offered to the investors. We must make it easier to get the necessary approvals in record time. At the LS – MFEZ, we work closely with the Zambia Development Agency and the Ministry of Commerce, Trade and Industry to create an effective one-stop-shop to process the approvals. Also, the Government should encourage local procurement of raw materials so that the FDI in Zambia has long-term multiplying effects and the local skills market is enhanced.

Zambia has eight neighbouring countries and has the right mix of incentives, transport infrastructure and regulatory framework for the investors to benefit from the export opportunities in the SADC and COMESA regions. Centrally located, and being economically and politically stable, Zambia has already shown the ability to attract entrepreneurs away from some of its regional competitors who were persuaded by Zambia's competitive advantages. The Government is putting much emphasis on infrastructure development, also through public-private partnerships, including the construction

and upgrading the country's airports and road network.

We are also seeing a shift in interest from companies in China and other Asian markets and European entities.

**BRIG:** Which industries show the most promising signs of growth, especially within LS-MFEZ?

#### Mukela Lubasi:

The current administration of Zambia has put a strong focus on stimulating the economy through diversification of its main sectors. The LS-MFEZ was established to deepen Zambia's industrialisation and manufacturing capacity and since its inception in 2012 has attracted 26 local and international players with two companies already operating on the premises, with another seven commenced operations in 2017. One of the most attractive angles is the uniqueness of the facilities at LS-MFEZ. We have over 316 hectares that have been allocated for industrial and residential development in the Zone, with the total designated area of 2,100 hectares available for industrial, commercial, research and development, housing, institutional operations, parks and areas for mixed -use development.

The Zambian economy has many strengths, but one area we must focus on is value addition. The two sectors that I personally see developing rapidly are agricultural processing and pharmaceuticals. One of our clients located within LS-MFEZ is RMB Pharma which produces 50 products for the local market and is planning to export its production across the SADC region.

Agriculture is one of the four sectors that the current administration has prioritized to transform Zambia from a single-sector economy to a diversified industrialised economy with Zambian Breweries and British American Tobacco being two of the success stories here at LS-MFEZ by creating links between local industries and export markets.

We are also targeting local investors as we believe that the local tax payers should be able to participate and set up their businesses in the MFEZ. Recently, LS-MFEZ has paired up with Copperbelt Energy Corporation to put up a number of shelf factories to accommodate smaller manufacturing and processing businesses with limited resources.

BRIG: What impact would increased investment have on opportunities in the Zambian market?

#### Mukela Lubasi:

The four priority areas of economic diversification efforts are in manufacturing, agriculture, tourism and mining. The latter - mining sector - has been the driver of Zambian economy since independence and currently, the Government is focusing on encouraging value addition in the sector. A steady and well-rounded investment in these sectors will have immeasurable multiplier effects.

Increased job creation, opportunities for the local raw material manufacturers and service providers, and a changing skills market are some of the long -term associated outcomes of a diversified Zambian market.





# **Focus on Value Addition**

Roseta Chilufya Chabala, CEO, ZAMEFA

**BRIG:** How do you evaluate the outlook for the Zambia manufacturing sector and the efforts and synergy between government and the private sector stimulate the economy?

**BRIG:** What are the challenges for a Zambian company to export into the SADC region?

#### Roseta Chilufya Chabala:

With the Government's diversification agenda the manufacturing sector in Zambia, has placed strong emphasis on value addition. The sector is driven by the agro-processing subsector, which reflects government's policy of agriculture as one of the priority sectors. Value addition causes a ripple effect in other sectors. Local industries must develop close linkages between local suppliers and retailers/developers to continue reaping benefits of economy developing. The current boom in the construction sector, with the Government being the biggest spender, must benefit the local industries to create a trickle-down effect. Production of goods with added value here will employ local people contributing to the country's tax base.

The Zambian economy is estimated to grow 4-5% in the next five years, so we are seeing a bright future in manufacturing. The sector's contribution to the economy currently stands at 8-10% and must be increased. As local manufacturers, we would like to encourage the Government to buy locally as it would encourage foreign manufacturers to set up their industrial base here. In doing so, there is a real opportunity for technology and skills transfer to supporting industries adding value to the whole economy.

#### Roseta Chilufya Chabala:

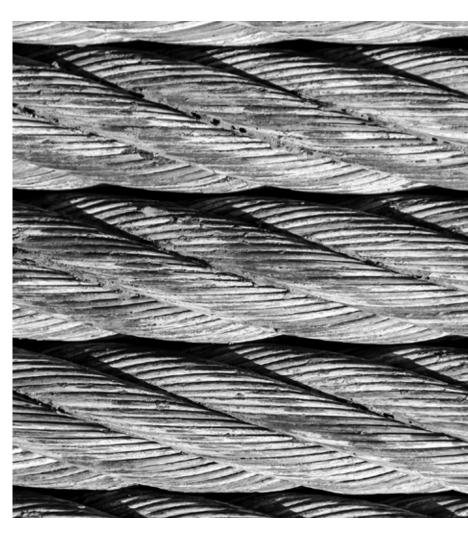
Zambia trades its products with several neighbouring countries. Manufacturers often encounter problems brought on by the unpredictability of policy making in their export destinations. How can it be mitigated? Continuous political discussion needs to take place, engaging regional partners in joint problem solving. Emphasis should be placed on honouring the existing trade agreements so business operations can continue to enjoy the favourable trade tariffs with, the SADC region.

Secondly, Zambia as a land-locked country needs to rely heavily on the fragmented road and rail infrastructure as ports are accessible in South Africa, Mozambique, Namibia and Tanzania. It drives the transportation costs up and, borders are unpredictable. For many commodities, the price fluctuates on a weekly basis therefore companies are at risk of their business transactions being cancelled because of delays. These are the challenges that are endured by all exporters.

**BRIG:** ZAMEFA, as one of the major manufacturers in Zambia, must be bullish on Zambia's future, so what signs best exemplify your optimism for the Zambian economy?

#### Roseta Chilufya Chabala:

First, it starts with policy formulation and planning. The public sector has developed two guidelines -Zambia Plus and The National Development Plan and we have seen continuous commitment from the Government to deliver the policies accentuated in the roadmaps. The synergy we are currently seeing being developed between the private and public sectors is commendable. The private sector can only perform well with a strong policy framework and to develop, a close relationship between the businesses and government, is encouraged. Secondly, an entrepreneurial culture is growing in Zambia and one can witness more participation in the manufacturing sector by Zambians. The recent years have seen an uptake in the number of businesses as increasingly more Zambians start creating employment for themselves. Our economy cannot develop with only FDI, Zambia must also cultivate home-grown solutions to our challenges to develop in the long term. Education and mentorship play an important role - Zambian entrepreneurs should learn from the companies investing in the market to encourage skills and technology transfer.





Phoko yahwa ikhiko yapangiza ikwavo. (Luvale)
A finished knife is used to make others.
An educated or grown up child helps educate those who come after them.

# **ENERGY**

Tariff increase across all categories following a review

Infrastructure upgrades to uplift Zambia's power generation capacity

2000 MW of hydro and thermal power is expected to be added in 2018

Increased numbers of independent-power producers

High regional demand for power





## **A Clean-Energy Country**

#### **Powering Growth and Development**

#### **BACKGROUND:**

"The energy sector has been identified as one of the core focus areas for investment as it will enable Vision 2030 plan of envisaged economic growth across sectors."

Zambia's long-term development plan, known as Vision 2030, describes the vision for the energy sector, which is to achieve universal access to clean, reliable and affordable energy at the lowest total economic, social and environmental cost. The country would like to develop an export-orientated energy industry with an increase in the use of renewable-energy sources. The plan also envisages a decrease in the use of wood as an energy source at household level. According to information gathered by the Zambia Electricity Supply Corporation Limited (ZESCO) in 2009, the degree of electrification in Zambia was very low, with estimates of 22% of the population having direct access to grid electricity, 0.03% having direct access to isolated electric systems and 77.97% having no access to electricity at all. The estimated electrification rate was at 25% by 2013. The energy sector has been identified as one of the core focus areas for investment as it will enable Vision 2030 plan, of envisaged economic growth across sectors. During this period, the Government aims to increase the country's power generation capacity by upgrading existing and construction of new hydroelectric power stations as well as the use of other feasible energy sources.

In the past, ZESCO - the vertically-integrated, state-owned company - dominated the energy sector. In 1995, an Act of Parliament liberalised the energy sector to attract private sector participation. In light of this, the Energy Regulation

Board (ERB) and the Office for the Promotion of Private Power Investors (OPPPI) under the Ministry of Mines, Energy and Water Development was established. The OPPPI facilitates the entry of new suppliers into the electricity market, while the ERB regulates operations and pricing, as well as licensing of such operations.

The Energy Regulation Act, Cap 436 of the Laws of Zambia (Act No. 16 of 1995), governs the energy sector. The purpose of this Act was to establish an Energy Regulation Board and to define its functions and powers; to provide for the licensing of undertakings for the production of energy or the production or handling of certain fuels; to repeal the National Energy Council Act and the Zambia Electricity Supply Act; and to provide for matters connected with or incidental to the foregoing. The Electricity Act Cap 433 (Act No. 15 of 1995) of the Laws of Zambia was amended in 2003; this was aimed at improving the operations of the electricity industry. This Act regulates the generation, transmission, distribution and supply of electricity. In 2004, the Rural Electrification Authority (REA) was established through the enactment of the Rural Electrification Act (No. 20 of 2003). The Authority was established to hasten the rate of electrification and create conditions for the development of rural areas. Energy development - which includes electricity (building and installation of power stations) and fuel (building and installation of processing and refinery plants for bio-fuel, construction of petroleum refineries, construction of pipelines and construction of rural filling stations) - has been declared a priority sector after amendments to the ZDA Act. This is in light of the country's increasing need for electricity. The amendments were aimed at reducing the cost of developing power plants and attracting independent power producers. As such, building power plants - as well as the operation thereafter - would qualify for tax concessions as stipulated under the ZDA Act. The 2018 Budget Address said that in 2018, the Energy Regulation Bill and the Electricity Bill will be brought forward for enactment. The Energy Regulation Bill will allow for enhanced supervision and regulation of the energy sector, while the Electricity Bill will, among other things, allow for participation of other players in the industry.

#### **ELECTRICITY OVERVIEW:**

Energy has been identified as an important driving force behind economic development in Zambia, and the government has declared its commitment to developing and maintaining energy infrastructure and services. Zambia has 2,411 megawatts (MW) of installed capacity, most of which is hydroelectrical. An additional 2,000 MW of hydro and thermal power is expected to be brought online towards the end of 2017 and into 2018. ZESCO generates, transmits, distributes and supplies electricity throughout Zambia. Its grid distribution is divided into four divisions (North, South, Copperbelt and Lusaka) and 16 regions; it holds the bulk of the transmission system. The Zambian Government has targeted six distinct areas for mini-grid development (four hydro and two solar). Although there are pockets of private sector activity in generation, transmission, and distribution, the vast majority of power in Zambia is operated by ZESCO. Due to this, most investment opportunities in the sector require public-private partnerships. This does present a challenge to the pricing of tariffs as power has to be sold to ZESCO for onward distribution and supply, thus limiting flexibility of investors in adjusting domestic consumer tariffs. A Cost of Service Study was commissioned by ERB to determine the costs incurred by ZESCO in their generation, transmission, distribution and supply of electricity. The study determined that tariffs for all customers were below cost. However, upward adjust of tariffs has been met with contestation by some players in the mining industry. The 2018 Budget Address stated that this study

will be finalised in 2018 and will provide the basis for future tariff adjustments.

Due to El Nino and its associated low rainfall patterns in Zambia that has currently been experienced, combined with the country's reliance on hydroelectricity, there has been a power deficit in the country that has resulted in a reduced supply of electricity - mostly to domestic users and not major industries. This over-reliance on a single source of energy presents a risk to economic growth due to the relationship between the supply of electricity and economic growth. Various stakeholders have raised concerns about the current market structure, the regulatory framework of the sector, and the impeding effects these could have on investments into other sources of electricity production.

## ENERGY PRODUCTION AND DISTRIBUTION, POTENTIAL SOURCES OF ELECTRICITY AND THEIR DEVELOPMENT:

As previously mentioned, ZESCO is the main producer and distributor. Another distributor is the Copperbelt Energy Corporation (CEC), which is a net transmitter of electricity purchased from ZESCO at high voltage and distributed to the mining industry on the Copperbelt. In the North Western Province of Zambia, the North Western Energy Corporation Limited (NWEC) operates the electrical-distribution systems that serves the non-mining load of Lumwana Mine, the town of Lumwana and the surrounding areas. Since its inception, NWEC has commissioned new projects to meet the needs of rural electrification within the province.

The number of independent power producers (IPPs) is continually increasing. They contribute to the national supply by selling electricity to ZESCO under Power Purchase Agreements. IPPs generate electricity from various sources, including hydropower. It has been calculated that Zambia has a potential capacity to generate 6,000 MW of hydropower, of which only 2,000 MW is currently being harnessed. In terms of solar energy, the National Energy Policy estimated that the potential energy output per unit area was 5.5 kWh/m²/day, with an average of 2,000 - 3,000 hours of sunshine per year. The World Bank, the International Finance Corporation (IFC) and other donor organizations - in conjunction with the IDC - have provided over \$2m for IFC's Scaling Solar Programme. This is used to finance the costs of establishing and "Most investment opportunities in the sector require public-private partnerships."

"Regional market demand is high and can easily absorb Zambia's increased investments in electricity generation."

implementing transparent, competitive bidding processes that will attract qualified solar power developers, build institutional capacity and catalyse market growth. The Ministry of Energy and Water Development has been assisted by USAID in developing the Renewable Energy Feed-In Tariff (REFIT) with a standardised power purchase agreement (PPA). The first phase has been completed; this focused on policy development to be used in guiding and expanding the private sector's role in developing the country's renewable energy resources and, diversify the supply and nature of energy production. The second phase focuses on cost determination to the off-taker for these various renewable technologies. The establishment of REFIT has encouraged the inclusion of newer and smaller private sector partners specialising in renewable-energy generation. In addition to this there are proven coal reserves of high-grade and low-grade thermal coal with further potential for exploration of coal deposits and coal bed methane. Currently, there is a thermal power plant with two 150 MW turbines powered by low-grade coal, a residue of high-grade coal that had previously been a nuisance to the immediate environment. Heavy Fuel Oils, a by-product from the Indeni Petroleum Refinery, is also used to generate electricity through a thermal power plant.

Geothermal energy is an energy source that has remained largely untapped - due to high relative costs - with more than 80 hot springs previously identified, 35 of which were rated high potential in terms of surface water temperature, flow rate, proximity to power lines, ease of access and relative energy potential. There is a 30-year old geothermal power-generation plant with two

120 kW turbines, with recent estimates indicating that it could be producing 2 MW of electricity. Biofuels from agricultural waste are a relatively vast source of untapped energy when one considers the country's large reservoirs of water resources, its favourable climate and over 90% of estimated arable land being commercially uncultivated. In terms of nuclear power, the country has signed four Memoranda of Understanding (MoU) for a period of 15 years with Russia's ROSATOM to help transform Zambia into a hub of nuclear science for peaceful purposes. These four MoUs entail the training of young nuclear energy engineers, planning for nuclear power plant personnel, developing a nuclear energy regulator and the building of a nuclear plant; these are aimed at the provision

of medicinal, agricultural services and energy. The country's media has been asked to help demystify nuclear science as there is the perception that all things nuclear are dangerous. Beyond this, there are also companies that supply small-scale generators and solar energy systems. Limitations to generation and supply include inadequate transport infrastructure, which is being addressed by government, and sparsely populated areas that make grid connectivity impractical.

#### **ELECTRICITY DEMAND:**

The mining sector is the largest consumer of electricity, which accounts for over 50% of electricity consumption. Although other sectors' electricity consumption is relatively small, the demand for electricity has continually grown, largely by economic development in the agriculture, manufacturing, construction, transport and financial sectors. Domestic use has also continued to grow with large potential for continued growth as - in 2010 - 2.1 million households used firewood or charcoal as their sources of energy for cooking. However, this opportunity should be viewed in light of the fact that the country is sparsely populated and a large proportion of the population having low incomes, which suggests appropriate and affordable technologies to serve these needs; mini-grids supplied by mini hydro-electrical plants in appropriate areas has been suggested.

Regional market demand is high and can easily absorb Zambia's increased investments in electricity generation, with South Africa and Mozambique being the largest importers in the past. With the implementation of the Zambia-Tanzania-Kenya Power Interconnector Project, Zambia will have access to provide electricity to both the Southern African Power Pool and the East African Power Pool as well as have access to power when an electricity deficit is experienced.

#### **PETROLEUM AND OTHER FUELS:**

Zambia imports all of its petroleum requirements, which plays a crucial role in the running of certain economic sectors, particularly agriculture, transport and mining. In the past, this feedstock was procured through an international competitive bidding process, which was transported into Zambia, in the form of spiked crude oil through the 1,705 km TAZAMA pipeline that is jointly owned by the Governments of Zambia (67%) and Tanzania (33%). This was refined at the government-owned

Indeni Refinery in Ndola, in the Copperbelt Province. The refinery consists of a large reforming unit (214,000 MTS per year), a hydro-treater for desulphurization of kerosene and lighter fractions, and a Vacuum Distillation Unit (VDU) for specific technical conditions. This facilitates spike crude processing with the aim of minimizing heavy fuel production. The current capacity of the refinery is 850,000 metric tons per year. From the Ndola Fuel Terminal, Oil Marketing Companies (OMCs) uplifted the refined products and distributed these for sale to fuel stations and commercial customers. Refined products were transferred from the refinery, via pipelines, into storage facilities at the Ndola Fuel Terminal. From here, it was loaded and transported - by rail or truck - and delivered to the OMCs, of which there are 21 registered OMCs. However, the 2017 Budget Address indicated that the Government would disengage from direct fuel procurement by March 2017. This was intended to remove the burden of oil procurement from the National Treasury, create efficiencies and promote participation by the private sector. The 2018 Budget Address stated that this measure would take effect in the first quarter of 2018.

In the past, two major exploration programmes have been undertaken, but were terminated before the intersection of favourable reservoir horizons. Recent explorations that covered parts of the North-Western, Western and Eastern Provinces of Zambia, which used the Microbial Prospecting for Oil and Gas technique, have indicated that the Okavango and North Luangwa basins have potential for oil and gas. The Government has tendered these oil blocks for private sector prospecting. There is a legal requirement for all OMCs to have an equivalent of 15 days working petroleum stocks on hand. Due to their deficit in storage abilities, most have not been able to meet this requirement. To address this situation, the Government is looking towards the engagement of a strategic partner to construct a 50 million litre petroleum terminal in Lusaka on a Build, Operate and Transfer (BOT) basis.

Regarding biofuel, there are five main companies engaged in production. The capacity exists and the sub-sector has been inclined towards a two-pronged approach, which are feedstock production and promotion, and biofuel production. Currently, limited quantities of bio-ethanol are being produced from molasses, but are insufficient quantities for blending with petrol. There has been

an increase in electricity production from sources like bagasse and ethanol, which are both by-products from sugar production. Jatropha, as the main feedstock for biodiesel production, has been promoted and there is about 6,000 ha of land under Jatropha production, but commercialisation of this is still in its infancy.

#### **INVESTMENT INCENTIVES:**

Since the Government has declared energy development as a priority sector, amendments to the ZDA Act allow power plants to be built, expanded or modernised and qualify for tax concessions under certain conditions. Through amendments to this Act, there are fiscal and non-fiscal incentives to investors who invest not less than \$500,000 in the building and installation of power stations. In terms of fiscal incentives, there is a zero percent tax rate on dividends for the five years from the year of first declaration of dividends, zero percent tax on profits for five years from the first year of operation and zero percent import duty on capital goods and machinery (including specialized motor vehicles) for five years. Regarding non-fiscal incentives, there are investment guarantees and protection against state nationalization and free facilitation for application of immigration permits, secondary licenses, land acquisition and utilities. In addition, other incentives are available for investments that fall outside of the Act's determination of priority sectors.

"Amendments to the ZDA Act allow power plants to be built, expanded or modernised and qualify for tax concessions under certain conditions."

#### **INVESTMENT POTENTIAL:**

The potential for investment is vast when one considers the different sorts of needs of different proportions of the population, sectors and specifics of these. Investment in large-scale electricity generating plants is definitely a need for both local and regional consumption



## **Electrified Future**

David Mabumba, Minister of Energy

**BRIG:** What is your ambition for the Energy sector in Zambia?

#### **David Mabumba:**

Although Zambia has experienced a significant deficit of power between 2014 and 2016, my key ambition for Zambia is to become a net exporter of power. How to achieve that vision? We, the Government need to fast-track investment programmes targeting our power generation capacities. In my opinion, Zambia can become an energy exporter by the year 2025. We currently have several key hydro power generation projects that are ripe for investment or are under construction - Kafue Gorge Lower hydro power project, which will add 750 MW to the national power grid, Batoka Gorge hydro power project with a future capacity of adding 2,400 MW shared between Zambia and Zimbabwe, as well as four potential sites in northern Zambia with a potential capacity of 1,100 MW. There are immense investment opportunities in Zambia's energy sector and we have seen many foreign partners expressing interest in investing in power generation. We have developed numerous successful partnerships with foreign entities: LUNZUA Power Authority has engaged Global Lake of the Commonwealth Development Corporation (CDC) asan equity partner to develop a 247 MW hydro-power project across Kalungwishi River with a estimated \$690m. Although Zambia's electricity mix is dominated by hydro generation and large and mini-hydro stations account for 95% of installed capacity, we would like to diversify the power generation into other renewables. Zambia has recently signed agreements that pave the way for a second round of investments to develop privately-financed solar power plants in the country under the World Bank backed Scaling Solar programme with CPCS Transcom International of Canada and SMEC International of Australia. Also, construction of the 100 MW solar farms located at the Lusaka South Multi-Facility Economic Zone has begun following

the selection of Neoen First Solar and Enel Green Power Limited. The current generation capacity of 1,800 MW fully supports the current demand, 1,900 MwWpeak, however, to become an energy exporter, Zambia needs to develop deeper synergies with the neighbouring countries and invest in interconnectors with Malawi, Mozambique, Zimbabwe, South Africa, and the East African Power Pool in Tanzania and Kenya to prepare for energy exports. Zambia cannot exist as an island. Being part of the SADC is one of our key competitive advantages and the investment in Zambia's energy sector means a potential investment in eight other countries. More over, power plays a significant role in the industrialisation processes for Zambia to unlock the overall growth potential of our country. Job creation, rural development and manufacturing all stem from a sufficiently developed power sector therefore investment in Zambia's energy sector is crucial.

**BRIG:** What can Zambia to do in still investor confidence?

#### **David Mabumba:**

Every investor is looking for political stability as a key performance indicator to guarantee the safety of their investment. Zambia leads as a beacon of peace, offering our foreign and local partners a peaceful political environment and fertile business climate with our micro economic credentials also stabilising. Of course, challenges exist and persist. The structural challenges and licensing procedures can make a potential investor fatigued. It is important to create a one-stop-shop for our investors to reduce the waiting times and the number of institutions and licenses to improve the overall quality of doing business in Zambia.

## **Planning Ahead**

Victor Mulenga Mundende, Managing Director, Zesco



**BRIG:** How is Zambia working to achieve self-sufficiency for its electricity needs?

#### Victor Mulenga Mundende:

Electricity is the lifeblood of any nation's economy and the Electricity Supply Industry (ESI) must keep pace with the nation's economy. As the population and the national economy grows, it demands the construction of new power stations and the rehabilitation of existing generating machines at various power stations to increase power generation capacity as well as availability of plant machinery. This anticipated increase in generation capacity also requires the extension, as well as upgrading of capacities of various transmission and distribution lines across the country to ensure that the power generated can be efficiently distributedto various load centres across the country, where it is needed. In this regard, we have since achieved major milestones towards these goals, notably:

- We recently commissioned the new 120 MW Itezhi-tezhi Hydro Power plant, which was a public private partnership,
- We are off-takers for a recently commissioned 300 MW thermal coal power plant driven by an Independent power producer
- We are facilitating, as off-takers, for major solar plants being driven under the umbrella of the Industrial Development Corporation (IDC), who are our shareholders.
- We are in the process of constructing the Kafue Gorge Lower (KGL) 750 MW Hydro Power Station, which is due for completion in 2020.
   Once completed KGL will be the third largest power station in the country after Kariba North Bank and Kafue Gorge Upper Hydro power Stations respectively.
- In December 2017, the Musonda Falls Hydro Power Station located in Luapula Province, which is being upgraded from from 5 to 10 MW. Apart from that, ZESCO has embarked on projects for the upgrading of many other

- power plants around the country which include the Lusiwasi Upper in Serenje from 12 to 15 MW in addition to another 84 MW site downstream, Chishimba Falls Power Station from from 6 to 10 MW
- We are also in the process of constructing mini- hydro power plants in highrainfall areas to cater for local demand, spread across the entire country. Through this distributed generation; we shall be spreading the hydrological risk to other parts of Zambia where there are more favorable rainfall patterns,
- Notably, in transmission, ZESCO recently completed the upgrading of transmission systems supplying the Northern and Eastern parts of the country which is expected to avail economic opportunities in these parts of the country. The supply capacity was improved from 66 kV to 330 kV representing roughly a 500% improvement. We have also completed a major milestone by commissioning transmission lines and sub-stations in the North Western part of Zambia. The electricity supply capacity in the North and the Western Province has increased tremendously and is a major departure from the days of the dieselgeneration plants, which had severe capacity, environmental and economic constraints.

**BRIG:** In what ways can Zambia encourage further investments in the energy sector?

#### Victor Mulenga Mundende:

The implementation of Cost Reflective Tariffs is key, not only for ZESCO, but for the growth of the Electricity Supply Industry. For us to create appetite for further investment in this sector, we need a tariff that allows all industry players to recover

the cost of doing business whilst making an attractive return on the investment. For a long time in Zambia, whilst the dynamics of the economy kept changing, the electricity tariffs remained flat. This factor alone became a hindrance to the growth of the electricity industry as there was insufficient revenue to cover the ever-increasing developmental needs and cost of doing business. We are now happy to note that, with the support of Government and the Energy Regulator, this is gradually changing. ZESCO recently applied to the ERB to increase the tariff and was awarded a 75% upward increase of electricity tariffs in order to bring the prevailing tariffs closer to cost-reflective levels. The 75% tariff increment is, however, just one initial step towards the migration to fullcost reflectivity.

**BRIG:** What is your outlook for the evolution for the power mix in the coming years?

#### **Victor Mulenga Mundende:**

You may wish to know that our current electricity generation portfolio is made up of over 99% renewable hydro-power, which has many advantages, but also specific vulnerabilities to climatic variables. In the recent past, we experienced a severe drought that seriously impacted our ability to satisfy national electricity demand, notably from early 2015 up to the end of 2016. We are therefore in a hurry to mitigate the over-dependency on hydro-electricity by enriching the national electricity generation mix to embrace other energy sources such as solar, wind, geo-thermal, thermal, and Nuclear Energy to have alternative and improved supply. At the same time, we shall continue expanding our hydro-generation capacity to ensure that we have sufficient slack to accommodate the occasional bump caused by climatic or indeed other risks. In the wake of technological advancements that have lowered the cost of renewables, a healthy energy mix is the way to go to mitigate against risks such as climatic change. Zambia has abundant un-tapped renewable energy sources and the outlook is that investment in renewable

energy has a bright future and will be money well spent for many years to come. ZESCO has since partnered with the Industrial Development Corporation (IDC) for the development of 200 MW of electricity from solar, by mid-2018, with other developments on the horizon. Furthermore, we are in the process of implementing Renewable Energy Feed-in Tariff (RE-FIT) to promote power trading between on grid power and other renewable energy sources.

**BRIG:** What role is ZESCO playing in the energy sector and how is ZESCO working with potential investors?

#### Victor Mulenga Mundende:

In 1997, Government liberalised the energy sector to encourage private sector participation in the electricity sub-sector. ZESCO is a major player in the power supply and energy trading in Zambia and surrounding countries. In this regard, ZESCO has embarked on ambitious programmes to position itself as a major power trading utility in the sub-region and beyond through the following:

- We are enhancing Public-Private Partnership (PPPs) with other power producing companies in Zambia. For example, ZESCO has partnered with Maamba Collieries to get 300 MW of electricity that is generated from coal.
- Upgrading transmission lines across the country to ensure stable supply for the local market and creating inter-face points with other Utilities from neighbouring countries. The idea is to effectively utilize our position as a land-linked country with eight neighbours.
- Providing the platform as an off-taker of choice to potential investors in power generation.
- Ensuring provision of spinning reserves in power generation to accommodate inter-facing with renewable energy power plants.
- Upgrading the entire power system and especially, the distribution system to position the electricity grid to provide quality service and stable supply.



## **Energy Management Opportunities**

# Using Energy Efficiency and Time-of-Use Tariffs Effectively.

#### **Energy Efficiency:**

In order to incentivise industrial and agricultural electricity consumers to reduce peak demand, ZESCO Demand Side Management carries out free energy audits to establish consumers' Energy Management Opportunities (EMOs). Once implemented, these EMOs result in reduced electricity bills and increased profitability. These efforts however, have not been able to offset the rising energy demand as some consumers are not implementing the recommended EMOs.

For ZESCO, the under-use of EMOs, which would help stabilise the electricity network and reduce undesired demand emanating from non-effective use of electricity, forces the utility to embark on load shedding, which has a severe impact on production levels in all sectors of the economy.

On 1st May and 1st September, 2017 ZESCO effected a tariff increase of 50% and 25% respectively across all tariff categories following a successful tariff review application to the Energy Regulation Board.

#### Time of Use:

Through the Time-of-Use (TOU) tariff, the revised tariff regime incentivises customers in the industrial and agricultural Maximum Demand (MD) category to lower peak loads in order for them to reduce their electricity costs. ZESCO's objective is to flatten peak loads and shift loads from peak to off-peak periods. To that effect, ZESCO, after a successful application to the regulator, was granted authority to apply the TOU tariff across all industrial and agriculture customers in the MD category. Time-of-Use is one of the dynamic tariffs designed with prices that vary by time periods

lowering system costs for the utility and reducing customer bills by lowering prices during off-peak period hours. The TOU time periods are as follows:

06:00 hours to 18:00 hours - **Standard Time** 18:00 hours to 22:00 hours - **Peak Time** 22:00 hours to 06:00 hours - **Off-Peak Time** 

With the applied TOU tarrif, when industrial and agricultural customers shift their production hours from standard to off-peak periods, they will enjoy lowers prices of up to a 50% reduction in demand charges and a 25% reduction in energy charges. Shifting from peaks periods to off-period gives even greater savings. The intervention gives industrial and agricultural customers incentives during the off-peak period.

#### The advantages of the TOU tariff are:

- Efficient utilisation of the generation resources as it flattens the load curve.
- Reduced load shedding when large consumers shift their production activities to the off-peak period
- Reduced bills through incentives to the customers who shift their activities to the off-peak period.



Khunyi janjamba jakulichavila. (Luvale)
Firewood for cooking the elephant is gathered by itself.
A self-imposed problem. The elephant has knocked down the tree that produces the firewood to cook it.

# **TRANSPORT**

PPP regulatory framework introduced ahead of infrastructure upgrade

Aviation sub-sector poised for growth with more players on board

Major airport upgrades across Zambia





## **Logistically Speaking:**

### We ARE Moving Forward!

"Zambia is a landlocked country surrounded by the Democratic Republic of Congo, Angola, Malawi, Zimbabwe, Mozambique, Tanzania, Namibia and Botswana" There are four commercial transport systems in Zambia. These are the railway network, the aviation system, the road network and, to a lesser extent, maritime and inland waterways. This should be viewed in the context that Zambia is a land-locked country surrounded by the borders of the Democratic Republic of Congo (1,930 km), Angola (1,110 km), Malawi (837 km), Zimbabwe (797 km), Mozambique (419 km), Tanzania (338 km), Namibia (233 km) and Botswana (less than 1 km). The rail, road and waterway systems connect the country to its neighbours to varying extents, while the aviation system connects the country directly to the rest of the world.

These four systems will be described individually according to the present situation, the envisaged future of the sub-sector (as guided by the Seventh National Development Plan 2017 - 2021 {7NDP} and Vision 2030) and, the sub-sector's investment potential and oppourtunities. This should all be viewed within the context of the 2018 Budget Address, 7NDP and Vision 2030. From the 7NDP, Development Outcome 6: Improved Transport Systems and Infrastructure, in conjuction with Development Outcome 5: Improved Access to Domestic, Regional and International Markets' Strategy 4: Improve Logistics Management are pertinent in this context. According to Development Outcome 5: Improved Access to Domestic, Regional and International Markets' Strategy 4: Improve Logistics Management, the Government, in partnership with the private sector, will facilitate the provision and improvement of logistical infrastructure and services to support both domestic and international trade, such as warehousing,

storage, laboratory facilities and testing equipment as well as ICT infrastructure at points of entry. This would be achieved through: (a) Intercountry trade centre promotion, establishment and enhancement; and (b) Inland dry ports development. According to Development Outcome 6: Improved Transport Systems and Infrastructure, a well-functioning transport system has the potential to reduce the overall cost of doing business in the country, which would contribute towards the realisation of a diversified and resilient economy for sustained growth and socio-economic transformation. In addition, improved transport systems and infrastructure would enable efficiencies in the movement of goods and people within Zambia. Furthermore, as a land-locked country, with eight neighbouring countries, Zambia requires its transport infrastructure to be in a good state in order to link with principal ports and serve as a hub for goods in transit. Thus, the Government remains determined to deliver improved transport infrastructure within the four modes of transportation to grow the economy and improve socio-economic opportunities across the country. The Government views the investment in improved transport systems and infrastructure as a driver of wider economic benefits, including supporting growth and creation of jobs, raising the productive capacity of the economy, driving efficiency, boosting international competitiveness and developing Zambia into a land-linked country. The strategies defined within this document will be described in the vision for the different transport modes.

There is a large financing gap for infrastructure and the Government is aware that public-sector

"the Government remains determined to deliver improved transport infrastructure to grow the economy." resources and development partners' funds are limited, and can only cover part of the needed financing. The Government has recognized the need to mobilize private sector financing to support public-infrastructure development through PPPs. Government intends to facilitate PPP projects and has introduced a regulatory framework that is comprised of the PPP Policy and Act No. 14 of 2009.

#### **RAILWAY SYSTEM'S PRESENT SITUATION:**

Zambia's rail network enables peoples and freight to travel within Zambia and between countries. Zambia Railways operates the rail network. The railways generally operate below their original design capacity, but struggle to increase volumes due to poor track condition, unavailability of locomotives and wagons, and low operating capital. Zambia is connected to the port in Dar es Salaam via the TAZARA lines, which are jointly owned by the governments of Zambia and Tanzania. The Chipata-Mchinji railway link has recently been opened, which connects into the Malawi railway network and further connects Zambia to the northern Mozambique railway network.

## RAILWAY SYSTEM'S ENVISAGED FUTURE DEVELOPMENTS:

Zambia aims to improve and expand the rail network to reduce the burden placed on road infrastructure. Developing rail routes that link important exit points is vital for facilitating smooth access to the outside world, enhancing trade in the region and making Zambia a competitive country for doing business. During the 7NDP's period, and into Vision 2030's, the Government has prioritised the construction of new railway spurs and rehabilitation of existing lines. The focus is to undertake a comprehensive rehabilitation of Zambia Railways, mainline (including inter-mine lines) and to revitalise the Tanzania-Zambia Railway Authority (TAZARA) to increase operational efficiencies, reduce the cost of freight and increase the tonnage carried. During the 7NDP period, the Government will commence construction of the Chipata-Petauke-Serenje railway line, which will complete the link from the port of Nacala to existing railway lines in Zambia. The Government plans to migrate the rail gauge from the existing Cape gauge to Standard gauge, which will enable higher speeds and higher tonnage of freight. Furthermore, focus will be on the development of attendant infrastructure, acquisition of rolling stock and other equipment as well as improving the management of the rail systems. This will be through programmes

of railway network rehabilitation and modernisation; greenfield rail spurs construction; and sector reform implementation. Certain strategic railway routes have been identified, these are:

- Chingola to Jimbe (Border with Angola): This involves linking the existing line in Chingola through Solwezi to the border town of Jimbe to enhance transportation of freight and passenger traffic to Lobito Bay Port in Angola;
- Kafue to Zawi in Zimbabwe: This will link Zambia Railway lines to Ziwa, in Zimbabwe, as the shortest route to the Port of Beira in Mozambique;
- TAZARA Nseluka to Mpulungu Port: This involves linking the Mpulungu Port to the TAZARA line at Nseluka to facilitate imports and exports from the Great Lakes region to the sea ports on the Indian Ocean;
- Extension of the Mchinji/Chipata Railway line to TAZARA: This involves linking the Chipata-Mchinji line through the Petauke District to the Port of Nacala in Mozambique; and
- Railway link between Zambia and Namibia (Livingstone to Sesheke): This involves the partial rehabilitation of the Mulobezi line and feasibility studies for construction of a spur between Livingstone and Katima Mulilo via Kazungula that connects to the Namibian Railway System as part of the Walvis Bay-Livingstone-Lusaka-Ndola-Lubumbashi Corridor.

## RAILWAY SYSTEM'S INVESTMENT POTENTIAL AND OPPORTUNITIES:

The Government aims to promote private investments in the rehabilitation and modernization of railway networks, greenfield rail spurs construction, including intra-city transit systems. Assistance will be required in the migration from the existing Cape gauge to Standard gauge, development of attendant infrastructure, acquisition of rolling stock and other equipment and improving the management of the rail systems.

#### **AVIATION SYSTEM'S PRESENT SITUATION:**

There are currently four international airports, six secondary airfields and five airstrips that serve international and domestic flights. The Kenneth Kaunda International Airport is Zambia's main airport. The three smaller airports at Ndola, Livingstone and Mfuwe, as well as secondary airfields at Chipata, Kitwe, Kasama, Mongu, Solwezi, and Mansa compliment this. The construction of the Copperbelt International Airport has been launched and will be spread over three years.

This new airport will be comprised of a one million capacity terminal building, a hotel, business complex, cargo terminal and fuel farm, among other airport facilities. There is no national airline, but there are a number of airlines that serve and connect Zambia to international routes via Johannesburg, Durban, Cape Town, Addis Ababa, Nairobi and Dubai. Proflight Zambia is a privately-run airline with flights to numerous local destinations, regional flights to Durban and proposed routes to the DRC and Johannesburg. Another local carrier ,Mahogany Air, resumed its operations in 2017 after a three-year long hiatus and currently operates a flight between Lusaka and Ndola with additional routes expected to serve Solwezi, Mfuwe, and Livingstone. The Government has an "open sky policy" and is currently promoting the establishment of Zambia as an air cargo hub for the Southern African region. Additionally, the Zambia Airports Corporation is one of the Government's parastatals that is profitable.

AVIATION SYSTEM'S ENVISAGED FUTURE DEVELOPMENTS:

In terms of developing aviation infrastructure and operations, the 7NDP's focus will be on the construction and upgrading of airport infrastructure to provide modern equipment and facilities that will enable the country to handle higher volumes of traffic, both passengers and cargo. With this in mind, provincial and strategic airports will be upgraded to increase the capacity to handle more traffic. A national airline is viewed as critical in strengthening the diversification of the economy; for example, the exportation of agricultural produce. Programmes to facilitate these developments include the upgrading of provincial and strategic airports, upgrading and construction of new international airports, civil aviation capacity development and the establishment of a national airline.

## AVIATION SYSTEM'S INVESTMENT POTENTIAL AND OPPORTUNITIES:

In achieving the goals of the 7NDP and Vision 2030, the acquisition of aircraft that can serve domestic, regional and inter-continental routes will be necessary as well as cargo planes that will assist in exporting goods such as agricultural produce. The construction, development and upgrading of provincial, strategic and international airports, and auxiliary facilities, is a need that has to be met as is the capacity development of

civil aviation, all of which require specific expertise. Beyond the Copperbelt International Airport, the airfields at Chipata, Kitwe, Kasama, Mongu, Solwezi and Mansa have been identified for redevelopment. Zambia needs international and reputable brands at its airports, which would give confidence to travellers. The ban by the European Union on Zambian registered airlines into the EU airspace was lifted in 2016 and is expected to provide immediate economic benefits to Zambia. Dr. Jim Belemu, the CEO of Mahogany Air, told BRIG: "The lifting of the ban was a welcomed step towards further development of the Zambian aviation sector and will allow us, as a local carrier, to grow our horizons and, hopefully, open opportunities for partnerships with airlines operating in wider international markets".

#### **ROAD SYSTEM'S PRESENT SITUATION:**

Zambia has a classified road network of under 70,000 km of public roads, which cover the country relatively well. The country relies heavily on its road network to ship mine inputs and outputs through its eight neighbouring countries. Zambia's neighbours also rely heavily on Zambian roads to provide a reliable and shorter path to African ports. The Road Development Agency (RDA) has the responsibility of upgrading, maintaining and constructing public roads in the country. From the classified road network, the RDA has identified 40,454 km as the Core Road Network (CRN). This has been recognised as the minimum network required to enhance economic development and thus needs to be maintained in an acceptable condition. There are various ongoing projects, namely:

- Link Zambia 8000, aimed at Land-Linking Zambia with her neighbours, was initiated in 2012, and will restore over 8,000 km of roads across the country over a period of five to eight years. This is to link Zambia to South Africa, Zimbabwe, Mozambique, Malawi, Tanzania, the Democratic Republic of the Congo and Namibia.
- Pave Zambia 2000 (also initiated in 2012 and aims to pave 2,000 km of urban roads across the country),
- Feeder Road Rehabilitation (a continuous programme for maintaining feeder roads in order to stimulate market access for agricultural produce);

"The ban by the European Union on Zambian registered airlines into the EU airspace was lifted in 2016."

 C400 (an initiative to improve 400 km of the road network in the Copperbelt Province, and the L400 that is geared towards improving 400 km of roads in and around Lusaka). Road infrastructure will be funded through the user-pays principle in order to finance these programmes.

#### ROAD SYSTEM'S ENVISAGED FUTURE DE-VELOPMENTS:

Construction and rehabilitation of the road network is the third strategy of the 7NDP's Development Outcome 6. The focus here is the construction and maintenance of road infrastructure. This is to ensure the enhanced and safe connectivity across the country and to preserve investments in road assets. Furthermore, this work will help foster trade and development by facilitating greater efficiencies in the movement of goods and services, as well as reducing travel times and costs. Presently, and during the 7NDP's period, the Government will continue to implement its key programmes in this sub-sector as described above.

## ROAD SYSTEM'S INVESTMENT POTENTIAL AND OPPORTUNITIES:

The Government plans to continue developing tolls and collecting road-user charges to finance these programmes as well as pursuing PPPs for financing road construction. As is the nature of such projects, the establishment of quarries and acquiring associated equipment is essential, as well as acquisition of road construction machinery and associated inputs. In terms of Pave Zambia 2000, the installation and maintenance of brick paver plants, the production of pavers, and road construction is a need that must be met.

#### MARITIME AND INLAND WATERWAYS' PRE-SENT SITUATION:

Zambia's only harbour is the Port of Mpulungu, which is situated in the north-east of Zambia and at the southern tip of Lake Tanganyika. The lake is shared by four countries, namely Burundi, Democratic Republic of the Congo, Tanzania and Zambia. There are a variety of lakes and waterways both within the country and along it borders that are used, through various modes, for transportation.

## MARITIME AND INLAND WATERWAYS' ENVISAGED FUTURE DEVELOPMENTS:

In terms of enhancing transportation, the construction and rehabilitation of maritime and inland waterways has been identified for development. The focus will be on expansion and modernisation of the inland port of Mpulungu to increase access to the markets of the Great Lakes Region. There will also be a focus on the development and rehabilitation of canals and harbours to service rural communities through increased trade and service delivery. During the 7NDP's period, studies will be undertaken to determine the feasibility of developing the Kafue River into a navigable channel for transporting bulk goods as well as for tourism. Programmes include canal construction and rehabilitation, and harbour infrastructure rehabilitation and modernisation.



#### MARITIME AND INLAND WATERWAYS' IN-VESTMENT POTENTIAL AND OPPORTUNI-TIES:

In this sub-sector, opportunities lie in feasibility studies and the development and rehabilitation of canals and harbours. In a water-rich country, it is logical to use these resources to gain a competitive advantages.

#### IN CONCLUSION:

This sector, and its four sub-sectors offer, a variety of investment and business opportunities. These vary from feasibility studies, supplying different types of equipment, manufacturing of inputs needed for developing infrastructure and construction, amongst others. The Government has recognised the importance of logistical infrastructure and has created a conducive environment for business development and investments.



## **Revamping Transport Infrastructure**

#### **Brian Mushimba, Minister of Transport and Communication**

**BRIG:** How is the Government's diversification agenda supporting growth in the transport sector?

#### **Brian Mushimba:**

Zambia is transforming itself from a mono-product market to a more diversified economic model. Historically, because of the global copper price fluctuations and Zambia's reliance on its mining sector the country has faced many challenges that have had a negative impact on the performance of the economy.

The current administration has prioritized developing various sectors, including cross-cutting infrastructure development includes roads, rail, ports, energy, and industrial zones.

The enhancement of the domestic transport infrastructure plays a crucial role in the country's development. Link 8000 is an ambitious project to improve Zambian road network and construct more than 8000 km of roads across the country. It is important to build infrastructure to efficiently open new transport corridors linking various provinces to the economic hot spots – Lusaka and the Copperbelt thus efficiently distributing goods and commodities creating economies of scale.

Revamping the country's railway lines are another key priority for the Government. TAZARA, co-owned with the Tanzanian Government has recently signed an agreement with Bombardier Transportation, a global leader in rail and aircraft technology for the revitalization of the 1,860 km railway that links Zambia to the seaport of Dar es Salaam in Tanzania. It will be the shortest route for many regional logistics companies and is expected to boost freight transportation capacity.

Zambia's aviation sector is also experiencing a major enhancement through the upgrade of airport infrastructure at Kenneth Kaunda International Airport in Lusaka, Harry Mwaanga Nkumbula International Airport in Livingstone, and building a brand new greenfield airport in the Copperbelt Province.

transport infrastructure development is vital to the tourism and manufacturing sectors which currently boast many greenfield investment opportunities in Zambia.

**BRIG:** To what extent is mobile infrastructure and technology expected to grow in the coming years in Zambia?

#### **Brian Mushimba:**

Zambia has attracted several investments in building the country's data infrastructure. MTN has invested \$55m in 2016 in a fibre network from Lusaka to Nakonde, a town on the Tanzania border, Kalumbila in the North-Western Province and Ndola on the Copperbelt. Also, Airtel has allocated \$50m to enhance its network system. The stateowned Zamtel will similarly roll out the phase two of the communication towers project, investing

\$280m in the installation of 1,009 towers over the next three years and is expected to reach 92% coverage. MTN, Airtel and Zamtel are Zambia's three operators providing mobile internet services to the 12 million mobile phone subscribers. The Government of Zambia is currently considering bringing in a fourth operator in a bid to lower the cost of voice and data services and stimulate competition on the market.



## **Upgraded Infastructure**

#### **New Airlines, More Destinations, Greater Frequency**

The organisation responsible for supervising and maintaining Zambia's air services and navigational safety has been enjoying notable success in its bid to position Zambia as a regional hub.

Zambia Airports Corporation Limited (ZACL) has been working hard to expand and improve its facilities and services to deal with the continuing growth in passenger and cargo throughput at the Nation's four main airports. Its efforts have borne fruit as new airlines have been persuaded to operate services to and from Zambia, while existing carriers have stepped up their frequencies and added new destinations.

In recent years, ZACL has seen a continued growth in the number of passengers and flights at the Nation's four main airports – Kenneth Kaunda (Lusaka), Harry Mwaanga Nkumbula (Livingstone), Simon Mwansa Kapwepwe (Ndola) and Mfuwe.

The outbreak of the Ebola virus in March 2014 led to a stunted growth figure of just 0.8% in passenger numbers between 2014 and 2015 even though the outbreak was thousands of miles away in West Africa.

The key drivers of passenger growth have been an increase in the number of airlines operating in Zambia – providing more capacity and connectivity – along with increased frequencies from existing airlines and a general rise in activities that stimulate air travel, notably business and tourism.

Zambia has seen new foreign carriers offering flights to and from Zambia; and there has been a marginal growth – despite the setbacks of Ebola in West Africa – thanks to the increase in flight frequency, the demand from business travellers and the growth in the conference hosting sector.

Among the new airlines thatcommenced operations in 2015 was RwandAir, which began operating flights between Lusaka and Johannesburg.

The RwandAir direct service to Lusaka came about because of the growing demand created by foreign investment and trade opportunities between the two countries.

#### **CAPACITY:**

Due to the expansion of business opportunities regionally and internationally, Kenya Airways, South African Airways and Ethiopian Airlines continue to step up their frequencies while providing flights into more than one airport in the country.

One of the most recent developments came in July 2016, when Kenya Airways introduced flights between Nairobi, Livingstone and Cape Town.

Zambia's largest domestic operator, Proflight Zambia, also continues to grow, it has introduced new destinations such as its Lusaka to Durban service, launched in September 2015. Martin Air began weekly cargo flights into Lusaka in January 2015 with a routeing from Amsterdam, Johannesburg, Lusaka, Nairobi and back to Amsterdam. This has boosted the already growing cargo activity in Lusaka.

Some airlines have also increased capacity on their routes, with Ethiopian Airlines introducing an Airbus 350 on services between Addis Ababa and Lusaka.

The outlook is bright for future passenger business. Projects include the ongoing rehabilitation and construction of a new terminal at Kenneth Kaunda International and a new greenfield airport serving the Copperbelt region. Additionally, a new terminal building in Livingstone was commissioned in December 2016.

If all things remain equal, passenger figures are expected to continue growing. A contributing factor to this growth was the hosting of the African Development Bank (AfDB) and Inter-Parliamentary Union conference in early 2016.



## Potential is Sky-High

Engr. Robinson Misitala, Managing Director, Zambia Airport Corporation Limited

BRIG: The Southern African region has recently seen upgrades of several of its international airports with the host countries competing for the status of a regional hub. How is Zambia positioned to succeed?

#### Mr Robinson Misitala:

Effective air transport is of paramount significance for an emerging market like Zambia. The aviation sector is a good indicator of the economic growth of a country and is one of the key pillars of the economy. The intertwined nature of the economy positions air transport as a crucial component of growth for numerous other sectors and Zambia Airports Corporation (ZACL) is well positioned to develop air transport in Zambia with substantial growth in both passenger and freight traffic achieved in the recent years. The Corporation has embarked on an ambitious infrastructure upgrade plan for our four international airports with an investment of over \$1bn and will attract six million passengers annually by 2019.

Our flagship airport Kenneth Kaunda International Airport, is currently undergoing major revamping of its infrastructure, with the construction of Terminal 2 well under way. It will allow KKIA to serve 4 million passengers annually, twice the current capacity. The terminal superstructure will be ready in 2017 with the KKIA upgrade project expected tobe completed in 2019. In addition, the new greenfield Copperbelt International Airport is intended to be Zambia's second-largest regional airport and will

function as an aviation hub and an import and export gateway for the mining, manufacturing, and agricultural sectors. The new airport is conveniently situated near the Chambishi Multi-Facility Economic Zone and will house a complex with car parks, a hotel, commercial and residential facilities including offices, and a shopping complex. ZACL being Zambia's main provider of ground -handling services for scheduled airlines has recently invested in improving its ground-handling facilities leading to greater efficiency and higherquality services at all main airports.

BRIG: What are the greatest obstacles to increasing foreign investment in the transport sector and how can they be overcome?

#### Mr Robinson Misitala:

The development of the aviation sector in Africa is crucial to lowering the costs of doing business. Achieving intra-Africa connectivity is one of the key elements to attracting increased FDI. A consideration in attracting more passengers is regulation and unfortunately, the legal framework for open skies still needs to be developed on the



national level across Africa with policy framework that supports the transport sector. There are great differences in foreign-carrier regulations from country to country and policies vary, some being more protectionist than others.

The lack of a strong national carrier is the main challenge that Zambia is facing. Not only would connectivity be increased between Zambia and other African airports, but opening its skies to other operators would bring down the airfares which few passengers can afford at present.

**BRIG:** What should international investors know when looking to expand their portfolio in Zambia?

#### Mr Robinson Misitala:

Zambia holds great potential to attract foreign investors. Zambia enjoys a stable economic and political environment. With well-developed investment incentives and progressive banking, insurance and legal policies Zambia is a great investment destination. Our economy is on a definite path of diversification and value-addition with a steadily-growing population and budding middle class. The national currency, the Zambian Kwacha is stable and investors enjoy full repatriation of their ROI. Zambia has an unwavering willingness to collaborate with foreign investors in nearly all sectors of the economy, including tapping into the investment potential in the transport sector. Also, the tourism sector is poised to benefit from the opening of Zambian airports to more carriers.

Also, the tourism sector is poised to benefit from the opening of Zambian airports to more carriers. We have the appropriate infrastructure to welcome international airlines and regional low-cost carriers that can link us to other African cities and destinations in the Middle East and Europe. Zambia is well-positioned geographically to become a regional aviation hub and we are just steps away from support this dream with state-of-art infrastructure.

#### **Proflight Zambia Aims to Help the Zambian Economy Take Off**

#### The Success Story of Proflight

Zambians are proud to see a home-grown, successful enterprise that soars above any turbulence – just like the leading air service Proflight.

This year, the thriving company marks its 26th anniversary.

No other private Zambian airline has flourished for so long in the country's aviation history. Most of the Nation's successful entrepreneurs and business owners a like have different passions and they translate them into a wealth of ideas and ventures in diverse industries, which is great for diversification.

A varied economy enables sustainable cycles of economic activity where industries and businesses continually feed off one another and grow larger as the economy expands.

In this vein, Proflight, a Zambian-owned airline, has continuously played the role of catalyst for diversification by providing business owners and their clients a safe, reliable and efficient service with the variety of planes in its fleet.

The Air Service's vast network has contributed to the steady diversification of the economy at all corners of Zambia and also to the exports that are the fruits of this phenomenon.

Diversification enhances economic growth. However, for progress to be achieved, capital to grow local enterprises are needed.

The air transport industry faces various challenges, including insufficient airport infrastructure across the country, and a shortage of physical and human resources, as well as limited connectivity.

Operating an airline in Southern Africa has proved

to be a challenging business as several companies have been forced to terminate services in the last two decades, mostly because of economic constraints.

Currently, out of a population of around 17 million in Zambia, only a handful of people can fly or afford an air ticket to travel domestically or internationally.

Airport taxes also add to the expense of air travel and ticket fares fluctuate due to tax hikes, the exchange rate and other factors. These taxes are needed to invest in the infrastructure required at the airports, but are prohibitive to the cost of domestic air tickets.

However, the Airline believes the aviation sector in Zambia has a lot of potential in terms of growth. In the last five years, the County has seen massive renewal and construction of new infrastructure in the aviation sector, which will help stir more traffic in terms of more investors coming in and out.

Proflight Director of Government and industry affairs, Captain Phillip Lemba, told how the airline will look to take advantage by influencing investors to come and explore Zambia by using his company's reliable service.

He said: "We can't wait for the KKIA (Kenneth Kaunda International Airport) to be completed in 2018.

"We want to use the new facility to showcase our reliable services in a bid to attract more investors. "We want the airline to improve the quality of life by broadening people's leisure and cultural experiences.

"Furthermore, we want to help boost the tourism sector and enhance value addition by providing a wide choice of holiday destinations in the country. The Airline will remain an affordable means to visit distant friends and relatives."

Expanding the travel market internationally helps boost productivity across the local economy and improved transport links expand the market in which companies operate.

As a result, companies are better able to exploit economies of scale, thereby reducing costs and able to specialise in areas of comparative advantage.

Proflight, over the years, has treasured its capacity building drive. Training is amongst the critical components to growing the aviation industry as more professional individuals will be required to work and utilise the invested resources or infrastructure put in place in the sector.

Going from strength to strength, the airline is moving at jet speed to reach its goal of becoming a major global airline.

Increasing its fleet, aircraft, staff, and network across Zambia and the Southern African region, Proflight has received overwhelming response from its customers due to fostering development

in the region's economy, businesses and tourism. In order to boost domestic travel, there is an immense need to reduce airport taxes in a bid to stabilise and enable domestic airlines to reduce fares, encouraging a greater number of local travellers to fly domestically.

This will in turn prompt Zambians to travel by air more frequently as air travel is the most convenient and quickest form of transport and the best way to do business.

Doing this could boost intra-African business, trade, forex, tourism as well as cultural exchange. Proud of its outstanding reputation, Proflight Zambia, the country's leading scheduled airline, from its base in Lusaka, flies on its domestic routes to Livingstone, Mfuwe, Lower Zambezi, Ndola, Kasama, Kalabo and Solwezi, and regional routes to Lilongwe in Malawi and Durban in South Africa. Many investors will be aware that Africa is one of the fastest growing continents in terms of international traffic.

Proflight Zambia has numerous aircraft in its fleet to take the investor to any terrain so that they can take advantage of Zambia's favourable business climate.



DESTINATIONS 2018

DURBAN KALABO KASAMA LILONGWE LIVINGSTONE LOWER ZAMBEZI LUSAKA MFUWE NDOLA SOLWEZI KAFUE



# TOURISM

Zambia is home to Largely-untouched national parks and game areas

South Luangwa is home to one of the largest concentrations of wildlife globally

MICE industry a growing aspect of business travel

Victoria Falls: the largest waterfall in the world





## **Recognising the Potential**

#### Giving our Visitors a Unique African Experience

The Government of Zambia has identified tourism, including arts and culture as one of the priority growth sectors of the national economy. The tourism sector holds the potential to be a major contributor to socioeconomic development as an important source of jobs, wealth, and competitiveness, particularly in the country's rural areas and holds major linkages to various other sectors of the economy. As an industry, tourism in Zambia offers large opportunities for a return on investment in infrastructure development, hotel management, tour operations and the meetings, incentives and conferences and exhibitions (MICE) sub-sectors. Zambia's key assets include pristine and largely untouched national parks and game management areas, home to a great diversity of flora and fauna. Zambia stands out as one of the prime tourism destinations in Africa offering a wealth of natural tourism assets waterfalls, lakes and rivers holding close to 35% of Southem Africa's total natural water resources, wildlife protected areas' occupying about 10% of the country's total land area, and a sub-tropical climate - a passport to sunshine almost throughout the year. Zambia is home of the Victoria Falls, one of the Seven Natural Wonders of the World and UNESCO site. In addition, Zambia is endowed with a rich and diverse culture resulting in the occurrence of more than 30 colourful traditional ceremonies annually. The total contribution of the tourism sector to GDP was K15.2bn (\$1.4bn), 7.0% of GDP in 2016, and was predicted to rise by 4.4% in 2017, further increasing to K27.9bn (\$2.6bn), 7.0% of GDP in 2027, The total investment recorded in the tourism sector in 2016 reached K1.3bn, 1.7% of total investment (\$0.1bn). It should rise by 7.9%

**ARRIVALS:** 

The country was expected to attract 1,132,000 interna-

in 2017, and rise by 3.9% pa over the next ten years to

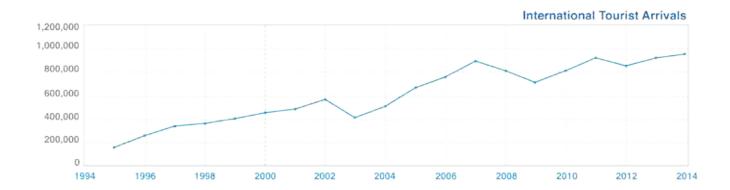
K2.1bn (\$0.2bn) in 2027, 1.5% of total.

tional tourist arrivals in 2017, up from 931,782 international tourist arrivals in 2015. Business tourists were dominant under the purpose of visit category, contributing 54% and holiday/leisure was second at 25%. In recent years, Zambia has recorded a sharp increase in conference arrivals at about 9% on a yearly basis. Most of the arriving tourists represented the Southern African sub-region accounting for 76.2% of the total international tourist arrivals, followed by Europe with 9.5%, and the Americas with 5.3%. Tourists from Asia contributed 7.7%, while Australia represented 1.3% to the total arrivals. By 2027, international tourist arrivals are forecast to total 1,917,000, generating expenditure of K12.5bn, an increase of 4.0% pa.

#### HOTELS:

Zambia boasts a wide range of accommodation from five-star hotels and first-class luxury lodges to rustic bush camps, questhouses and campsites. The total number of rooms available in Zambia was 43,119 in 2015, with an average room occupancy rate at 69.8% and an average length of stay of four days. Lusaka accounted for 31.7% of the total number of rooms while Southern Province, home to the mighty Victoria Falls was second accounting for 29.1%. Well-known hotelier groups have made major investments in hotel development in Zambia including The Carlson Rezidor Hotel Group, Marriott, Accor Hotels, South Africa's Southern Sun, Protea Hotels and Sun International, one of Asia's largest hospitality groups Taj Hotels Palaces Resorts and Safaris, as well as the Mauritius-based Africa Hotel LP with their recent purchase of the landmark Intercontinental Hotel in Lusaka. The African Hotel Report, released by Hotel Partners Africa (HPA), ranked Zambia as the second top destination for hotel developers in Africa in 2015. Zambia with an average growth of 6.5% per annum in the last six years in

"As an industry, tourism in Zambia offers large opportunities for a return on investment"



the hotel industry and a supply of 122 branded bedrooms per million population represented one of the most lucrative opportunities in Africa in hotel development. In Africa the supply in Zambia is far below the average supply in Southern Africa at 350 bedrooms/million and potential to reach the 365 bedrooms/million in the medium term.

#### **NATIONAL PARKS:**

Zambia's wildlife protected areas occupy about 10% of the country's total land area. A total of 20 national parks, 34 game management areas and 23 million hectares of land are devoted to the conservation of a spectacular variety of animals. The major national parks include Kafue National Park, Lusaka National Park, South Luangwa National Park, Mosi-Oa-Tunya Park in Livingstone, and Lower Zambezi National Park. The total number of tourist visits to the five national parks was 101,972 in 2015, a major increase from the previous year.

Zambia's wildlife is the foundation of its tourism industry, now one of its biggest employers and foreign-exchange earners. In the early part of the 20th century the Big Five game animals were widespread outside reserves and parks and most of Zambia's rural areas supported wildlife at levels currently seen in national parks. Today, the rhinoceros is almost extinct, elephant, zebra, hippo, and lion are found almost exclusively in parks, the African buffalo is found in or close to parks. Of the other large animals, only the spotted hyena, Nile crocodile, hippopotamus, and antelope are found in numbers outside parks. South Luangwa National Park, located in the Luangwa Valley in Eastern Zambia, has one of the largest concentrations of wildlife in the world and, probably, the largest variety of animals and bird life in Africa.

#### **HUNTING:**

remains an important part of the tourism industry in Zambia. Previously, all hunting was banned in January 2013 due to fears of overhunting and wide-spread corruption within the relevant authorities. The ban was, however, lifted for most species in 2014 and 2015 including the dangerous game – lion, leopard, buffalo and elephant. Zambia is famous in professional hunters' circles for a variety

of plains game and its several unique species of antelope, such as Kafue lechwe, black lechwe, and Cookson's wildebeest. Zambia Wildlife Authority is responsible for wildlife management. In recent years, modest harvest quotas and tight controls have been imposed on safari activities. Three types of licences are permitted in Zambia — the Classic Safari, with a minimum duration of 14 days, which allows the hunter to hunt all the big game, the Mini Safari which allows the client to hunt a maximum of five species, and the Special Safari which authorize the customer to hunt specific species such as Kafue lechwe.

#### MICE:

Zambia has the potential to become a hub and choice destination for the Meetings, Incentives, Conferences and Events (MICE) industry in the Southern African region. The MICE industry has added a growing new dimension to the sector and with it, the capacity to attract many visitors, for both business and leisure. With business travelers accounting for more than half of the registered tourists in Zambia, the conference category has continued to register the most impressive growth rate of all sub-sectors in the industry. Many companies have made plans for investing in conference facilities to capture this business segment, which assures high room occupancy rates and increased consumption of food and beverages, among others. Livingstone tops the choice for conference destinations as the Zambian Government has outlined plans to transform the town into a premier convention facility. The refurbished Harry Mwanga Nkumbula International Airport is one of the infrastructure upgrades, throughout the country and the first step to welcome more visitors to the nation's tourism capital. Adding to the existing conference facilities, The Zambia Institute of Chartered Accountants (ZICA) has bought 102 hectares of land to set up a 5,000-seat convention centre, 10 presidential VIP villas and an international golf course at a cost of \$350m. Lusaka's Mulungushi International Conference Centre with 3000-seat capacity is the leading conference facility provider in Zambia at the moment with various venues for conferences, exhibitions, trainings, meetings and social happenings. In 2013, Zambia hosted the UNWTO Gen-

"Zambia's wildlife is the foundation of its tourism industry, now one of its biggest employers and foreign-exchange earners."

"Livingstone tops the choice for conference destinations."

eral Assembly and African Development Bank Annual Meeting in 2016 demonstrating its aptitude to host major international events. The country is also set to welcome the African Union Heads of State Summit in 2022.

**CULTURAL TOURISM:** 

Zambia is home to a culturally-diverse population. Boasting 73 local languages, Zambia offers a rich array of traditional festivities and events. There are more than 20 recognised annual traditional ceremonies in Zambia, manifesting customs, social life, rituals, oral history, material, and spiritual culture. They provide a valuable insight to a traditional culture that has been passed down from generation to generation. Most of the ceremonies have a deep meaning, in many cases designed to invoke memories of the transformation from childhood to adulthood. Most tribes in rural areas still practice harmless initiation ceremonies for girls, which are generally conducted after puberty. Only a few tribes still practice male circumcision initiation ceremonies and those that occur happen in total secrecy. The open ceremonies that visitors can watch are those that signify ancient times, when new kingdoms were being founded by ancient chiefs and are usually splendid, colourful affairs with much symbolism in their dancing and drumming. The most famous and glamorous - Ku'omboka ceremony - is held in March/April by the Lozi people in Southern Province to mark the migration from the flooded plains to higher ground at the end of the rainy season. Zambia's diverse cultures bring with them a wide variety of traditional skills. Crafts can be found in great variety ranging from unique musical instruments to high-quality traditional basketry for a wide range of uses - carrying and storage, fishing traps, beer strainers, flour sieves, sleeping and eating mats and a variety of tableware.

#### THE SMOKE THAT THUNDERS:

Victoria Falls, partially located in Zambia is one of the Seven Natural Wonders of the World. At their peak, the Falls plunge into the Zambezi River at about 550,000 m³/s. The impact is so intense that the falling water creates a cloud of vapour that typically rises to over 400 m and can be seen more than 40 km away. Because of this, the falls have been known for centuries as Mosi – Oa – Tunya, meaning "The Smoke That Thunders" in Tonga language. The falls, which are found in the country's tourist capital of Livingstone in the south of Zambia, were declared a World Heritage Site for their unique geological and geomorphologic significance. The Victoria Falls area is rich in biodiversity. The Victoria Falls is considered the largest waterfall in the world, with the combined width of 1,708 m and height of 108 m, about twice the height of Niagara Falls.

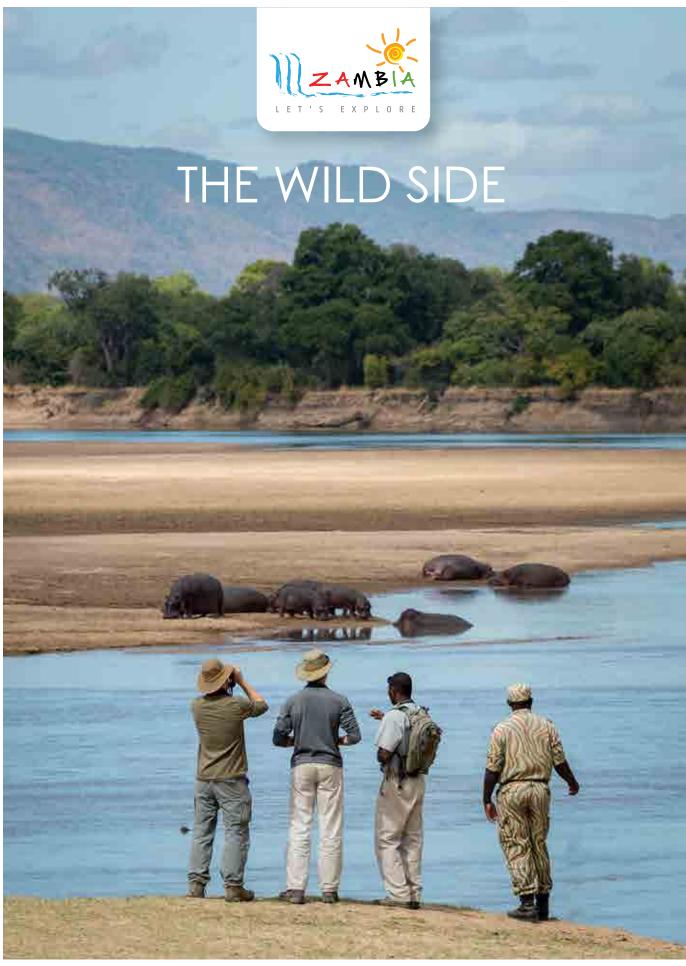
#### **SHOPPING IN ZAMBIA:**

Lusaka, the capital city of Zambia, has recently seen a tremendous increase in retail space. Lusaka has over 10 large shopping malls dispersed across the various neighbourhoods, with Manda Hill, Arcades Shopping Mall currently undergoing a major upgrade, East Park, Levy, Garden City, and Makeni Mall among the biggest. The malls host a wide variety of shops ranging from high-end boutiques, restaurants, supermarkets, clothing, jewellery, furniture, cinemas, nightclubs, banks, hotels and service stations. The retail sector has recently received attention from both the investors and the customers alike. Several South African investors have made invested in the retail development sector resulting in increased competition in the commercial real estate sub-sector. The retail sector in Zambia is supported not only by the growing middle class of the country; the shopping malls are a natural attraction for the visitors from the neighbouring countries - Zimbabwe, Malawi, DRC, and Tanzania, reaching almost half a million tourists from their respective countries in 2015 ,who mostly travelled by road.

waterfall in the world , about twice the height of Niagara Falls."

"Victoria Falls is the largest













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## **Marketing Zambia's Tourism Offering**

#### Felix Chaila, Director General, Zambia Tourism Agency

**BRIG:** What role does the tourism sector play in developing Zambia and what are the main target markets?

#### Felix Chaila:

The tourism sector plays a crucial role in the socioeconomic development of Zambia. Our country is unique in terms of the pristineness of nature, its safaris and the density of wildlife. We offer the complete experience of Africa with a notable absence of over commercialisation. Zambia is also leading the sub-region in infrastructure development, with our road and airport infrastructure all receiving major upgrades. The tourism industry in Zambia holds an outstanding potential for expansion. Zambia's cultural heritage is the richest in the Southern African region with more than 73 different tribes and more than 50 traditional ceremonies, all intricate in their story line. Few countries can boast the same cultural wealth and provide a feast for a culture lover. The ceremonies, mostly celebrating the harvest season, have masquerades that will mesmerise a tourist from anywhere in the world.

We, at Zambia Tourism Agency, recognise that the global pattern of 80% of the arrivals originating from the sub-region also applies to Zambia. Our country borders eight neighbors, is centrally located and easily accessible from the rest of the Southern African region which is one of the fastest developing regions in the world. The overall population of the SADC is approximately 250 million people with an emerging middle class of 10% which essentially constitutes a target market of more than 20 million people. Outside the sub-region, we are also attracting travelers from our traditional primary markets – the UK, USA, and EU,

and from the new target markets from other emerging economies such as India and China. We have had great successes in the Indian market in recent years and are welcoming increasingly more of high-caliber Indian tourists that crave the wilderness experience. Because of the large Indian community, and English as the common language, similar historical backgrounds and customs, arriving visitors do not experience a culture shock. Zambia has much to offer and the numerous adventures in Livingstone such as the microlite, and helicopter flights, bungee jumping, white water rafting, the river and it's sunset cruises, and the Royal Livingstone Express train experience are just the beginning of what can be experienced.



**BRIG:** Which sub-sector do you see as the fastest growing in the Zambian tourism industry?

#### Felix Chaila:

Zambia recorded it's highest MICE (Meetings, Incentives, Conferences and Exhibitions) activity in 2016 when it hosted the annual meeting of African Development Bank in Lusaka and before that the UNWTO Annual Meeting in 2015. This kick started, a myriad of other international business meetings and conferences and now MICE has grown into the most lucrative sector of the tourism industry, which also feeds into leisure tourism activities. Due to the current limited capacity, Zambia needs investment in development of hotels and convention centres to realise the full potential of the MICE industry.

The MICE industry will transform Zambia. Several hotelier groups have set up shop in Zambia, mainly

in Lusaka and more partnerships between the public sector and the private sector are seen in the hospitality industry. For example, NAPSA has joined forces with Hilton and South Africa's Tsogo Sun, with two new hotels opening doors in the capital. It is important to point out that the Zambian Government is promoting the cluster concept, which promotes a multi-sectoral approach to the development of the country. A developed transport network will promote the tourism sector, which in turn, can feed into the retail and other sectors. Having said that, we the Government, must do more for our general populace to feel the benefits of the tourism sector and critical investment is needed.



Kupa nkwaanzika. (Chitonga)

To give is to store.

Giving is a form of savings. People to whom you give things will come to your aid in a time of need.

# AGRICULTURE

**Generous incentives offered to investors** 

Vast export opportunities to neighbouring countries

Major growth anticipated due to growing demand

Aquaculture sub-sector poised for growth





## **Agriculture: An Industry Ripe for Growth**

#### Blossoms Before the Harvest

In Zambia, agriculture and its value chain is an industry that is ready to be harvested. Contributing just under 10% to GDP and over 60% to employment figures, agriculture and its various sub-sectors are an important part of the country's economy. Its cool and dry sub-tropical climate and available water resources allow for production throughout the year. The agricultural sector consists of both small-scale farmers and, large-scale farms and agribusinesses. Agribusinesses are often diversified and have vertical integration throughout the whole value chain, a good example and success story is Zambeef. This sector provides a vast variety of business opportunities from inputs to food production to processing and everywhere in between.

#### INCENTIVES:

This sector receives priority attention from the Government and it is seen as a driver of employment in rural areas. There are a number of incentives and tax breaks for large-scale farm production. These incentives range from subsidies on establishing the farm to VAT deferment and no import duties on certain inputs to reduced tax rates of 10%. Production loans are available from the various banks in the country. There are also guarantees and security for investments.

#### **CLIMATIC CONDITIONS:**

Zambia's climate would be considered tropical, but due to its elevation above sea level, temperatures are reduced, making the area more a sub-tropical clime. The average temperature in summer is 30°C, while the average winter temperature varies around 6 to 12°C. Zambia's rainfall follows a similar pattern to most other Southern Africa countries, with the wet season occurring when the sun is near its zenith from November to April. Rainfall varies from 500

to 1,400 mm (19.7 to 55.1 inches) per annum, with the dry season with no rain falling in the months of June, July and August. The rains are brought by the Inter-Tropical Convergence Zone (ITCZ) and are characterized by occasional severe thunderstorms. The ITCZ is located north of Zambia in the dry season (southern hemisphere's winter). It moves southwards during the second half of the year then northwards in the first half of the year. In some years, it moves south of Zambia, resulting in a short-term drought in the north of the country for three to four weeks in December. The highest rainfalls are experienced in the north, especially the north-west and the north-east, decreasing towards the south with the driest areas in the far south west. This small part of the country is considered semi-arid, although it is situated in the middle Zambezi River valley. The country has numerous lakes and rivers, as well as underground water resources, thus enabling farmers to irrigate crops during periods when there is insufficient rainfall. The area of Zambia's territory is 75 million hectares and of this area, 58% or 42 million hectares has been classified as having a medium to high potential for agricultural production. Currently, only around 15% of this land is under cultivation.

#### **CROP AND HORTICULTURAL PRODUCTION:**

Zambia's staple food is maize and this is also the most cultivated crop. Other large-scale crop production includes coffee, cotton, flowers, groundnuts, paprika, rice, sorghum, sunflower seeds, soybeans, sugar cane, tea, tobacco and wheat, amongst others. Zambia is also one of the continent's greatest certified seed exporters. There is an established manufacturing sector in Zambia, which provides various inputs to the agricultural sector, such as irrigation pipes and woven bags for grains. In terms of professional services, there is a private company that per-

forms soil mapping, testing and sampling as well as leaf analysis. In addition, there is the Zambia Agriculture Research Institute, which performs a research and development role. As described above, there is a large amount of unutilised arable land, which has the potential to become productive farmland. There are various incentives in establishing new farmlands. These include a guaranteed input tax claim for Vatable agricultural businesses for four years before production starts, VAT deferment when importing certain agricultural equipment and machinery, and no import duty on irrigation equipment as well as reduced import duty on other agricultural equipment. In addition, there is a farm improvement allowance of 100% on fencing and wall work and a farm works allowance of 100% for the full cost of clearing vegetation, removing stumps, preventing soil erosion, drilling of boreholes, digging of wells, aerial and geophysical surveys, and water conservation. Farmers are also given an allowance of K10m if their farm is occupied by farm workers. Farmers who grow tea, coffee, bananas, citrus trees and other similar crops can claim a development allowance of 10% of their expenditure after the profits of these business entities have been ascertained.

#### LIVESTOCK PRODUCTION:

Cattle, chickens, pigs and fish are the main types of livestock used in the production of meat and associated animal products. According to Zambia's landmass, 42% of it is suitable for livestock production and 12% of it is suitable for rangeland grazing; the landmass' potential is far from being adequately used. In terms of production, there is a widespread prevalence of contagious diseases amongst livestock in the country, such that commercial farmers keep their livestock in stalls rather than risk their animals being exposed to potentially disease-carrying stock. This presents an opportunity for the establishment of animal health and veterinary services to reduce this risk and broaden the area of livestock production. In terms of animal feed, there is a reduced customs duty on pre-mixes and vitamin additives. Due to the distance to suppliers, most farming operations produce their own animal feed on site. This is one of the reasons that vertical integration along the agricultural value chain is important and practised. In terms of capture fisheries, Zambia could sustainably double its production to 150,000 metric tons per year. Aquaculture contributes less than 15% of the current 70,000 tons of total production of fish products. Aquaculture is relatively new in the country and this subsector is poised for growth.

#### **LABOUR RESOURCES:**

Agriculture and its related activities are the largest employer in Zambia. There is a low cost of labour and a large available workforce, although the labour is largely unskilled. The people of Zambia have a friendly disposi-

tion and are pleasant to work with and are willing to learn.

#### MARKETS:

Zambia has a relatively small local market as people have low-purchasing power, hence most production is geared towards being exported. There are a number of free-trade agreements in place that farmers and agribusinesses can and do take advantage of. The main export destinations are countries in Southern and East Africa, followed by the United States and Europe. There are liberalised export policies and export procedures that are simplified and set out. Beyond the normal certifications needed for transporting agricultural products across borders, an export permit is required for maize, sorghum, wheat and soya beans. This is to limit the risk of a food shortage in the country. Due to long distances to the market, most produce is processed on the farm or in the immediate vicinity. Currently, there is a lack of export infrastructure for highly perishable products. This will change as road infrastructure improves, existing airports upgraded and when a greenfield airport in the Copperbelt is up and running.

#### **OPERATIONAL AGRIBUSINESSES:**

The country has several well-established agribusinesses that have steadily grown and expanded over the years. Zambeef Products Plc is one such company, which has grown from a small beef-meat outlet to a multinational company that has fully integrated throughout the value chain as well as diversified into other sub sectors of the agriculture sector and expanded operations into other African countries. It is a listed public company on the Lusaka Stock Exchange (LuSE) as well as being on the London Stock Exchange's Alternative Investment Market (AIM). It has retail outlets, wholesale centres and fast food outlets, as well as production plants in other sub-sectors of the agricultural sector. Its success can best be described in the words of Francis Grogan, the CEO of Zambeef Products Plc: "The growing demand for agricultural products and consumer goods in sub-Saharan Africa together with the increasingly stable political climate in the countries in which we operate, creates an exciting platform on which Zambeef can thrive". Superior Milling Ltd is another successful agribusiness and produces the well-known Mealile brand of maize products, which remains a favourite in the local market due to its high quality and low-priced products. Zambia Sugar Plc is another agribusiness that has continued to expand its operations and has doubled its production capacity and exports; in additions to its own farms, it also has an out-grower scheme that enhances its productivity levels.

#### THREATS:

While the Zambian Government has put in place various measures to protect the agricultural industry from a number of threats, competition and threats to business

"there is a large amount of unutilised arable land, which has the potential to become productive farmland." will always be there in a free market. The identification of these and the development of mitigation strategies to reduce their risk is fundamental to success. One of these threats is the subsidised production of agricultural goods in developed nations and their subsequent exportation to developing countries. This oversupply can lead to local producers being unable to market their produce. In the same light, there will always be trade and market entry barriers that need to be taken into account when drafting one's business and implementation plans. Another universal challenge is limiting environmental degradation and people's growing awareness to it. A localised threat to business as usual is the increasing demand for transparency along the supply chain. Being aware of such issues is half the problem solved.

## DEVELOPMENT OF THE SMALL-SCALE FARMING SECTOR:

There are various strategies that are in place, which are aimed at increasing this sector's productivity and improving food security. These include increasing the area of smallholder farmers' lands under irrigation and their level of mechanization, improving the agricultural extension service, improving access to agricultural inputs, improving access to market their products, increasing accessibility to financing and credit, increasing the private sector's involvement and implementing environmentally-sustainable practices. This has led to some success stories. Concerning access and availability of financing and credit for agricultural purposes, the Lima credit scheme was developed through the collaboration between the

Zambia National Farmers' Union and the Zambia National Commercial Bank, which provided seasonal loans to small-scale farmers. This was furthered by the Loan-A-Cow credit scheme that created accessibility for small-scale dairy farmers to obtain credit facilities. Small-scale farmers' production is often overlooked, but opportunities abound in terms of supplying inputs and, relevant post-harvest handling and processing technologies as well as the provision of access to credit and access to markets.

#### **INVESTMENT OPPORTUNITIES:**

The agricultural sector, and its numerous sub-sectors, present a wide variety of opportunities in a country whose productive resources are largely underutilised. In terms of farm production itself, large quantities of medium to high potential agricultural land is available for large-scale livestock and crop production. Agricultural inputs and preparatory works offer another broad variety of opportunities; from inputs such as seeds and fertilizer, to the manufacturing of irrigation equipment and farm machinery, to farm preparatory work of surveying, clearing and fencing. Post-harvest activities add another broad spectrum of opportunities that includes processing and its related equipment, transportation of produce and market broking. Financing is another aspect that is needed for both smallholder and large-scale farmers that is poised to expand. In an economic sector that is expanding quickly, it is better to become established early and to continually reap the benefits over time rather than sit on the fence and watch other people profit.

## SGS INSPECTION SERVICES LTD

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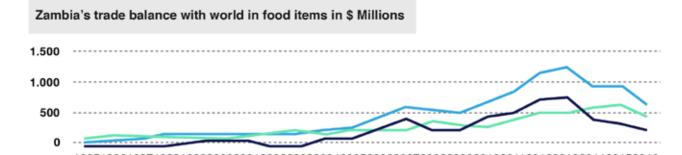
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WHEN YOU NEED TO BE SURE



Trade balance



Imports

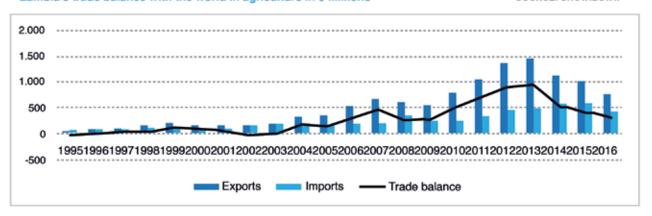
#### Zambia's trade balance with the world in agriculture in \$ Millions

Exports

-500

SOURCE: UNCTADSTAT

Source: Unctadstat



#### **ZAMBIA - CEREAL PRODUCTION**

|              | 2012 -2016<br>average | 2016       | 2017<br>forecast | change<br>2017/2016 |
|--------------|-----------------------|------------|------------------|---------------------|
|              | 000                   | 000 tonnes |                  |                     |
| Maize        | 2,864                 | 2,873      | 3,100            | 8                   |
| Wheat        | 239                   | 250        | 270              | 8                   |
| Rice (paddy) | 39                    | 27         | 45               | 67                  |
| Others       | 45                    | 46         | 52               | 13                  |
| Total        | 3,187                 | 3,196      | 3,467            | 8                   |

Note: percentage change calculated from rounded data. Source: FAO GIEWS country cereal balance sheets.



# **Focused on Building the Sector**

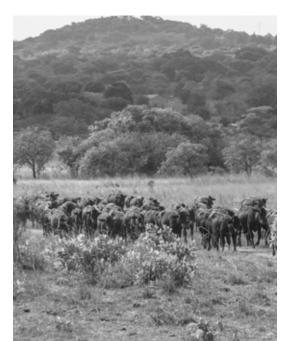
#### Dora Siliya, Minister of Agriculture

**BRIG:** How is the Ministry working to promote further investment in the agricultural sector?

#### Dora Siliya:

The Government of Zambia has started to tread the path of diversification of the economy choosing four sectors as priority sectors to achieve this goal. Agriculture, together with mining, manufacturing, and Tourism have seen a sharp rise in Government funding and incentives. The agriculture industry directly and indirectly employs 70% of the economically active population yet accounts for only 9% of Zambia's GDP. The Government has undertaken an integrated approach to increase agricultural production in the country encompassing key facets of the country's agricultural sector including agricultural diversification, increased food and nutrition security, improved production and productivity and; improved agricultural research and extension delivery services. Locally, our crop offering needs to be diversified. Since the 1990s, Zambia's crop production has been biased towards maize, Zambia's staple food, accounting for over 60% of total agricultural production and has exposed the small-scale farmers, who are the main producers of maize, to weather-related risks, such as drought. Hence, the current Government has committed to promote diversification to cash crops such as cotton, cashew nuts, soya beans, cassava and rice. The livestock and fisheries sub-sectors will also continue receiving attention from Government to create a strong and sustainable economy to improve the welfare of citizens. To further promote the mechanisation of the industry, we have introduced a zero tax rate incentive towards importation of capital goods, such as tractors, other farm machinery, and its spare parts to

increase the productivity of our farmers. The Government is also planning to invest in 20 mass irrigation dams across the country with works on the Mwonboshi and Chikowa dams underway and increase allocations to the Irrigation Development Fund. We cannot talk about the development in the agriculture sector without talking about linkages to other sectors. With increase in crop production for commodities such as maize, wheat, soya and sorghum, it is critical that other industries such as stock-feed processing strengthen the backward linkages with crop agriculture. Infrastructure development of Zambia plays a significant role as the developing road infrastructure will positively impact the farmers in rural areas. The agricultural sector hold huge potential for synergies with transport, ICT, manufacturing and other industries.



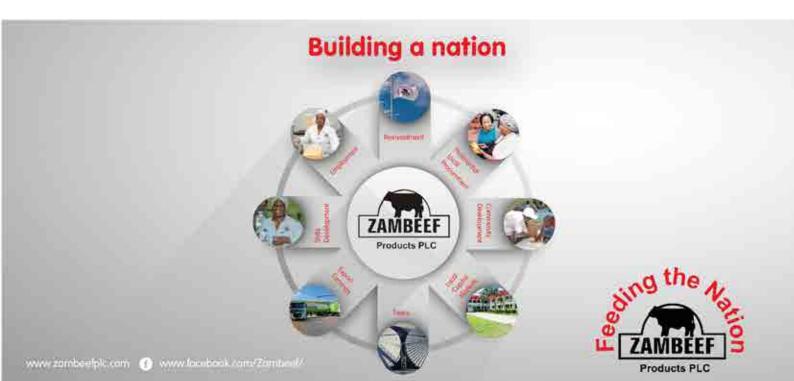


**BRIG:** How would you rate the potential of Zambian agricultural exports to the SADC region?

#### Dora Siliya:

Zambia must begin to look beyond its borders for markets for its locally-produced commodities to earn the much-needed foreign exchange to spur the country's economic development. There are three key areas Zambia's agriculture industry needs to work on to become a regional food basket. Firstly, our farmers need to embrace modern methods and technologies to transform Zambia. Secondly, our country needs the improvement of value addition through agro-processing. Primary agricultural products should be transformed into high-value products. Thirdly, we should focus on improved access to finance which can be done by providing broad-based credit and finance to smallholder farmers through warehouse

receipt systems, savings banks and co-operatives. Zambian farmers have done well in making strides in the neighbouring countries of, the DRC, Rwanda and Malawi. Our Government needs to develop deeper synergies with our neighbours and formalise trade protocols and procedures to harness Zambia's comparative advantage in trade over others. The DRC market holds a large, untapped potential for Zambian farmers. The DRC and Zambia have been successful in sharing challenges through stakeholder's meetings on how best to resolve and handle the matters being faced by traders, especially smuggling, which results in both governments losing valuable revenue from the ongoing trade..





## **ZAMBEEF**

#### A proudly Zambian company that's feeding the nation

Zambia's agriculture sector offers unique opportunities for investment. The country is endowed with numerous natural resources that make it ideal for agrobased activities; it has an abundance of: fertile land, water resources, a vast pool of small-scale farmers and outgrowers, and a favourable climate coupled with a growing population.

In keeping with its development agenda, Zambia is looking to diversify its economy and is increasingly focusing on agriculture as one of the key sectors. Agriculture and agri-processing will serve to generate wealth for farmers and create employment opportunities for many as demand for food and agriculture-based products in Africa is expected to reach \$1 trillion by 2030 and Zambia can tap into this opportunity by ensuring that sustainable policies on issues, such as irrigation are in place in order to reduce uncertainty in production for example.

Zambia is already self-sufficient in the production of all the basic foodstuffs such as maize, wheat, soya, beef, chicken, dairy and pork, which is a major achievement over the last 20 to 30 years. Today, being 'landlocked' can be considered to our advantage as the country stands as a central point of access to surrounding markets. There is need for continuous improvement in the sector so that we can export any surplus.

The Southern Africa Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) countries also hold massive opportunities for export activities for Zambia.

Zambeef currently exports to Kenya, Angola, the Democratic Republic of Congo (DRC), Malawi, Mo-

zambique, Botswana, Zimbabwe and South Africa in Africa as well as China, Hong Kong and Vietnam in Asia. Apart from Zambia, the Group has established operational bases, as well as Shoprite in-store butcheries, in West Africa in Nigeria and Ghana.

Livestock is another one of the sub-sectors with massive potential. In terms of cattle, Zambia has a very small beef herd, 3.5 million head of cattle, while the country has the capacity to carry at least 12 to 15 million head. Tanzania, which has a 10% larger land mass, has a national herd of approximately 23 million cattle.

Zambeef is one of the companies helping to achieved self-sufficiency in beef. Years of working with small and medium-scale farmers across the country has positioned the company as Zambia's leading beef provider. There is enormous potential to grow the local beef industry and extend this supply to the whole region.

Zambeef has a deliberate policy for ensuring that all its beef, dairy, poultry and pork are sourced from local farmers in addition to its in-house production. The meat and dairy giant provides a huge and ready market for local produce as well as links to other markets through its vast retail and distribution network.

Zambeef has a large row cropping operation – principally maize, soya beans and wheat with approximately 7,971 hectares of row crops under irrigation, planted twice a year and a further 8,623 hectares of

rain-fed/dry-land crops available for planting annually.

The establishment of the Ministry of Fisheries and Livestock has also helped the cause of the Zambian livestock sector and hopefully the necessary resources and support for Veterinary Services and extra extension officers will materialize as a result.

There is much scope for the establishment and growth of more home-grown companies such as Zambeef. Investing and developing small holders capacity will be a key part of developing the sector. In the case of cattle in Zambia, approximately 95% is in the hands of small-scale farmers.

As One of its leading and largest integrated agribusinesses and multinational conglomerate, Zambeef generates considerable foreign exchange flows for the country, boosting Zambia's economic fortunes, generates tax as well as creates employment. A significant percentage of its shares are owned by local institutional investors and pension funds, including NAPSA. It is also undoubtedly one of the country's largest employers with over 7,000 staff, 99.6% of whom are Zambians.

As a food company, Zambeef's focus is very much market driven, with the company continually investing in its growing retail and distribution network and delivering local and quality fresh foods that are affordable to customers across the country.

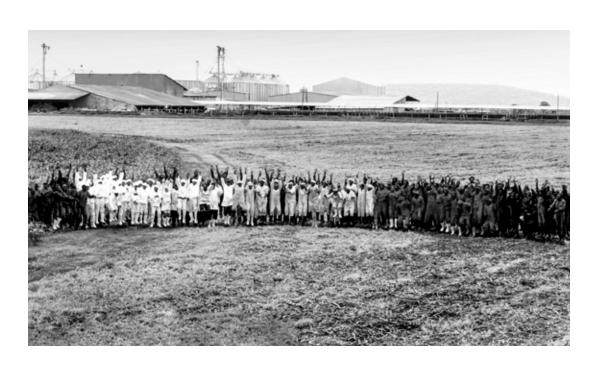
Some of the major challenges facing the sector

at the moment are tied down to production and postharvest efficiencies. Value addition is also another vital component that needs attention with more farmers moving up from just primary production into processing as well.

Access to long-term capital remains a crucial factor in the diversification and growth of Zambia's agriculture sector. When done right, partnerships between Zambian-owned businesses and investors can serve to further strengthen and contribute positively to the local economy as is the case with the Zambeef - CDC investment, which enabled the food company to buy outstanding shares in both ZamChick and ZamHatch at a cost of \$23m, further consolidating its position as a local company.

By creating and maintaining such enabling environments, ready access to markets and building capacity among local farmers, Zambia can be a food basket for the region and surrounding countries.

The time and environment are right for investment as value addition and industrialisation become a key focus area for the sector. The private sector remains a key component in facilitating investment in the sector and so more public-private partnerships (PPPs) are likely to be involved in more of the capital-intensive projects. We can certainly expect more innovation and development in the agriculture sector over the next few years.



Panakotamene mbwa panalepe, ulimi wambwa katwo mona. (Lozi / Luyana)

A dog has been bending over a long time, yet its agricultural yield is never seen.

Do not waste one's time or money on a useless or unprofitable venture.

# MINING

Mining sector the pivotal part of Zambian economy

Widely diversified mineral offering

Oil blocks for prospecting offered by Government

Strong push for increased local, downstream benefication







# **Geologically Speaking**

### We are Walking on Wealth

#### **BACKGROUND OF THE MINING SECTOR:**

The country has a commercial mining history of over 90 years, with copper being the predominant product as well as the mainstay of the economy and, foreign direct investment and earnings. Copper has played a major role in the economic and social development of the country. To this day, mining remains a central facet of the Zambian economy. The sector has had various reforms throughout its history. Mining initially started under British-colonial rule. Zambia gained independence in 1964 and by 1968, nationalisation of resources began, which coincided with a slump in mineral prices, by 1990, to fund social development and pressure from the IMF for economic reform to repay foreign-debt obligations, privatisation of various government parastatals was introduced, including the mining parastatal. Following the completion of privatisation of the mining sector in the early 2000s, in conjunction with an increase in demand of metals, the mining industry had a sharp recovery. During the surge in commodity prices in the late 2000s, major commitments by large mining companies were made, which resulted in the surpassing of the 1970's record peak production of 700,000 tons. Although the global commodity market weakened towards the end of the 2000s, Zambia continued to receive foreign direct investment in the sector. This led to a peak production record of 800,000 tons in 2013, with expectations of production reaching 1,500,000 tons during 2018, due to prior investment commitments and commissioned projects coming online. The sector has thus been a principal employer and economic contributor. During 2016, Zambia was rated as the world's seventh greatest producer of copper and second greatest In Africa; behind its neighbour, the Democratic Republic of the Congo.

Although copper has played the main role in the sector, Zambia's endowment of mineral resources is rather substantial. The country's mineral wealth includes other metals, gemstones, industrial minerals and, energy, agricultural and building minerals. The production of metallic minerals continues to dominate the mining sector, but the full potential of metallic minerals, as well as other identified mineral deposits, is yet to be realised, which creates greater opportunities for exploration.

#### **GEOLOGY OF THE COUNTRY:**

The considerable mineral deposits and exploration potential of Zambia is due to its extremely diverse geological terrains. This is due to its unique geographic location. The geological evolution of the country and its complexities are chiefly due to tectono-thermal events between the massive Kasai Craton (to the West), the Zimbabwe-Kaapvaal Craton (to the South) and the Tanzania Craton (to the North). The geological evolution is due to inter-cratonic dislocations and their buttressing effects on stable blocks. The four main geological formations are the Congo Basin, Forest Sandstone, Karoo Supergroup and Katanga Supergroup, of which the latter contributes greatly to the country's metallic minerals. Although approximately 80% of the country has been mapped, a significant proportion is unpublished, which includes the reconnaissance mapping of the north-eastern and western parts of Zambia. Generally, regional mapping is carried out at a scale of 1:50 000 and published at a scale of 1:100 000 as quarter degree sheets, of which a report is accompanied. In terms of quarter degree sheets, there are around 260 quarter degree sheets, approximately 60 of these cover the Kalahari of Western Zambia. Of the 260 quarter degree sheets, over 100 have been published and of the solid geology, over 60% has been mapped at a scale of 1:100 000. There are some available reconnaissance maps at a scale of 1:250 000. There is a unique geological map at a scale of 1:1 000 000, which is divided into four separate sheets for ease of use. The tenements map showing the locations of exploration and mining licences can be accessed by prospective investors and interested parties at the Geological Survey Department within the Ministry of Mines.

#### **EXPLORATION POTENTIAL:**

Zambia's unique geological evolution and its diversity of identified mineral resource deposits are a sign of the country's substantial potential for further exploration and discovery of new economic resource occurrences; the large number of new exploration companies working throughout the country can confirm this potential. Existing mining companies have both short- and long-term exploration programmes; this is in order to determine additional potential in currently-mined deposits and in the discovery of new deposits. The Katanga Supergroup has the exploration potential for copper-cobalt, gold, uranium, base metals mineralisation and other industrial minerals and constitutes areas such as the Bangweulu Block, Choma-Kalomo Block, Hook Granite Complex, Irumide Belt, Katanga Terrain, Kafue Anticline, Mozambique Belt, Mwembeshi Shear Zone and the Zambezi Belt. The Karoo Supergroup's potential for energy minerals and hydrocarbons - found in the Kafue, Luangwa and Zambezi Basins - are currently being determined. Since these basins known prospects for oil and gas, they have already been demarcated into prospecting oil blocks.

# INVESTMENT OPPORTUNITIES IN THE MINING SECTOR:

The country's broad spectrum of mineral resources present exceptional investment opportunities in the prospecting, extraction and processing of these minerals. Due to the broad spectrum of mineral resources, these will be discussed according to metallic minerals, gemstones, industrial minerals and energy minerals.

#### **METALLIC MINERALS:**

This group consists of copper and cobalt, gold, iron ore, manganese, nickel and platinum group elements, and zinc and Lead. In terms of copper and cobalt, the copper-cobalt mineralisation is strata bound within arenites, shales and carbonate rocks of the lower-Katanga Mine Series Group. Other deposits have been identified in the thrust zones of north-western Zambia (these represent zones of detachment between Basement and Katanga sequences) and in western and central Zambia (shearing

and intrusion emplacement, through the lower Katanga succession, have generated a considerable number of lode, stock work, breccias and skam deposits). Other types of deposit can be found in the disseminated copper mineralisation in the granites and aplites around the Mkushi area in central Zambia as well as the copperbearing stratiform sulphides in the Lusaka area. Over one billion tons of copper-cobalt ore has been extracted from the mines on the Copperbelt, with conservative estimations of an additional two billion tons to be potentially-economically exploited.

With regards to gold, over 300 gold occurrences have been recorded, although the majority are prospects. The greatest historical producers have been Dunrobin (990 kg) and Matala (225 kg) in the Mumbwa area, Jessie (390 kg) in the Rufunsa area and Sasare (390 kg) in eastern Zambia. The majority of these deposits are lode-type bodies, which are associated with the Mwembeshi Shear Zone and related syntectonic intrusions. A significant occurrence of gold mineralisation, in conjunction with copper and uranium, in major thrust zones close to the base of the Katanga succession.

With respect to iron ore, there are provisional estimations of greater than 900 Mt, with an iron content of over 50%; some individual deposits have been estimated to be up to 200 Mt in size. This occurs primarily as sedimentary ironstones in the lower-Katanga Mine Series successions in central and western Zambia. In western Zambia, particularly around the Hook Granite Complex, there are small, high-grade skarn and replacement deposits, which are associated with Pan-African felsic and mafic intrusions that have penetrated the lower Katanga succession.

In terms of manganese, although occurrences are numerous, they are mostly small and occur as tabular, stratiform and exhalative deposits, normally within Basement and Muva sequences, and supergene enrichments that either cap low-grade sedimentary accumulations or are concentrated within sub-vertical fractures with limited vertical extent. The sub-sector is characterised by privately-owned companies and small-scale miners, with the majority of operations centralised around the town of Mansa in the Luapula Province in the north of Zambia.

Regarding nickel and platinum group elements, there are orthomagmatic nickel occurrences in the Basement sequences to the east and south of Lusaka. There are sediment-hosted Nickel deposits in Mwashia and Mine Series rocks of north-western Zambia, which are associated with gabbroic intrusions and frequently show evidence of hydrothermal enrichment. In addition, minor Platinum Group elements are produced as a by-product of the refinement

of copper as well as from the Munali deposit to the south of Lusaka.

With regards to zinc and lead, the Kabwe deposit in central Zambia has been mined for carbonate-hosted Zn-Pb ore, which averaged around 25% Zn and 15% Pb in 11 Mt. In the same stratigraphic position lie CU-Pb-Zn deposits in Basement and Muva sequences in the southeast of Zambia. Occurrences have been recorded of carbonate-hosted Zn-Pb mineralisation in Lower Roan limestone.

#### **GEMSTONES:**

Regarding diamonds, alluvial diamonds have been recorded throughout parts of north-eastern and western Zambia. Kimberlite and lamproite intrusions occur within and near to the western flank of the Luangwa River and in southern Zambia, however, no diamond-bearing diatremes have been discovered. In terms of emeralds, Zambia's Ndola region supplies approximately 20% of global production, which are prized for their deep green colour. Other gemstones mined include aquamarine and tourmaline, which are mined in the Lundazi and Nyimba areas, while amethyst is mined in the Mwakambiko Hills near Lake Kariba.

#### **INDUSTRIAL MINERALS:**

The country has a wide range of industrial minerals. These will be used to support the anticipated growth in the agricultural, manufacturing and mining sectors. These minerals include apatite (an important source of phosphate), asbestos, barite, dimension stone, feldspars, fluorite, graphite, gypsum, kyanite, limestone and dolomite (already identified as suitable for agricultural and cement use), silica sand (high-quality glass sand is currently being exploited) and talc. There are also considerable amounts of ball clay and brick clay deposits. However, these have rarely undergone bench tests and firing tests. Throughout the country, brick clays are used at an artisanal level.

#### **ENERGY MINERALS:**

These mainly consist of uranium, coal and hydrocarbons (oil and gas). In terms of uranium, three significant types of uranium occurrence are recorded in Karoo sandstones that are associated with the copper mineralisation of the Copperbelt and the structurally-controlled mineralisation in the Basement domes to the north-west of the country. Uranium mineralisation in the Basement domes is

variously accompanied by copper and gold and almost invariably occurs in kyanite-bearing schists. These are now known to be represented in major thrust zones developed along the Basement-Katanga contact and in propagated up-sequence. Large exploration activities are underway in southern Zambia and in the Siavonga area of the Gwembe valley. Regarding coal, there are substantial coal resources and coal has been produced since 1967 from the Maamba mine in southern Zambia. Deposits and occurrences are confined exclusively to the lower-Karoo Gwembe Formation that is within a series of fault-controlled basins that comprise the Mid-Zambezi Rift Valley. In addition, thin coal seams and carbonaceous shales have been identified in the Gwembe Formation of the Luangwa and Luano-Lukusashi valleys, and in the eastern part of the Barotse Basin in the west of Zambia. With regards to hydrocarbons, two major exploration programmes had been undertaken between 1986 and 1991 within the Luangwa Rift Valley, of which one was terminated before intersecting favourable reservoir horizons. Potential for oil generation is present within the Karooage graben in both the Luangwa and mid-Zambezi vallevs. Recent exploration work, which used the Microbial Prospecting for Oil and Gas technique, revealed that the Okavango and North Luangwa basins have potential for oil and gas exploration. Oil blocks for prospecting by the private sector have been tendered by the Government.

#### **BENEFICIATION:**

There is a strong push by some role players in the sector for increased downstream beneficiation. This is for the creation of finished products and greater employment opportunities. Downstream beneficiation is presently undertaken to various degrees where feasible. Upstream and side stream beneficiation has been suggested as an alternative route for generating employment opportunities. This involves the creation of supplier industries around mines and other service industries.

#### ADMINISTRATION OF THE SECTOR:

The Ministry of Mines, Energy and Water Development governs the sector according to the Laws of Zambia. There are different types of mining and prospecting licences, each requiring specific documents or data, place of application, validity of licences, maximum surface area and rights granted. There are different tax regimes for open-cast and underground mining as well as different

incentives according to the type of mineral and operation. Incentives are governed by the Zambia Development Agency Act.

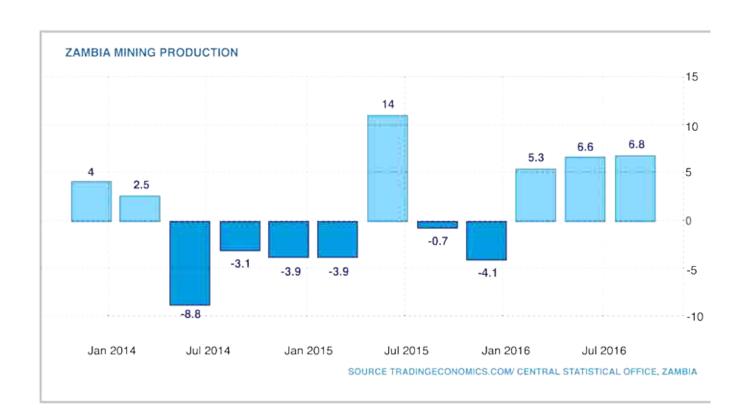
#### INDUSTRY BODIES AND INFORMATION SOURCES:

The Zambian Development Agency is a principle source of guidance with investing in the country and what this entails. The Chamber of Mines of Zambia is the main industry body. The objectives and establishment of the Chamber "was for the purposes of promoting the interests of its members, and encouraging, protecting, and fostering the mining industry of Zambia and doing everything necesary and advisable for the advancement/achievement of those objectives." It operates an industry website, Mining for Zambia, which is aimed at promoting a better understanding of the Zambian mining industry. It highlights key industry issues, and shares information about mining and

its contribution to the economy and society. The Zambian Mining Magazine is another publication that details developments in the sector and leading players in the industry.

#### SUSTAINABILITY:

Sustainability and environmental protection is a growing demand across the globe with communities gaining ever-greater insight into their rights, protection and legal recourse. Zambia is no stranger to this development with communities, which were negatively affected by miners' negligent practices, having won legal recourse. However, this is not an industry norm, with mining companies contributing greatly to community development, from building well-engineered bridges to funding community-development initiatives in farming and manufacturing.





# **Pros and Cons**

#### Nathan Chishimba, President, Chamber of Mines

**BRIG:** How can Zambia pursue development while ensuring that it is done in a sustainable manner?

#### Nathan Chishimba:

As Zambia has undergone cyclical development of difficulties and growth entwined, we need to develop a long-term strategy for the sectors that best support progress. Historically, the mining sector has lead the economy and, in my opinion, our country should use the competitive advantage of the mineral wealth to stimulate other sectors. We, at Barrick, use our success in the mining industry to expand the opportunities in the local communities whether through promoting businesses, trading with the mine or through building sustainable livelihoods for the community.

**BRIG:** What are the success stories in Zambia's mining sector that exemplify effective FDI?

#### Nathan Chishimba:

The output of the mining sector declined significantly in 2000, decreasing from 700,000 metric tons to 200,000 tons per year. Almost two decades later, we are back to producing 800,000 metric tons. All the mining companies currently operating in Zambia are success stories — Lumwana, for example, was the first greenfield project in Zambia after independence, and Kansanchi mine, operated by FQML, was reopened after a prolonged period of stagnancy. Zambia also has a very vibrant gemstone sub-sector and, moreover the potential to diversify beyond copper remains largely untapped.

**BRIG:** What are the greatest opportunities and obstacles of Zambia's mining industry?

#### Nathan Chishimba:

Zambia's mineralisation is world-class, and the country is geo-politically well placed, a conflict-free zone with an educated population. The legal landscape and the fiscal regime are very straight-forward and the current government provides an open and encouraging environment for businesses to operate. A few challenges persist, however. The fiscal regime for the mining industry has undergone eight changes in five years which, in turn created a lot of distress. One still feels the impact of the nationalisation of mines earlier in Zambia's history. The current Government, however is working on creating a stable fiscal and legal framework for the mining industry however some of its aspects are harsher than elsewhere in the world. Together with the Government, we, the private sector, have to jointly address Zambia's competitiveness globally and to ensure the sustainability of the sector.



**BRIG:** What can Zambia do to ensure a steady supply of human capital to fulfil industry needs?

**BRIG:** How can the Government and the private sector make Zambia more competitive globally?

#### Nathan Chishimba:

There are several issues that need to be addressed. The sector needs artisanal skills and the current Government is on course to create an effective framework for technical and vocational training. Zambia needs education at the tertiary level to be strategically linked to a framework that produces skills on a constant basis to equip the professionals with the skills that are on par with the newest technologies used in the industry. The industry and the learning institutions need to collaborate for achieving modern expertise and exposure of the education sector to the practices of modern mining.

#### Nathan Chishimba:

The government should continue developing a game plan, a viable strategy to ensure that business is easy to do in Zambia and not create policies that inhibit the private sector's growth. For the mining sector, it is essential to attract more resources in exploration and create much needed diversification in mining. The competitiveness of the country is largely subject to Government policies.





# **First Quantum Minerals**

#### **Providing Rich Seam of Community Projects**

The true economic growth of a country is reflected in its state of health, education, agriculture and the quality of life that its citizens enjoy. Besides Government, the private sector plays an important role in nurturing the growth of a nation.

First Quantum Minerals (FQM), through its Kansanshi Foundation in Solwezi and Trident Foundation in Kalumbila, has stepped up its campaign to end poverty, fight inequality and tackle climate change, while ensuring that no one is left behind in the communities where it operates.

The company has aligned its community initiatives with every one of the United Nation's Sustainable Development Goals (SDGs) in a move that puts the mining giant at the forefront of best practice in private sector social investment locally and globally.

#### **HEALTH:**

A responsible firm supports the health and well-being of its employees and the communities where it operates. Besides provision of clinics, and extensive HIV testing, prevention and treatment programmes, the mining group has taken a two-pronged approach to malaria, ensuring people are tested and treated, while also working on prevention measures to reduce the incidence of mosquitoes that carry malaria.

#### **EDUCATION:**

The mining firm believes that a good education is not just about offering academic opportunities, but one that provides the chance for all students learn life skills.

The education package extends from early-childhood education programmes, through all levels of schooling, to its Kwambula Training at the Solwezi Trades Training Institute (SOTTI). The dramatic improvement in standards comes on the back of a \$50m investment in North-Western Province education by the country's largest miner since 2005 under its School Improvement Programme.

Teacher training and an extra 48,000 books have improved literacy levels by 50% in Kansanshi schools supported by First Quantum Minerals in the last four years.

#### **CONSERVATION FARMING:**

More than 3,700 farmers are trained and supported by the conservation farming projects surrounding the company's Sentinel and Kansanshi mines in North-Western Province.

#### LIVELIHOODS:

First Quantum's support for self-financing community banks is a natural complement to the company's conservation farming programme, as farmers who adopt sustainable techniques to grow more produce also seek micro-credit to finance their inputs or the cost of getting goods to market.

#### **EMPLOYMENT:**

Consistent with FQM's local employment policy aimed at giving preference to people from surrounding communities, 1,053 of the Sentinel production-level employees are from North-Western Province out of the total direct workforce of 2,579 at Sentinel. Sentinel's sister mine, Kansanshi, employs 5,140 direct employees. The setting-up of the Kalumbila Multi-Facility Economic Zone is expected to contribute to the growth of medium to large industries in Kalumbila, while also increasing job opportunities through spinoff commercial activities.

#### **ENVIRONMENT:**

The company has continued maintaining the equilibrium in its environmental responsibility and social sustainability, while ensuring that effective conservational management is a corporate priority, leaving a positive legacy in the communities affected by its mining operations. The mine was recognised at the Zambia Environmental Management Agency (ZEMA)

2017 Environmental and Climate Change Awards for demonstrating commitment to implementing green initiatives, implementing a strong environmental community outreach programme and applying effort sufficient to meet environmental standards by making use of clean technology, waste minimisation and pollution prevention.

#### **ECONOMIC IMPACT:**

Taxes paid by First Quantum in Zambia now amounts to \$3.5bn, dividends paid to Zambia Consolidated Copper Mines Investment Holding (ZCCM-IH) is in excess of \$200m, and an investment in Corporate Social Responsibility of \$100m, meaning a total investment in Zambia in excess of \$5bn and delivering tangible social improvement to thousands of Zambians.

These are the irrefutable facts – what is good for the investor is good for Zambia.



Kufula mwa manamani. (Lozi / Luyana)
To graze amongst calves.
To do things that are below one's capabilities or expectations.
When someone is denied opportunities or fails to take them.

# **CONSTRUCTION & REAL ESTATE**

Array of PPP opportunities lined up

Rapid population growth feeds demand for affordable housing

Declining interest rates pave way for growth in mortgage market

Increased demand for commercial property in regional centres





# **Building Zambia and Going Strong**

#### **Infrastructural Development Key Driver of Demand**

An indicator of economic health and a large element of the national growth, construction has long been a key driver of the Zambian economy. The construction sector, as a result of planned investments. grew between 11 and 12% from 2013 to 2015, according the World Bank. The Zambian Government has pledged major investment in infrastructure to unleash the potential in tourism, agriculture and industry, address housing needs and increase jobs in the sector. According to the Zambia Development Agency (ZDA), the country recorded \$3.3bn in Foreign Direct Investments mainly in the construction sector in 2014. With a pipeline of public-private partnership projects worth \$22bn, the Government is wooing international investors in several sectors, including construction and infrastructure development. According to Zambia's Vision 2030, the total housing unit backlog is about one million and that 110,000 dwelling units are required annually to clear the backlog over the next ten years. To satisfy new demand for houses all over the country, a similar number is required to be constructed annually.

"With a pipeline of publicprivate partnership projects worth \$22bn, the government is wooing international investors in several sectors."

#### FACTS:

The construction industry's share of total GDP stood at 27.5% in 2014, making it the largest industrial sector in Zambia. While in 2015 and 2016, expansion slowed due to the downturn in the copper price, the construction industry was boosted by the election outcome in 2016 restored investor confidence in the sector. Out of the total \$3.4bn recorded in 2016, construction and real estate sector attracted pledges worth more than \$300m. The Government acts as the principal client to most of the National Council of Construction (NCC) registered building contractors. The Department of Housing Development, which is under the remit of

the Ministry of Local Government & Housing, is in the process of building 4,000 housing units for public service workers as the Public-Private-Partnership project. The Zambian Road Development Agency is promoting a large-scale infrastructure project called Link 8000, which in its first phase proposed to build 1,500 km of roads within Zambia, amongst others Private clients developing large-scale industrial or extraction facilities also finance large-scale projects. The large-scale Government construction projects are generally awarded to and performed by foreign-owned construction companies. These companies are awarded projects because of their ability to submit comprehensive tenders, their technical capacity, the financial instruments that fund start-up works, the acquisition of large-scale machinery and at times, finance the project itself. Some local construction companies are awarded Government small and medium-scale construction, maintenance, and renovation projects.

#### **DEMAND DRIVERS:**

The industry is expected to grow, driven by investment in residential, commercial and office space, and the implementation of PPPs and large-scale publicly funded infrastructure. The growth of disposable income of the budding middle class will boost construction of residential buildings in the capital Lusaka and also in other provinces, such as the Copperbelt. The Link 8000, the construction of the Batoka Gorge hydropower plant and the major upgrades at the Kenneth Kaunda International Airport as well as the construction of the new greenfield airport in Ndola lead the Government commissioned infrastructure development, which in turn, will necessitate residential, commercial, and industrial facilities, further supporting demand.

#### **HOUSING:**

Like many emerging markets, Zambia struggles with the provision of affordable housing. The national housing deficit stands at more than 2 million units and is further amplified by rapid urbanisation and population growth rates. Existing Government policies have been futile in ensuring housing finance, access to land and provision of skilled labour, building materials and infrastructure. Despite having one of the most progressive laws and policies in the form of the National Housing Authority Act, the Housing Act and the 1996 Housing Policy, Zambia is still to achieve its objectives of producing sufficient affordable housing.

Zambia's existing housing stock is estimated at 2.5 million units, of which 64% is traditional housing, while 36% (or about 800,000 units) is urban housing. About 28.5% of urban housing is detached (single units); 20% is traditional housing and 21.5% is improved traditional huts. About 40% of the urban housing is good quality housing while 60% is substandard housing. In Lusaka, nearly 70% of all housing stock is substandard and informal and accommodates over two thirds of the city's population on 20% of residential land. Zambia has an estimated population of 15.4 million which is growing rapidly at a rate of 3.2% per annum and an urban population that is growing at 4.2% per annum. The high rate of population growth and urbanisation in Zambia necessitates clear urban policy guidelines and strategies to guide housing and urban development.

Due to low incomes, over two thirds of Zambians would need to spend more than the global affordability threshold of 30 to 40% of income to access quality housing. According to the Centre for Affordable Housing Finance in Africa, in 2015, the average household income needed to buy the cheapest house in Zambia is \$36,960. Yet the current average annual household income is only \$5,102, and the cheapest newly built house by a formal developer costs \$65,000. ZIPAR, in 2015, has estimated that low income households in urban areas can afford a house costing between K61,300 and K100,000 (\$6,584 - \$10,741), while households in rural areas can afford a house costing K24,900 (\$2,674). In 2014, seven percent of the population with average monthly household expenditure above K4.655 (\$500) spent as much as 50% of their income on rentals. About 30%, or 4,506,300 people, with an average monthly expenditure between K2,793 to K4,655 (\$300 to \$500) spent 30% on rentals while 63%, with a monthly expenditure of less than K2,793 (\$300) spend up to 40% of their monthly income on rentals.

Access to land remains a key challenge with long cumbersome procedures, bureaucracy, and poor quality of services in formal land allocation and delivery system. Also, building regulations remain too complex to promote affordable housing development by low income groups.

Affordability and access to financial instruments for housing finance is another impediment in Zambia's real estate market. Mortgage financing remains the key source of formal housing finance. Major banks, such as FNB, Stanbic Bank and Barclays, as well as several building societies are major lenders to the formal sector. Residential mortgages have shown impressive growth in the recent years, climbing from K298.7m (\$57m) in 2013 to K1,493m (\$287m) in July 2014. However, the high interest rates ranging between 14 to 17% and short loan repayment terms from 2 to 10 years means only a small portion of the general population can access the finance.

The shortage of quality housing in the high-end real estate market has been the driver of several developments of modern cluster-style and gated communities. Both, foreign and local investment have permitted the development of mixed-use real estate developments such as Roma Park Industrial (residential, commercial, light industrial development), Nkwashi (residential, commercial) and Kingsland City (residential, commer-

Affordable housing will receive a needed boost with two significant investment pledges made recently by Amer International Group of China and Magcor International Inc's local subsidiary. worth over \$4Bn. With construction set to begin in 2018, both companies have signed Memoranda of Understanding with the state-run National Housing Authority.

"The national housing deficit stands at more than 2 million units."

#### TOURISM:

Zambia is targeting an increase in foreign tourist arrivals from 1,132,000 in 2017 to 1,917,000 in 2027, with an annual increase of 4%. In preparation, the private sector is gearing itself up to construct additional hotels. apartments, lodges and conference centres. For its part, the Government recognises major investment is required in tourism infrastructure and is prioritizing refurbishment of airports and roads. Road expansion to major tourism sites is part of the Link 8000 initiative with its first phase of 1,500 km of roads expected to be completed in 2018. Also, the major upgrades currently expanding the aviation infrastructure of the country is a confirmation of Zambia's readiness to receive more tourists in the near future

#### **BUILDING MATERIALS:**

The shortage of affordable building materials has been one of the key long-term impediments in Zambia's construction sector. The market, however, received a major boost in 2015 with the opening of Dangote's cement plant in Ndola, which resulted in a major price drop in cement from around K90 to K60 in 2017. Zambia currently has 14 cement manufacturing companies, Dangote Quarries Zambia Limited, Lafarge Cement and Zambezi Portland Cement, being the major contributors to the construction sector, collectively producing 1,956,519 metric tons of cement in 2016. Cement prices are further expected to drop as more international players show interest in investing in Zambia and forming joint ventures with local manufacturers. Buffalo Consortium is one such example of a successful collaboration between Jidong Development Group Company Ltd China and a local manufacturer for the establishment of a cement plant with a production capacity of 1.5 million metric tons per annum and would create 500 jobs when completed. Although Zambia has rich resources of iron ore, the local steel industry has, in recent years, experienced a slowdown in steel production due to the import of cheaper finished products from abroad. The current Government, to contribute to the country's industrialisation efforts, has called for locally produced steel to be used in all public procurement, including the building and upgrading of airports.

Cement block production is one of the most prominent building material suppliers within the sector. The required raw materials such as cement, and sand/quarry dust are readily available. Micro- and small-scale businesses target the low-quality, low-price market segment associated with low- and middle-income residential construction while medium-scale cement block producers target the quality-conscious market segment like high-income residential construction, commercial construction as well as Government-construction projects. Several hundred micro/small businesses are engaged in supplying sand, metal and crushed stone. The inputs are mined locally, collected or bought wholesale from distant locations, transported to urban markets and then sold on.

Around 600 micro, small, and medium businesses supply plantation timber to the building construction sector. These businesses are primarily located in the Copperbelt province and are more formally organised with representative associations. The sawmilling businesses are organised into two major associations: Copperbelt Sawmillers and Timber Growers' Association (COSTIGA) and Zambia National Association of Sawmillers (ZNAS). Every saw-miller must be registered with PACRA before they can be issued standing trees to harvest. Within the Copperbelt Province, the timber harvest is managed by the Zambia Forestry and Forest Industries Corporation Limited (ZAFFICO), which issues permits and regulates quota size and sale price. Legally, timber can only be harvested from

government timber-forest plantations. Saw-millers buy timber trees based on a quota system, which favours micro- and small-scale saw-mills, though this often severely restricts their ability to grow into larger, more efficient businesses. The total demand for timber in Zambia is 600,000 m³ per annum, 170,000 m³ more than the local annual supply of 430,000 m³. The demand for timber is increasing in conjunction with growth in the construction sector and the vast shortfall in domestic supply, is a constraint to growth within the industry. As a result of this deficit and growth in the construction activity, the cost of timber has been rising in recent years.

#### MAIN PLAYERS:

The Government acts as the principal client to most of the National Council of Construction (NCC) registered building contractors. Contractors who are not registered with the NCC cannot be awarded public contracts. For these contractors who are registered, the work usually involves major construction projects such as transport infrastructure, hospitals, medical centres, schools, administrative buildings and various housing development projects. For example, the Department of Housing Development, is under the remit of the Ministry of Local Government and Housing, is in the process of building 4,000 housing units for public-service workers as a Public-Private-Partnership project. The Zambian Road Development Agency is promoting a large-scale infrastructure project called Link 8000, which in its first phase, proposed to build 1,500 kilometres of roads within Zambia. Private clients developing large-scale industrial or extraction facilities also finance large-scale projects. The large-scale Government construction projects are generally awarded to and performed by foreignowned construction companies. These companies are awarded projects because of their ability to submit comprehensive tenders, their technical capacity, the financial instruments that fund start-up works, the acquisition of large-scale machinery and at times, finance the project itself. Some local construction companies are awarded Government small- and medium- scale construction, maintenance and renovation projects.

For once-off residential construction, most private clients obtain services from informal/non-registered contractors. This type of construction is an owner-driven process whereby the client purchases all supplies and necessary materials and only the technical services and labour is contracted. Residential property developers and private commercial developers use well-established and reputable contractors that can be SMEs. Under this arrangement, the developers contracts a full service, which includes both labour and supply of the required materials.

"The market, received a major boost in 2015 with the opening of Dangote cement plant in Ndola."

"The large-scale government construction projects are generally awarded to and performed by foreignowned construction companies.."



## **Vast Opportunities Transforming the Market**

#### Shaun Davy, Director, Roma Park

**BRIG:** How do you see the outlook for Zambia and Government's efforts to stimulate the economy?

#### **Shaun Davy:**

The Zambian economy is intrinsically linked to the global copper price as commodity prices have a cyclical nature, which is further demonstrated by the increase in prices we are experiencing now, off extremely low points since 2015. The Zambian economy is very reliant on the copper and the outlook of the country is linked to the global-cyclical price fluctuations. The prospects for economy at this point are very good, again correlating to the copper price, however, a long-term solution needs to be developed to diversify the economy. The current administration is moving in the right direction and needs to make tough decisions to ensure that all the measures that are made to encourage investment are implemented.

**BRIG:** What is the state of the construction and real estate sector in Zambia?

#### **Shaun Davy:**

The real Estate sector has undergone fundamental changes since the advent of the multi-party political system when the property market was liberalized. There is a serious housing and real estate shortage, including the shortage of commercial space and there is a huge opportunity to feed the appetite for residential, retail and office space. Zambia as a country, is growing relatively fast and it has the land and resources to grow. We are undergoing an urbanisation process at an accelerated rate. I do not, however, think that population growth at the current rate would lead to overpopulation issues.

This is said to have an extraordinary demographic dividend. Money certainly nucleates towards the capital city and subsequently, Lusaka has seen the most growth in commercial property, however the opportunities are abundant in other provinces as there is a dedicated effort in terms of developing road infrastructure and decentralisation.

**BRIG:** What are the circumstances that lead to the success of the Roma Park project?

#### **Shaun Davy:**

The Zambia Development Agency plays an active role in facilitating the right contacts here. On the commercial side, we took the initial risk by pouring equity into the construction of Roma Park. This commitment showed our commitment and convinced a number of residential and commercial investors. We count Madison Group of Companies and China Civil Engineering Construction Corporation among our clients. Roma Park is one of Zambia's first mixed-use developments and one of the first Industrial Parks. Since its inception in 2011, Roma Park has sold over 70% of its residential plots and the major infrastructure is almost complete.





We intend playing an active role in job creation and are focusing on harnessing the budding entrepreneurs of Zambia and on high-end value-added industries. With our well-considered masterplan, Roma Park has set a precedent inorganised growth. The real estate sector will continue to grow steadily providing that it does not rely on mechanisms such as mortgage. Access to finance is a challenge and if addressed, would result in exponential opportunities.

**BRIG:** Why should the investor choose Zambia?

#### Shaun Davy:

Zambia, as with every emerging market, faces its own problems. The advantages however outweigh them. It is a politically and economically stable environment centrally located at the heart of the SADC region. All neighbouring countries are growing quickly and represent additional opportunities. Zambia has the potential of developing into an agricultural powerhouse as agriculture has become one of the Government's priority areas along with the focus on industrialisation and value addition. There is demand for infrastructural upgrades throughout Zambia and if the Bank of Zambia develops the right financing mechanisms and policy, represents a marvelous investment opportunity.



# A Bright Outlook

#### Demand Driven by Housing Deficit and Increased Industrial Activity

Confidence in the Zambian real estate industry is high and is underpinned by healthy economic growth, political stability and a growing population. Supply is increasing across all sectors: residential, office, retail, industrial and hospitality. Prices have continued to rise fuelled by the growing middle-class, strong residential and retail demand, improved macro-economic conditions and the stability of the local currency. There were numerous notable real estate transactions in 2015 and 2016 with companies such as Mara Delta, SA Corporate, Quantum Global, African Life, FQML and Primetime growing their portfolios. Substantial growth in real estate investment has been generated by both local and regional investors.

#### RESIDENTIAL:

Market activity has slowed across all sections of the residential market, but there remains a mismatch between demand and supply at the top end of the Lusaka rental market due to a shortage of well-designed modern properties in the best locations. Self-build projects dominate the housing supply across the market, because of the high interest rates. Zambia is struggling with a 1.5 million housing deficit, which is expected to rise to 3.3 million units by 2030. The country's current housing stock is 2.5 million units at a production rate of 73,000 units per year. In order to address the current housing deficit, 222,000 new housing units need to be developed annually. The housing challenge in Zambia is most pronounced among low-income groups. Of the 73,000 units produced each year, only 40% meet the minimum requirements for health and sanitation in accordance with the Zambian Public Health Act," local press quoted Minister of Transport, Infrastructure Housing and Urban Development, Ronald Chitotela.

Several upmarket projects have been launched in 2017 as part of private investors' commitment to address the shortage of high-end residential properties. The Egyptian investor Hawai Real Estate and Zambia's Lamasat have joined forces in a \$40m project dubbed Elites to construct housing units in two of Lusaka's affluent suburbs. One: 100 units in Lilavi and 50 in Leopards Hill. Increased infrastructure development, over the last few years, has created access to new suburban areas. The land on which Nkwashi, a new satellite town is being constructed could only be accessed via a dirt road, and two-hour drive from Lusaka. It was originally a ranch and small-scale coffee farm, but about five years ago the road to Nkwashi was developed into a highway that reduced travel time from Lusaka to 30 minutes and opened up the land's potential. Nkwashi is the first of its kind and one of the largest developments in Africa. The development includes provisions for a university, schools, hospital, public parks, lakes, shopping mall, recreational areas, business park and 9,460 residential stands (a third of which have already been sold).

A public-private partnership between Zambia Air Force and Sun Share Group has recently resulted in a \$1.4m mixed-development project that will comprise a five-star hotel, 3,000 high-class villas and shopping mall. Other amenities will include a private school, police station, hospital, children's play-ground, amongst others.

"The housing deficit presents an opportunity for investment and I call upon local and foreign investors to exploit this opportunity by developing low, medium and high-cost houses" said Patrick Chisanga, the former Director General of Zambia, Development Agency. "The Government of the Republic of Zambia through Statutory Instrument No. 17 of the ZDA Act, has prioritized housing unit development in the Economic Zones

"Zambia is struggling with a 1.5 million housing deficit which is expected to rise to 3.3 million units by 2030." "There are opportunities to develop formal retail centres in expanding towns around the rest of the country."

"Zambia, was placed in the top third position among all emerging markets because of in the ease of securing property." anprovided incentives for developers. We aim to establish and facilitate various partnerships and investments to address the current national housing deficit and promote real estate and property development".

#### OFFICE:

Lusaka is a growing commercial hub with office space demand primarily stemming from the financial and communication sectors. Cushman & Wakefield undertook a survey in 2014 to determine the operating environment and the ease and speed of acquiring office space in these markets. Zambia, possessing one of the more developed property markets in Africa was placed in the top third position among all emerging markets because of the ease of securing property and its political and economic stability.

An oversupply of Grade A space in 2017 has placed downward pressure on rents, as well as providing more choice for tenants. The economy was relatively sluggish in 2016, largely due to low copper prices, but a return to better economic growth this year has resulted in increased demand. The prime location is the emerging Great East Road/Thabo Mbeki Road node in the immediate vicinity of the East Park Mall and Arcades Shopping Centre. The prime office space rent currently stands at around \$20 per square metre per month and the yield value is at 10%. Location, parking, design and specification are now key to the long-term returns and success of prime offices as increasing supply in Lusaka is providing more choice for occupiers. There is high demand for incubator office space of 50 to 200 m<sup>2</sup> from new businesses, start-up companies and tenants wanting to relocate from residential properties being used as offices.

#### **RETAIL:**

The retail sector has received special attention, with Zambia having one of the highest formal retail penetration rates in Africa. Retail development in Zambia will continue to flourish, with more opportunities evolving in secondary cities and smaller nodes around Lusaka. Over 90% of Zambia's modern shopping mall space is in either Lusaka or the towns of the Copperbelt, with approximately 300,000 m<sup>2</sup> of existing retail space in these locations. As a result, there are opportunities to develop formal retail centres in expanding towns around the rest of the country. The recently opened Kafue Shopping Mall, anchored by Pick n Pay, highlights the demand for niche malls in other towns, from both shoppers and retailers. Competition for customers and retailers is expected to intensify between the shopping malls in Lusaka, however Zambia's fast-developing property market is proving to be a resilient and risk-tolerant long-term investment destination.

The commercial real estate in Zambia has recently seen an uptake of foreign direct investment from South Africa. In 2016, Mara Delta acquired 50% stake in two Zambian shopping malls, Kafubu Mall and Makuba Mall in Ndola and Kitwe, respectively. The group's third investment into dominant retail assets in Zambia was Cosmopolitan shopping mall comprising 25,900m² of retail space with 1,300 parking bays and is anchored by major multinational tenants include Shoprite, Game, The Foschini Group with dollar-underpinned leases. The Manda Hill mall has been acquired by AttAfrica, a Sub-Saharan property fund owned by South African investors Hyprop, Attacq and Atterbury.



#### **INDUSTRIAL:**

The logistics and industrial sector is one of the most consistent performing property market sectors in Lusaka, with strong demand for warehouse space supported by the growth of the retail, food and beverage and agricultural industries. While warehouses with low quality specifications still attract good demand; however pressure on the transport infrastructure in Lusaka combined with the demand for increasingly-sophisticated logistics properties will result in a shift away from the existing industrial area to emerging hubs elsewhere around the city. The continued expansion of South African, international and Zambian companies is expected to generate demand for increasingly sophisticated logistics properties in Lusaka.

7.0% in the last six years and an estimated 275 bedrooms/million. Hotel values have been growing strongly and in Zambia together with other nations representing 76% of African countries, the hotel investments have yielded higher than the average property investment, according to The African Hotel Report by Hotel Partners Africa (HPA). The supply in Zambia is far below the average supply in Southern Africa at 350 bedrooms/million and a potential to reach the 365 bedrooms/million in the mid-term. According to a Price Waterhouse Coopers (PWC) research, the hotel industry in Southern Africa is expected to grow at an average rate of 6.8% towards the year 2019.

"the demand for increasingly-sophisticated logistics properties will result in a shift away from the existing industrial area to emerging hubs elsewhere around the city."

#### HOSPITALITY:

Zambia is the second top destination for hotel developers in Africa. Zambia, with an average growth of 6.5% per annum in the last six years in the hotel industry and a supply of 122 branded bedrooms per million population, represents the second largest opportunity in Africa after Sevchelles, with an average growth of









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### **Working Together, Building Synergies**

Sydney Popota, Chief Executive Officer, Real Estate Investments Zambia

**BRIG:** What are the strengths and the challenges of the construction and real estate sector in Zambia? How do you evaluate the outlook of the sector?

#### **Sydney Popota:**

The slow economic growth in 2015 and 2016 proved to be one of the main challenges, although 2017 has shown some promising signs of economic recovery. We are seeing the country's GDP expected to expand by 4.1% this year, up from 3.2% the previous year, very slow growth for an emerging market. The cost of funds is very high in Zambia if sourced through local banks and it therefore puts a lot of strain on the local developers as the financing must be sourced from elsewhere. Recently, more options have become available to finance property development through cheaper funds from abroad, e.g. South Africa and the Middle East among others.

Zambia is an attractive emerging market for the Construction and real estate sector as population growth and urbanisation has remained high. The current Government has enabled access to other less urbanised provinces and districts through dedicated road infrastructure development so we see countless opportunities in development away from the traditional Lusaka and Copperbelt areas. Potential is growing in other provincial centres and districts.

Over the next 18 months, the residential subsector will receive most attention from investors. With regards to commercial real estate, Lusaka particularly is nearing an oversupply in the retail subsector and has already reached oversupply in office space. There are many structures that have been built but are not occupied. A country with a population growth like Zambia certainly cannot lag behind in residential real estate. We have a serious shortfall in affordable housing; however we should make more effort to define what affordable means. Industrial warehousing is another sector with some growth opportunities as Zambia has seen more investment in manufacturing and processing operations.

Strategic partnerships and Public-Private Partnerships (PPPs) will be a game changer inthe Construction and real estate sector. The need for Government offices is growing, so are the opportunities in constructing schools, hospitals and student accommodation inother provinces. The investor should be creative and engage Government or parastatals to build a long-term affiliation.

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BRIG: What can be done to stimulate the synergy between the Government and the private sector in the Real Estate sector?

BRIG: What regulatory measures are being taken to ensure the quality of property development?

#### **Sydney Popota:**

I think that, because of the various commitments of the Government, it should work more on building synergy with the private sector. As the Government is already committed to supporting the economy with sound economic policies, to add the cost of infrastructure would be too much to ask for. First, more PPPs must be encouraged to enhance the capacity. The private sector should work on the infrastructure and offer it to the government as a service.

Also, the Government must be more approachable and more accommodative. To plan ahead, the private sector players should know what the long-term policy of the Government is. To achieve that, more consultation needs to take place between the two. The more we work together to develop long-term policy, the more supportive the private sector will be.

#### Sydney Popota:

The regulatory measures are satisfactory. A construction company needs multiple clearances before commencing works, for example, Zambia Environment Management Agency (ZEMA) issues permits to regulate the environmental impact, and all construction companies must be registered with the National Council for Construction (NCC). However, enforcement and monitoring to ensure that all players follow the issued guidelines is a challenge.





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# ICT

SMART Zambia to address limited connectivity and shortage of ICT talent

The cost of data services a limiting factor for growth

Growing demand for ICT equipment and training

The Government to set legal framework for provision of e-services





# **Connecting People, Collecting Profit**

#### The Role ICTs Play in Uplifting Zambia's Economy

#### **BACKGROUND AND CURRENT SITUATION:**

The Government's Seventh National Development Plan 2017-2021 (7NDP) has identified Information and Communication Technology (ICT) as a catalyst for socio-economic development as it encourages competitiveness and is an enabler for good governance. This is in line with Zambia's Vision 2030, which is to become an "information and knowledge-based society by 2030". This is to be achieved through increased connectivity to fibre optic and similar high-capacity transmission networks, increased access and use of mobile phones, and increased access to ICT services such as the internet. The Zambia Information and Communications Technology Authority (ZICTA) is the ICT regulatory body responsible for regulating the ICT Sector in Zambia. It falls under the Ministry of Transport, Works, Supply and Communications. Its mandate is derived from the Postal Services Act No. 22 of 2009, the Electronic Communications and Transactions Act No. 21, and the Information and Communication Technology (ICT) Act No. 15 of 2009. In 2001, the Ministry issued a Statutory Instrument that made SIM card registration mandatory; by the end of January 2004, ZICTA disconnected all unregistered SIM cards. The Government wants it mandatory for all ICT service providers to register with the ICT Society of Zambia. Such a registry would showcase which service providers are available for a specific task, have the necessary skills and their capability.

The Zambian Government is committed to the enhancement of a SMART Zambia. This project aims to transform the country through ICT development and enhance the successful implementation and

use of e-government services. The SMART Zambia Institute (SZI), a division under the Office of the President, is the implementing agent. The first phase of SMART Zambia was the established of the National Data Centre (ZNDC) that was built to a Tier III standard, which is now complete. This facility is able to store information safely for both Government and private institutions. The ZNDC is comprised of three data centres across two cities, which helps to ensure security and continuity of Government services and data. The facility also has a Huawei cloud solution with services such as Government and enterprise cloud hosting, and Huawei energy solutions to guarantee the safe operation of devices in the ZNBC equipment rooms. The second phase is now being undertaken, which is to build a national broadband network and e-government platforms that will benefit 17 cities across Zambia. This will be achieved by laying 9,050 km of fibre optic cable across ten provinces; connect 10,000 businesses and publicsector organizations, and 200,000 thousand urban households to the ZNDC. In addition, the first phase of the communication towers project has been completed with 204 more towers already built; the second phase will see 1009 more being built over the next three years in mostly underserved and unserved areas, which will help the country reach 100% network coverage. Zambia aims to stimulate informatization by the promotion of and access to SMART national government applications to the general public. An effect of this would be the stimulation of e-commerce in the country too. The positive effects of implemented e-government platforms are already evident.

"The ICT sector continues to expand across the different segments of the sector."

#### **CHALLENGES:**

There are three main challenges in accessing and utilising ICT in the country. Firstly, there are weak supportive legal and institutional frameworks for the development and utilisation of ICT. Secondly, there is poor connectivity due to inadequate and fragmented ICT infrastructure in both the public and private sectors. Lastly, there are inadequate human resources, especially in the public sector, in the field of computing and information technology. Beyond this, the sector faces challenges that are more specific. ICT services can be relatively more expensive than other countries. This is due to Zambia being a landlocked country and having reliable fibre-optic connectivity requires connecting to the submarine cables and running fibre-optic cables through other countries to reach

Zambia. This has required a large capital outlay, as does the provision of data services to unserved communities across the country, especially in rural areas.

The cost of data services is expensive and could be a limiting factor for the growth of the ICT sector. Since most ICT equipment and software is imported, foreign exchange rates can increase the costs of acquiring equipment. The occurrence of infrastructure vandalism results in disruptions of services during repairs as well as incurring high maintenance costs, which are passed on to the consumer. Zambia's current power shortage situation requires backup power supplies for continuous service and protection of equipment. The Government has insufficient funds to provide appropriate ICT education at primary school level; this problem is greater in rural areas. In addition, hacking and cyber-related crime is a worldwide threat and Zambia is not exempt from this.

#### ICT DEVELOPMENT AGENDA:

In terms of ICT, the 7NDP and the SMART Zambia Master Plan aim to mitigate the challenges described above. There are three strategies along with their individual programmes. The first is through strengthening the legal framework relating to ICT. The Government aims to implement appropriate laws, policies and regulations that support the provision of electronic services. This will be achieved through the review of policy, legal, institutional and regulatory frameworks and enhancement thereof. This is in aid of stimulating the private sector's and citizens' confidence and participation in the sector.

The second strategy is to improve ICT infrastructure for enhanced service delivery. This requires investment in, and upgrading of, telecommunications networks as well as access to devices. Social and economic benefits, and better service delivery would be realised by the improved flow of information within and among government institutions, enterprises and citizens. Programmes to achieve this are through common ICT infrastructure development, the establishment of an ICT innovation park and broadband infrastructure expansion.

The third strategy is the provision of electronic services. This entails the transformation of public service delivery. This a move away from traditional face-to-face interaction to online channels, which would allow citizens and business entities to access services remotely and at their convenience. Programmes to facilitate this include the deployment of electronic services, up-scaling of ICT skills in public and private institutions, and mainstreaming of ICT in the Zambian schools' curricula.

#### **GROWTH:**

In spite of the challenges previously mentioned, the ICT sector continues to expand across the different segments of the sector. There is the understanding that the International-standard ICT infrastructure is imperative for the success of the sector and other sectors. With the President backing ICT as a driver of development and, with the Government's plans of digitisation and roll out of e-platforms across the country's different Ministries, the ICT sector's businesses will benefit greatly. The Government is encouraging SMEs to embrace the use of technology and integrate ICTs into their operations. This market segment represents the majority of the economically-active population. The ICT sector is a relatively young industry, which provides good prospects for growth. Large portions of businesses in Zambia are not yet computerised, but this is set to change. Accordingly, the increasing demand for ICT equipment offers great investment opportunities. Across the sector, mergers and partnerships are common as existing and new companies expand their operations. In addition, due to Zambia's strategic location in the region, many international companies establish themselves in the country and thereafter expand into the less-stable neighbouring countries. Different segments of the sector, as well as their growth and investment potential, are described below.

#### CONNECTIVITY AND INFRASTRUCTURE DE-**VELOPMENT:**

There were over 12 million mobile telephone subscribers in 2016, up from 11.3 million in 2006, which is an increase of 5.75%. These figures "The cost of data services is expensive and could be a limiting factor for the growth of the ICT sector."

"Zambia is experiencing diverse ICT infrastructure development and increases in the number of service providers." represent a penetration rate of around 75%. Access to the internet and subsequent use thereof has risen steadily. This is due to an increase in mobile cellular coverage and mobile networks being upgraded, which continues with the rollout of broadband internet services. The internet's penetration rate has increased from 2% in 2004 to over 15% in 2013. In 2013, fixed broadband and mobile broadband subscriptions were very rare, with low penetration rates of 0.1% and 0.7% respectively. The penetration rate in rural areas is much lower due to lack of access to electricity.

Zambia Telecommunications Company Ltd (Zamtel), the Zambia Electricity Supply Corporation Ltd. (ZESCO) and the Copperbelt Energy Corporation (CEC) supply the national fibre backbone with Zamtel operating the fibre-optic connection to two international submarine cables, namely the West Africa Cable System (WACS) and South Atlantic 3 (Sat-3). Zamtel leases MTN and Airtel access to their undersea cables and other infrastructure, although MTN connects to the Eastern African Submarine Cable System (EASCS). According to the UN's International Telecommunication Union, the gateway to international internet in Zambia is fully liberalised and competitive. Three mobile phone operators service the 12 million-odd phone subscribers; namely MTN, Airtel and Zamtel with a market share of 48%, 37% and 15% respectively. The Government has approved the introduction of a converged licensing framework; which will open the telecommunications market beyond the current three mobile operators. Multiple internetservice providers (ISPs) supply both wireless and Fibre to the Premises (FttP); services and speed of the different ISPs vary, and one should investigate which provider would offer the best service. The country upgrades its infrastructure every

three to five years and service providers continuously roll out new products to increase speed and lower costs to stay ahead of competitors. Major towns and cities are well connected. Rural areas are generally sparsely populated and have poor connectivity; this is set to change over the next three years as more communication towers come online. Both the public and private sectors have invested heavily in building data infrastructure across the country. The penetration rate of the country's fixed-line telephony is very low and is being developed further by replacing copper cables with fibre optics; the necessary skills and equipment are needed in the assistance of this expansion. Zamtel, who own the majority of the infrastructure, has seen their network of suppliers growing as well as requests for Public-Private Partnerships, which the company welcomes, especially with regards to capacity expansion.

#### THE ICT INDUSTRY:

Most of the country's business activity is concentrated in the cities and, as such, has the best ICT infrastructure. Although the industry is young, businesses in the country offer the full spectrum of ICT-related services and products, and they offer their services countrywide. These businesses are both local and multinational companies. Zambia is experiencing diverse ICT infrastructure development and increases in the number of service providers, which is enhancing connectivity and reducing costs due to an increase in competition. In terms of importing equipment, the Government has been proactive in stimulating the sector by reducing import duties in order to reduce the costs. The demand for equipment is increasing with the informatisation of the country.

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#### **TRAINING:**

With the country's increasing levels of education and the increase in computerisation within the private and public sectors, there is high growth potential within this sub-sector for the provision of proficient IT skills. There are public and private institutions that fill this need and conduct the necessary training; these institutions are continuing to expand as the adoption of ICT increases. A spinoff of greater ICT adoption is the enhanced ability of the population to access online learning.

#### **OTHER SERVICES:**

Cloud computing has taken off and, its growth is set to increase further and it has been recognised as one of the fastest growing service segments of the sector. Cloud computing services will help both the public and private sector's ICT security. This type of data management is easier and more cost-effective for smaller businesses as access to the cloud's services are considerably cheaper than investing in servers and software on their premises; although provision of servers and software is still a need. In the foreseeable future, centralised databases will be developed and data storage will migrate to these data centres.

Due to the current power shortage situation, backup power supplies are essential in stabilis-

ing energy inputs and this market is growing as businesses increase their use of ICT. With the increase in use of technologies and the internet, customers are needing greater cyber-security systems. There is a major need for the development of e-security and education about e-security; unsecure e-mail servers are often used and this is a threat to protecting classified information.

Business Process Outsourcing (BPO) services, such as call centres and customer service in general, is an area that Zambia has started to take seriously and seems likely to continue seeing positive growth. To Zambia's advantage, call centres can serve people anywhere in the world and, the Zambian peoples accent is fairly neutral and minimal training is required for people to work in call centres. This is a fairly new service in the country and allows customers, in conjunction with mobile payment solutions, to do a range of activities over the phone. Mobile payment solutions are on the rise (mobile money, e-banking, e-vouchers) and the expansion of this service is inevitable; this is whereby people can transfer money through their mobile phones, as is the ability to source market information. Overall, the sector is growing in all directions and, offers an exciting and profitable investment opportunity.

"SMART Zambia aims to transform the country through ICT development."

SEARCH









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# **Great Opportunities, New Beginnings**

#### Sydney Mupeta, Managing Director, Zamtel

**BRIG:** There is a strong focus on stimulating Zambia's economy through the diversification of its main sectors and the deepening and supporting of Zambia's industrialisation capacity. How do you evaluate the outlook for Zambia and Government's efforts to stimulate the economy?

#### **Sydney Mupeta:**

As things stand, there has been significant effort from the Government and its institutions to build and improve the ICT infrastructure in Zambia. The President has clearly expressed that part of his vision is to establish a Smart Zambia. Information technology is key to this development and it has to be available in the hands of the right people. No sector of the economy can function optimally in the absence of information technology.

From the perspective of Zamtel, ICT infrastructure plays a key role in the development of the economy as no sector can develop to its full potential without the use of ICT. As an example, information technology has the capacity to enhance such critical sectors as agriculture with the right resources available to the farmers and education with information sharing available between learning institutions and providing access to e-learning facilities. One of the first phases towards establishing a Smart Zambia is invested in building data centres. Here, our e-security is still in need of much development and one can see many institutions use unsecure email servers, which pose a challenge in guarding classified information. The level of au-

tomation is still very low.

In the next few years, Zambia should see the data storage migrating to data centres and Government institutions offering more e-services online and developing centralised databases. An important part of the ICT revolution in Zambia is for the ordinary citizen to benefit from ICT services.

**BRIG:** Can you give us an overview of Zamtel and its activities and what role Zamtel plays in developing Zambia's economy?

#### **Sydney Mupeta:**

Zamtel currently is on course to expand coverage of the 2G and 3G networks and plans are advanced to develop a 4G network. This will entail rolling out access to our services in the rural areas of Zambia which is an important part of developing the 10 provinces. After the completion of this project, Zamtel will have the widest coverage in the country. In addition to that, we are also growing our fixed network, which has been quite stagnant for some time. We are currently trying to replace our copper cables with fibre and migrate to a fixed

**BRIG:** What are the figures and the milestones that best portray Zamtel's success and what projects are currently in the pipeline?

wireless network, which we already see growing in the Copperbelt Province and for various Government projects. Zamtel sees a lot of potential in offering to fixed wireless service to the corporate customers, starting from August.

Zamtel has grown tremendously over the past one year. Our network has acquired almost one million new customers, bringing our active base a over two million customers as at August, 2017. This growth extends to both individual and corporate clients and our focus is to rapidly develop our infrastructure in order to support our growth ambitions.

**BRIG:** How can the potential investor partner with Zamtel?

#### **Sydney Mupeta:**

Zamtel is prepared to work with any local or foreign investors in a number of ways. We have seen our supplier network increasing and there are many requests for Public Private Partnerships (PPPs). As a company, Zamtel is still growing and learning about the tremendous potential within the ICT sector in Zambia so we want our collaborators to grow with us. We always look at how much of added value will be created for the company and for Zambia. Our biggest challenge and also an opportunity is in capacity expansion and we welcome companies willing to partner with us in that space.

**BRIG:** How does increased access to IT and eservices help develop markets in Zambia?

#### **Sydney Mupeta:**

Zambia should work on providing access to ICT services outside Lusaka and the bigger cities. Immediate access to information can help develop businesses add value to their services and play a key role in wealth creation in the rural parts of the country.

#### Sydney Mupeta:

Our next milestone is to reach 2.5 million customers by the end of 2017 and start generating positive cashflows. After quite a slump in our results, we have finally started seeing rapid positive changes due to new management policies. Our subscriber base has grown with almost a million new customers now on board and the company's revenues have increased with it. Zamtel is also planning the expansion of the fixed network and our target is reached 250,000 customers by mid-2018. That allows us to set bigger milestones and implement our five-year plan. By the end of 2018 we expect to exceed 2.7 million customers and our targets are aggressive and we are bullish in implementing them.

Our customers switch from their previous mobile operators because of the products we offer, our data packages for mobile are very attractively priced at K49 per 1 GB and have caused customers to migrate to Zamtel.

**BRIG:** Do you have a final message to the potential investor interested in Zambia?

#### **Sydney Mupeta:**

Zambia has the greatest untapped potential in the region and I feel that Zambia's growth has not started yet. I see the Zambian market develop into a regional hub with strong links with neighboring countries. Upgraded infrastructure will turn Zambia not only into a transit point but improve our potential in exporting our goods and services.



# **Preparing for a Connected Future**

#### Andrew Kapula, Managing Director, CEC Liquid Telecom

**BRIG:** What are the three signs of optimism that comes to mind regarding the future of ICT in Zambia and which areas do you see developing?

#### **Andrew Kapula:**

The Zambian Government is stimulating the country's economy through diversification efforts to other sectors such as agriculture, transport, and ICT. Compared with the other countries in the region, Zambia still has a relatively low data-penetration rate and thus represents a huge business opportunity to develop a network that enables access to data across the country. The Government of Zambia has also launched the SMART Zambia project to advance the national informatisation program for eGovernment, eCommerce and IT talent. The ICT Centre of Excellence was established as part of SMART Zambia with the mandate of increasing skilled human capital in ICTs. Information and Communication Technology is one of the focus areas of the Government of Zambia with

the policy framework outlined in the ICT Master Plan of Zambia, published in June 2010. The Centre of Excellence for ICT will play an important role in developing a knowledge-based society in Zambia whose young population is the largest users of technology. The Cabinet has also approved the introduction of a converged licensing framework in ICT which will open the telecommunications market beyond the current three mobile operators. Zambia's investment climate is currently conducive for the sector. The government is also encouraging SMEs to embrace the use of technology and incorporate the ICTs in their operations. SMEs represent the majority of the economically -active population and providing them with adequate services would result in assured growth.

**BRIG:** What is the current state of the ICT sector in Zambia and what are the main challenges and opportunities?

#### **Andrew Kapula:**

Zambia's ICT competitiveness has help the country grow at a rapid rate despite having a number of challenges. Vandalism, for example, has made the country suffer high maintenance costs and major disruptions in service when repairs are taking place. The cost of unrolling fibre optic infrastructure is extremely high, especially to cover the entire landmass of Zambia and the industry is heavily taxed.

The fixed line telephony penetration rate is still extremely low, but has a huge opportunity for growth. Zambia upgrades its ICT infrastructure every three to five years and introduces new products, such as fibre-optic cable connection, that now allows fibre-optic communication at homes and businesses at superfast speed with unlimited data usage. As major player in the ICT industry, CEC Liquid Telecommunication in particular, has launched a 4G LTE service and is unveiling it in different parts of the country with major investments planned over the next two years. At CEC Liquid we understand that international-standard ICT infrastructure is key to investment opportunities and ensuing businesses and their operations. Zambia is seeing the development of diverse ICT infrastructure that is enhancing the interconnectivity. The number of service providers is increasing and in turn, driving down the prices in the communications sector because of increased competition.

**BRIG:** How can government and the private sector work together to make Zambia more competitive globally?

#### **Andrew Kapula:**

Both the Government and the private sector of Zambia should extend more effort in raising awareness on the numerous opportunities our country offers to foreign investors. Zambia is strategically located and has a conducive business environment that investors look for in a country. Few countries are as peaceful and investor friendly as Zambia. Being a low-risk business environment, the country has yet to maximize on the potential to attract investors. The Government has prioritised infrastructure development which will further cement links to the SADC and COMESA markets contributing to the establishment of a conducive environment for business.



#### **Can Zambian Companies Survive the Digital Revolution?**

#### A New Era Beckons

#### Words by Lishala Situmbeko

To be sure, anything that goes up must come down. In business, then, the ensuing question I guess becomes one of how long can a company stay up and continue as a going concern. How long can an enterprise stay relevant to customers? This question is especially relevant as we approach the 2020s and as the traditional definitions of markets, products and consumers undergo massive changes. In a 2016 report, Innosight published research results on companies in the S&P 500 index with the following prediction: "Half of S&P 500 companies are expected to be replaced over the next 10 years". According to Innosight, companies in the 1960s used to last 33 years on average on the index, dropping to an average of 20 years in 1990 and projected to average 14 years by 2026. At the global level, this prediction is startling and brings to light the intensity of competition and the challenge to stay afloat in a complex environment.

In this article, I share some of the ideas that are responsible for major corporations' around the world, reducing lifespan and what Zambian companies and other investors in Zambia can learn in order to remain in business. Clearly understanding the forces at play and some of the measures relevant for remaining a going concern are critical to maintaining and accelerating Zambia's economic growth to double digit territory, growing the tax base and expanding employment opportunities for a growing middle class.

#### **HOW THE NEWBIES' PLAY:**

Let us take the markets for overnight stays and the taxi market. The overnight stays market is commonly played by hotels and other smaller bed and breakfasts around the world.

Enter Airbnb. Airbnb describe themselves as a

community marketplace where users list accommodations or book accommodations; essentially connecting both demand and supply. Airbnb boasts a reach of at least 65,000 cities in at least 191 countries where different kinds of accommodations, including single rooms and even castles, can be found. The business model rests on service charges Airbnb levies to those wishing to list accommodations and those wishing to book. The different levies go to facilitating customer payments and actual running of the site respectively. Clearly then, it is quite difficult for a single hotel chain to compete on accommodation variety and cost. Spare rooms in people's homes and other available properties have now become more easily rentable. It has also become easier for people seeking to rent to search and find appropriate accommodation across the world. While the competition is not directly with hotels and other more established facilities, the total supply and variety of rentable accommodation is bolstered - it's not very easy to find a castle to rent outside a platform like Airbnb. Importantly, the increased supply of accommodation also results in increased price pressure in this market.

Moving on to Uber, we see a similar pattern where those seeking a ride and those willing to provide rides come together through the Uber platform available through an app. Unlike traditional taxi companies, Uber technology provides essentially three forms of infrastructure: secure payments infrastructure to both customers and taxi operators, real time location services for both customer and the car coming to pick you up, and lastly identity infrastructure that screens unwanted customers. Both taxis and customers find value in these services without having to travel to a taxi rank. Many international travellers wishing to flag down a taxi

in Manhattan, New York (the Yellow Cabs), will bear testimony to this nightmare at certain times of day. Uber has also had the critical benefit of having lower prices.

Two critical points to note with Airbnb and Uber is that none of them own the properties customers rent and the taxis on offer respectively. As platform operators, Airbnb and Uber extract the network benefits that arise from the platforms they operate. A little more on this point after we consider the impotence of a traditional strategy approach.

#### TRADITIONAL STRATEGY WON'T HELP:

In a 2016 Harvard Business Review article, Alstyne and his colleagues share research results that indicate that: "When a platform enters a pipeline firm's market, the platform almost always wins". They characterise a pipeline business as the traditional buy material, make and sell business. What does a traditional business do when faced with stiff competition? The received wisdom over the years has been well summarised by strategy gurus such as Rita McGrath in her book, The End of Competitive Advantage, in reference to the strategy framework inspired by Harvard Professor Michael Porter of the Five Forces, fame, where the concept of the value chain enabled the articulation of strategic responses to be employed by a firm in the face of competition. This framework posits that a firm assessing its competitive position and overall sustainability of its industry takes into account the competition provided by new entrants into its industry, the bargaining strength of suppliers and consumers, the threat of substitute products and services, and the sheer intensity of rivalries. The applicability of this traditional framework however assumes the luxury of a neatly defined industry. With digital ecosystems, the existing industry may remain unchanged whilst another completely different and superior industry emerges.

Competition amongst mobile hand-set manufacturers perhaps exemplifies this point. When the iPhone was introduced in 2007, other competitors such as Nokia and Motorola where enjoying strong market share. What Apple created with the iPhone, and the accompanying operating system, was not only a phone to compete in the mobile hand-set industry, but a platform where app developers interacted with app users. Apple therefore created an ecosystem housing both the demand for, and supply of, apps. One might argue that the survival of other hand-set manufacturers would have been doubted had it not been for the introduction of Android operating system.

So what does this all mean for established and upcoming businesses in Zambia?

#### TO BECOME A PLATFORM OR NOT:

To start with, we need to recognise some of the industries that are clearly in the line of fire from digital enterprises. The following are some of the key industries that are facing platform threats: mobile telecommunications, financial services, retailing, tertiary education, hospitality, newspaper media and transport (taxis). To understand this threat, the initial step is to identify the multiple sides of consumers and suppliers that make things happen in these industries. Below we discuss some examples.

In mobile telephony, clearly those that want to make calls interact with those that want to be able to receive calls. In that sense, the telecoms are already a platform from voice-call market perspective. It is no argument to state that platforms such as WhatsApp owned by Facebook have disrupted the paid voice call market domestically thus shifting the play to data bundles for telecom incumbents

Most financial services, such as banking, have multiple sides: suppliers of deposits and users of deposits (who in this case are banks through regulation) are one market. Suppliers of credit (mostly banks) and users of credit (firms and individual consumers). Platform play in the banking industry would require the introduction of platforms in the various markets banks play. These areas include lending, trading and payments or transfers. Each of these areas has been penetrated to various de-

grees with the emergence of peer-to-peer lending platforms (e.g. Lending Club), online equity and currency-trading platforms and the introduction of crypto-currencies as a means of payment.

A key market which has witnessed the most competition and disruption particularly in Africa, the money transfer market for sending and receiving money. This seems to be the most contested with various players extending digital capabilities to stay relevant. A mix of regulations and physical infrastructure change can easily speed up full-scale developments in this space and totally redefine banking as we know it today. Therefore, players should totally embrace the benefits of platforms and keep extending various sub-markets to take advantage of platform benefits.

In the retail space, let us consider the market for fuel. Currently, all oil marketing companies rely on corporate relationships, physical infrastructure constructed at client premises and product and service bundling to compete in the wholesale market. The retail market is likely to see some disruption in the near future. With smart phone prices coming down over time and payments systems infrastructure costs coming down, we are likely to see a situation where mobile apps are developed that allow consumers to plan their fuel purchases from multiple filling stations run by competing oil marketing companies. Consumers will be able to redeem predetermined value set on the app to purchase specific fuel quantities by simply tapping on QR codes or other sensors embedded on fuel pumps. With these changes, it is likely that consumers will be able to have their hand-sets communicate with the pump to discharge a specific amount of fuel for a given value, even without the assistance of a fuel attendant. With forward looking industry regulators and safety enhancements at fuel stations to prevent ignition from hand-set devices, this reality is likely to come to pass sooner than later. Therefore, remaining competitive will call for forward-looking thinking to build platforms around the traditional retail fuel business and other retail businesses. Already, supermarkets have embraced platforms in the western world and are performing successfully.

Think Global Act Local is the New Normal For economic survival, it is imperative that all business look to digital solutions in order to survive competition that will come from pure platforms and other competitors that will be competing on the basis of hybrid systems combine traditional and platform businesses. It is not a question of whether to incorporate platform developments or not. It will be a question of when and which particular technologies will suit particular businesses and industries. Also taking into account the ability to better understand customer, using artificial intelligence technologies, businesses will be required to evolve their strategy and incorporate the strong advantages that digital technologies have brought to bear.



Akafupa utemenwe, e kakusha imicene. (Bemba)
A small bone you like, may leave you toothless.
Excessive indulgence in a thing is harmful.

Government remains the biggest health provider

Health system increasingly more decentralised

NCDs burden a growing concern

Steady decline in communicable diseases

Efforts to address undersupply of health professionals





## **Aiming for a Healthier Zambia**

Working to Provide More Efficient Healthcare through Increased Coverage and Service Delivery

The health services in Zambia are provided by four main players, namely the Government, faith-based (not-for-profit) providers, the mines, and private (for-profit) providers. The public sector is the biggest healthprovider; 90% of patients seek care in facilities owned and run by the Government. The national level is responsible for overall coordination and management, policy formulation, strategic planning, and resource mobilisation. Historical under-investment in public health care services and a rapidly rising population spread over a vast geographic area have affected service provision and quality in Zambia, with many rural areas being severely underserved. The sector faces a range of challenges, though investment programmes from both the public and private sectors are addressing many of them.

"90% of patients seek care in facilities owned and run by the Government."

#### **FACTS AND FIGURES:**

As with several emerging markets in the Sub-Saharan region, Zambia has seen positive overall developments in health indicators in recent years. Despite making tremendous progress in selected indicators, the country still experiences a high disease burden. According to the World Bank Group statistics, in 2015, communicable diseases still account for 60.7% of deaths, compared to 29.4% attributed to non-communicable diseases (NCDs) and 9.9% to injuries.

The occurrence of communicable diseases has continued to decline in the last five years. The Ministry of Health had prioritized the fight against TB, malaria and HIV/AIDS with improved access to basic health care in rural areas and the introduction of better monitoring mechanisms.

The burden of NCDs in Zambia is increasing with significant consequences on morbidity and mortality levels. Prevention and control of the major communicable diseases in Zambia—chronic respiratory diseases, sickle cell anaemia, cancer, CVDs—has received little attention compared with the major communicable diseases. Road accidents are the third leading cause of death after malaria and HIV/AIDS.

#### **FINANCING:**

Public health financing in Zambia has been affected by an economic slowdown in recent years as Government expenditure stagnated with the decline in GDP growth. In 2014, according to the WHO Health Expenditure Database, total health expenditure represented 5% of Zambia's GDP. This is lower than the average of 5.9% for other lower-middle income countries and well below the global average of 6.8%.

Zambia's government expenditure on health care stood at about 11.3% of total Government expenditure in 2014, slightly higher than the average of 10.0% for other lower-middle-income countries. It did not, however, meet the 15% target set by the Organisation for African Unity's 2001 Abuja Declaration, but It is almost on par with the global average of 11.8%.

Zambia depends extensively on donor support for health provision and services. Some 38% of the total health sector expenditure in 2014 was funded by external sources.

#### **IMPROVING ACCESS:**

Comparisons with regional neighbours highlight a need for increased investment in health care to improve access and quality. According to the UN Population Division, Zambia ranks slightly higher than most of its neighbours, with the number of deaths for children under the age of five at 49.4 per 1,000 births. Life expectancy is 64.7 years for women and 59 for men, compared to 59.4 and 55.7 in Mozambique and 66.2 and 59.3 in South Africa.

While Zambia has a few international-standard medical facilities, limited Government resources and low overall per capita spending restrict provision coverage and quality. As a percentage of overall government expenditure, health care has averaged around 9% for the past few years. Per capita spending on health care reached \$195 in 2014, well behind South Africa (\$1,148) and Namibia (\$869), but above Malawi (\$93) and Mozambique (\$79). Zambians contributed 67.2% of health care spending out-of-pocket, further demonstrating the underresourcing of public services.

The Zambian health system has been decentralised to district and hospital levels where local government authorities responsible for delivering public services in local health.

#### INFRASTRUCTURE DEVELOPMENT:

Positive strides have been made in infrastructure upgrade and construction. As of December 2016, 275 out of 650 health posts were built and are now operational. Furthermore, 36 district hospitals were under construction, while Matero and Chilenje Health Facilities have been upgraded. The University Teaching Hospital (UTH) and provincial hospitals were undergoing modernisation with the installation of computerised tomography (CT) scans, and mammography equipment. Intensive care units (ICUs) in some selected general hospitals had also been installed.

The construction of the National Health Training Institute with a 3,000 student capacity, is nearing completion, with 70% of construction work done. Construction of a 240 in-patient bed capacity at the Cancer Disease Hospital (CDH) was completed and is now operational.

#### **NON-COMMUNICABLE DISEASES:**

The burden of NCDs in Zambia is increasing, with significant consequences for morbidity and mortality levels. In Zambia, there have been no national representative population-based studies to determine the burden of NCDs. Studies that have been conducted found that the prevalence of hypertension in adults ranged between 25.8% and 32.8% in

rural areas and 34.8% in urban areas. The Ministry of Health has made notable progress in ensuring the availability of medicines and medicinal supplies for the management and control of NCDs by including NCD medicines on the essential medicine list for Zambia

Significant strides have been made by establishing and expanding the Cancer Diseases Hospital, and establishing cervical cancer screening programmes. The Ministry of Health has also finalized the mental health and tobacco products control bill, initiated the Human Papilloma Virus vaccination programme and commissioned the cardiac catheterisation laboratory.

Despite these achievements, Zambia is still facing several challenges in responding more effectively to NCDs. Low levels of public awareness and the inadequate human, financial and material resources for NCD prevention and control, coupled with inadequate NCD diagnostic capacity, will prove to be a burden until a more coordinated multidisciplinary approach is developed and the policy framework clearly formulated by the Government.

#### **COMMUNICABLE DISEASES:**

In the past decade Zambia has seen positive developments in its efforts to combat the three main infectious diseases—malaria, HIV/AIDS, and TB.

#### Malaria:

The Government has made eliminating malaria by 2021 one of the highest national health priorities. Malaria is still among the top ten causes of morbidity and is the most widespread cause of mortality in health institutions however, statistics show notable improvements in the reduction of malaria admissions and deaths. The number of malaria incidents has notably reduced from 382.2 per 1,000 population in 2000 to 173.7 in 2015.

The transmission is prevented through two main primary vector control methods: the use of long-lasting insecticide-treated nets and indoor residual spraying complemented by larval source management. Progress has been made to increase the coverage of primary malaria interventions. Ownership of at least one insecticide-treated net per household increased from 68% in 2012 to 77% in 2015. The nets are, however, used for fishing rather than protection at night. Access to malaria diagnosis and treatment also increased, particularly at the community level, with 25% of Zambian population accessing the services through community health workers.

The efforts to fight malaria received nearly \$60m in 2015, with the biggest contributions coming from the Government of Zambia and USAID/PMI.

"The Ministry of Health has made notable progress in ensuring the availability of medicines and medicinal supplies for the management and control of NCDs"

#### HIV/AIDS:

The SADC region remains the area most affected by the HIV. According to the UNAIDS 2010 Global Report, of the total number of people living with HIV worldwide in 2009, 34% resided in ten SADC countries. Zambia has an estimated prevalence of 12.4% in its adult population (2016), down from all time high of 16.2% in 1998. There has been a gradual and continuous decline in the prevalence since the end of 1990s and the country has made significant strides in scaling up high-impact HIV preventive interventions. The uptake of HIV testing services has risen from 14% in 2001 to 37% in 2013 and from 9% in 2001 to 46% in 2013 among men (15-49 yrs). The number of people living with HIV accessing ART has increased substantially from 3% in 2004 to 62% in 2015. Likewise, the mortality attributable to AIDS has reduced from an estimated 65,000 in 2000 to 20,000 in 2015 among adults.

Stigma is the most important challenge facing Zambia. There is no shortage of information about prevention and treatment but too little is done to change attitudes and combat stigma. Insufficient efforts have been extended to tackle the ignorance in Zambia, a profoundly Christian nation where abstinence is endorsed above condom use and subjects such as sex outside marriage or homosexuality are anathema to the church.

#### **Tuberculosis:**

TB is one of the major non-pneumonia respiratory infections and remains a majorhealth problem in Zambia, contributing to a significant proportion of all hospital admissions in the country. This is despite significant achievements made by the National TB programme. Zambia is amongst the highest TB burdened countries in Africa. Nonetheless, the prevalence for all ages and all forms of TB has declined steadily to 406 cases per 100,000 populations in 2014 from 631, cases in 2004. Efforts still need to be made to bring Zambia on par with the Sub-Saharan average of 282.

The country has achieved a downward trend in the TB mortality rate (decreased from 35 per 100,000 people in 2000 to 25, in 2013). In line with this, the TB treatment success rate has been on the rise since the 2000s, and Zambia has met its 2015 MDG TB target of 85% success rate.

The Ministry of Health (MOH), has continued to show commitment to providing the latest knowledge and developments of TB control in Zambia. The Zambia National Health Strategic Plan 2017 – 2021 stipulates a goal to reduce the number of TB deaths by 40% in 2021 and to end the TB epidemic by 2035.

#### **UNIVERSAL HEALTH COVERAGE:**

Zambia, through its WHO office, joined the Universal Health Insurance Partnership in 2016. The Government of the Republic of Zambia is working towards providing Universal Health Coverage (UHC) so that everyone has access to quality health care without having to face financial hardship. At present, Zambia provides the population with basic health care services free of charge at the primary health care level. However, capacity constraints mean that, in practice, the health services provided are not always reaching the people who need them most. An important objective of the UHC Partnership is the strengthening of the aid effectiveness principles of the International Health Partnership (IHP+), to which Zambia is a signatory. These principles are fundamental to the proposed roadmap, thus contributing to the alignment of development assistance by national and international partners to the National Health Strategic Plan. The Ministry of Health has embarked on an implementation plan assisted by the WHO Zambia country office, with modified health financing strategies, systems and reforms put in place towards UHC by 2018.

#### PRIVATE MEDICAL INSURANCE:

The penetration levels for private medical insurance remains very low. In 2014, private medical insurance accounted for only 1.6% of total health sector financing. Around 90% of PMI premiums are covered by corporate health plans and some of the larger companies offer medical cover as part of their employee-benefit packages. One of the prevalent challenges is the competition insurance companies' face from unregulated and quasi-medical insurance schemes, private hospital health plans and employer-based health funds. Also, the lack of information poses a significant shortcoming to financial inclusion as, according to the 2015 Finscope survey, 88.3% of Zambians have never heard of health insurance and its benefits. For middle to upper income individuals and international corporate staff, there is access to advanced paramedics, ambulance and air ambulance facilities along with insurance to cover the cost. Lusaka is just over 1,000 km away from Johannesburg by aircraft and the patient's choice of required medical attention in the case of evacuation.

"Zambia has met its 2015 MDG TB target of 85% success rate."

#### HR:

One of the priorities of the Ministry of Health remains an appropriately trained, skilled and well-motivated workforce. Although the last five years have shown significant achievements in human resource performance, the shortage of skilled health care professionals remains acute. To address the demand, new training institutions - both public and private - were opened, yet the numbers of trained health workers remain low. The current number of health workers in the health sector is 42,630 (est.) against the required 63,057. Only 68% of the positions approved are filled as the sector faces continued scarcities. The shortage cuts across a wide spectrum of health professionals - clinicians, nurses, pharmacy technologists, laboratory technologists, radiographers, physiotherapists, and environmental health technologists. The training establishments are not adequate to meet the demand and there are notable budget restrictions to employing teaching and other support staff. Furthermore, the infrastructure, equipment and other training requisites need to be improved to enhance the overall quality of training.

#### **UNDERSUPPLY:**

While the numbers of staff employed at health centres and hospitals has increased there is still an acute need for an effective delivery of the minimum health care services. The main deficiency remains the unequal distribution and inappropriate skillsmix. Rural areas continue to face severe human resource shortages. A disaggregation of health workers shows that the distribution is skewed toward urban areas and the low population density of Zambia poses a serious challenge to the optimal distribution and utilization of health workers for efficient delivery of health services. Public facilities in rural and remote areas have the lowest number of health workers and often, the highest-qualified medical professional in a town or village is often a health worker with only basic qualifications.

To address the severe undersupply, the Ministry of Health has outlined incentive structures for health workers to improve their performance and motivation and the distribution of specialist health professionals. In addition, one of the priorities is providing appropriate training to increase the annual output of the education institutions to mitigate the shortages of qualified health workers.

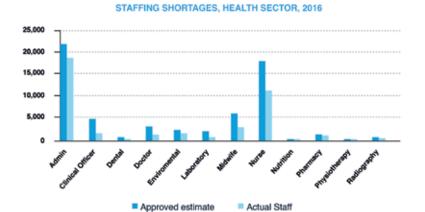
#### **PHARMACEUTICALS:**

The Zambian pharmaceutical industry has continued to experience strong growth, due to the continued increase in population and steady industrialisation rate of the sector. The manufacturing of pharmaceuticals in Zambia holds great promise with the rise in consumer spending, improved diagnostic services and increased medical needs all paving the way for a guaranteed investment success. The Zambian pharmaceutical market reached \$241m by 2014; however, it still faces challenges that prevent the country from establishing a strong local manufacturing base and has therefore led Zambia to depend on imports for its medicinal needs. Most of current expenditure is on pharmaceutical goods, mainly from India.

Zambia currently manufactures 30% of the drugs on the Essential Medicine List locally. As with most of its regional neighbours, Zambia has high disease burdens that require high consumption of pharmaceutical products. With only seven local producers and around 30 pharmaceutical trading companies the market is poised to expand.

With the high incidence of HIV/AIDS, TB and malaria, the pharmaceutical sector provides opportunities for the supply or local production of essential drugs, the storage and logistics services of these medicines and the provision of raw materials to manufacturers.

"Zambia currently manufactures 30% of the drugs on the Essential Medicine List locally."



# Health Sector Strategic Programmed Approach:

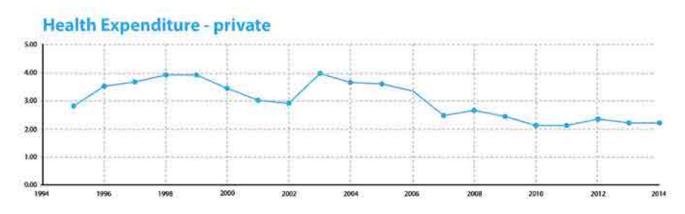
The GRZ has prioritized health as a key economic investment to spur the country to become a prosperous middle-income country by 2030. The NHSP (2017-2021) is anchored on a National Transformation Agenda which recognises the importance of the health sector in improving national productivity. Investments in the health sector will be treated as inputs toward raising overall productivity and hence contributing to economic growth. The focus for the NHSP shall be on attaining Universal Health Coverage using the primary health care approach. Underpinning the approach is health system strengthening across the continuum of care and spanning promotive, preventive, curative, rehabilitative and palliative health services. The investment in the health sector shall be informed by key pillars of a functional health care system, namely service delivery, human resource for health, health management information and research, medical products, vaccines, supplies, health infrastructure, equipment, transport, financing, leadership, and governance. The NHSP uses a model that incorporates underlying socio-economic factors impacting health behaviours. The socio-economic determinants model postulates that poor social and economic factors impact health throughout an individual's life; these factors could be isolated at the personal, societal, and physical environment levels.

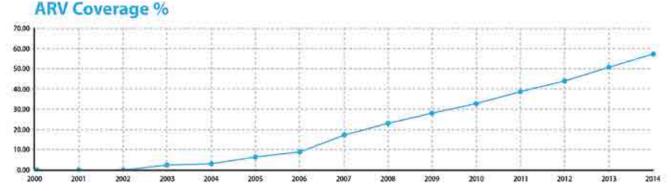
The full Zambian National Health Strategic Plan 2017 – 2021 can be referenced here:

http://www.moh.gov.zm/docs/ZambiaNHSP.pdf

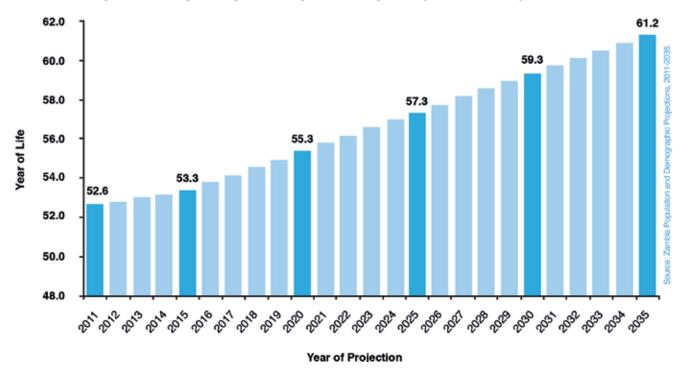
#### E-Health Strategy:

The Ministry of Health (MoH) released its E-Health Strategy in July 2017 recognising that the health delivery process depends on health information, technology and research. The plan outlines several solutions to be developed by the MoH to improve the access to health care and provide high quality services. Some of these include computerised point-of-care services to facilitate real-time referral services and improve quality of care, telehealth services to facilitate cost effective provision of specialist services to communities, electronic surveillance systems, electronic performance reporting and analytical systems to optimise the use of resources invested in responding to the health needs of the population.

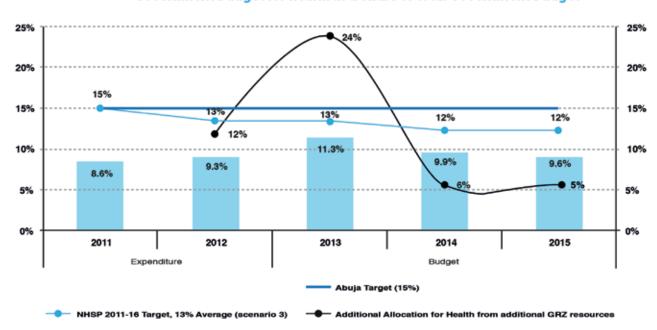




Projected Life Expectancy at Birth by Year of Projection (Medium Variant), Zambia 2011-2035



#### Government Budget for health as a Share of total Government Budget





**BRIG:** What are the greatest investment opportunities in the Zambian Health sector and how do you see the potential for cooperation on the institutional side and finding ways to enhance levels of care by entering into a PPP structure with a foreign partner?

# A Very Practical Approach Dr Chitalu Chilufya, Minister of Health

#### Dr. Chitalu Chilufya:

Health is central to sustainable development and only a healthy citizenry can drive our socio-economic agenda. To attain the goals outlined in the country's development plan Vision 2030, we have prioritised health, as a strong labour force begins with a healthy citizen. A multi-disciplinary approach is essential as there are many underlying factors, such as nutrition, water sanitation, basic education and household income, so we need to coordinate coherently with the Government and private sector players in other sectors. Our agenda is to strengthen the health system and services by using the primary health care approach and we have identified key result areas to provide opportunities for the private sector. Firstly, it is service delivery. To provide effective health-delivery, we need to invest in the infrastructure of primary care. Today, Zambia lacks more than 2,000 health centres and to increase access to healthcare we will embrace partnerships that enjoy private sector funding. Furthermore, we are embarking on a modernization programme to negate the need for treatment abroad and boost medical tourism from neighbouring countries. The private sector is encouraged to invest in highly specialized hospitals in cardiac, renal and neurosurgery as Zambia can serve as a launch board to the regional market of SADC and COMESA.

Secondly, we recognize the need for innovative healthcare financing and not to over-rely on state funds and treasury. We have started discussing the national social insurance scheme with the stakeholders, working on the systems design and we will introduce it this year. The National Insurance Scheme will bring us closer to universal health coverage, shying away from out of pocket payments. It will ensure more efficient service delivery and we aim to have

Universal Health Coverage by the year 2030. Human resources are another key result area of top priority. Our challenge is providing adequate numbers of specialists. We have numerous public-private partnership opportunities to enable private sector participation in developing the workforce. There are a number of private medical universities opening in Zambia that will surely tap into the regional market as our human resources challenges are not unique and pertain to the whole region.

Zambia has embarked on a transformational path of local manufacturing and supply of medical products to better manage its supply chain for vaccines and medical products. I can assure that the Ministry of Health will be biased towards local manufacturers and will favour anyone who sets up a manufacturing plant here. Again, the regional market is of utmost importance as the Zambian manufacturers can further expand into our eight neighbouring countries. We will guarantee the market for the local manufacturers of drugs.

Health Information Management systems is another focus area. Zambia will go digital and pursue partnerships to implement information management systems. Also, our equipment needs for diagnostics, imaging and therapeutics are immense and we require private investment to keep in tandem with global modern practices.

Zambia has cemented many strategic partnerships. We work with our partners – the US government, USAID, the Swedish government and the UN organisations on the prevention of communicable diseases and building infrastructure.

# EDUCATION

High private sector participation in tertiary provision

Strong demand in post-primary education facilities and teaching materials

Increased need for skills development and vocational training





# **New Skills**

#### Building the country's human capital

With education progressively becoming the primary determinant of overall development in the emerging knowledge economy, Zambia has recently seen an increase in investment and resources made available at all levels of the education sector.

The Government has remained committed to the development of the education sector and financing is gradually shifting toward supporting the upper levels of education in a much-needed step to expand secondary and higher education. The Technical Education, Vocational and Entrepreneurship Training (TEVET) sub-sector remains relatively underdeveloped compared to other sub-sectors despite the need for skills development in a country where unemployment and underemployment are persistent challenges.

**EDUCATION SYSTEM:** 

The general education system in Zambia is divided into three levels – Primary school (Grade 1 to Grade 7), Junior secondary school (Grade 8 to Grade 9), and Upper secondary school (Grade 10 to Grade 12). English is the principal language of instruction in Zambian public schools and children are also required to learn an additional local language, conditional on their provincial district. The school year in Zambia runs from January to December, and is divided into three terms. Public education is free up until Grade 7, however, the households are expected to fund school uniforms and learning material.

Private schools run independently of the Government and are more flexible in their admissions procedures, curricula, and language of instruction. Many private schools can trace their roots back to Christian missionaries in Zambia and are often managed by a specific denomination. There are several Islamic schools in Zambia. Other

private schools are managed by the community or a corporate business, especially in the mining areas of the country and may follow the northern hemisphere school year with a midyear commencement.

Private schools follow the local Zambian curriculum or American or British schooling systems with some offering the International Baccalaureate, and, generally offer high standard of education, better opportunities and learning facilities. The fees, predominantly at the more affluent private schools, can be high and out of the reach of many Zambians.

Zambia signed the Incheon Declaration in May 2015 which makes the first nine years of education compulsory.

#### FUNDING:

In the last decade, public education expenditure has grown steadily, ranging between 15.3% and 20.5% of the total Government expenditure. The education sector received 16.5% allocation of the overall national budget in 2017, slightly lower than the 17.2% share recorded in 2016. The social sector, comprising of environmental protection, housing and community amenities, water supply and sanitation, health, recreation, culture and religion, education accounted for a 32% share of the total budget in 2017 with education representing the biggest portion of the social sector allocation at 51%.

Primary education, due to the Government's policies of prioritizing education for all at the lower end of the education spectrum, received the largest share of general education budget compared to secondary education. Primary education received 67.9% of the general education budget, whereas secondary education accounted for 24.1%, higher education of 7.4%, and early childhood education received 0.6%.

"Zambia has recently seen an increase in investment and resources made available at all levels of the education sector" Free primary education policy has proven to be faulty. Though tuition fees have officially been eliminated, schools continue to collect various fees from students hampers students from poorer households accessing schools. A study by UNESCO shows that school grants do not reach 30% of the schools in the country, which results in school fees. Secondary school grants are received directly from the enabling-economic Ministry of Finance, while the implementation of primary school grants is challenging due to the remoteness of primary schools and additional charges by commercial banks for maintaining bank accounts.

#### CHALLENGES:

Because of enabling economic policies over the last decade, Zambia has experienced a noteworthy improvement in almost all economic sectors including education. However, despite constant funding of the education sector, multiple challenges persist. Notably, these include lack of efficiency and effectiveness in resource use, high teacher absenteeism, low education quality, insufficient teaching and learning materials, high internal inefficiency and low time-on-task, among others. Also, regardless of the increase in public spending on education, especially primary education, a public expenditure review by the World Bank has shown that the quality of education is still lagging. The study finds that primary education measured by Grade 5 pupil learning outcomes has remained low compared to other lower middle-income countries and has dropped slightly in recent years. The skewed distribution of public resources towards primary education accounts for low progression to secondary level and thus, to tertiary level. A large share of the educational spending is allocated towards personal remunerations. In 2016, teachers' salaries accounted for 93% of the entire primary education allocation, with very little left to acquire teaching aids and books. Insufficient number of teachers, high absenteeism of teachers and unsatisfactory levels of teaching and learning materials, including textbooks contribute to the low quality of education.

The Government's efforts to expand post-primary education are yielding results as more students are completing primary education and enrolling in secondary education. The progression rate from Grade 9 to Grade 10 increased to 48.89% in 2015. However, the current capacity of the secondary education is still fractional and can accommodate about 30% of the students currently enrolled in Grades 1 to 5. The Government is investing in construction of schools with 118 schools being built across Zambia and the Government has voiced plans to upgrade the remaining 1,800 basic schools into secondary schools and to provide teaching materials that are in short supply. These rapid expansion plans, although commendable, still lack the strategic preparations, namely quality teacher development and curriculum improvement in ac-

cordance with the current market needs and trends. Secondary schools are funded mainly through out-of-pocket spending of students and households – 98% of schools charge fees to students. This has led to disparity in school resources between relatively rich and relatively poor school areas. Due to the non-provision of pro-poor targeted school grants or scholarships by the Government, the current situation has resulted in fewer resources to the poorer schools and better quality of education in wealthier schools.

#### TEVET:

Skills are vital for economic development and sustainability. The advancement of the education sector includes technical education and entrepreneurship training as a means to increase employability opportunities. To adapt to the market needs of the future, the Ministry of Higher Education of Zambia has shifted its focus from not just providing technical and vocational training, but is adding entrepreneurial training to enable graduates to run their own businesses. The technical education, vocational and entrepreneurship training graduates are still outnumbered in the labour market in Zambia due to the perception of technical education as a low-valued option.

The Government of Zambia has introduced a two-tier system at the secondary technical education level-one tier for students who follow an academic path and the other tier for those who pursue a technical path. The students of the technical tier at grades 8-10 can undertake technical subjects, besides academic classes, to acquire labour market-oriented skills at an early age. The Ministry is currently undertaking this initiative as a pilot with 47 secondary schools and TEVET institutions. International development partners, like the government of China have contributed to skills development in the country to bridge the gap between the needs of the industry and the training offered. The Chinese government has set aside \$50m to build a vocational college to address the skills gap in mining companies. The college will enroll grade 12 school-leavers and once they complete their education, they will be offered jobs in Chinese mining companies operating in Zambia. "The Chinese government also wants to prepare Zambian lecturers who will be sent to China for training and come back as lecturers at the vocational training college. We hope to train 40 people for a start", China Non-ferrous Metal Mining group director of training, Liang Chimin said.

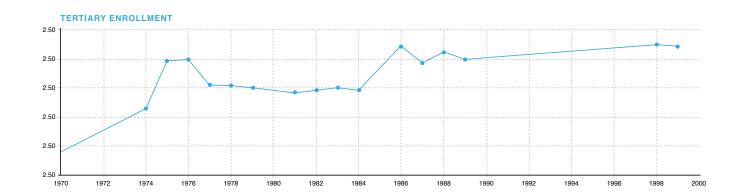
#### **HIGHER EDUCATION:**

The Higher Education Authority of Zambia have 58 registered private higher education institutions in 2017. The higher education sub-sectors in Zambia has over the last five years become saturated with private sector players seeking to fill the gap in providing high quality education to the growing population. The universities and colleges

"Private sector players seeking to fill the gap in providing high quality education to the growing population."

catering to a wide spectrum of learners with programmes spanning sectors from medicine to tourism have been forced to become more innovative and adapt to the needs of the highly competitive market and address the increasing shortages in the labour force. Increased international partnerships, established between the learning institutions in Zambia and universities and research centres worldwide, has also helped to improve the standards of education and ensure that the degrees awarded by the universities locally are accepted and recognized worldwide. Such international ties represent notable investment prospects. In the words of Hapenga Kabeta, the interim Vice-Chancellor of Kenneth Kaunda Metropolitan University, "The greatest investment opportunities I see in the education sector are building strong collaboration with universities here in Zambia and the region in terms of strategic partnerships, research and faculty exchange. Also, there are many green field investment opportunities in education sector - many international universities have set up their premises here in Zambia and I expect this sector to grow rapidly". The University of Zambia (UNZA), established in 1966 is the oldest public university in Zambia and remains the highest ranking educational institution in the country currently ranking 2,295th worldwide and 79th in Africa, according to University Rankings 2017. Upon its establishment 1966 with a total number of 312 students, UNZA has now a total number of over 30,000 students that includes parallel and distance programmes.

Public universities rely on Government grants for about half of their annual budget and around 48% of the overall funding is raised through tuition fees, commercial and research activities, and other student fees. The higher education system in Zambia at the state-funded level suffers from weak resource management and ineffectiveness in promoting the fairness in access to Government funding among students. The current bursary scheme is a loan scheme that has proven to be inefficient with no recovered loans up to date. The system was introduced



#### THE EVELYN HONE COLLEGE OF APPLIED ARTS AND COMMERCE

MISSION STATEMENT

To provide quality training in applied arts, commerce science and technology to local and international students in order to fulfill requirements for the labour

market'.

STUDENT POPULATION

7,000

is the third largest training institution in Zambia and the largest Technical Education and Vocational Training (TEVET) institution under the Minisfry of Higher Education

50 PROGRAMMES ACHOSS THE FOLLOWING SCHOOLS

School of Argulati and Health Science School of Guainess and Managaman Studies School of Education and Social Sciences School of Media and Information Science

Department of Open Distance and Flexible Learny



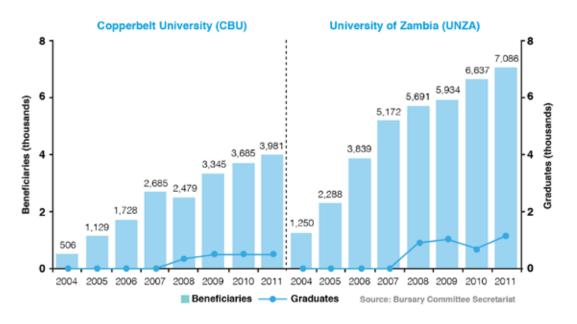
EDU.Z

in 2004, with the repayment period of the loan at 10 years for a four-year programme, with a one-year grace period. Up until 2017, due to unclear management and collection authority of the loans, none of the students had repaid their study loans. In 2017, the Ministry of Higher Education involved the Public Service Management Division to trace the former students to start the recovery of the loans from 4870 beneficiaries employed in Government institutions.

To remedy the situation, the Education Public Expenditure Review in Zambia, published by The World Bank in December 2015 recommended giving public universities academic and financial autonomy to improve the quality

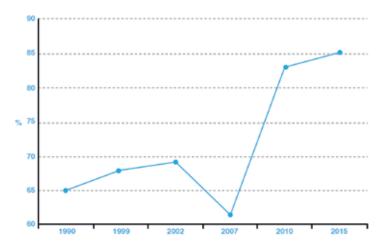
of university education suggesting that a possible option for improving the university management is to gradually introduce performance-based funding, such as competitive funding. Dr Alvert Ng'andu, the Executive Director and CEO of Zambia Centre for Accountancy Studies, ascribes the success of that learning institution has been its ability to operate autonomously, enabling it to make critical decisions quickly and respond immediately to market dynamics. Public universities have also begun raising revenues from their own research and business activities through, introduction of new entrepreneurial programmes, commercialising certain service units and capitalising on the land resources through real estate development.

#### Number of Beneficiaries and Benefited Gradutes from the Current Bursary Scheme, 2004 - 11



#### Zambia - Adult (15+) Literacy rate

Though Zambia adult literacy rate fluctuated substantially in recent years, it tended to increase through 1999 - 2015 period ending at 85.1% in 2015



| Date | Value | Change, % |
|------|-------|-----------|
| 2015 | 85.1  | 2.54 %    |
| 2010 | 83.0  | 35.13 %   |
| 2007 | 61.4  | -11.17 %  |
| 2002 | 69.1  | 1.69 %    |
| 1999 | 68.0  | 4.62 %    |
| 1990 | 65.0  |           |

Adult (15+) Literacy rate (%). Total is the percentage of the population age 15 and above who can, with understanding, read and write a short, simple statement on their everyday life. Generally. "literacy" also encompasses "numeracy". the ability to make simple arithmetic calculations. This indicator is calculated by dividing the number of literates 15 years and over by the corresponding age group population and multiplyingthe result by 100.



# **High Achievers**

Dr Alvert N. Ng'andu, Executive Director, ZCAS

**BRIG:** Academic institutions are often theoretical and devoted to academic knowledge, you have a very practical approach.

#### Dr Alvert N. Ng'andu:

We believe that academic or training institutions must prepare people practically for the world of work, not for them to go and theorise. They must be ready to be productive as soon as they leave the institution and should not just become so after one or two years. We are introducing our accounting students to at least one accounting package so that they will be familiar to accounting software if their employer uses one. This is one illustration of what we think should be happening and even on the academic side, we try to find ways of ensuring that our students can be productive very quickly when they get into the workplace.

**BRIG:** What is your appetite for innovation and how do you challenge the traditional ways of doing business?

#### Dr Alvert N. Ng'andu:

Our appetite for innovation is high, we challenge ourselves as an institution to innovate in whatever we do so that we can continue to improve and enhance the quality of what we are doing. We challenge our staff to present any bright ideas they have to innovate how we operate and how we deliver on our programmes. They are encouraged to present those proposals and we consider them on their merits. One innovation that we are very proud of is that we were the first and for a long time, the only distance-education provider to register students on an online learning platform in addition to the standard course modules. The students can collaborate and interact with each other as well as their lecturers. We have since extended the online platform to our full-time and part-time students as well.



**BRIG:** How does ZCAS collaborate with industry and/or other academic institutions?

#### Dr Alvert N. Ng'andu:

In terms of our professional and academic programmes, we have collaborations with several institutions. We collaborate with The Athlone Institute of Technology in Ireland on one of their accounting degree programmes and with The University of London on some economics and finance programmes. With The University of Greenwich, there are several business administration and computing programmes and MA and MBA programmes (International Business). We had an Executive MBA programme with the University of Lancaster.

Locally, we collaborate with the University of Zambia and have eleven undergraduate degree programmes with them. They are our largest collaborator and the only one in this country other than the professional associations including ACCA, CIMA, Institute of Marketing, Zambian Institute of Human Relations, ABE, ZICA and CIPS and the Zambian Institute of Purchasing and Supply.

**BRIG:** How do you see collaboration between ZCAS and the private sector developing?

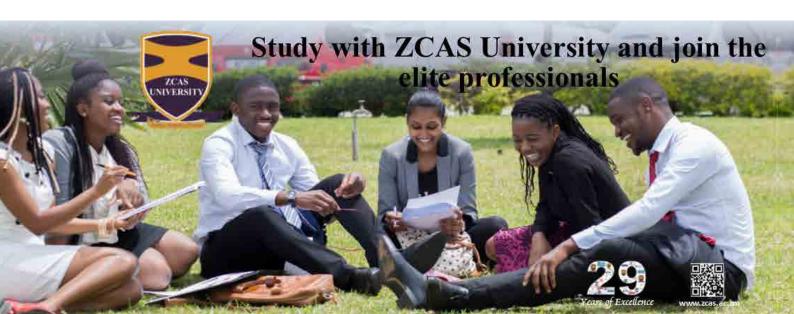
#### Dr Alvert N. Ng'andu:

That has already developed to some extent, but there is room for more development, perhaps at two or three levels. The first level is that ZCAS prides itself and desires to have its students exposed to commerce even before they have completed their studies. We encourage collaboration with businesses so that students are placed in those institutions when they are on vacation and they can gain work experience. We think that it's

also useful for institutions to collaborate with us because when students finish here, clearly they will be joining the work force and if the students have gained some experience, they become a potential employee for the institution that they have worked for.

We also have some specialised collaboration, the most visible is with Vodafone. There is a permanent presence of Vodafone, through a kiosk, right here on campus. They use our students as brand ambassadors to promote their products and they have offered a number of our student's positions through the internship placement programme. We collaborate with Vodafone at these three levels and would like to see many more institutions doing the same thing as they will experience ZCAS's product and be in a position to decide whether or not to employ our students.

Another area that we are growing is a training and a degree programme in entrepreneurship. Once our students complete this programme and go on to become entrepreneurs, they will have built a network and will know where to go for assistance. We also run career fairs to encourage this collaboration with industry and we invite institutions to show students what they do. We also run what we call an executive chat every month and invite CEOs and businessmen to talk to the students at lunchtime. The students have the opportunity to meet this highly-regarded person and ask them relevant questions. That creates a rapport with the business community and allows students to experience the real world and what they need to do to be successful when they leave the institution.



Ngombe mukutwaleta kanyu meyi mabi. (Lozi / Luyana)
The first cow does not drink dirty water.
Encourages someone to start a venture before others do. Go
into new markets, not those that are almost flooded.

# STARTING A BUSINESS IN ZAMBIA





### Starting a Business in Zambia

#### A practical guide to procedures

Starting a business in Zambia is relatively easy and the requirements are generally not that onerous. Some of the procedures are as fast as anywhere in the world such as company and tax registration. In most cases it would, however, be advisable to engage experts who have the staff to tackle all of them simultaneously or at least in immediate sequence.

#### PACRA:

The Patents and Companies Registration Agency (PACRA) is a semi-autonomous executive agency of the Zambian Ministry of Commerce, Trade and Industry. Its principal functions are to operate a legal system for registration and protection of commercial and industrial property and to serve as a legal depository of the information tendered for registration. It comprises two core departments; Industrial Property and Commercial.

The very first step before the statutory registrations can start is to get approval for the name of the company. PACRA is responsible for vetting proposed names and their guidelines are there to protect existing companies and to ensure that no misleading descriptions are used.

#### **NAME REGISTRATION:**

Name Clearance can processed at any PACRA office or www.online@pacra.org.zm and an application for approval of a name can be made in writing on Business Form III – Application for Business Name Registration, which can be downloaded from www.pacra.org.zm. If one goes in person with the form, it is possible to process the appli-

cation immediately and get written confirmation. Online, does work, but if the officer concerned has queries, then the process can become protracted.

A maximum of three names can be proposed. The names will be considered in the order of listing. If the first choice is turned down, the second or third name may be considered. Once the name is accepted, it is automatically reserved for a period of 30 days. After 30 days, the name clearance expires.

The name of the business must be in line with your principal nature of business. For instance, if the main line of business is offering security services, you cannot call the business 'Non Such Restaurants'. This would be misleading.

Do not choose a name that is confusingly similar to what already exists or the same as a well-known company. The words "well-known name" mean a name associated generally by the public with a company, whether within or outside the Republic, and in respect of which confusion is likely to arise if registered. If you are opening a company with a name linked to one of the shareholders such as Ohio Business Machines Ltd, you will need to take written permission on an OBM Ltd letterhead and a copy of their company registration which will make the decision in your favour easier.

Do not choose offensive or undesirable names. This means that a name should not be in the form of an insult as this is against public policy. Do not choose deceptive or misleading names.

For instance, if you are just starting your small business, you will not be allowed to use words such as 'International', 'Countrywide' or 'Worldwide' because these words suggest that you have a big multinational company, which could be misleading to the general public.

The name that you choose should convey the expertise, value and uniqueness of the goods and service you will be offering to the general public. For instance if your company is called Tigwirizane Best Advertisers, it means that you must be the best indeed in the business of advertising. If not, your company name could be said to be deceptive to the general public.

Choose a name that is informative, such that the public should be able to know your line of business just by glancing at your business name.

#### **COMPANY REGISTRATION:**

There are broadly two types of companies in Zambia, namely:

- 1. Private Limited Companies; and,
- 2. Public Limited Companies (PLC).

#### PRIVATE COMPANY LIMITED:

This is a registered company formed and owned by individuals other than the Public. Its name will always end with the word "Limited". The minimum number of directors and shareholders required for a private company is two (2) of which 50% must have residential status in Zambia as opposed to having to be Zambian Citizens. There is also need for at least two separate shareholders which can be individuals or companies, all of which can be based outside Zambia.

The following are the types of private limited companies that can be incorporated:

- 1. Company limited by Shares;
- 2. Company limited by Guarantee; and
- 3. Unlimited Company.

companies limited by shares have a share capital and are formed or incorporated for purposes of carrying on business to derive a profit. Currently, the minimum required authorised capital for a private company other than banks, insurance and other financial institution, is K15,000.

A Private Limited Company may not have more

than fifty (50) shareholders. It nevertheless may have the capacity to enter into any type of legal activities as long as its articles do not restrict it. As stated above, this type of company is prohibited from making any invitation to the public to purchase its shares or debentures. In case it winds up and its assets are insufficient to cover its liabilities, the liability of its shareholders is limited to the amount left unpaid on their shares.

A company limited by guarantee does not have a share capital and is not permitted to carry on business for the purpose of making a profit for its members or for anyone concerned in its promotion or management. These are normally formed in order to help the community benefit from a certain project. In Most cases, these are organisations such as churches, foundations, trusts, etc.

At the time of formation, each member must sign a declaration of guarantee, specifying the amount he undertakes to contribute if the company is wound up. In case it winds up and the assets are insufficient to cover its liabilities, the liability of its members is limited to the amount so guaranteed.

An Unlimited Company is one that has a share capital but whose members have unlimited liability for the company's debts and liabilities. In other words, whatever is incurred by the company is also deemed to have been incurred by the members.

In terms of membership, it also may not have more than fifty (50) shareholders. There are exceptions, however.

#### **PUBLIC LIMITED COMPANY:**

A Public Limited Company states in its articles of association that it is a "Public Limited Company". Its name always ends with the words "Public Limited Company" mostly abbreviated as "PLC". It has a share capital and its authorised minimum capital is K1m. It has the capacity of entering into any business activity unless restricted by its articles.

This type of company can invite the public to buy its shares. It can therefore list its shares on the Stock Exchange.

If it winds up and its assets are not sufficient to cover its liabilities, the liability of the shareholders is limited to the amount left unpaid on their shares.

#### **COMPANY FORMS:**

There are some important requirements that come to light when one begins to complete the forms and dependant on where the required documentation is located, non-procedural internal delays can occur. They must be type written and if the officer finds an error, you will be requested to have a typewriter XXXXXXXXXXXX out the error and then type in the correction. This can be done quickly and cheaply at nearby business centres. These are the forms and their main requirements:

Form 1: Public Limited Company, Form 2: Private Company Limited by shares, Form 3: Company Limited by Guarantee, Form 4: Unlimited Company.

These forms vary by type of registration, but all need the specific company details as well as those of the first directors, company secretary and shareholders. Certified passport copies as well as corporate registrations of shareholding companies need to be attached. The type, number and value of shares by shareholder need to be declared.

Form 5: Public Limited Company, Private Company Limited by shares, Unlimited Company, Company Limited by Guarantee

This is consent to be a first director or company secretary and full personal details are needed. All directors can sign on the one form or multiple forms can be submitted.

Form 11: Public Limited Company, Private Company Limited by shares, Unlimited Company, and Company Limited by Guarantee

A declaration of compliance with the requirements of the Company Act is in terms of the formation of a company by a legal practitioner, company secretary or first director before a commissioner of oaths.

Articles of Association are for:

Public Limited Company, Private Company Limited by shares, Unlimited Company

#### **LIMITED BY GUARANTEE:**

PACRA provides standard articles of association that can be used or the subscribers can submit their own. It does need some reformatting and a spell check, but there are no material errors and they can be used as is.

#### SUBMISSION:

Once all the forms are complete, duly signed and witnessed, make at least one copy of each and submit two files, one original and one copy. It is advisable to submit a number of bound Articles of Association as PACRA will stamp all documents in the copies file and return them to the company. Once the officer has checked the documents and there are no errors, they will capture the information immediately into the system, give you a reference and you can pay the registration fees immediately. The Certificate of Registration can be processed within an hour if there is a need for it for example to open banks accounts with on-site desks of banks like Investrust.

#### TRADEMARK PROTECTION:

Even though Zambia is a member of ARIPO, the trademark aspects have not yet been domesticated (the Banjul Protocol) under the ARIPO Protocol. Trademarks should therefore be registered with PACRA for them to be officially recognized and protected.

It is a requirement that a legal practitioner files on behalf of the applicant and in order to proceed, they will require the following:

- the sample logo of the trademark to be registered;
- a description of the goods or services the trademark will be used on to enable them to identify the class(es) under which the trademark application should be made in accordance with the law in Zambia; and
- the full name and address of the trademark applicant to enable them to complete an "authorization of agent form – TM form 1" for your execution.

With the above details, they will be able to advise on the registration fees payable at PACRA.

The total fee quoted would then cover the register of a trademark in Zambia, where the following steps must be undertaken:

an application to register a trademark and logo will have to be made and a sample of the actual trademark and logo will be affixed to the application form. A certificate of lodgment of the application form will be issued by PACRA approximately one month after receiving the application;

PACRA will then go through its database to ensure that a similar trademark and logo has not

already been registered and this process takes approximately one month;

Once PACRA has ensured that a similar trademark and logo has not already been registered, an advert will have to be placed in the Trademarks Journal for a period of two months; and if there is no opposition to the registration of the trademark and logo after the two month period that the advert has run in the Trademarks Journal, then PACRA will proceed with the registration.

#### **ZAMBIA REVENUE AUTHORITY**

Zambia's tax regime has a number of aspects that may not be familiar to many outside investors and it is advisable to appoint specialists to ensure that the endeavour remains compliant. It all starts with registering for a TPIN, an acronym for Taxpayer Identification Number and all relevant tax categories are then associated with that number.

Registration is electronic and relatively easy. The form is downloaded from the ZRA website and one selects all the relevant categories from Turnover tax, Withholding tax, PAYE, Property Transfer Tax, Presumptive Tax, Income Tax, Mineral Royalty, Medical Levy, VAT Excise and Base Tax. It is best to register for those categories that are immediately relevant. You can always add others later. If not, there is an option to submit nil returns.

Depending of the categories indicated, there will be additional forms to download and complete. By the end of the submission process, you will have a TPIN and secure access to your account. You will also get an Acknowledgement of Receipt, which allows you to track the progress of the submission. If you are concerned about a delay, you can email, call or visit ZRA. In each case, the officer concerned is likely to be highly responsive in dealing with any unnecessary delay. Once registered, your next submission deadline is likely to be the 14th of the next month. It may be a Nil Report, but if late, penalties will start accruing. One can apply formally for penalties to be waived and each case is judged on its merits. To prevent this, it is advisable to select a specialist until your finance team is fully in place.

Making payments is now electronic and the process is far simpler than before. You register for electronic payment, so that when you upload the return and select electronic payment, you are directed to your own bank's portal and are able to

make the payment immediately with minimal duplication of information.

#### **NAPSA**

A company should register with NAPSA immediately it starts its operations and can do so even if it does not have any employees in which case, no returns are submitted. As soon as they employ, they should register the employee.

Everyone in any form of employment including foreigners that are of age 16 to 55; both ages inclusive are covered, subject to exemptions under the NPS Act. Foreigners have to register as members and to have contributions deducted and paid to NAPSA on their behalf; unless they have diplomatic status or if they work for a company that has the status of an International Organization. NAP-SA is mandated by the NAPSA Act to prosecute defaulting employers.

The National Pension Scheme is contributory; meaning that workers covered by the scheme are supposed to make monthly contributions through their employers in order to garner rights that entitle them to benefits provided by the scheme.

Presently, the monthly contribution rate is pegged at 10% of a worker's gross monthly earnings subject to the prevailing contribution ceiling in the calendar year in which the worker earned the income. The contribution ceiling is revised annually and the revision takes effect from January of each year.

The following constitute gross earnings for NAP-SA purposes: basic salary, leave pay, commuted days, overtime, bonus and all allowances (house, transport, uniform etc.) The employer is however, mandated to deduct only half of the worker's monthly payable contribution from the employee's earnings and then add an equal portion.

Employers are also required to remit workers' monthly contributions within 10 days of the end of the calendar month to which the earnings relate. i.e. contributions for salaries earned in the month of July should be paid by the 10th of August. The due date is the end of each month; the extra 10 days are just a grace period. Any contribution including underpayment that is not paid within 10 days of the end of the calendar month to which it relates, attracts a penalty equal to 20% cumula-

tive for each month or part thereof that the contribution remains unpaid.

Alongside the payment of contributions, employers are mandated to provide monthly returns that reflect the workers' full names, social security number, national registration card number, gross earnings and the respective employee and employer contribution. Failure by an employer to submit monthly returns reflecting the above details results in delays in posting contributions to members' accounts, including possible posting of contributions to incorrect members' accounts.

The ideal and acceptable mode of filing returns is the electronic format. This format has the following benefits: better record management – ease filling and retrieval of data, error free assessments, faster and error-free crediting of members' accounts and quicker processing cycle for benefits.

The ultimate effect of submission of poor monthly returns by employers is that it renders the Authority's desire to process claims within a reasonable time frame unattainable.

The Authority has two principal payment channels through which employers can remit contributions to the scheme. The first channel is the Over the Counter (OTC), where employers have to physically visit a NAPSA office to make payment. The

second channel is the Electronic payment option. Under this option, employers can either send a hardcopy instruction to their bank or initiate the payment from their bank internet payment platform.

The Authority is delete in the process of enhancing the electronic payment channel in order to integrate the payment of contributions with monthly returns submission. It is hoped that the new payment channel will address the current challenge of poor-information provision by employers through the automation of data validation before the system accepts the payment for contribution.

In order to improve the quality of contribution data the Authority holds for each contributor, workers are encouraged to regularly check the status of their contributions by visiting a NAPSA office or checking via the NAPSA online platform via the website napsa.co.zm or using a mobile phone by either downloading the smartphone app or dialling \*677#.

furthermore, it is an employee's obligation to report any errors on the statements in order to ensure that when they becomes eligible for a benefit, their claim is not only settled in good time but that the correct amount is paid.



## **Zambian Immigration Wins Kudos**

#### Words by Roy Kausa

The Zambian Immigration department tops the list of the best customer relations in the Southern African region. The survey team at random interviewed both officers and the travelling immigrants during the last three months in 2017. According to this exclusive report, the biggest challenge among the Immigration departments in this part of Africa was lack of communication skills in English.

This intelligent survey covered Angola, Botswana, Lesotho, Malawi, Mozambique, Zimbabwe, Namibia, South Africa and Swaziland. According to the latest survey report, the Zambia Immigration Department scooped the top slot because, during this survey several factors were

considered. For example, the way the immigration officers greet their clients, the way the officers respond to different queries from the members of the public and officers' general professional approach to immigration duties.

The Zambian Immigration department falls under the Ministry of Home Affairs in the Zambian capital city Lusaka. The department has offices in Lusaka's city centre and its Headquarters is situated in a splashy area called Longacres near government offices, embassies, banks, hotels, and the cathedral.

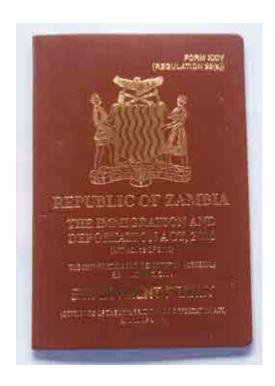
The Zambian Immigration Officers professionally welcome clients by greeting them first with the popular Zambian smile. The customer relations offices, both in town and Longacres were extremely friendly to visitors.

For example, in Botswana, Lesotho and South Africa the Immigration officials preferred to speak in local languages when talking to their clients and felt rather uncomfortable to speak English unlike in

Malawi and Zambia. The two Portuguese speaking countries, Angola and Mozambique came second to Zambia, despite the language problems to speak in English their general customer relationships were good. Malawi came third, followed by Zimbabwe, South Africa and Lesotho.

The Zambia Department of Immigration headed by Director General Moola Milomo must be commended for keeping up to the standard of their official statement, "The Zambia Department of Immigration aims to effectively and efficiently facilitate and regulate the entry and exit of persons and control the stay of immigrants and visitors in the country to contribute to internal security and sustainable socio-economic development".



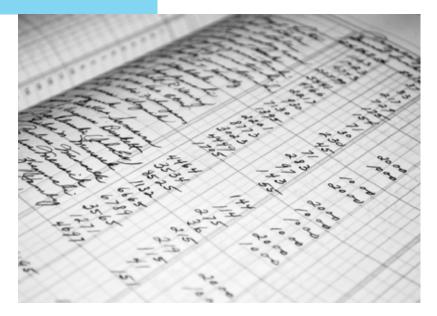


Sakufangenda ka sikepaa ndambo. (Lozi / Luyana)
What kills a visitor does not kill a local man.
Seek advice from the local people in order to avoid unnecessary problems. Find out about the way of life of the inhabitants immediately on arrival.

# **TAX & ACCOUNTANCY**

SMEs offered several exemptions to promote growth Regulatory framework in line with global standards Investors qualify for tax exemptions in priority sectors





#### **How are Companies Taxed in Zambia**

#### A Comprehensive Guide to Tax Framework

HLB Zambia is a Zambian registered international firm of Chartered Accountants and Business Advisors with a wealth of training and experience in various professional fields in Zambia and internationally. HLB is a member of HLB International, a world-wide network of professional accounting firms and business advisors. As a member firm of HLB International, it is convenient for the firm to handle jobs thatcut across international boundaries. The Firm is able to utilize the services of specialists within the International group whenever need arises. HLB International is one of the largest accounting consortiums in the world with more than 1,430 partners, and 9,900 Staff in over 400 offices of the representative member firms in over 100 countries.

With the recent announcement of the 2018 Zambian National Budget, one of the main areas of concentration is the diversification of the economy from the over-dependence on the mining sector to agriculture and other sectors.

#### FISCAL POLICY:

Government has continued to implement measures that are aimed at restoring fiscal fitness in order to attain inclusive growth and development under the Economic Stabilisation and growth programme. The government will implement measures that ensure that the tax system is simpler and fairer in order to expand the tax base and increase compliance. This will be through continued modemisation and automation of revenue collection processes coupled with an upscale in tax payer education and services. Tax incentives will also be rationalised.

#### **CORPORATE INCOME TAX:**

this is governed by Chapter 323 of the laws of Zambia. Generally corporate income tax rate in Zambia is 35% aside farming that is at 10%, Public benefit organisation at 15% as well as 15% on non-traditional exports. Income earned by companies in the first year of listing on the Lusaka Stock Exchange qualify for a 2% discount on the applicable company tax rate in the particular sector. However, companies with more than 1/3 of their shareholding in the hands of indigenous Zambians, qualify for a 7% discount.

#### MINING TAX:

Mining still remains the most important contributor to the country's GDP and forex as most of the countries forex is from the exportation of copper. The focus in the mining sector is broadening the tax base and enhancement of mineral production to include non-traditional minerals, such as gemstones and industrial minerals, among others. Government will also strengthen the regulatory framework and enforcement in the sector to curb avoidance in payment of taxes and levies. Government will continue with the geological mapping programme for the remaining 40% of the country. Government will also continue to support artisanal and small-scale miners through the Development Mineral Capacity Building Programme. Further, promotion of downstream value chains will be emphasised.

"With the recent announcement of the 2018 Zambian National Budget, one of the main areas of concentration is the diversification of the economy from the over-dependence on the mining sector to agriculture and other sectors."

#### TOURISM:

- Zero rated for VAT tourist packages.
- Zero rated for VAT other tourist services.
- No import VAT on all goods temporarily imported in the country by foreign tourists.
- Refund to non-resident tourists and visitors i.e. those not holding a Zambian passport.

#### **ELECTRICITY GENERATION:**

Zambia is a land-linked country with many water bodies that are a source of hydro-electricity generation. Due to an increase in consumption of power in the region; Zambia has been an exporter of electricity in the region. The Government would like to get more investors into this sector, as a result electricity tariffs were increased as well as better tax incentives introduced in this industry.

#### **CAPITAL ALLOWANCES:**

a tax depreciation on fixed assets at prescribed rates, are provided for in the Income Tax Act. Below are rates on qualifying expenditure.

| Asset Type                                | Rates |
|---|-------|
| Commercial Vehicles                       | 25%   |
| Non-Commercial Vehicles                   | 20%   |
| Implements, Plant & Machinery -<br>Other  | 25%   |
| Investment & Initial investment allowance | 10%   |
| Industrial Buildings                      | 5%    |
| Commercial Buildings                      | 2%    |
| Implements -<br>Electricity generation    | 50%   |
| Farm Improvements                         | 100%  |

- The 10% initial allowance is only granted in the first year that an item is put to use.
- Furthermore, capital allowances are granted every year based on the item category and the rate prescribed in that year, this is on a straight line basis.
- Disposal of assets. A balancing charge is a means
  of making sure you don't claim too much tax relief
  on the cost of an asset. It will increase the amount
  of profit you have to pay tax on. A balancing charge
  is the opposite of a capital allowance, which
  reduces the amount of profit you have to pay tax
  on.

#### PROVISIONAL TAX:

A provisional estimate of tax payable for the year and is deducted against the final tax payable, The law requires that at least two thirds of the tax liability is paid in provisional taxes. In the event that taxes are underpaid, an under-estimation penalty of 25% of the tax that has been underpaid is charged.

#### TAX LOSSES:

Losses are carried forward for a period of 5 years to be offset against future taxable profits for non-mining companies. Due to the diversification of the economy and the need for private participation in certain industries like electricity generation, the period to carry forward tax losses is 10 years.

#### **COMMON DEDUCTIBLES:**

- All expenses incurred wholly and exclusively for business purposes by a company are tax deductible. They must be revenue and not capital in nature and realised. Further, Losses and expenditure must be offset against the same source income.
- Benefits that cannot be converted into money or money's worth are taxable on the company.
- Leasing; these are amounts that cannot be converted into money's worth. Any other lease that is convertible into money's worth is taxable under PAYE.
- Regarding motor vehicles to employees on a personal-to-holder basis, the benefit to be disallowed in the employer's tax computation depends on the engine capacity of the vehicle.
- Expenses incurred on entertainment, hospitality and gifts are generally not allowable.

#### OTHER INCOME:

These are taxed separately, and this includes interest income, dividends, income from letting of property if that is not the main course of business, royalties etc.

#### **INCOME TAX RETURNS:**

this is a ZRA post registration requirement. ZRA operates a self-assessment system were a tax payer estimate there taxable profit/loss. Every company and individual has a Tax Payer Identification number (TPIN) as a unique number for tax purposes. The return must include the following information:

- Tax computation and audited financial statements.
- Shareholders, directors, place of board meetings held.
- · Proof of payment of taxes.

#### **HUGE TAX PAYMENTS:**

This may be liquidated through a time to pay agreement (TPA) and settled over a longer period of time. Penalties for late submission of a return are K600 per month/part thereof and 5% for late payment of tax due per month. The return should be filed 6 months after the fiscal year end.

#### SKILLS DEVELOPMENT LEVY (SDL):

This provides for the imposition, payment and collection of SDL at a rate of 0.5% of gross emoluments; and to provide for matters connected with, or incidental to, the foregoing. This is liable on the employer and not the employee.

#### **VALUE ADDED TAX (VAT):**

This is 16% on goods and services; the tax is borne by the final consumer. A company may claim VAT incurred in purchases within 3 months of the invoice being issued.

#### **EXPORT OF GOODS:**

These are zero rated for VAT purposes and purchases directly incurred may be recovered as input VAT.

#### **CUSTOMS AND EXCISE DUTY:**

Duty drawback is an export program that enables local manufacturers to get back any taxes incurred on goods produced for export. In order not to impede exports, Zambia has duty drawback schemes. It is possible to manufacture in a bonded warehouse. The duty draw back system avoids double taxation. The scheme benefits exporters by; reducing the export price thereby increasing the competitiveness of local products on the local market. This scheme gives investors a very enabling environment that would avoid over-taxing. This encourages manufacturing companies to invest in the country as most taxes incurred on import of most raw materials are refunded on export.

#### **CAPITAL GAINS TAX:**

There is currently no capital gains tax in Zambia. Therefore, any gain in an investment is fully enjoyed by the investor.

#### PROPERTY TRANSFER TAX (PTT):

Any transfer of immovable assets attracts PTT; this includes transfer of intellectual property, land, mining rights/interest in mining rights as well as shares at a favourable rate of 5% and 10% for mining rights. This is a final tax. Issuance of new shares does not attract any tax.

#### WITH HOLDING TAX (WHT):

Zambia is not an island in trade, therefore there has been an increase in double taxation treaties (DTT) with various countries, and currently Zambia has DTT's with 22 countries. These treaties help reduce WHT tax rates for transactions like dividends, Interest payments, management fees, commissions. If no treaty is in place the rate for WHT is mostly 20%.

#### TRANSFER PRICING REGULATIONS:

It is international practice that related parties are treated the same as unrelated parties i.e. transactions must be at arm's length to avoid profit shifting. In Zambia the disclosure of related partied has always been required. However, starting 1st January, 2018, all companies whose turnover exceeds K20m or \$2m should have transfer pricing documentation in place. ZRA's audit function will work to address base erosion and profit shifting (BEPS).

#### PERSONAL INCOME TAX:

Individuals and sole traders are liable for personal tax. Each individual must also submit a return. This return should disclose all income earned i.e. dividends, rental income and other income earned in a year and tax payable if any. For an individual to be taxed they must be resident in Zambia. Zambia uses a source-based system of taxation. All income earned by an individual globally as a result of work carried out in Zambia should be taxed regardless of where/how they receive the payment. An individual may not be taxed in Zambia. If the individual is in Zambia for less than 183 days in a charge year i.e. the individual





is not resident in Zambia. Under the PAYE system, the obligation is on the employer to withhold taxes from the employee's emoluments and pay these to ZRA. This is graduated at 0%, 25%, 30% and 37.5%.

Cash benefits paid in the form of allowances are taxable on the employee under PAYE. education, housing/settling allowance, entertainment allowance, transport/fuel, commuted car allowance; electricity, telephone and water bills, Allowances paid in recognition of an employee's professional qualifications, and club membership fees.

# BELOW ARE EXPENSES THAT ARE EXEMPT FROM TAX:

- Ex Gratia Payments
- · Medical & Funeral Expenses
- Sitting Allowances for Councillors
- · Labour Day Awards. Pension Benefits and Gratuity

# NATIONAL PENSION SCHEME AUTHORITY (NAP-SA):

This is a compulsory national social security scheme even for expatriates and casual workers. The employer and employee are each required to contribute 5% of the

gross emoluments on a monthly basis. Late contributions to NAPSA attract a penalty of 20% per month. For employees getting K17,892.16 or more there is a restriction on the contribution of K1,789.224. Workers Compensation Control Fund is compensation that an employer is obliged by law to pay to workers or their families, when such workers are Injured or killed as a result of an accident arising in the course of their employment; or when they suffer from certain scheduled diseases caused by the workers' particular trade or occupation. Companies with more than 5 employees should be registered for this scheme and pay at rates according to industry.

#### REGISTRATION OF COMPANIES REQUIREMENTS:

The minimum share capital requirement with the company registrar is K15,000. Secretary and minimum of two directors; 50% resident.

#### **OTHER MATTERS:**

Most capital equipment attracts customs duty of 0% to 5% on imports. Manufacturing activities in a multi-facility -zone, rural area or Industrial parks are highly incentivised.



# **Feeling Confident**

#### Shuko Ndhlovu, Partner, HLB Reliance Zambia

**BRIG:** There is a strong focus on stimulating Zambia's economy through the diversification of its main sectors and the deepening and supporting Zambia's industrialisation capacity. How do you evaluate the outlook for Zambia and Government's efforts to stimulate the economy?

#### Shuko Ndhlovu:

The outlook is currently becoming positive, and we are heading to "awesomeness", if you can put it in non-economic terms. The outlook is fantastic and entrepreneurs feel the upturn currently in Zambia's economy.

**BRIG:** Can you give us an overview of HLB and its activities?

#### Shuko Ndhlovu:

HLB was born out of the UK and we belong to a forum of firms which are governed by the same principles and use the same processes. We offer traditional professional services - a full range of accounting & payroll, auditing, taxation, consulting & advisory, Corporate financing, company formation and corporates social responsibility, along with our first class client service offering. We assist the investor from the moment they touch down in Zambia until they establish their offices here in the Country.

**BRIG:** As one of the recognised accounting firms in the country, HLB must be bullish on Zambia's future?

#### Shuko Ndhlovu:

One can feel the momentum on the whole continent of Africa. There is a lot of positivity in terms of the growth of the markets. The three signs that sustain my optimism about the future of Zambia are that political risks continue to be low, the currency exchange rates and inflation rate have been stable in recent year. We work with multiple foreign enterprises and we see how these indicators have positively affected their interest in investing in Zambia.

**BRIG:** How would you evaluate the current tax framework and how can the tax framework in Zambia be modified to attract more investment?

#### Shuko Ndhlovu:

I rate the tax framework as fair, however we are currently over-taxed in Zambia. There should be more awareness in the market for double taxation and the existing treaties. It happens that companies are taxed both in their home country and in Zambia as they are not aware of limited-defered deductibles. In my opinion, we are overregulated, especially in terms of withholding tax as it should be deducted from companies operating expenses at the end of the year

and not monthly. This way, one is taxed regardless of whether they make a profit or a loss. Tax is supposed to be deducted from taxable profits and that should be modified to attract more investment. VAT and withholding tax is taxed at source. It does not depend on individual cases and net position.

**BRIG:** How has the focus on transparency affected financial reporting?

#### Shuko Ndhlovu:

In my opinion it has changed quite a lot, especially for our foreign companies. The auditor previously was viewed as the enemy previously, however, now transparency has become a necessary evil. The more one's accounting practices are looked at, the more confidence one earns - both from clients, authorities and business partners. You see a lot of effort from the banks, the Government and private sector in terms of corporate governance. Also, when it comes to transparency in the market in general terms, the Stock Exchange has made a positive contribution as it ensures more transparency to the shareholders. My advice to the investors - when looking at a company and its financials one should evaluate its working capital cycle more than just paying attention to their profits or analyse the cash flow before the EBITDA.

**BRIG:** What are the figures and the milestones that best portray HLB's success?

#### Shuko Ndhlovu:

We started with \$2,000 and we are hitting \$1m turnover very soon. Another milestone we are planning is to go international. We are preparing to enter the Malawi market and have just established in Botswana. HLB wants to be a truly regional player and take full advantage of COMESA.

**BRIG:** How ready are you to work with the Foreign investor in Zambia?

#### Shuko Ndhlovu:

Our vision was to become a part of an international network and we have achieved that. We already

service some of the industry heavy-weights. Being part of an established and international structure has given the client confidence and the belief that we can assist global clients, which we have been with since their inception in Zambia.

**BRIG:** What are the main challenges that a foreign investor experiences when establishing in Zambia?

#### Shuko Ndhlovu:

The Zambia Development Agency should be able to become more of a one-stop shop and establish stronger links to Immigration and the Ministry of Finance, as the main challenges that arise are tax- and immigration-related. If a foreign company has been given incentives ZDA should have a direct link to the tax authorities and assist each company that invests in Zambia. All investors should have investment-protection agreements signed to protect their investment here in the country.

**BRIG:** How can the Government make Zambia more competitive globally?

#### Shuko Ndhlovu:

I think that businesses are Over-regulated and overtaxed, so the government should harmonise tax to make Zambia more competitive globally.

**BRIG:** What should international investors know when looking to expand their portfolio in Zambia and do you have a final message to international Investors?

#### Shuko Ndhlovu:

It is imperative to understand the tax framework and take advantage of double taxation agreements. Secondly, immigration issues are very important to take in to consideration when investing in Zambia and opening operations here.

Looking to the intermediate future, the potential lies within the commodities sector and clean energy. Zambia has a growing commodities-exchange market and I feel, will have a lot of opportunities in the future in agriculture, mining and solar and wind energy.

Maano alazwa amukasuumba. (Chitonga) Wisdom can even come from a small anthill. No person has a monopoly on knowledge or wisdom.

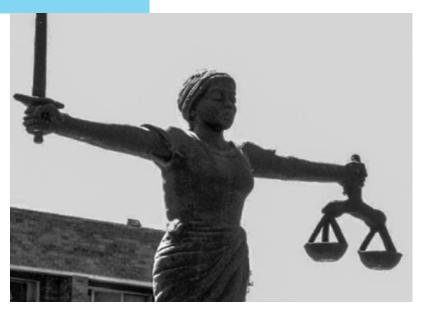
# LEGAL FRAMEWORK

New constitution of Zambia of 2016 is an investor-friendly policy

Steps to adapt legislation to serve economic-growth agenda under-

way





# **Legally Speaking**

### The Legal Aspect of Doing Business in Zambia

#### **DEFINITIONS OF FOREIGN CORPORATION:**

The Companies Act defines a foreign company as a body corporate formed outside Zambia but is registered in Zambia under the Act. However, a foreign corporation does not necessarily have to be registered in Zambia in order to undertake once off business transactions in the country. In practice, companies incorporated or formed outside Zambia may do business in Zambia remotely, that is, without any presence or form of registration in Zambia. However, the law requires a foreign company to apply for registration as a foreign company within 28 days of setting up or acquiring a place of business in Zambia.

#### **DEFINITION OF DOING BUSINESS IN ZAMBIA:**

A person may do business in Zambia by formally establishing one of the enterprises listed below, or informally without one. Generally, doing business can be said to refer to undertaking commercial activities in Zambia for profit and it gives rise to registration, licensing and taxation consequences. These requirements may differ depending on the particular economic sector that the business is engaged in. For instance, the licensing regime applicable to the mining sector differs from that of the energy sector.

The next two sections detail theforms of enterprise may be established under statute and common law for purposes of doing business.

#### STATUTE:

- Company limited by shares
- · Company limited by guarantee
- · Branch of a foreign company
- Unlimited liability company
- Statutory corporations
- Sole proprietors trading under Business Names societies generally
- ·Co-operative societies.

#### **COMMONLAW:**

- · Agencies, licensees and distributors;
- Partnerships;
- Trusts; and
- Franchises.

#### SOURCE BASED SYSTEM OF TAXATION:

Zambia principally operates a source-based system of taxation, and any income that is deemed to be from a source within Zambia will fall within the scope of taxation in Zambia.

Generally, income will be deemed to arise from a source in Zambia if the capital or skills used to generate the income are employed in Zambia.

The instances when income will be deemed to be

from a source in Zambia principally include the following:

- (i) when skills, labor and capital used to earn the income are employed in Zambia;
- (ii) when an agreement for the sale of goods is executed in Zambia;
- (iii) when the income earned arises from employment exercised or duties performed in Zambia; or (iv) when the income arises from the carrying on of business in Zambia.

In addition to the source of income, the permanent establishment (PE) rules may be used to determine whether a business has a source of income in Zambia will be liable to income tax on the profits derived from the PE. The definition of PE includes a branch, office, workshop and place of extraction or exploitation of natural resources.

The tax residence of a person widens the scope of taxation when a person is resident in Zambia then, in addition to business income, such person will also be liable to Zambian income tax on interest and dividend income from a source outside the Republic.

An individual is regarded as being resident in Zambia if he is present in Zambia with the intent of establishing his residence in Zambia. Further, an individual is regarded as being resident in Zambia if he has resided in Zambia at one time or several times for one hundred and eighty-three days in a year. A company is resident in Zambia if it is incorporated or formed under the Laws of Zambia. A company may also be regarded as being resident in Zambia if its central management and control is based in

#### Zambia.

#### Taxable income:

A company's or a branch's taxable income is based on its financial statements prepared for an accounting period as adjusted for tax purposes. Any expenditure, other than expenditure of a capital nature, which is incurred wholly and exclusively for the purposes of the business in the relevant accounting period is generally deductible.

#### **TAX RATES**

#### **CORPORATE INCOME:**

Tax Generally, there is no distinction between the treatment of companies and branches for income tax purposes. They are both subject to a corporate income tax rate of 35%. However, depending on

the nature of the entity or its business activities, this rate may vary. For instance, public limited companies listed on the Lusaka Stock Exchange enjoy a preferential tax regime, and mining companies are subject to an income tax rate of 30%. Further, although electronic communication businesses pay income tax at a rate of 35% for the first K250m that they earn, income tax is payable at a rate of 40% for taxable income that they earn above K250m.

#### VALUE ADDED TAX VALUE ADDED TAX (VAT):

is payable at a standard rate of 16%. However, certain supplies are zero rated or exempt from VAT. For example the supply of certain food and agriculture products including uncooked, frozen or dried fish and fresh edible fruits and vegetables are exempt from VAT; and the export of goods from Zambia may be exempt from VAT if the relevant documentation is provided. It is noteworthy that the importation of services into Zambia is subject to Reverse VAT (RVAT). RVAT is a transfer of liability to account for and pay VAT on imported services from the person making the supply (the supplier) to the person receiving the supply (the recipient). Where VAT reverse charge is levied, the importer has no input VAT claim unless the service provider appoints a tax agent.

#### WITHHOLDING TAX:

Generally, dividends and interest payments are subject to withholding tax at a rate of 15%. However, the rate of withholding tax is 0% for dividends paid to individuals by a company listed on the Lusaka Stock Exchange. Further, management or consultancy fees and royalties paid to residents and non-residents are subject to withholding tax rates of 15% and 20% respectively. In addition the withholding tax rate for rental payments from a source within Zambia is 10%. Although a tax treaty may reduce the above rates, this is subject to the issuance of a Limited Deduction Direction by the Zambia Revenue Authority. Zambia has double tax treaties with Botswana, Canada, China, Denmark, Finland, France, Germany, India, Ireland, Italy, Japan, Kenya, Mauritius, Netherlands, Norway, Seychelles, South Africa, Sweden, Switzerland, Tanzania, Uganda, the United Kingdom and Zimbabwe.

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#### MINERAL ROYALTY:

The mineral royalty rate ranges between 4% and 6% and it takes account of the prevailing copper price. The following mineral royalty rates apply where the base metal produced or recoverable under a license is not copper:

- (a) 5% of the norm value of the base metals produced or recoverable under the licence.
- **(b)** 5% of the gross value of the energy and industrial minerals produced or recoverable under the licence.
- **(c)** 6% the gross value of the gemstones produced or recoverable under the licence.
- (d) 6% of the norm value of precious metals produced or recoverable under the licence.

The following mineral royalty rates apply where the base metal produced or recoverable under license is copper:

- (a) 4% of the norm value when the norm price of copper is less than \$4,500 per ton.
- **(b)** 5% of the norm value, when the norm price of copper is \$4,500 per ton or greater but less than \$6,000 per ton; and
- **(c)** 6% of the norm value, when the norm price of copper is \$6,000 per ton or greater.

#### ESTABLISHING LOCAL REPRESENTATIVE OF-FICES, SUBSIDIARIES:

The incorporation of a company, or the registration of a foreign company or a business name, is effected through the Companies Registry at the Patents and Companies Registration Agency (PACRA).

A company incorporated in Zambia is liable to tax on interest and dividends from foreign sources, as well as on all income arising in Zambia. A branch, like a company, is also liable to tax on all its Zambian sourced income, and on foreign interest and foreign dividends received by the branch.

Regarding statutory and accounting obligations, a foreign branch is treated as if it were an independent resident company. It is required to maintain all books of accounts locally, and it is also required to prepare and file accounts that should be audited. A foreign branch is also required to submit annual tax returns and computations based on its audited financial statements.

From a tax perspective, a branch and a company are also treated similarly. The same applies regarding the repatriation of profits. Although a branch, unlike a company, does not pay dividends, it is subject to withholding tax at a rate of 15% on the repatriation of surplus funds. This is the same rate at which dividends are taxed. Regarding the establishment of local representa-

tive offices, both branches and companies require a registered address. In addition branches require a documentary agent in Zambia. Although there is no requirement for a branch or a company to have employees in Zambia, a branch must have one local director and more than half of the directors of a company should be resident in Zambia. Further, although a company should have a company secretary, a branch need not have one.

#### LICENSING REQUIREMENTS (GENERAL)

The operation of certain businesses may require licenses and/or permits from one or more regulatory authorities depending on the particular economic sector in which the business operates. Economic sectors in Zambia include mining, agribusiness, energy, tourism, telecommunications, infrastructure, financial services and professional services.

Generally, establishing a business in Zambia involves the following licensing/permitting issues:

- Reserving a unique business name at the Patents and Companies Registration Agency ("PACRA"),
- Opening a bank account,
- Registering the company at PACRA,
- Registering for taxes with the zra, including value added tax ("vat") and pay as you earn ("paye") registration, and obtaining a tax payer's identification number,
- Registering with the national pension scheme authority for employee social security purposes,
- Registering the business with the workers compensation control board,
- Obtaining a sector specific licence if the business will operated in an economic sector subject to mandatory licensing requirements,
- Obtaining a trading license and a fire cetificate from the local council.

#### **FORMING JOINT VENTURES:**

Joint ventures are formed pursuant to a Joint Venture Agreement (JVA) which sets out the terms of the joint venture relationship. It is possible to establish an unincorporated joint venture or an incorporated joint venture in which case the parties to the JVA may decide to form a joint venture company.

A joint venture may constitute a notifiable merger. The Competition Act, in relation to mergers, provides that a merger is a transaction between two or more independent parties in which the parties agree to adopt arrangements for the common ownership or control over the whole or part of their respective businesses. This acquired interest may be through

an agreement to work together in a joint venture, and it may prevent the ability of a party to make independent business decisions on its operations. Therefore, if companies seek to form a joint venture the approval of the Competition Commission may have to be obtained. Where the acquired interest does not materially influence the decisions of the acquired party and the joint venture is created to merely support the business of the parties, this is less likely to give rise to a notifiable merger.

#### FLOW OF CAPITAL:

There are no exchange controls applicable. The exchange rates are determined entirely by market forces of supply and demand for foreign currency and there are no restrictions on externalising profits, dividends or royalties. However, certain over-the-counter cash dealings in foreign exchange are limited in amount per transaction per day. There are also limits on local currency electronic funds transfers (EFTs) that can be undertaken at a time. However, these limitations do not apply to foreign currency EFTs.

#### FLOW OF GOODS AND SERVICES:

Zambia's main export commodities include copper, cobalt, agricultural products such as tobacco, fresh flowers, and cotton, electricity, and hardwood. Its main imports include capital goods, chemical products, crude oil, fertilizers, petroleum products and raw materials.

Generally, goods and services are allowed to flow freely in and out of the country subject to payment of taxes. However, certain sector-specific restrictions may be imposed from time to time. For example, in the interest of food security, a ban on maize exports may be imposed, maize being the country's stable food; and, in an effort to curb deforestation, the Government may introduce export bans on timber species.







### **Steps Towards Growing a Viable Economy**

#### Charles Mkokweza, Partner, Corpus Legal Practitioners

**BRIG:** There is a strong focus on the stimulation of Zambia's economy through the diversification of its main sectors and the deepening and support of Zambia's industrialisation capacity. How do you evaluate the outlook for Zambia and the Government's efforts to stimulate the economy?

#### **Charles Mkokweza:**

Historically, the mining sector has been the dominant sector of the economy as 70% of the foreign exchange is generated by mining activities. Although, the discussion about diversifying the economy always has been present in the political circles, one did not see any developments toward practical implementation. The current administration has taken tangible steps in trying to create viable policy and introduce the necessary changes in the legislation. The tax regulations are the first indicator of diversification and there have been interesting amendments done recently. Government has enhanced the agricultural Credits Act, a crucial financing instrument for the agricultural sector, one of the Government priority areas. Now, movables can be secured under the new Movable Properties (Security Interest) Act as a key supplement to the agricultural Credits Act. I have also seen a drive towards strengthening the laws that regulate the financial sector through the new Banking and Financial Services Act and the new Securities Act.

The energy sector has seen many recent regulatory developments and positive policy shifts, as the government is introducing cost-reflective electricity tariffs by removing subsidies.

In my opinion, Government is, rightly stepping back from its efforts to subsidise the supply toward subsidising the production and, therefore, allowing the sector to grow. Zambia has recorded interest from many global players enquiring about the investment opportunities in the energy and the agriculture sectors. We do see high growth potential in the tourism sector as new tourism infrastructure is created. Zambia is upgrading its international airports and building a greenfield airport in The Copperbelt to serve both Tourism and mining sectors.

**BRIG:** What can Zambia do to attract more foreign investment in the country?

#### Charles Mkokweza:

There are several risks investors should consider before investing in a certain market. Many of the financial risks are controlled by the Government, especially the taxation. I think that the tax system in Zambia would be much more stable if we would tax every sector differently. Regulatory risks should also be considered. The public sector should organize consultations with the private sector on a more regular basis to stay informed of their needs and implement the policy accordingly. Also, the market risks generated locally or internationally have a huge impact both on the decision to invest or to continue investing and the Government needs to understand how it can assist the priority investor community

**BRIG:** What are the main challenges that a foreign investor experieznces when establishing in-Zambia?

mitigate them. I find the policy and regulatory framework satisfactory. Predictability of policy framework is mandatory for any economy to grow. The new constitution of Zambia, which came into effect in 2016 is an investor-friendly policy and, although not perfect, is innovative and encourages innovation itself.

Secondly, I feel that the current Government is competent and very business-oriented with long-term planning in place. By removing the electricity and the petroleum products subsidies it has demonstrated serious commitment to the development of the economy; there is consistency of policy and its implementation.

Thirdly, Zambia is currently experiencing a rise in the entrepreneurial society. People from all strata and across all age groups are keen to choose the path of entrepreneurship. However, several challenges persist. As a country, we have not paid attention to our knowledge economy. In general, we are not as competitive as we should be in terms of qualified workforce or education levels when measured against international standards to enable our local people to become the drivers of the economy.

#### Charles Mkokweza:

Regulatory requirements can be costly to the investor and often, there are complex but seemingly low-risk problems that are hard to predict as the parameters are not well defined. There will be times when bureaucracy will slow down the processes due to a sluggish implementation on the Government side. Due to a mild form of indigenisation, obtaining work permits in Zambia has also become a somewhat challenging process because of the reluctance of the Government to issue such where Government considers the local labour market is threatened. Although aimed at protecting the local employee, the strict regulations do not serve the market as Zambia does not generally have the right set of skills just yet. Zambia also needs to build a local investor community, however, the lending rates are high and does not encourage an active participation from homegrown companies.



Sibbuzya takolwi bowa (Chitonga)
He who asks cannot be killed by a mushroom.
People who ask about things they do not know often avoid problems.

# THE ENTERTAINMENT GUIDE



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# **Zambia Expat Guide**

### On a Lighter Note

There are really few dangers, but the most likely one to the organisation would be that you lose him or her to Zambia at the end of their contract if you cannot provide a far superior opportunity elsewhere. In any group of people who were not born in Zambia you will hear stories of folk who came here for two years 30 years ago. Those who have been here for two years are looking for contract extensions or other opportunities. Corporates need to consider their succession plans when assigning someone from their home country. One can understand the need for a few expats to ensure that the company-culture, processes and procedures are implemented correctly, just be prepared to lose those people if you want to repatriate them sooner than they want to return.

So what does the expat need to know before they head to Zambia?

#### **EXPAT GUIDE FROM A TO ZED**

#### **SCHOOLS:**

If there is a desire to keep the family together, then schooling is not a reason to leave the kids behind. Most expat packages would include schooling and the institutions in Zambia turn out students that fit straight into universities all over the world and go on to achieve significant academic success. One can generally find a suitable curriculum for a seamless transition in and out of Zambia. British, American, Italian, Chinese and other international schools are able to provide parents with peace of mind in this regard. Most scholars have been the 'new kid', so they are most welcoming to new comers. Making friends and fitting in is likely to

be far easier than changing schools in their home country.

#### **MEDICAL:**

This is possibly the most important risk to understand. While Zambia's medical resources are improving daily, there are still certain circumstances where immediate evacuation to South Africa is needed. These would mainly be under emergency conditions, particularly in the case of trauma. The good news is that there is a network of highly trained emergency response teams that can coordinate recovery from remote areas all the way through to South Africa or any other destination. Most international medical aids are recognised in Zambia and there is comprehensive medical insurance available in country, which will make all logistical arrangements for the patient 24/7. Where the medical aid provided by the company does not provide repatriation, Medical insurance can mitigate any risk of massive repatriation costs. Malaria needs to be considered. Take medical advice, but most people only use physical prevention. It is unlikely to occur in Lusaka, but there are other places where it can be contracted. If you pick up symptoms early enough, testing is quick and accurate and the prescribe medicine works quickly and down time is minimal. Once diagnosed and treatment has begun, recovery progress is visible.

#### SPORT:

Zambia is not just about football, even though it is the sport that carries the flag and the Nation's hopes. Zambian residents compete successfully at international level in many sports. These

include polo, lacrosse, rally, moto-x, enduro, swimming, boxing, athletics, body building, rugby, sevens, chess and many more. By joining a sport even as beginners, the family will broaden its circle of friends, contacts and support immediately. While some sports were once supported by specific sectors of society, this is changing with Zambia's growing middle class and they are coming to reflect the broader society.

#### WILD LIFE:

For the Expat, it would be remiss not to experience once-in-a-lifetime visits to Zambia's game parks. For residents, rates can be very reasonable and one can get to see the big five in one's own vehicle without being mobbed by safari tourist vehicles. There are massive migrations from bats to zebra and antelope. Once the big five become mundane, a whole new world opens up. Birding and the discovery of Zambia's plethora of smaller animals, reptiles and insects awaits. A visit to Livingstone is mandatory and will probably be one of many. New Year is a great time there for the younger generation and it is certainly the adrenalin capital of the region. Don't miss the Victoria Falls. Spend as long as you can spare taking in the magnificence of seeing them in person. Zambia is home to numerous other spectacular waterfalls that are hidden gems and many of these are accessible to the more experienced traveller and well worth the road trip.

#### **CULTURE:**

Traditional ceremonies provide a window into Zambia's culture. They are colourful, entertaining, educational and worth attending. Some are more commercialised and geared to tourists or you can ask your Zambian colleagues which are important to them and attend some of those if you are able to handle the logistics. There are cultural villages, museums and monuments to discover. While Zambia has not focused on post-independence history, this is changing and initiatives like the Freedom Trail will chronical Zambia's support of her neighbours' struggles for independence.

#### **ENTERTAINMENT:**

For those with some extra cash there is no shortage of casinos where you can return it into circulation. Some claim to have high pay-out rates, but they are in it for profit and do provide a fix for those who enjoy the ambiance of such establishments. We have a few cinemas that are in sync with South African releases, a play house that features local performances and numerous events

such as beer fests, wine tastings, live local and international music performances. Established eating venues will also feature live entertainment from time to time and you will see familiar faces supporting these. Most Expat houses are entertainment friendly, so you will be invited to many informal functions that are generally in the form of braai's (proper BBQ's) or cuisine from the host's home country. With internet being expensive, there is a limited choice of satellite subscription stations. If you are a fan of American sports, you are unlikely to be able to track your team live, other than on the internet.

#### **DINING:**

Visiting pubs and eating out is probably the most common entertainment activity. Lusaka, in particular has its fair share of excellent options. Most of the popular restaurants cover a range of dishes on their menu to cater for all nationalities. Many focus on a particular cuisine, but still have the normal options such as steak and pasta. For international visitors, waitron service may sometimes seem to be lower than expectation, but remember, in other parts of the world, waitrons are drawn from university students (or actors) who have grown up eating at restaurants and understand how they want to be treated. Many Zambian waitrons first experience restaurant life from their side of the table. The Zambian's advantage is that they really do want to please you and can be visibility distraught if they fail. Hold off that 'first world' indignation and you will have a great evening. Generally, you get a good, honest plate of food, the best meat in the world, crisp vibrantly-coloured vegetables and as Zambia is so fertile, the food on your plate is often, by default, organic.

#### **TRAFFIC:**

Peak hour traffic in Lusaka can be as bad as anywhere in the world and this may be compounded by even a bumper-bashing. Zambians are polite in normal traffic. They will let others in who do push in from emergency lanes. Watch out for the last few cars coming through on the red and for someone who may hit you from behind if you do want to stop when you see the orange. Zambians use their indicators to communicate with other road users. Do not assume they are indicating a turn. Hazard lights are not just used in emergencies, they are often used as supplementary brake lights. When something abnormal has happened on the road, the average road user would be calm for about 5 minutes. After that it becomes everyone for himself. Gridlock ensues. Just lean back and watch it untangle. Phone ahead and chill. Speeds on most Zambian roads are low, this means that many accidents do not involve serious injury. Some delays are caused by frequent police road blocks. Just make sure that your licences are up to date and your vehicle is road worthy and you will be OK. If you are pulled over for speeding unfairly, and if you stand your ground respectfully, you are unlikely to be fined. At regular stops, the officers will get to know you and even stop you just to ask about your family if they have been away for a while. Traffic is the most common excuse used for folk who arrive late to meetings and functions, and while it can mostly be factored in, there are unexpected delays.

#### **RULES OF THE ROAD:**

If you see fresh branches on the road, slow down. There is a good chance there is a broken down vehicle in the road ahead. Even old branches could be a sign that the vehicle has been there a while. While triangles are mandatory, they are seldom used as they can be stolen while the driver sleeps and he can be fined if he does not have them at the next road block. Do not move your vehicle or drive away even for the slightest bumper-bashing and report any accident immediately. Don't be offended if you report an incident and are promptly fined for careless driving. That is the way the laws are written and you need the police report for an insurance claim. If you come across an accident, you are required to stop and assist. Another unique practice is that if you splash mud on a pedestrian, you are liable to clean their clothes and things can get unexpectedly heated. On that topic, slow down when you pass pedestrians on a dust road. It's not fair to cover them in dust when they have long distances to walk. Blue lights. If there is an official convoy, you are expected to pull over and stop immediately. Do so. It will not take long. Sometimes traffic will come to a complete stop for ages. Switch off your engine, there is a blue light convoy heading your way and the road has been cleared by officers posted at each cross road.

#### **MOURNING:**

Zambians take death very seriously. With the passing of so many Presidents in quick succession, the practices around honouring important people have been established. When a period of mourning is declared, there is technically no entertainment or sport takes place from 6am to

6pm. Even national and international events can be called off. One can apply for exemption, but generally there would be a postponement. Also, organisers will choose not to hold events even after 6pm. The Expat manager will find that staff tend to take more time off to attend funerals than in other countries and funeral processions do not enjoy any additional legal rights in terms of rules of the road, however it is best to pull out of the way and let them pass.

#### **RELIGION:**

Zambia is a Conservative-Christian nation. Most denominations are well represented here and one can generally find a place of worship to suit you. Having said that, Zambia is tolerant of all other religions and friction is virtually unheard of and other religions are free to practice unhindered. Freedom of association in all its forms spreads far and wide, however homosexual acts are illegal and do attract criminal charges. Many functions are opened and closed with prayer which is generally led by a lay preacher in the group. This will be the case during occasions such as training sessions and Union negotiations.

#### CLIMATE:

For most expats, Zambia has an endless summer. Temperatures are warm to hot and even in winter they do not drop anywhere near to freezing. Around August and September there can be some wind, but in general days are balmy and windless. There are two weeks in October, just before the rains, when humidity and temperatures rise. Dubbed suicide month, some joke about sending their wives home for the period. As the rains break towards the end of October, this is relieved, the trees are washed clean and spectacular greens are visible. The earthy smells that wash over you as the parched earth soaks up the water are a sign that the drought is broken and the vegetation is going to burst into life. As the rains continue to fall, some dirt roads can become impassable to normal sedans for a while. By the end of March, the last rains are falling and muddy roads are claimed back by dust.

#### **SECURITY:**

While there are many security estates and high walls in the suburbs, they are not really justified by current crime levels and originate in the seventies and expats' unjustified fear of the unknown.

In certain high density suburbs, it makes sense to keep doors locked when you are away and to have minimal security precautions to prevent opportunistic theft. Violent crime is virtually unheard of and makes headlines, unlike places like South Africa where it is a way of life. There are a few places in Lusaka where it pays to lock your car doors while driving to prevent a quick grab. If you do fall victim, it is not unheard of for pedestrians to assist you. You do not need security guards as a rule. They are generally not well paid and can be tempted themselves. As with anywhere in the world, if you treat your staff fairly and with respect, you can go decades without incident. The further you stay out of town, the less likely you are even to suffer petty theft. Your chances of dying for your Nikes in Zambia are remote.

#### **VEHICLES:**

If you stay in town and your main routes are on tar, then you can get away with relatively cheap grey imports in the Corolla range or smaller. Spare parts are readily available and local mechanics can keep them on the road cheaply. A step up would be the German marques like the C-Series which are becoming popular with the middle class. Many corporates may have a policy against grey imports, in which case most of the recognised brands are represented. With import duty, this can be a very expensive policy. You cannot get much luxury for \$50,000. Generally you will be wanting the main vehicle to have 4x4 options and be in excess of 2.5 L. Fuel quality is low, so more basic fuel systems are preferred and any modifications should include suspension. Stick to high quality tyres, although second hand imports are available, one does not want to deal with a blow-out in an inaccessible place. Fuel cards are available. but travel with cash in case the card machines are down.

#### **CORRUPTION:**

It would be remiss not to include this topic. Corruption is a problem in all countries, but it is important to note that in Zambia, someone with strict anti-corruption principles is able to stand in the long queues and do everything by the book. Follow the outlined procedures and you will prevail. Your next option is to employ a consultant. Generally these are people who used to work in the various structures and know the system and the right people. They will ensure that there are no techni-

calities in the paperwork to slow things down. It's not that they need to bribe anyone, approved consultancy is a natural career path for Government officials and so they are happy to support the industry and encourage its growth. The consultancy fees are reasonable and certainly worthwhile in terms of time and money savings. Things start to get grey when one is offered quicker service for a 'tip'. You have to comply with all the legalities, but the wheels grind faster for a relatively small fee. This is still illegal, so be aware that there could be dire consequences. Pure high-level corruption as a short-term fix may work. You may tempt or be extorted, however, the traces will remain and with a change of administration, you may be caught up in the aftermath.

#### SHOPPING:

With the recent burgeoning of shopping malls in Lusaka and other major centres, there is no shortage of South African retail chains. From food to hardware, home accessories, furniture and clothing, most needs are covered. Combining shopping trips with business trips to SA is no longer necessary. Any specialised products are available off the internet with Zambian-based companies offering consolidation from delivery points in the UK, China, USA and South Africa. Full payment can be arranged for transport in Zambia. Fresh meat and vegetables are readily available locally and are of superior quality. Much of the fresh fruit is imported and of high quality.

#### **ACCOMMODATION:**

If one is expecting standards similar to those in the home country, rentals can be expensive. This would normally be paid for directly by the company. There is a mix of colonial-era housing and new developments and most tastes and standards can be met. In Lusaka, many suburbs are supplied with water by the council, however most residences have access to borehole waterthat, while having a high lime content, is delicious and there is no need to rely on bottled water. Where the suburb is on the electricity grid with prepaid meters, most houses will still have backup sources such as inverters or generators. Some areas have waterborne sewage, but mostly septic tanks handle the effluent. High speed internet is being rolled out, but this is still expensive and can be unreliable. Fixed line telephone lines are available, but with prepaid vouchers available on every street corner,

cellular phones are the dominant means of communication.

#### ZED IS FOR ZAMBIA AND ZAMGLISH:

Zed is the nickname for Zambia and there are many local idiosyncrasies waiting to be discovered. Pipo = People. Sleepers = slippers and Railway sleepers = slippers. Sku = school. Braii = Braai (BBQ). L's and R's are interchanged, so your gardener may ask for groves and a lake. Forget 2 o' clock. In Zambia, it is 2 hours or 14 hours. A roof tile manufacturer has ads all over the show and someone there had made up sayings that compare not using their product to other disasters. They are amusing in a baffling way as most make no sense at all. It's not only you. Another sport you can play is to spot the spelling mistakes. They appear anywhere. On crude hand painted signs, professional sign writing and printed ads. Some are hilarious as they change the intent and others are phonetic. It's a pastime for when the traffic is slow. Smart Phones. These are a way to connect in numerous ways. Facebook is probably the most popular of the social media platform with many businesses preferring a page to a formal website. For the Expat, there are numerous pages to join to get advice and often a simple search of the page will yield results. Your query is unlikely to be the first. Most sports and informal groups have a presence and you can find out about your specific interests on them. Alternate news pages that differ from the mainstream media exist in cyberspace with FB pages and their own websites. When an issue goes viral, there is often a racial element to it, but unlike most places, racism is called out no matter who the perpetrator is. When an expat or visitor exhibits a public white saviour complex, then all Zed residents attack from across all available platforms. See #LintonLies which raced to the top of the hashtag listings for days in the region. Zambians are rapidly embracing applications such a mobile money that allows consumers to pay for all utilities, TV, airtime and data, with additional suppliers being added regularly. These applications make it easier to do business in unbanked rural Zambia. Apps that arrange home delivery of food seamlessly from numerous restaurants have sprung up and are working well for both consumer and restaurant.

#### **SERVICES:**

Most services are available in the Capital. After a month or two, the expat will suddenly realise that they need a hairdresser. They then ask in a panic: Is there someone who can cut my (straight) hair? The answer is that every single salon in the shopping centres and those professionally set up in independent premises can cater for all types of hair. Straight-haired people have been in Zambia for centuries. Where more specialist hair care is needed, there will still be numerous favourites. Pet care, veterinary services, pest control, child care, couriers, car hire... It is just a matter of finding the one that suits your expectations and budget.

#### **BUY ZAMBIA:**

Many Zambian products stand head and shoulders above the imported, known, brands. The Green Tomato Chutney does not grab ones attention on the shelf, but once visitors have tasted it, they smuggle bottles home. Do yourself a favour and try some. The local washing powder, dish wash and soap bars really work well, they will blow your dirty socks off. Fizzy Ginger beer, apple and fruit crushes have their converts. Try the international deep fried chicken, the peri-peri franchises and the others that are familiar. Then watch for Thursday and get a bucket of Zambia's own chicken on special. You don't have to be hungry to get hooked on the size, taste and value. Local popcorn and crisps are delicious. If you like the mass produced beers and lagers, then Zambia has its own label that is refreshing and thirst quenching. There is no need to hold onto your SA beer label. Imported ground coffee is obsolete, Zambia's product is exceptional. You have taken the plunge into the real Africa, live dangerously and pick the product with the odd looking packaging.







## **Lusaka Entertainment Guide**

#### What to do Here?

#### WILDLIFE:

The surrounding areas of Lusaka host several excellent wildlife experiences, catering to most budgets.

Lusaka National Park, Zambia's newest and most accessible park, which opened its doors to the public in 2015, is conveniently located roughly 20 km from town and boasts a wide range of species including white rhino, giraffe, eland, impala, black lechwe, blue wildebeest, kudu, zebra, warthog and pangolin. The small park spans 67 km² and offers activities such as camping, walking safaris and bicycle trails.

The Chaminuka Lodge is a safari lodge/resort situated about 30 minute drive from Lusaka's airport. Originally a private home, it was converted into a luxury lodge and opened to public in 1998. Chaminuka offers a wide range of activities including game drives in open 4WD vehicles led by Chaminuka's own safari guides. Game here includes various species of antelope such as roan, sable, kudu, eland, bushbuck, lechwe, hartebeest and tsessebe, as well as larger game such as buffalo, giraffe, elephant and zebra. Lion and hyena can also be seen in a separate enclosure. More than 300 species have been recorded on Chaminuka's reserve - some native to the area and others visiting the Chaminuka wetlands during the annual migration. The lodge also offers cheetah walks with their resident cheetahs Chipo and Chaminuka, horse-riding, as well as boating and fishing on the lake. The guests are served breakfast and lunch at the outdoor restaurant by the pool and other dining areas are available for private functions. The small resort also houses a sizable private art collection of African contemporary paintings and sculpture and traditional artifacts acquired from all over Africa.

Lilayi Lodge is a luxury lodge on a private game reserve on the outskirts of Lusaka that also hosts an elephant orphanage. The guests are offered high-end accommodation in 12 elegant and luxurious open-plan ensuite chalets with a private veranda for wildlife viewings at the nearby waterhole. The recently re-opened Lilayi restaurant with an Executive Chef and Sommelier offers a five -star equivalent dining experience blending African fusion and contemporary cuisine and its in-house wine cellar is stocked with exclusive wines to cater for all tastes. Lilayi Lodge offers game drives, guided walks and horseback safaris for guests who want to view a variety of wildlife including antelope, wildebeest, zebra, giraffe and the myriad bird-life. The elephant nursery cares for orphaned elephant calves with the intention of rehabilitating and eventually releasing them back into the wild. The young calves can be seen daily between 11:30 - 13:00 from the specially designed viewing platform.

Kalimba Reptile Park is a great place for a family picnic, group outings and school trips. Just half an hour's drive from Lusaka, the Reptile Park offers its guests an opportunity to view the giant Nile

crocodile and several species of iconic snakes. The activities on offer are reptile tours, crazy golf, fishing, volleyball, table tennis and trampoline. The park is owned by Kalimba farm, which specializes in crocodile farming and stocks such treats as crocodile tail, crocodile sausages, Peking duck and similar fresh produce at the farm shop.

#### **RESTAURANTS:**

A wide variety of cuisines are available throughout Lusaka and add to the richness of the cultural mix in the city.

#### **ZAMBIAN CUISINE:**

Matebeto restaurants line the streets of Lusaka however, there are several locales that are never empty and always beloved by their loyal clientele. Twapandula in Longacres, Matebeto in Thornpark and Kumushi in The Showgrounds are the Zambian restaurants favoured by young and old, civil servants and entrepreneurs, teachers and accountants. One of the newest additions to the Zambian cuisine restaurants is the Chuma Grill at the Radisson Blu hotel, which offers sampling the local cuisine in an upmarket setting. For an inexpensive, authentic experience feasting on the local delights, try Town Centre Market off Cairo road.

#### STEAKHOUSES:

A good steak is a dining must-have in Zambia, a supplier of premium beef products to wide geographies. Horseshoe Steakhouse serves a wide variety of prime steaks. You can also enjoy tasty buffet roasts every Sunday, perfect for the whole family. Marlin restaurant is a well-known restaurant with both international and Zambian clientele and has built its reputation on its quality dishes, its steaks and its modern take on Mauritian Creole food. This restaurant offers a selection of classic dishes with a clever contemporary twist, presented in a friendly informal atmosphere.

#### **INDIAN CUISINE:**

For an authentic Indian experience, look no further than Bombay Lounge, situated at the three premium shopping malls – East Park, Levy and Garden City. With 180 items on the menu, the restaurant offers a fine dining experience of Mangalorean and South Indian dishes. Another great venue is The Royal Dil, offering a scrumptious meal of

exquisite Indian curries in a modern setting.

#### **SOUTH-EAST ASIAN CUISINE:**

Chang is the most recognised Thai restaurant in Lusaka, with a delicious menu served in an upscale setting. Mings Oriental offers its customers an eclectic mix of Asian flavours from Chinese to Thai to Indian, and a variety of Dim Sum and Sichuan cuisines. For an authentic and well-spiced Chinese experience, try Sichuan Restaurant at The Showgrounds. There is also a great Japanese restaurant, Nippon Sushi Mai, in Rhodes Park for those who love sushi, a rarity in a land-locked country like Zambia. One can also find exceptional Korean dining opportunities at Jewel of Zambia, Kobi Food, and Arirang restaurants.

#### PIZZA:

Lusaka residents and visitors cannot settle on which one of the pizzerias in town makes the best pizza. Notable restaurants are II Portico restaurant on Leopards Hill Road, Rosso Trattoria at Intercontinental hotel, Eataly Pizzeria in town, and The Orange Tree Public House in Kabulonga. In terms of Fast food: Lusaka's offering of delicious fast food is unmet by most of its regional neighbours. The malls here house such favourites as Hungry Lion, Debonairs, Pizza Hut, Nandos, Galito's, Fishaways, Steers, KFC and the local chain Zamchick.

#### **SHOPPING:**

Lusaka, the capital city of Zambia, has recently seen a tremendous increase in retail space. Lusaka has over 10 large shopping malls dispersed across the various neighbourhoods, with Manda Hill, Arcades Shopping Mall (currently undergoing a major upgrade), East Park, Levy, Garden City, Waterfalls, Makeni and Cosmopolitan malls among the largest. The malls host a wide variety of shops ranging from high-end boutiques, restaurants, supermarkets, clothing, jewellery and furniture shops, cinemas, nightclubs and banks to hotels, casinos and service stations.

#### ART:

Lusaka is home to various permanent exhibitions displayed in both, the state museum and several private art galleries scattered across the town. Lusaka National Museum opened its doors to the public in 1998 and has a small and compact display. The lower gallery is home to contemporary

art, highlighting the way of life of the Zambian people through paintings, sculptures, and models. The upper gallery tells a glowing story of Zambia's development, from ancient, through historic past to contemporary way of life. The children's corner is yet another display attraction on the upper floor. 37d Gallery is located within a beautiful contemporary building in the Kabulonga area. The gallery holds a wide range of art works by both local Zambian artists and international artists.

Namwandwe Gallery houses the world's largest permanent collection of carefully selected Zambian artworks and holds temporary exhibitions focusing on contemporary art and up-and-coming Zambian artists.

Henry Tayali Art Gallery is named after a famous Zambian artist who made great efforts at raising the profile of indigenous arts and crafts in Zambia. The art centre is also the home of the Zambia National Visual Arts Council.

Lusaka Playhouse is the city's own theatre located near the Southern Sun and Taj Pamodzi hotels in Ridgeway, featuring a variety of local Zambian productions.

Kabwata cultural village has about 80 resident artists from nine provinces of Zambia, such as woodcarvers and basket weavers, who display their crafts and have made the village their home. Their artworks - figurines of humans, bird and animals; walking sticks, drums, spears, textiles and fabrics, sculpture, and beads are exhibited and sold. Visitors come to see performances by local dancers on weekends and public holidays and sample Zambian delicacies at the traditional restaurant at the village.

Zambian Art and Design Show is a fair that features Zambian craftsmen and their best handmade works in furniture, kitchen ware, jewelry, recycled fashion and hand-woven rugs and textiles. The show has grown steadily over the years, both in number of exhibitors and spectators who attend the fair.

#### **CASINOS:**

Lusaka has over 10 casinos with 516 slots and gaming machines and a total of 59 table games, including poker. The largest casino in Lusaka is Casino Marina Lusaka on Kasangula Rd, which opened its doors to the public in October 2016, followed by Lusaka Royale Casino with 165 gaming machines and table games conveniently located

at Protea Hotel by Marriott. The guests will find the following games in Lusaka casinos: Blackjack, Caribbean Stud Poker, Texas Hold'em, American Roulette, Electronic Roulette, among others.

#### **MUSIC AND FASHION:**

Lusaka hosts many music festivals, fashion events and concerts annually, the most prominent being the Octoberfest, the Lusaka International Film and Music Festival, and Stanbic Music Festival. Many bars and restaurants offer live music on Thursdays and throughout the weekend. Another notable live music venue in Lusaka is The Misty, a jazz restaurant and café at the Levy Mall.

#### **NIGHTLIFE:**

Although Lusaka does not have a hectic nightlife scene, several venues stand out for an evening out in a pleasant atmosphere.

Alpha Bar is an absolute legend in Lusaka and draws a wide range of individuals, all who gather to find a drink and dance the night away. It's the one place in the city where you're guaranteed there will be music playing every night of the week. Visitors who don't feel like dancing can play pool instead.

Chez Ntemba in Kabulonga is one of the best nightclubs in the downtown area, mostly playing rhumba. It is a part of an international chain of nightclubs and opened its Lusaka venue in 1992. At its busiest on Friday and Saturday nights, it warms up at midnight and the partying continues until dawn.

Keg & Lion is a popular venue for the local clientele on Friday nights and has three beers on tap, does excellent pub food and has all the sports you need on the TV.

The Orange Tree Public House is a gastropub featuring a unique, modern European menu, select wines, craft beers and spirits and throws a decent party on Fridays with live music and a hip international crowd.

#### SPORT:

Lusaka hosts several sporting events throughout the year.

Over the last two decades, rugby has become a truly Zambian sport with the majority of its players coming up through the schools and local club system. Zambia has over the last seven years built its own highly respected 7s tournament in the form

of the Lusaka Mosi International Sevens. Past winners include the Springbok under-23s and the British Army.

Interms of football Zambia hosted the Africa U-20 Cup of Nations, the two-yearly international youth football tournament organized by the Confederation of African Football (CAF) for players aged under twenty.

The Zambian polo season begins in April and features two notable tournaments – The Safari Polo tournament hosted by the Lusaka Polo and Hunt Club for more than 20 years and the Annette Miller Cup, an international tournament which has seen India, the United States and Ireland represented among the participants.

Lusaka hosts international Rally and MotoX events that form part of regional series. There are also the respective National Rally, MotoX and Enduro Championship Series with multiple rounds being held in and around Lusaka. In addition, there are regular Spinning events that draw large crowds. There are a number of fun events held at the various tracks, however, for the casual off-roader and serious competitor alike, the Siavonga 400 starts in Mazabuka, spends two nights in Siavonga and finishes in Lusaka having come through a spectacular dirt road pass. The Elephant Charge is an annual event, which challenges teams of cars and motorbikes to complete a gruelling course through the Zambian bush. The Charge is held to raise money for conservation in Zambia.

#### Other activities Include:

mountain biking, golf, paintball, go-carts, mini-golf, cinemas, swimming pools, spas, sports betting, bird walks, photography walks, private members clubs, wine, beer and whiskey tastings, International food fairs, polocrosse and show jumping.





## **Restaurant Guide**

### Lusaka à la carte

The Horse Shoe Grill (Steakhouse, European, Sheesha Lounge) Nangwenya Road, Showgrounds area +260 96 328 3698

The Horse Shoe Steakhouse is a stylish restaurant located in a cool and calm environment overlooking the Lusaka Polo grounds. Both the main restaurant and the adjoining Sheesha Lounge are decorated in a chic "opulent barn" theme. This restaurant serves a wide variety of prime steaks. You can also enjoy tasty buffet roasts every Sunday, perfect for the whole family. Or relax at their fully stocked casual bar over a glass of wine or cold beer. An ideal venue for corporate meetings and social gatherings over a great meal.



#### Marlin Restaurant (Steakhouse, European)

Los Angeles Road, Longacres +260 211 252 206 www.marlinzambia.com

#### Hussar Grill (Steakhouse, European)

East Park Mall, Cnr Great East Road & Thabo Mbeki Street +260 96 388 6734 www.hussargrill.co.za/find-us/zambia-lusaka/

#### Chang (Thai, Asian, Vegetarian Friendly)

22768 Acacia Park, Great East Road and Thabo Mbeki Road

Tel: +260 211 258 425

www.chang-thairestaurant.com/

## Bombay Lounge (Indian, Asian, Vegetarian Friendly)

East Park Mall, Cnr Great East Road & Thabo Mbeki Street +260 211 324 126

## The Royal Dil (Indian, Asian, Vegetarian Friendly)

Acacia Park, Great East Road and Thabo Mbeki Road +260 211 841 015

#### The Roan and Sable (Grill, Gastropub)

1 Chila Road, Kabulonga +260 97 394 4170

### Dil Restaurant (Indian, Chinese, Asian, Vegetarian Friendly)

Plot 153 lbex Road, Kabulonga/lbex hills +260 211 262 391

#### Il Portico (Italian, European, Mediterranean)

The Village, Leopards Hill Rd +260 96 980 6957

#### The Sugarbush Café (European, Café)

Leopards Hill Road, 1.2km past State Lodge Rd +260 96 764 8761

#### The Orange Tree (European, International, Gastropub)

Twin Palm Road, Kabulonga +260 211 269 367

With a commitment to the unordinary, The Orange Tree has blazed the trail in Zambia. Bringing the widest selection of craft beers and gins into the country to market before the competition. This unorthodox father-son duo have set about becoming specialists in live music, with exciting local and international bands to be found every Friday night, next to a roaring pizza oven and some of the finest bbq ribs around, basted in their signature rum bbq sauce. The Orange Tree is exceptionally family friendly, with an enormous play area, epic kid's parties, as well as complimentary pizza-making lessons for all. It's everybody's local, set on a sprawling one acre garden in the heart of Lusaka.



#### **Dulce by Jessie (International, Western, Local)**

Plot 50 J, Sable Road, Kabulonga +260 97 591 3558

We would like to introduce to you the proprietor and head chef of 'Dulce by Jessie', Ms Jessie Chipindo! After a successful era of having three branches of the Dulce & Banana restaurant, Jessie has now opened her new branch 'Dulce by Jessie', which is the first of her restaurants at an independent venue. Jessie's love for food started at the age of 15 and she has been cooking ever since. Jessie is a young female Zambian entrepreneur, who has grown from having a small lunch place into being one of Zambia's most celebrated chefs. Jessie is known for her delicious cakes as well as her soul-food dishes, which can best be described as a fusion ranging from Italian-Mediterranean to Asian. And, of course, the menu has a section with food from the Motherland, Zambia!

Located in Kabulonga, Dulce by Jessie offers a quiet and spacious getaway to spend an afternoon at the pool, an intimate evening in the inside dining area or a chill at the lounge. The venue has a lovely garden that makes it perfect for weddings, bridal showers, birthdays, corporate functions and more. Dulce by Jessie is open every day of the week for breakfast, lunch and dinner.



#### The Zambean Coffee Co. (European, Café)

Leopards Hill Road, The Leopards Hill Business Park

+260 96 677 6776

# Mint Lounge (Cafe, Vegetarian Friendly, Gluten Free Options)

Acacia Park, Arcades area +260 97 507 1505

### The Deli (Cafe, Vegetarian Friendly, Vegan Options)

1196/6 Lunzua Rd Rhodes Park +260 211 253 539

#### Sandy's Creations (International)

4300 Kafue Road +260 211 278 220

## The Manor (Italian, European, Mediterranean, International)

No.18, corner of Saise and Mushemi, Rhodes Park

+260 96 428 3272

#### Mezban Paradise (Indian, Vegetarian Friendly)

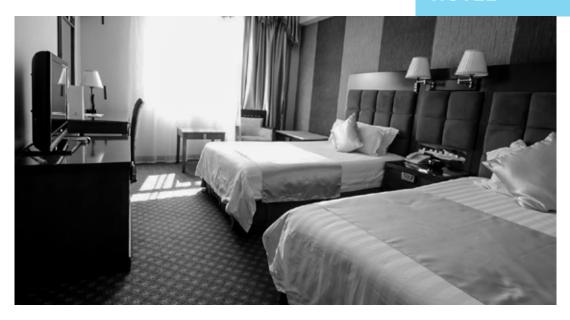
Chindo Rd, Near Kabulonga Intersection +260 97 633 7345

### ROSSO Trattoria – Pizzeria (Italian, European, Mediterranean)

Intercontinental Hotel, Haile Selassie Avenue +260 211 250 000

#### The Cake Bar (Café, International)

Cosmopolitan Mall, Makeni Rd, Kafue Road Woodlands Shopping Centre, Woodlands +260 96 112 3456



# **Hotel Guide**

### A Good Night's Sleep

#### LUSAKA:

#### **RADISSON BLU HOTEL LUSAKA**

19029 Great East Road Tel: +260 211 368 900 Mobile: +26 96 028 0900 Fax: +260 211 368 949

Email: info.lusaka@radissonblu.com www.radissonblu.com/en/hotel-lusaka

Rooms: 142 rooms and suites

Business & Conference: 5 meeting rooms and 2 ballrooms with 502 m<sup>2</sup> and a corresponding pre-function area, each meeting room is equipped with state of the art technology and free high-speed, wireless internet, and a dedicated conference coordinator.

Health & Leisure: A pool, a well-equipped gym, a spa, massage therapy, facials, body wraps and customized treatments.

Guest Services: Free high-speed, wireless internet access throughout the hotel and on-site parking for up to 300 cars.

Dining: Chuma Grill Restaurant & Bar (African fusion-inspired restaurant serving African dishes and international classics), Super Breakfast Buffet (hot and cold dishes as well as fresh breads and fruit), Chuma Grill Bar (snacks and light meals).



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#### **INTERCONTINENTAL LUSAKA**

Haile Selassie Avenue Tel: +260 211 250 000 Fax: +260 211 256 035

Email: reservations.iclusaka@ihg.com

www.ihg.com/intercontinental/hotels/us/en/lusaka

Rooms: 224 Guest Rooms & Suites

Business & Conference: 9 meeting rooms - max. 600 theatre style, 450 classroom, 700 reception, 400 banquet. Ballroom dimensions: 37.5 x 20 m with 3.2 m ceiling height – can be divided into two spacious rooms. Capable of organising prestigious banquets. Wheel chair access in all the meeting rooms.

Health & Leisure: Fitness centre with gym/workout room, outdoor pool, spa, tennis court.

Guest Services: Staffed business centre open from 6 am to 11 pm, Executive Club level, same-day laundry, foreign exchange, doctor on call 24/7, wired internet available in rooms, suites, business center, public areas and meeting spaces. On-site parking for up to 200 cars.

Dining: Safari Bar (wide selection of beverages and snacks), The Rhythms Café (coffee, tea, and home-made cakes), Rosso Trattoria (Italian cuisine).

#### **SOUTHERN SUN RIDGEWAY**

Cnr. Church Road and Independence Ave

Tel: +260 211 251 666 Fax: +260 211 253 529

Email: SSRidgeway.Reservations@tsogosun.com www.tsogosun.com/southern-sun-ridgeway-lusaka/

Rooms: 155 Guest Rooms & Suites

Health & Leisure: Hotel gym is accessible to all guests 24 hours a day, an outdoor pool.

Guest Services: Free high-speed wireless internet access, full business centre with internet connectivity, board rooms, secretarial services.

Dining: Musuku Restaurant (traditional international cuisine, local signature dishes), Musuku Terrace and Bar (casual lunches, light meals, informal meetings).

#### **TAJ PAMODZI HOTEL**

Church Road

Tel: +260 211 254 455 Fax: + 260 211 254 005

Email: pamodzi.lusaka@tajhotels.com

https://vivanta.tajhotels.com/en-in/pamodzi-lusaka/

Rooms: 193 Guest Rooms & Suites

Health & Leisure: Fitness centre with cardiovascular equipment and weight section with state-of-the-art

equipment.

Business & Conference: Five meeting rooms including a boardroom, which offers comfortable seating for 45 to 500 quests.

Guest Services: High-speed broadband internet, full business centre with internet connectivity, a jewelry shop, squash courts and a swimming pool, express laundry/dry cleaning, doctor on call, labyrinth garden.

Dining: Jacaranda Coffee Shop (daily buffet breakfasts, weekday buffet lunches and a Sunday brunch, International cuisine, local specialities), Marula Bar (exotic international cocktails and drinks), Steaks & Grills (intimate open-air restaurant with a rustic, ethnic ambience).

### BEST WESTERN PLUS LUSAKA GRAND HOTEL

Great East Road 8018A Tel: +260 211 239 666

Email: reservations@lusakagrand.co.zm

www.lusakagrand.co.zm

Rooms: 92 Guest Rooms & Suites

Business & Conference: Five meeting rooms including a grand ballroom, boardroom, which offers comfortable seating for up to 350 guests. All rooms are equipped with sound systems and have internet connectivity.

Guest Services: High-speed broadband internet, full business centre with internet connectivity, a swimming pool, express laundry/dry cleaning.

Dining: Rembrandt Restaurant (full service, international cuisine, open for breakfast, lunch, and dinner), Cosmopolitan Bar (bar/lounge, international cuisine, bar snacks), Waterfall Bar (pool bar, cocktails).

#### **CRESTA GOLF VIEW HOTEL**

Great East Road 10247 Tel: +260 97 956 2325

Email: resgolfview@cresta.co.zm; reservations@crestahotels.com

www.crestagolfview.com

Rooms: 78 Guest Rooms & Suites

Business & Conference: Four spacious conference facilities and two executive boardrooms for up to 300 guests. All rooms are equipped with sound systems and have internet connectivity. Outdoor conference/banquet area available for up to 450 guests.

Guest Services: High-speed broadband internet, spa, a gym, a swimming pool.

Dining: Chatters Restaurant (business lunch, casual dining, Zambian specialities, international cuisine), Chatters Cocktail Bar (cocktails, snacks).

#### **PROTEA HOTEL LUSAKA**

Arcades Shopping and Entertainment Complex, Corner Thabo Mbeki and Great East Road,

Tel: +260 211 254 664 Fax: +260 211 254 606

Email: reservations@phlusaka.co.zm www.proteahotels.com/Lusaka

Rooms: 100 Guest Rooms

Business & Conference: The hotel has two conference rooms and four boardrooms. The conference rooms combined seat maximum 120 guests.

Guest Services: high-speed complimentary wireless internet, complimentary on-site parking, splash pool.

Dining: Protea Hotel Lusaka Restaurant (international cuisine, open for breakfast, lunch and dinner) The Steakhouse Restaurant (breakfast, lunch, dinner, international cuisine) Cloud 9 (rooftop bar, snacks, cocktails).

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#### PROTEA HOTEL LUSAKA CAIRO ROAD

Plot 11 A Cairo Road, Katondo Street

Tel: +260 211 238 360 Fax: +260 211 238 317 Rooms: 68 Guest Rooms

Business & Conference: The hotel has four meeting rooms. The conference rooms combined seat

Aamaximum of 100 guests theatre style.

Guest Services: High-speed complimentary wireless internet, complimentary on-site parking, outdoor

loog

Dining: The Mutaba Restaurant (international cuisine, open for breakfast, lunch and dinner, snacks),

The Residents Bar (snacks, cocktails).

#### **PROTEA HOTEL LUSAKA TOWER**

Arcades Shopping and Entertainment Complex, Cnr Thabo Mbeki and Great East Road

Tel: +260 211 375 800 Fax: +260 211 375 810

Email: reservations@phlusakatower.co.zm

www.proteahotels.com/Lusaka

Rooms: 137 Guest Rooms

Business & Conference: The hotel has six event rooms. The conference rooms combined seat maxi-

mum 70 guests.

Guest Services: High-speed complimentary wireless internet, complimentary on-site parking, splash

pool.

Dining: Protea Hotel Lusaka Restaurant (international cuisine, open for breakfast, lunch and dinner) The Steakhouse Restaurant (breakfast, lunch, dinner, international cuisine) Cloud 9 (rooftop bar,

snacks, cocktails).

#### **STAYEASY LUSAKA**

Corner of Church & Kabelenga Road, Levy Business Park

Tel: +260 97 477 8858 Fax: +260 211 372 020

Email: StayEasyLusaka.Reservations@tsogosun.com

www.tsogosun.com/stayeasy-lusaka

Rooms: 130 Guest Rooms

Business & Conference: One boardroom that can accommodate up to 15 people. This meeting room is

ideal for small conferences and boardroom meetings.

Guest Services: 350 MB of free high-speed Wi-Fi per room daily, self-service workstations, an outdoor

pool and patio leisure area. Dining: Breakfast buffet.

#### THE COPPERBELT:

#### **MUKUBA HOTEL**

Industrial Area, Ndola Tel: +260 212 651 000

Email: reservations@mukubahotel.co.zm

www.mukubahotel.com

Rooms: 55 Guest Rooms & Suites

Business & Conference: three conference rooms, Mukuba conference room, Imbalasa and the Presidential Pavilion for workshops and seminars.

Guest Services: Expansive ever-green gardens with impalas, guinea fowls and peacocks, complimentary parking.

Dining: Restaurant (a-la-carte, three course buffet, Zambian specialties' and international cuisine), the poolside bar, Mutomboko bar.

#### **THE URBAN**

Ndola Golf Estate Nkana Road, Ndola Tel: +260 96 388 1742

Email: res@theurbanhotelgroup.com www.theurbanhotelgroup.com

Rooms: 60 Guest Rooms

Business & Conference: Business services are available 24 hours a day at the Smart Bar. Complimentary high-speed wireless internet access, use of a tablet, printing or meeting rooms are available via the Smart Desk. The Metropolitan Restaurant, located in the Lobby, offers communal work tables outfitted with convenience outlets for your personal computers or electronic devices.

Guest Services: Complimentary airport transfer, complimentary breakfast buffet, complimentary Wi-Fi throughout the hotel, customised check-in/check-out times offering paperless check-out, dedicated account manager.

Dining: The Metropolitan Restaurant (daily specials and sumptuous staples), The Met Patio Bar (snacks, fresh juices and bar drinks).

#### PROTEA HOTEL BY MARRIOTT NDOLA

Ndola/Kitwe Dual Carriage Way, Ndola

Tel: +260 212 626 200

Rooms: 80 Guest Rooms

Business & Conference: three conference rooms, two boardrooms, state-of-the-art conference facilities

for up to 200 delegates.

Guest Services: Free high-speed internet in all guest rooms.

Dining: Breakfast buffet.

#### PROTEA HOTEL CHINGOLA

Kabundi Rd, Chingola Tel: +260 212 312 810

Rooms: 40 Guest Rooms

Business & Conference: Two event room, state-of-the-art conference facilities for up to 120 delegates.

Guest Services: Free high-speed internet, a swimming pool.

Dining: San Marco restaurant and bar (fresh a la carte and buffet menus, light meals, a variety of wines, spirits, cocktails and other drinks).

# **Radisson Supports Art**

### Words by Roy Kausa

Situated underground between the dome shaped front building and the rest of Radisson Blu hotel is an underground tunnel which has been transformed into one of Zambia's fascinating art gallery established in recent times.

Temwani Gallery displays art works by some of Africa's top most painters, such as Mikiti, Style Kunda, David Chibwe, Patrick Mumba, Raphael Mutulikwa, Nukwase Tembo, Victor Makashi and many other just to mention but a few.

The word, Temwani loosely translated in Cinyanja means, "Be Happy!" is also going to be the first of its kind in Zambia because Temwani Gallery is going to be based on an African village concept, where all members of this community are equal, learn to share their skills, life experiences and support each other to sustain their lives.

Secondly, based on the village concept, the gallery shall be led by the Headman or Headwoman, who in fact from the western world point of view is known as a curator. The village headman or woman shall once every month end chair the village Insaka meetings.

One of the main objectives of Temwani Gallery shall be to collaborate with other galleries in Zambia, the region and overseas, encourage the corporate world, such as insurance companies and banks for example to start collecting art. Temwani gallery shall also organize workshops for the artists to exchange ideas on how to meet the demands of the international art consumers. The gallery shall also hold solo art exhibitions three times a year.

The other aims of Temwani gallery shall be to form an interactive forum, to be known as Temwani Village night which shall once in 3 months, comprise of company executives, art collectors, government officials and the invited artists. This shall be a night where art works shall be sold and %50 shall go to a selected under privileged community in Lusaka.

Temwani Gallery shall also be the first of its kind to start "ART FOR RENT" this shall be a village business project to rent art to the corporate world. The last meeting by Temwani village members observed that it is high time for companies, government offices to start hiring art, it has been too much of plants and flower plants. "It's high time CEOs hired paintings and sculptures to make their board rooms look real instead of turning them into equatorial forests." said Raphael Mutulikwa.

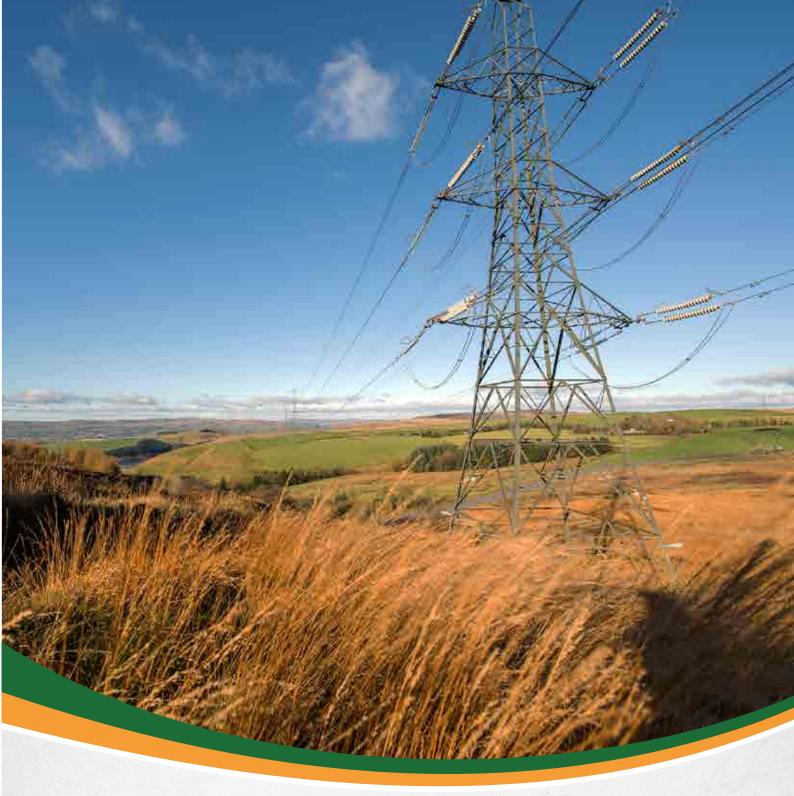
Temwani village members have commended the entire Radisson Blu management and especially Mr Marius Wolmarans the General Manager who has personally been involved to see that the gallery meets international standards.

The establishment of this art gallery at Radisson Blu is yet another corporate social responsibility by the hotel management to give back to the community by helping the Zambian artists sustain their lives by selling their art works. The art gallery also provides a chance for the tourists and the Lusaka local visitors to the Radisson Blu to sample the Zambian cultural heritage through a mouth-watering display of Zambian art.

#### **TEMWANI IS HERE TO STAY!**







### ZESCO call for investment

Zambia's access rate to electricity remains as low as 23% of the population. In order to increase the access rate beyond 51% whilst meeting the demand for reliable and safe electricity supply in the region and beyond, ZESCO needs investment partners to develop infrastructure in generation, transmission and distribution.

Zambia like the rest of Africa is going through very rapid transformation. Energy is going to be a big part of the social-economic equation to facilitate this transformation. ZESCO is re-positioning itself to meet the infrastructure challenges that will be posed by this rapid development. For instance, ZESCO now has the largest Fibre Optic network in Zambia. The Electricity Supply Industry was already opened up in the mid-nineties to encourage private investment participation in the ESI. Politically, Zambia has maintained peace and stability for over fifty-three years since independence.

Zambia's laws are also very strong in protecting investments. Zambia's central position is now being aggressively exploited by developing communication and electrical interconnectors as we are land linked to no less than eight neighbours on all sides. Further, Zambia belongs to two major economic blocs namely, SADC (Southern African Development Cooperation) and COMESA (Common Market for Eastern and Southern Africa), which gives companies that set up industry in Zambia easier access to millions of people.





# Cyber Security

In line with fostering the growth and development of Cyber Security response mechanisms and intelligence gathering across sectors, KPMG Zambia recently flagged off a comprehensive bouquet of cyber security services to enable our clients:

- Establish cyber security policies and procedures
- Build cyber defence and resilience capabilities

To access our cyber security thought leadership and service catalogue, please visit our website.

For further information or clarifications, we can be reached on the address below.

Email: zm-fminformation@kpmg.com Tel:+260 211 372900 http://www.kgmg.com/zm

