



***TRADE AND INVESTMENT
IN ZAMBIA***

TRADE AND INVESTMENT

ZAMBIA'S THRIVING ECONOMY HAS SEEN ITS GROSS DOMESTIC PRODUCT (GDP) RISE AT AN AVERAGE RATE OF ALMOST 6 PERCENT PER YEAR OVER THE PAST DECADE AND INFLATION DROP FROM MORE THAN 20 PERCENT TO BELOW 7 PERCENT. INSPIRING INVESTOR CONFIDENCE, ITS ECONOMIC PROGRAMME HAS BEEN HAILED AS "ONE OF THE BEST IN AFRICA" BY KENNEDY BUNGANE, BARCLAYS BANK AFRICA CHIEF EXECUTIVE AND HEAD OF THE ABSA GROUP.

THIS POSITIVE OUTLOOK IS UNDERLINED BY DEVELOPMENTS SUCH AS THE SUCCESSFUL 2012 LAUNCH OF ZAMBIA'S FIRST EUROBOND, WHICH IS BEING USED TO FINANCE HIGH PRIORITY CAPITAL SPENDING IN AREAS SUCH AS TRANSPORT INFRASTRUCTURE. ACCORDING TO THE LATEST ECONOMIST INTELLIGENCE UNIT (EIU) REPORT, THE ECONOMY'S GROWTH TRAJECTORY LOOKS LIKELY TO CONTINUE, WITH REAL GDP GROWTH FORECAST AT 6.7 PERCENT IN 2013 AND AN AVERAGE OF 8.1 PERCENT IN THE 2014-16 PERIOD. THE IMF IS EVEN MORE OPTIMISTIC IN ITS WORLD ECONOMIC OUTLOOK OF APRIL 2013, PREDICTING THAT ZAMBIA'S REAL GDP WILL EXPAND BY 7.8 PERCENT IN 2013 AND 8 PERCENT IN 2014.

INVESTING IN ZAMBIA

GOVERNMENT IS FOCUSED ON ACCELERATING PRIVATE SECTOR INVESTMENT SO AS TO ACHIEVE INCREASED AND DIVERSIFIED GROWTH. DURING THE CURRENT NATIONAL DEVELOPMENT PERIOD, DELIBERATE EFFORTS ARE BEING MADE TO LINK FDI WITH THE DOMESTIC ECONOMY IN ORDER TO BROKER

LINKAGES WITH SMEs, THUS INCREASING THEIR PRODUCTIVITY, CAPACITY AND ABILITY TO PENETRATE LARGER MARKETS.

INVESTMENT ADVANTAGES

A COUNTRY WITH ABUNDANT NATURAL RESOURCES AND HUMAN CAPITAL, ZAMBIA IS ALSO ONE OF AFRICA'S MOST PEACEFUL, TOLERANT AND DEMOCRATIC STATES, BOASTING A WESTMINSTER-STYLE GOVERNMENT AND SOUND GOVERNANCE STRUCTURES BASED ON THE RULE OF LAW AND RESPECT FOR PRIVATE PROPERTY. THE COUNTRY HAS AN INDEPENDENT JUDICIARY AND STRONG ANTI-CORRUPTION MEASURES HAVE BEEN INSTITUTED. COMPETITIVE PRODUCTION COSTS, INCENTIVES AND REFORMS HAVE ENHANCED THE BUSINESS CLIMATE FOR BOTH LOCAL AND FOREIGN INVESTORS.

INVESTMENTS ARE PROTECTED AND PRIVATE PROPERTY RIGHTS GUARANTEED THROUGH THE ZAMBIA INVESTMENT ACT, WHICH STATES THAT INVESTMENTS MAY NOT BE EXPROPRIATED UNLESS PARLIAMENT PASSES AN ACT RELATING TO THE COMPULSORY ACQUISITION OF THAT PROPERTY, IN WHICH EVENT FULL COMPENSATION AT MARKET VALUE AND FREE TRANSFER OF THE FUNDS IN THE CURRENCY IN WHICH THE INVESTMENT WAS MADE IS GUARANTEED. FURTHERMORE, INVESTORS ARE GUARANTEED THAT INVESTMENTS WILL NOT BE ADVERSELY AFFECTED BY ANY CHANGES TO THE INVESTMENT ACT FOR A PERIOD OF SEVEN YEARS.

ZAMBIA BELONGS TO THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA) AND HAS SIGNED MULTILATERAL, REGIONAL AND BILATERAL INVESTMENT PROTECTION AGREEMENTS WITH A NUMBER OF COUNTRIES.

INVESTMENT IN THE STOCK MARKET IS PROTECTED BY THE SECURITIES ACT OF 1993 AND ENFORCED BY THE SECURITIES AND EXCHANGE COMMISSION.

TRADEMARK PROTECTION IS ADEQUATE, AND PATENT LAWS CONFORM TO THE REQUIREMENTS OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY, TO WHICH ZAMBIA IS A SIGNATORY. ZAMBIA HAS ALSO SIGNED A NUMBER OF INTERNATIONAL AGREEMENTS ON PATENTS AND INTELLECTUAL PROPERTY, INCLUDING THOSE OF THE WORLD INTELLECTUAL PROPERTY ORGANISATION (WIPO), PARIS UNION, BERN UNION, AFRICAN REGIONAL INDUSTRIAL PROPERTY ORGANISATION (ARIPO) AND THE UNIVERSAL COPYRIGHT CONVENTION OF UNESCO.

SINCE COMING INTO POWER IN 2011, THE PATRIOTIC FRONT GOVERNMENT HAS COMMITTED TO SCALING UP THE WAR ON CORRUPTION, A SENTIMENT WHICH SENDS A POSITIVE SIGNAL TO FOREIGN INVESTORS. HOWEVER, AT THE SAME TIME THERE HAS BEEN SOME CONCERN ABOUT POSSIBLE THREATS TO ZAMBIA'S LIBERAL POLICY ON FOREIGN INVESTMENT. THE USE OF FOREIGN CURRENCY IN DOMESTIC TRANSACTIONS HAS BEEN STOPPED, AND AN ACT THAT GIVES THE BANK OF ZAMBIA THE POWER TO MONITOR THE MOVEMENT OF CROSS-BORDER CAPITAL HAS BEEN SIGNED INTO LAW. THE CENTRAL BANK HAS RESPONDED THAT THIS IS AN ATTEMPT TO DETERMINE THE AMOUNT OF MONEY FLOWING IN AND OUT OF ZAMBIA AND THEREBY VERIFY THAT THE RIGHT AMOUNT OF TAX IS BEING PAID RATHER THAN A DISGUISED ATTEMPT TO IMPOSE CAPITAL CONTROLS.

ZAMBIA DEVELOPMENT AGENCY

THE ZAMBIA DEVELOPMENT AGENCY (ZDA) IS TASKED WITH ATTRACTING AND

FACILITATING INVESTMENT WHILE IMPROVING THE OVERALL BUSINESS AND INVESTMENT CLIMATE. ESTABLISHED UNDER THE ZDA ACT NO. 11 OF 2006, THE AGENCY IS CLIENT-FOCUSED, AND PROMOTES DEVELOPMENT BY PROVIDING EFFECTIVE AND COMPREHENSIVE BUSINESS FACILITATION, DEVELOPMENT AND AFTERCARE SERVICES AS WELL AS MARKET INFORMATION IN ORDER TO PROMOTE ZAMBIAN EXPORTS.

ZDA ALSO SUPPORTS GREENFIELD INVESTMENT THROUGH JOINT VENTURES AND PARTNERSHIPS BETWEEN LOCAL AND FOREIGN INVESTORS. SPEEDY APPROVAL OF LICENCES BY ALL GOVERNMENT AGENCIES IS FACILITATED, AS IN ASSISTANCE IN OBTAINING LAND FOR ECONOMIC PROJECTS AND WORK PERMITS FOR EXPATRIATE STAFF. A ONE-STOP SHOP HAS BEEN LAUNCHED TO ENABLE COMPANY REGISTRATION, NATIONAL PENSIONS SCHEME AUTHORITY SUBSCRIPTIONS AND PAYMENTS TO THE ZAMBIA REVENUE AUTHORITY TO BE CARRIED OUT UNDER ONE ROOF. THE E-REGISTRY SYSTEM AT www.businesslicenses.gov.zm ENABLES COMPANIES TO APPLY FOR LICENCES ONLINE, HELPING TO MINIMIZE RISKS, IMPROVE TRANSPARENCY AND ACCOUNTABILITY, AND REDUCE TRANSACTION COSTS. ACCORDING TO THE ZDA, THE ONGOING REFORMS IN THE ISSUANCE OF BUSINESS LICENCES WILL HELP CUT THE COST OF RUNNING BUSINESSES IN THE COUNTRY BY 50 PERCENT.

ZDA IS ALSO MANDATED TO SUPPORT THE GROWTH OF THE MSME SECTOR, WHICH IS CURRENTLY ONE OF THE MOST PROLIFIC SOURCES OF EMPLOYMENT IN THE ECONOMY. THIS EMPHASIS AIMS TO SHIFT ZAMBIA'S ECONOMIC DEVELOPMENT DIRECTION AWAY FROM SOLELY PROMOTING MEDIUM AND LARGE-SCALE ENTERPRISES. MARKET LINKAGES ARE THUS CREATED BETWEEN MSMEs AND TRANSNATIONAL CORPORATIONS.

EXPORT EARNINGS ARE ANOTHER CRUCIAL STIMULANT IN PROPELLING ZAMBIA'S ECONOMIC DEVELOPMENT, AND THE AGENCY THUS MARKETS ZAMBIA'S EXPORTS ABROAD, PROMOTING COMPETITIVE INTERNATIONAL TRADE AND ASSISTING LOCAL BUSINESSES AND ENTREPRENEURS IN ACCESSING NEW MARKETS AND EXPANDING EXISTING ONES, BOTH WITHIN THE REGION AND BEYOND. THE ZDA UNDERTAKES RESEARCH ON DIFFERENT MARKETS AND ADVISES THE MINISTER OF COMMERCE, TRADE AND INDUSTRY ON MATTERS RELATING TO INTERNATIONAL TRADE AND DEVELOPMENT. THE AGENCY PREDOMINANTLY UTILISES MARKET ACCESS OFFERS FROM TRADING PARTNERS UNDER COMESA, SADC AND THE EU, AS WELL AS NATIONAL INITIATIVES AND THE WORLD TRADE ORGANIZATION (WTO).

THE AGENCY PROMOTES BOTH FDI AND DDI (DOMESTIC DIRECT INVESTMENT) IN ORDER TO STRENGTHEN THE GROWTH OF LOCAL INDUSTRIES AND THEREBY ENHANCE EXPORT EARNINGS. ACCORDINGLY, ZAMBIA HAS FORMULATED AN INDUSTRIAL POLICY VISION THAT PROMOTES INVESTMENT IN SPECIALLY ZONED AREAS AND INDUSTRIAL PARKS, WITH THE ZDA TASKED WITH ESTABLISHING MULTI-FACILITY ECONOMIC ZONES (MFEZs) TO ENHANCE FDI AND DDI INFLOW.

MULTI-FACILITY ECONOMIC ZONES

THE MFEZ PROGRAMME SERVES AS A CATALYST FOR ZAMBIA'S INDUSTRIAL AND ECONOMIC DEVELOPMENT THROUGH FACILITATION OF INVESTMENT IN THESE ZONES, WITH THE OBJECTIVE OF STIMULATING THE MANUFACTURING SECTOR TO ENHANCE BOTH DOMESTIC AND EXPORT ORIENTED BUSINESS. THIS IS CRUCIAL TO ZAMBIA IN ITS QUEST FOR GREATER FOREIGN EXCHANGE

EARNINGS, WHICH FLOW IN MORE EASILY WHEN EXPORTS ARE VALUE-RICH. AS ZAMBIA IS A MEMBER OF VARIOUS REGIONAL AND INTERNATIONAL ORGANISATIONS AND SIGNATORY TO A NUMBER OF MARKET ACCESS AGREEMENTS, IT HAS READY MARKETS FOR THE EXPORT OF SUCH MANUFACTURED GOODS. THE MFEZ PROGRAMME HAS SEVERAL INCENTIVES THAT ARE MEANT TO ATTRACT INVESTORS.

INVESTMENT INCENTIVES

ZAMBIA'S INVESTMENT INCENTIVES ARE AIMED AT ESTABLISHING A CLIMATE FOR GREATER DOMESTIC INDUSTRIAL GROWTH AND FDI, PROMOTING EXPORTS AND DEVELOPING THE PRIVATE SECTOR. THE INVESTMENT ACT OF 1993, AS AMENDED IN 1996, REGULATES MATTERS SUCH AS INVESTMENT INCENTIVES AND INVESTMENT GUARANTEES.

THE STANDARD CORPORATE TAX RATE IS 35 PERCENT. ALL MINING IS TAXED AT A RATE OF 30 PERCENT AND INCOME ORIGINATING FROM THE EXPORT OF NON-TRADITIONAL PRODUCTS AT 15 PERCENT. THERE ARE REDUCED TAX RATES FOR COMPANIES LISTED ON THE LUSAKA STOCK EXCHANGE (LuSE), AND MANUFACTURERS OPERATING IN THE MULTI-FACILITY ECONOMIC ZONES.

DURING 2012, THE 40 PERCENT UPPER CORPORATE TAX RATE FOR BANKS WAS ABOLISHED AND REPLACED WITH THE STANDARD CORPORATE TAX RATE OF 35 PERCENT. IN ADDITION, INCOME TAX ON AGRICULTURE WAS REDUCED FROM 15 TO 10 PERCENT.

IT WAS ANNOUNCED IN THE 2013 BUDGET THAT THE ZAMBIA DEVELOPMENT AGENCY ACT, THE INCOME TAX ACT AND THE CUSTOMS AND EXCISE ACT

WOULD BE AMENDED AND STREAMLINED TO SELECTIVELY AWARD INCENTIVES TO VALUE-ADDING INVESTORS. IT IS PROPOSED THAT TAX INCENTIVES BE GRANTED ONLY WHEN INVESTORS MEET THEIR EMPLOYMENT AND INVESTMENT COMMITMENTS, THEREBY ENSURING THAT BUSINESSES ADHERE TO THE UNDERTAKINGS GIVEN WHEN APPLYING FOR INCENTIVES.

WITHHOLDING TAX IS TO BE INCREASED FROM ZERO TO 20 PERCENT ON MANAGEMENT AND CONSULTANCY FEES AS WELL AS INTEREST PAYMENTS MADE BY A PERSON DEVELOPING OR OPERATING IN AN MFEZ OR INDUSTRIAL PARK TO ANY OVERSEAS RECIPIENTS. OTHER DEVELOPMENTS SEE TAX EXEMPTIONS GRANTED ON BUSINESS PROFITS AND PAYMENT OF DIVIDENDS TO BUSINESSES WITHIN THE PRIORITY SECTORS NOW BEING EFFECTIVE FROM THE COMMENCEMENT OF BUSINESS OPERATIONS RATHER THAN THE DATE OF THE FIRST DECLARATION OF PROFITS/DIVIDENDS.

IN ADDITION, TO FURTHER RATIONALISE GRANTING OF INCENTIVES, THE STANDARD-RATING OF GOODS AND SERVICES WHEN SUPPLIED TO OR IMPORTED BY BUSINESSES OPERATING IN MFEZs OR INDUSTRIAL PARKS WAS PROPOSED. IN ORDER TO PROMOTE LOCAL VALUE ADDITION, WHERE EXEMPTION FROM CUSTOMS DUTY IS GRANTED AS AN INCENTIVE, IT WILL ONLY APPLY ON GOODS THAT ARE NOT LOCALLY PRODUCED.

PLEDGED INVESTMENT

IN THE FIRST QUARTER OF 2013, THE ZDA REGISTERED A 66.4 PERCENT INCREASE IN INVESTMENT PLEDGES, WITH A TOTAL OF US\$2 316.9 MILLION IN PLEDGES COMPARED WITH US\$1 392.1 MILLION DURING THE SAME PERIOD IN 2012. THE REAL ESTATE SECTOR RECORDED THE HIGHEST AMOUNT OF

PLEDGED INVESTMENTS DURING THE FIRST QUARTER OF 2013 TOTALLING US\$842 MILLION AND MAKING UP 36 PERCENT OF TOTAL INVESTMENTS PLEDGED DURING THIS PERIOD. THE ENERGY SECTOR WAS SECOND, WITH US\$ 601 MILLION REPRESENTING 26 PERCENT OF THE TOTAL, FOLLOWED BY TOURISM (15 PERCENT) AND MANUFACTURING (14 PERCENT), WITH AGRO-PROCESSING, AGRICULTURE, CONSTRUCTION AND OTHERS EACH ACCOUNTING FOR 2 PERCENT OF PLEDGES AND THE SERVICE SECTOR FOR 1 PERCENT.

DESPITE THE SIGNIFICANT INCREASE IN PLEDGED INVESTMENTS, PLEDGED EMPLOYMENT ONLY REGISTERED A MARGINAL INCREASE OF 4 PERCENT OVER THE CORRESPONDING PERIOD IN 2012, FROM 7,885 TO 8,202. THE TOURISM SECTOR HAD THE HIGHEST PLEDGED EMPLOYMENT WITH 2,304 JOB OPPORTUNITIES (28 PERCENT OF THE TOTAL), FOLLOWED BY THE REAL ESTATE SECTOR (25 PERCENT), CONSTRUCTION (12 PERCENT), AGRICULTURE (8 PERCENT), MINING (5 PERCENT), AGRO-PROCESSING AND ENERGY (3 PERCENT EACH), MANUFACTURING AND SERVICES (2 PERCENT EACH), TRANSPORT (1 PERCENT).

THE IMPRESSIVE INCREASE IN INVESTMENT PLEDGES IS ATTRIBUTED TO INCREASED INVESTOR CONFIDENCE RESULTING FROM, AMONG OTHER FACTORS, THE GOVERNMENT'S CONTINUED COMMITMENT TO REDUCE THE COST OF DOING BUSINESS IN THE COUNTRY.

INVESTMENT OPPORTUNITIES

PRIME GROWTH SECTORS FOR INVESTMENT IN ZAMBIA INCLUDE MANUFACTURING, AGRICULTURE AND AGRO-PROCESSING, TOURISM AND MINING. INVESTMENT OPPORTUNITIES ARE ALSO AVAILABLE IN

CONSTRUCTION, TRANSPORTATION, ENERGY, TELECOMMUNICATIONS AND IT SERVICES.

PRIORITY INVESTMENT SECTORS HAVE BEEN SET UP TO ENHANCE THE ATTAINMENT OF NATIONAL DEVELOPMENT TARGETS, WITH THE FOLLOWING SECTORS ATTRACTING FISCAL INCENTIVES:

- FLORICULTURE AND HORTICULTURE
- PROCESSED FOODS AND BEVERAGES
- TEXTILES
- MANUFACTURING OF ENGINEERING AND OTHER PRODUCTS
- BENEFICIATION OF PHOSPHATES AND ANY OTHER RELATED MATERIAL INTO FERTILISER
- BENEFICIATION OF ROCK MATERIALS INTO CEMENT
- PRODUCTION AND PROCESSING OF RAW TIMBER INTO WOOD PRODUCTS
- PRODUCTION AND PROCESSING OF HIDES AND LEATHER PRODUCTS
- BUILDING OF MINI HYDROPOWER STATIONS
- INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)
- HEALTH
- EDUCATION AND SKILLS TRAINING
- TOURISM
- PROCESSING OF AGRICULTURAL PRODUCTS, FOREST PRODUCTS, GEMSTONES AND NON-FERROUS METALS
