



## LUSWISHI FARM BLOCK INVESTMENT PROFILE

# ZAMBIA





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**LUSWISHI FARM BLOCK  
INVESTMENT PROFILE**

**ZAMBIA**

2020

## ABOUT THE PROJECT

This guide has been produced under the framework of the Partnership for Investment and Growth in Africa (PIGA) project with the purpose of facilitating foreign investors on complying with taxes in Zambia.

PIGA is part of Manufacturing Africa, a flagship programme of the United Kingdom of Great Britain and Northern Ireland's Foreign, Commonwealth and Development Office (FCDO) facilitating foreign direct investment with high development impact into selected African countries.

Under Manufacturing Africa, PIGA aims to contribute to job creation and sustainable growth in Ethiopia, Kenya, Mozambique and Zambia by supporting these countries to attract foreign direct investment, specifically Chinese investment, in the agro-processing and light manufacturing sectors. PIGA is also designed to enhance the capacity of these countries for effective investment promotion.

PIGA is implemented by the International Trade Centre (ITC) in cooperation with the China Council for the Promotion of International Trade (CCPIT) and the China–Africa Development Fund (CADFund).

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## Abbreviations and acronyms

Unless otherwise specified, all references to dollars (\$) are to United States dollars, and all references to tons are to metric tons.

<b>COMESA</b>	Common Market for Eastern and Southern Africa	<b>SADC</b>	Southern African Development Community
<b>CSO</b>	Central Statistics Office	<b>TPIN</b>	Taxpayer personal identification number
<b>FDI</b>	Foreign direct investment	<b>VAT</b>	Value-added tax
<b>GDP</b>	Gross domestic product	<b>ZDA</b>	Zambia Development Agency
<b>GPL</b>	Global Plantations Ltd	<b>ZRA</b>	Zambia Revenue Authority
<b>MFEZ</b>	Multi-facility economic zone		
<b>PACRA</b>	Patents and Companies Registration Agency		

## FOREWORD

Zambia is endowed with vast natural resources, which, if fully exploited, can contribute immensely to the country's economic growth and development. The rapid increase in population, urbanization, and rising incomes have generated a huge domestic demand for processed agricultural products and agricultural raw materials for value addition. Even though Zambia is self-sufficient in some agricultural products, the country is a net importer of several other agricultural products. The huge domestic demand for processed foods, raw materials for value addition, and the substantial demand for agricultural products in the regional markets has presented investment opportunities in Zambia's agriculture sector.

In spite of this huge demand and investment opportunity, investments in agriculture have remained low, with the sector accounting for less than 10% of the total foreign direct investment (FDI) inflows. To help improve FDI inflows to agriculture, forestry and fisheries, Zambia has been promoting farm blocks as agriculture and agribusiness investment hubs. One of the 11 farm blocks that the country has developed, and that is ready for foreign investments, is the Luswishi farm block. It is located in Lufwanyama District in the Copperbelt Province and covers an area of 100,000ha.

The Zambia Development Agency, in conjunction with the Partnership for Investment and Growth in Africa (PIGA) project, is thus promoting investments into the Luswishi farm block. Therefore, the PIGA project, funded by the UKAID and implemented by the International Trade Centre (ITC), has profiled the Luswishi farm block. The profile is expected to aid potential investors in getting an in-depth appreciation of the challenges and investment opportunities that exist in the Luswishi farm block.

Investments in the farm block are expected to contribute to improving food security in Zambia, generating jobs (especially for the young people, who account for approximately 66% of Zambia's total population) and increasing export earnings.

**Mr. Mukula Makasa**

Acting Director General,  
ZAMBIA DEVELOPMENT AGENCY (ZDA)





## PROFILE SUMMARY

Luswishi is one of the Republic of Zambia's fast-developing farm blocks earmarked for the establishment of an agroprocessing zone to stimulate value-added agricultural production and enhanced productivity. The farm block is also designed to house greenfield investments in integrated irrigation projects and innovative outgrower schemes to provide agricultural input and output financing and markets.

Luswishi farm block enjoys a strategic geolocation that gives it a competitive edge over other farm blocks and the best and direct market access to Zambia's Copperbelt and North-Western Province mining areas (major food markets outside Lusaka). It also has a good proximity to the Republic of Angola, the Democratic Republic of the Congo and the Great Lakes regional – export markets renowned for their increasing demand for food commodities from Zambia.

Luswishi is accessible through the 130km M18/Kalengwa Road, 90km of which is tarred from Kalulushi up to Lufwanyama town, and the remaining 60km stretch to the farm block is gravel. Plans to develop a 90km 66kV power line to connect the farm block from Kalulushi have also reached an advanced stage and is expected to accelerate once more investors set up base in the farm block. Other support infrastructure has also been designed and is in the process of being developed.

Located in Zambia's high rainfall agro-ecological Zone III, Luswishi receives good rainfall, ranging between 1,250mm and 1,503mm annually (Ministry of Agriculture, 2017). The farm block is also endowed with abundant surface water resources from its 238.5km of main rivers and smaller streams. With more than eight seasonal tributaries (Lumwana, Mirumbi, Kanyafimbolo, Kamibila, Kabanini, Kamasasa, Kevumba and Mikelo), Luswishi is the most important perennial river, with an average flow of approximately 30m<sup>3</sup>/s and its watershed covers 80% of the farm block. Mushingashi is the other main river, with four tributaries (Bwingimilonga, Mwendu, Katikula and Katuta); it is the 2nd largest perennial river, with its watershed covering 20% of the farm block, and has an annual average flow of approximately 3.3m<sup>3</sup>/s. Some hot springs called "Kasho" are also found in the nature reserve located in the north-eastern part of the farm block. Abundant surface and underground water makes Luswishi ideal for irrigation development.

Luswishi has good-quality arable soils as well, which, together with its abundant water and geolocation, makes the farm block the best agricultural and agribusiness investment hub in Zambia currently. The farm block is ideal for diverse agricultural and agribusiness investments, especially large-scale wheat, maize, soya beans and poultry (meat and eggs) production and processing, fish farming operations, irrigation schemes and horticulture production and processing, and other food commodities' production operations.

In addition to possible partnerships with ongoing investments, Luswishi farm block also offers foreign investors planning to establish agriculture businesses and agribusinesses in Zambia. The following are promising investment opportunities:

1. An opportunity to invest in a greenfield irrigation scheme for a wide range of agricultural production. Close to 4,000ha of high-potential land with good access to Luswishi River has been set aside by government for the development of an integrated irrigation scheme by private investors. Investors in this scheme are expected to incorporate small- and medium-scale farmers in their planned irrigated agricultural production, agroprocessing operations and marketing;

2. An opportunity to invest in an on-site and diversified agroprocessing hub to facilitate enhanced agricultural production and the development of agroprocessing infrastructure, which will include cold storage facilities, grain storage silos, processing and processed commodity storage/warehouse facilities, and irrigation and other farm machinery and equipment supply centres. The core venture investor already has its oilseeds processing facilities approximately 150km away, leaving the farm block without an on-site agroprocessing hub for the rest of the commodities grown in and around Luswishi farm block. Other private sector investors are thus needed to develop an agroprocessing zone targeting both the domestic and regional food markets;
3. An opportunity to invest in a network of 20–30 agricultural inputs and commodities aggregation centres close to areas of production within and around Luswishi farm block targeting small-, medium- and some large-scale farmers;
4. An investment opportunity in land development and a farm mechanization services hub, which will offer paid-for land clearing and development, tillage, crop protection and harvesting services. This provides a strong opportunity to introduce modern technologies and best practices to increase agricultural production efficiency and on-farm processing;
5. Investment opportunities to establish small- and medium-scale farmers' outgrower schemes on selected crops of interest to foreign investors and/or agricultural commodities for which investors will have assured offtake markets or capacity to process for both the local and export market. Such schemes will also be critical in providing agri-financing and extension services support; and
6. Investment opportunities to purchase or go into joint ventures with some of the large-scale commercial farmland given to local investors with limited resources to develop these farms within their envisaged time-frames.

Investments in Luswishi farm block will also enjoy Zambia's conducive business environment and a number of investment incentives available to priority sectors, among them agriculture, agribusiness and investments in farm blocks.



## Zambia: An Overview

The Republic of Zambia is a landlocked country located in Central and Southern Africa.

Its geographical neighbours are the United Republic of Tanzania to the north-east, the Democratic Republic of the Congo to the north, the Republic of Malawi to the east, the Republic of Mozambique to the south-east, the Republic of Botswana to the south, the Republic of Namibia to the south-west, the Republic of Zimbabwe to the south and the Republic of Angola to the west.

Zambia is a mature democracy and has enjoyed political and economic stability since independence. Zambia has three wings of government, each independent from the other. These are the executive, legislature and judiciary. The country has 10 provinces headed by appointed provincial ministers and 156 constituencies represented by elected Members of Parliament. The World Economic Forum, in its 2018 Global Competitiveness Report, ranked Zambia number 118 out of 140 countries as most competitive nation in the world. The World Bank 2019 edition of the Doing Business Report ranked Zambia number 8 in Africa in terms of the ease of doing business. Zambia has strong growth prospects supported by an emerging urban middle-class population with an increasing appetite for high-value goods and services.

The country's development blueprint, Vision 2030, launched in 2006, aims to transform Zambia into a prosperous middle-income country by 2030 that provides opportunities for improving the well-being of all. Vision 2030 is operationalized through five-year development plans and annual budgets. The current development plan, the 7<sup>th</sup> National Development Plan (2017–2021), launched in 2017, focuses on four priority sectors: agriculture, mining, manufacturing and tourism.

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

Sources: Central Statistics Office (CSO), 2018; World Bank, 2018.



## Why invest in Zambia?

Abundant and underused land and water resources make Zambia one of the most preferred agricultural and agribusiness investment destinations in Southern Africa. Upcoming farm blocks like Luswishi and its surrounding resettlement schemes are among the best investment hubs for greenfield investments. Zambia is also renowned for its peace and stability, and for its fast-growing and youthful population. Its unique and strategic geolocation gives it the best proximity and makes it a gateway to the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA) markets. The country is also endowed with ample raw materials for agroprocessing. Zambia has also fostered a stable and growing economy, a feat making it better suited for inclusive agriculture and agroprocessing investments. A conducive investment and business environment, together with its investor-friendly legal and regulatory frameworks, attractive investment incentives and good labour availability, are other positive fundamentals that Zambia offers foreign investments in agriculture and agribusiness. Zambia has also continued to improve its ease of doing business and its anti-corruption crusade has yielded a reasonable Corruption Perception Index (CPI) score. As Africa's continental free trade area gains momentum, Zambia naturally fits in as the best trade nexus for Eastern and Southern Africa and a frontier for investments to turn around African agriculture and agribusiness.

### ABUNDANT LAND AND WATER

Zambia's arable land remains underused, with only 14% of its 42 million hectares of land suitable for agricultural production being cultivated. The country also has approximately 2.75 million hectares of irrigation potential, out of which only 156,000ha (<6%) of its total irrigation potential and/or 37% of its 0.5 million high irrigation potential hectares have been developed. Zambia's abundant water resources (estimated at 165km<sup>3</sup> per annum) also remain underused. Out of the estimated 115km<sup>3</sup> per annum of surface/run-off and 50km<sup>3</sup> per annum of groundwater, water extractions for agriculture only stands at 1.7km<sup>3</sup> (1%) of its total renewable water resources per annum (Akayombokwa, van

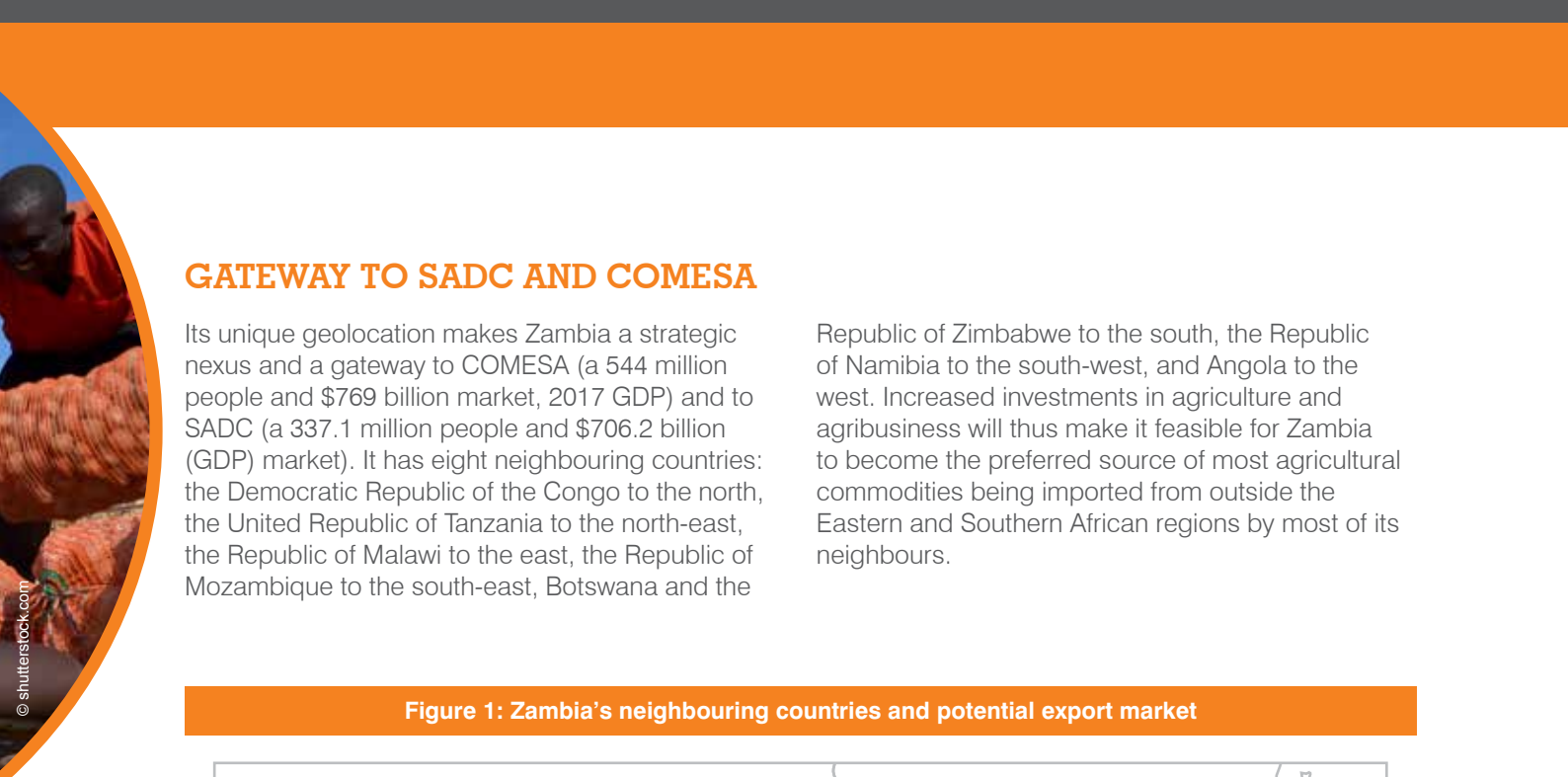


Koppen, & Matete, 2015).

In order to develop its 86% unused arable land, maximize usage of its 63% high irrigation potential land that has remained idle and to meaningfully use its water resources, Zambia has embarked on farm block development and promotion as a means of attracting foreign investments in its agricultural and agribusiness industry.

### PEACEFUL AND STABLE COUNTRY

Zambia is the 3<sup>rd</sup> most peaceful country in Sub-Saharan Africa (SSA) after the Republic of Mauritius and the Republic of Botswana (2014 Global Peace Index (GPI), 2014). The country has maintained and enjoyed political stability with sound governance based on the rule of law and respect for private property rights for more than 50 years after its independence. Since 1991, Zambia has upheld a presidential democracy and holds multiparty elections every five years. During this same period, Zambia has, three times, peacefully and seamlessly changed political parties and presidents. Home to more than 73 ethnic groupings, Zambia has exhibited exceptional unity in diversity. Zambia is also the home of choice for many refugees and many other foreign nationals who have easily integrated into society and contribute to the country's industrialization and thriving private sector.

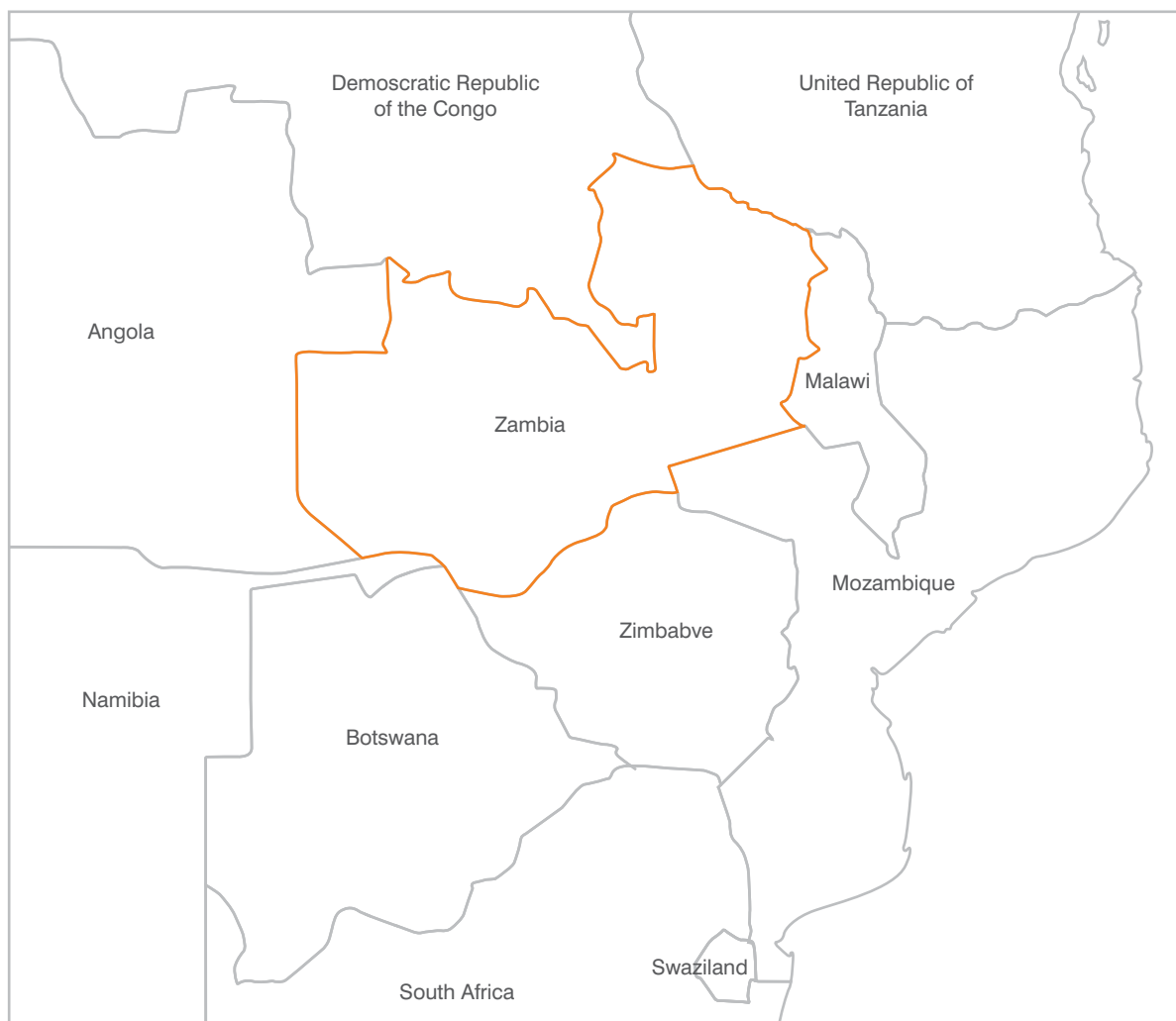


## GATEWAY TO SADC AND COMESA

Its unique geolocation makes Zambia a strategic nexus and a gateway to COMESA (a 544 million people and \$769 billion market, 2017 GDP) and to SADC (a 337.1 million people and \$706.2 billion (GDP) market). It has eight neighbouring countries: the Democratic Republic of the Congo to the north, the United Republic of Tanzania to the north-east, the Republic of Malawi to the east, the Republic of Mozambique to the south-east, Botswana and the

Republic of Zimbabwe to the south, the Republic of Namibia to the south-west, and Angola to the west. Increased investments in agriculture and agribusiness will thus make it feasible for Zambia to become the preferred source of most agricultural commodities being imported from outside the Eastern and Southern African regions by most of its neighbours.

**Figure 1: Zambia's neighbouring countries and potential export market**



**Source:** Indaba Agricultural Policy Research Institute (IAPRI), 2018.

**Table 1: Zambia's GDP (current prices), inflation and exchange rate**

Period	1990–94	1995–99	2000–04	2005–09	2010–14	2015–18
GDP (USD billions)	3.36	3.73	4.60	13.68	24.89	23.67
GDP growth rate (% change)	-0.82	3.44	5.54	8.10	6.64	3.47
Inflation rate	121.66	30.73	21.81	12.77	7.26	10.51
Exchange rate (ZMW per USD)	0.28	1.53	4.13	4.17	5.27	9.73

Source: World Bank.

## GROWING ECONOMY

Zambia has continued posting positive economic growth since 1990. From 2005–14, Zambia was among the world's fastest-growing economies, with real gross domestic product (GDP) growth averaging 7% p.a. The economy has continued growing, though at a decreasing rate since 2014. In 2017, Zambia's GDP was \$25.8 billion, representing 0.04% of global GDP, 3.7% of combined SADC GDP and 3.4% of the combined COMESA GDP.

## KEY ECONOMIC SECTORS

Primary economic sectors include mining and agriculture (accounts for 20% of GDP), construction and manufacturing are the secondary economic sectors (contributing more than 20% of GDP), and trading, financial services and education are the key tertiary sectors (contributing more than 50% of GDP). Table 2 shows the value added to Zambia's GDP by each of the major sectors from 2014–16.

**Table 2: Main economic sectors and contribution to GDP**

	2014	2015	2016
Agriculture, forestry and fishing	6.8	5	6.2
Mining and quarrying	14.6	12.7	13.2
Manufacturing	6.8	7.5	7.7
Construction	8.9	10.2	10.3
Financial and insurance activities	3.1	3.9	4.5
Wholesale and retail trade: repair of motor vehicles and motorcycles	21.8	22.3	20.9
Education	7.8	7.8	7.3
Real Estate Activities	4.1	4.8	4.5

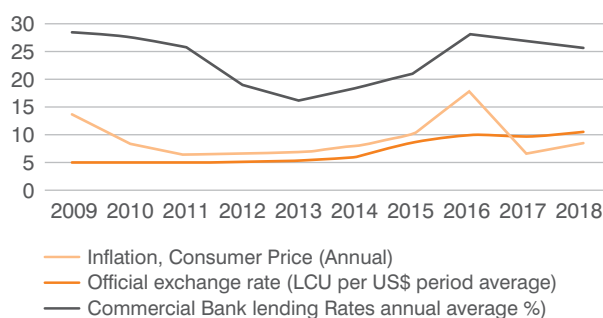
Source: World Bank.



## MACROECONOMIC STABILITY

Zambia has had relative macroeconomic stability despite inflationary pressures and foreign exchange rate volatilities induced by falling copper prices, reduced power generation, and depreciation of the kwacha, which intensified in 2015 and again in 2019. Risks to the economic outlook continue to stem from a substantial external debt that raises the likelihood of debt distress, along with effects of drought conditions during the 2018/19 farming season. Despite relative macroeconomic stability, commercial bank lending rates have remained approximately 26%. High interest rates are affecting private sector borrowing from local banks.

**Figure 2: Inflation, interest and exchange rate trends (2009–18)**



Source: Bank of Zambia (BOZ) and Central Statistics Office (CSO).

## INCREASING INTERNATIONAL TRADE

Zambia exported \$9.1 billion worth of goods around the globe in 2018. Although the country experienced a -6.3% drop in the value of its exports since 2014, Zambia's exports appreciated by 11.7% from 2017 to 2018. From a continental perspective, \$4.3 billion or 47.2% of Zambian exports by value were delivered to European countries, while 29% were sold to Asian importers. Exports worth \$1.81 billion or 19.9% were shipped to fellow African countries. The Democratic Republic of the Congo, the Republic of South Africa and Zimbabwe are Zambia's main export markets on the continent, while the Swiss Confederation (Switzerland) and the People's Republic of China are Zambia's top two export destinations internationally. In 2008–17, Zambian exports to Switzerland increased by \$1.103 billion (43%) from \$2.537 billion

in 2008 to \$3.64 billion in 2017. Exports to China more than quadrupled (405%), increasing by \$1.163 billion from \$287 million to \$1.45 billion during the same period. Exports to South Africa also increased by 35% from \$528 million to \$711 million in 2017, while exports to the Democratic Republic of the Congo increased by 73% from \$287 million to \$497 million.

In macroeconomic terms, Zambia's total exported goods represented 12.4% of its overall gross domestic product (GDP) for 2018. Zambia's most valuable exported products are unrefined copper (47.9% of the total) and refined copper (24.5%). Although Zambia's economy remains highly dependent on copper exports, the country has seen significant diversification in the export sector, with an increase in non-traditional exports (NTEs). Sugar and sugar confectioneries, tobacco and cotton are Zambia's major agricultural exports. Demand for Zambian poultry meat and eggs, maize and maize meal and horticultural products in COMESA and SADC is also on the increase.

Zambia also imported goods valued at \$9.32 billion in 2018. Copper ore, cobalt hydroxides, refined petroleum and nitrogenous fertilizers were the top imports. In addition, Zambia imports fish, edible oils, fruits and vegetables, textile and apparel (including second-hand clothes), mechanically deboned poultry meat and processed dairy products. South Africa, the Democratic Republic of the Congo, China, the State of Kuwait and the United Arab Emirates were the top origins of Zambian imports. Imports from China have increased by 419% (\$953 million) from \$227 million in 2008 to \$1.18 billion in 2017. Trade with the Democratic Republic of the Congo has resulted in increased imports by \$1.245 billion (232.7%) from \$535 million in 2008 to \$1.78 billion in 2017, while imports from South Africa during the same period only increased by 21.2% (\$456 million) to \$2.61 billion.

As part of its non-traditional exports (NTEs) development, Zambia is promoting farm blocks as investment hubs for transformational agriculture and agribusiness development needed to increase its value-added food and other agricultural exports. Improved foreign investments in Luswishi farm block are also meant to help Zambia substitute some of the food (especially horticultural products and processed foods), textile and apparel imports with locally produced products.

## ESTABLISHED BANKING SECTOR

Zambia has a well-developed banking sector with good branch network in all major cities and towns. There are 18 licensed commercial banks, of which eight are locally owned, eight are subsidiaries of foreign-owned banks, and two are jointly owned by the government and foreign banks. The Bank of China is among the foreign-owned banks. All banks and other financial institutions are subjected to regulatory requirements that include their prudential position, consumer protection and market conduct in order to safeguard the overall soundness and stability of the financial system. A good branch network enables Zambian banks to facilitate large payments through the Zambia Interbank Payment and Settlement System (ZIPSS).

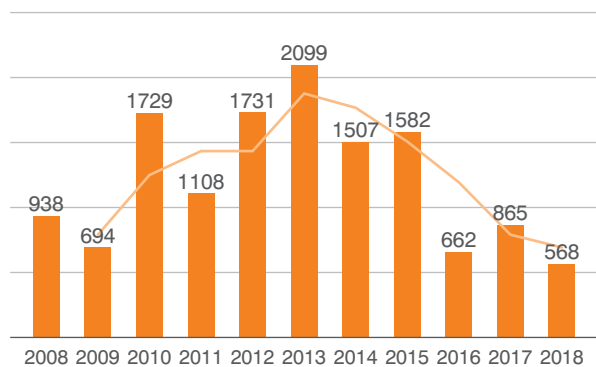
Banks also offer retail payment services through a number of payment mechanisms, which include electronic funds transfer (EFT), cheques, automated teller machines (ATMs), point of sale (PoS), remittance systems (both for domestic and international) and mobile payment systems. Short-, medium- and long-term credit is available in both local and major international convertible currencies to corporates. Most existing banks, however, prefer lending to corporates and international firms of good reputation. Lending rates on major foreign currencies (euro, USD and the British pound) range from 7%–12% p.a. depending on the perceived risk profile. Banks are, however, unable to lend more than 25% of their primary capital. This limit amounts a single bank can lend to a big project without syndicating the loan with other banks.

## SUSTAINED FDI INFLOWS

Improving ease of doing business, a growing and stable economy, strategic geolocation, proximity to regional markets, a growing population, appropriate legislation and investment incentives make Zambia one of the most attractive investment destinations in Africa. Zambia was ranked the 2<sup>nd</sup> most attractive investment destination (with an attractiveness score of 77%) in Southern Africa in 2015 (KPMG Africa, 2016). This has led to continued foreign direct investment (FDI) inflows into Zambia. During 2013,

Zambia experienced the highest increase in FDI inflows (\$2 billion) in Southern Africa from \$1.7 billion in 2012. The mining sector attracted most of the FDI inflows in 2007–15. However, the 2014/15 global commodity price crash led to most FDI going into manufacturing. In 2015, manufacturing received \$604.1 million (66.8%) of total FDI. The manufacturing industry (mainly cement, fertilizers and metal related) also accounted for 52.2% of the total FDI inflows in 2016. Manufacturing (mainly cement, vegetable/oil fats and metal related) also received most (31.3%) of total FDI inflows in 2017 (Bank of Zambia, 2018). Other sectors that have continued attracting FDI include financial and insurance, real estate, trade (wholesale and retail), construction, transportation and storage, and agriculture. Figure 3 shows annual FDI inflows.

**Figure 3: Foreign direct investment inflows into Zambia (2008–18) (USD million)**



Source: World Bank, 2019.

By 2016, industry estimates showed that there were 182 majority owned foreign affiliates (MOFAs) in Zambia (Bank of Zambia, 2017) with a total sales/turnover of \$11,147.1 million. Chinese-affiliated companies accounted for \$1,471.2 million (13.2%) of total sales/turnover. MOFAs also employed a total of 83,601 people, with Chinese-affiliated companies accounting for 10,382 (12.4%). The number of Chinese investors in Zambia is increasing; see Table 3, which shows the number of Chinese nationals who were issued investors and employment permits in 2018.



**Table 3: Leading nationals issued with residence, investor, employment and study permits in 2018**

Nationality	Residence	Investor	Employment	Study	Total
Chinese	80	124	5 428	10	5 642
Indian	424	104	1 816	29	2 373
South African	74	60	622	42	798
Zimbabwean	87	10	192	62	351
American	38	18	225	6	287
Total	703	316	8 283	149	9 451

Source: Zambia Department of Immigration, 2018.

## PAST FDI IN AGRICULTURE

In the recent past, Zambian agriculture only accounted for less than 10% of total FDI inflows. In 2015, agriculture accounted for \$37.3 million (4%) of total FDI inflows, rising only to \$47.5 million in 2016 before falling to \$34.1 million in 2017. Zambia started to actively promote FDI in agriculture after its economic and market liberalization in the early 1990s. Since then, the country has witnessed significant FDI in sugar, poultry, cotton, wheat, oilseeds and edible oils, and irrigation and farm mechanization. Some of the recent major FDI in agriculture include:

- The \$18.9 million Silverlands Limited (SZL) investment in a 5,682ha integrated maize, soya beans, wheat, barley farming and beef cattle ranching venture in Luombwa farm block next to Nansanga in 2015;
- The \$50 million Amatheon Zambia investment in a 3,000ha integrated crop and beef cattle farming operation by Amatheon Agri Holding N.V. of Germany;
- The recently launched investment in the 2,500ha Mansa sugar plantation and a sugar mill by Spin Ventures Group (SVG) of Kenya.

As part of its national economic diversification, Zambia has ramped up its promotion efforts aimed at increasing its FDI inflows into agriculture. To help improve FDI inflows to agriculture, forestry and fisheries, Zambia is now promoting farm blocks as agriculture and agribusiness investment hubs with some backbone infrastructure developed by government. Luswishi is one of the farm blocks with fast-developing infrastructure and that is now open to foreign investments in greenfield irrigation projects, smallholder farmer outgrower schemes development, and agroprocessing targeting growing domestic and regional food markets.

These efforts are starting to yield results, with a number of FDI in the form of public-private partnerships (PPPs) in agriculture being established. Agri-Luswishi, an Industrial Development Corporation (IDC) joint venture with TAHAL-ZRB Consulting Finance and Development Ltd. to develop an integrated agricultural project and agri-industrial community settlement on 5,750ha at an estimated cost of \$176 million is one such example. More FDI is needed to turn farm blocks like Luswishi into the agricultural and agribusiness investment hubs they are intended to become within the foreseeable future.

## GROWING AND YOUTHFUL POPULATION

Zambia's domestic food market is growing in line with its fast-growing population, which is increasing at 3% p.a. (CSO, 2018). At such a growth rate, Zambia's population is expected to almost double by 2035, from 13.7 million in 2011 to 17.9 million by 2020 and to 26.9 million by 2035. This, with the projected positive economic outturn, will give Zambia a growing domestic food market that will require more investments in its agriculture and agribusinesses to meet the increased demand for food and other agricultural commodities.

The Zambian population is also very youthful, with the majority (66%) of it being people younger than 25 years. This demographic feature is fuelling dramatic changes in food expenditure and consumption trends, which have seen Zambia consuming more and more processed and healthy foodstuffs. Ongoing food types and nutritional transition has created investment opportunities in both increased healthy food production and processing.

**Table 4: Population and age categorization**

Table 4: Population and age categorization				
Total population	16 445 079 (July 2018 est.)			
Age group	% of total	Males (#)	Females (#)	Total
0–14 years	45.95%	3 796 548	3 759 624	7 556 172
15–24 years	20%	1 643 364	1 645 713	3 289 077
25–54 years	28.79%	2 384 765	2 349 877	4 734 642
55–64 years	2.95%	225 586	260 252	485 838
65 years and older	2.31%	166 224	213 126	379 350
Total	100%	8 216 487	8 228 592	16 445 079

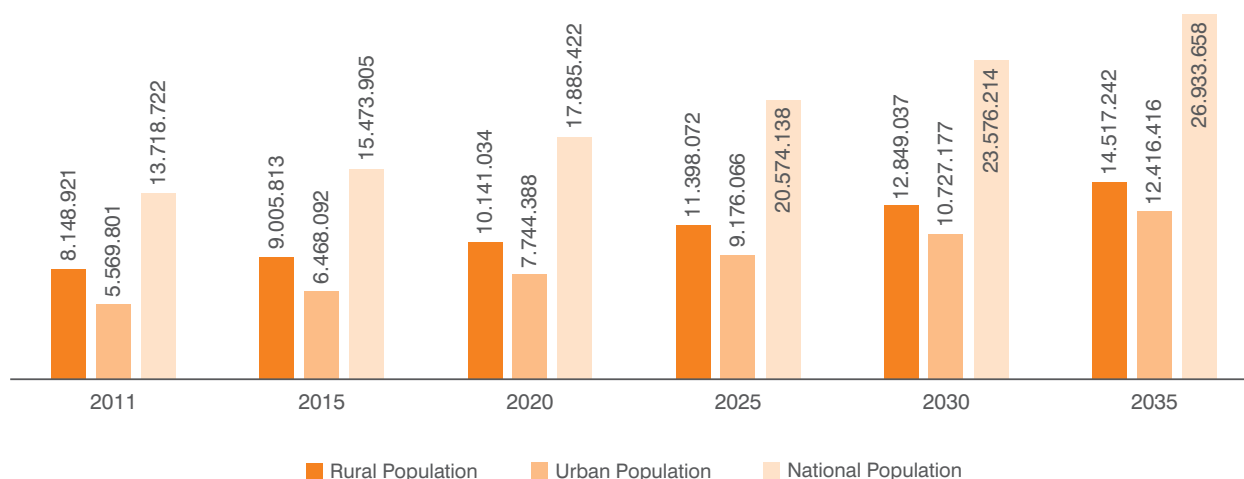
Source: Central Intelligence Agency, 2019.

## RAPID URBANIZATION

Zambia is also experiencing rapid urbanization, which is currently estimated at 4% annually (CSO, 2018). Zambia’s urban population is expected to grow from 5.6 million in 2011 to 7.8 million in 2020 and 12.4 million by 2035. Though at a relatively stable average growth rate of 2.4% per annum, rural population growth is also expected to push up market demand and availability of labour in most rural areas of Zambia. The rural population is expected to grow from 8.2 million in 2011 to 10.1 million in 2020 and 14.5 million by 2035.

Rapid urbanization is also expected to fuel Zambia’s domestic demand for food, other agricultural commodities, and textile and clothing products. This will also create some investment opportunities in Zambian agricultural and manufacturing sectors.

**Figure 4: Zambia’s population projections**



Source: Central Statistical Office, 2018.

## LABOUR AVAILABILITY

A fast-growing population has also resulted in high availability of labour locally, with the working age (15–54 years) accounting for 49% of the population. This has resulted in high unemployment. National unemployment was estimated at 13%, with the Copperbelt, Muchinga, Northern, North-Western, Western and Luapula Provinces having unemployment rates of 14%–24%. According to 2017 CSO estimates, only 3,398,294 of 9,056,840 persons (37%) of total working age made up the total labour force, leaving (63%) (5,658,546 persons) out of the current labour force. Unemployment is highest among youths (17% nationally, 19% in urban and 16% in rural

areas). Youth unemployment is also higher among females (18.5%) against 16.5% among their male counterparts. This makes most youths available for primary agriculture and agribusiness, especially in district hosting farm blocks open to foreign investments.

Zambia also enjoys competitively priced labour. Average earning (ZMW) per month by gender in rural and urban areas and type of employment are tabulated in Table 6. Most of the formerly employed in rural areas are, however, government employees who also receive rural hardship allowances, thus the skewed average earnings for rural areas.

Narrative/description	Number/percent
<b>Total population (2018 estimate)</b>	<b>16 405 229</b>
<b>Total working age</b>	9 056 840
<b>Total working age out of labour force</b>	5 658 546
<b>Total labour force</b>	3 398 294
<b>% Women labour force employed</b>	39.5
<b>% Men labour force employed</b>	60.5
<b>% Urban labour force employed</b>	<b>59.9</b>
<b>% Rural labour force employed</b>	40.1
<b>% Employed In informal sector</b>	63.1
<b>% Employed in formal sector</b>	36.9
<b>% Employed in agriculture</b>	25.9
<b>% Employed in non-agriculture</b>	74.1
<b>Youth labour force</b>	1 558 389
<b>% Youth employed rural</b>	40.5
<b>% Youth employed urban</b>	59.5

Source: Central Statistical Office, 2018.



Type of employment	Total			Rural			Urban		
	Both genders	Male	Female	Both genders	Male	Female	Both genders	Male	Female
<b>Total</b>	3 330	3 301	3 401	3 425	3 299	3 772	3 297	3 301	3 286
<b>Formal employment</b>	4 261	4 098	4 706	4 758	4 450	5 635	4 102	3 984	4 419
<b>Informal employment</b>	2 254	2 313	2 126	2 087	2 126	1 979	2 392	2 392	2 173

Source: Central Statistical Office, 2018.

# Development agenda and Zambian agriculture

Zambia aspires to become a prosperous middle-income nation by 2030. To realize this vision, Zambia needs to attain and sustain a 9% or more annual real economic growth, reduce and maintain a moderate 5% inflation rate right through to 2030 and drop poverty head count levels to less than 20% of national population. Vision 2030 also requires Zambia to develop robust and competitive transport and communication networks, build strong entrepreneurial capabilities among citizens, and establish cohesive industrial linkages in primary, secondary and tertiary sectors. Zambia will also need to sustain increased productivity in every factor of production.

As part of its efforts at realizing its Vision 2030, Zambia has prioritized transformational agriculture and agribusiness development as its pathway to establishing and nurturing a diversified and industrialized national economy. The government plans to achieve this by promoting domestic and foreign investments into its agriculture and agribusiness sector. Through its Seventh National Development Plan (7NDP), Zambia is now promoting domestic and foreign investments to improve its agricultural production, productivity and value addition. The 7NDP is also facilitating policy reforms to improve Zambia's investment and business environment, land administration and management, financial sector performance, business regulation, labour market and relations, public services delivery, and domestic and regional trade facilitation.

Specifically, the government is promoting domestic and foreign investments in farm blocks as a catalyst for integrated agricultural and agribusiness development for increased food production, enhanced productivity through use of modern agricultural technologies and practices, and enhanced food supply. Farm blocks are also being promoted to help increase local and regional reliability on Zambian-produced agricultural products and improving Zambia's resilience to climate change effects. Luswishi is one Zambia's 11 farm blocks with developed support infrastructure and that is ready for greenfield agriculture and agribusiness investments.

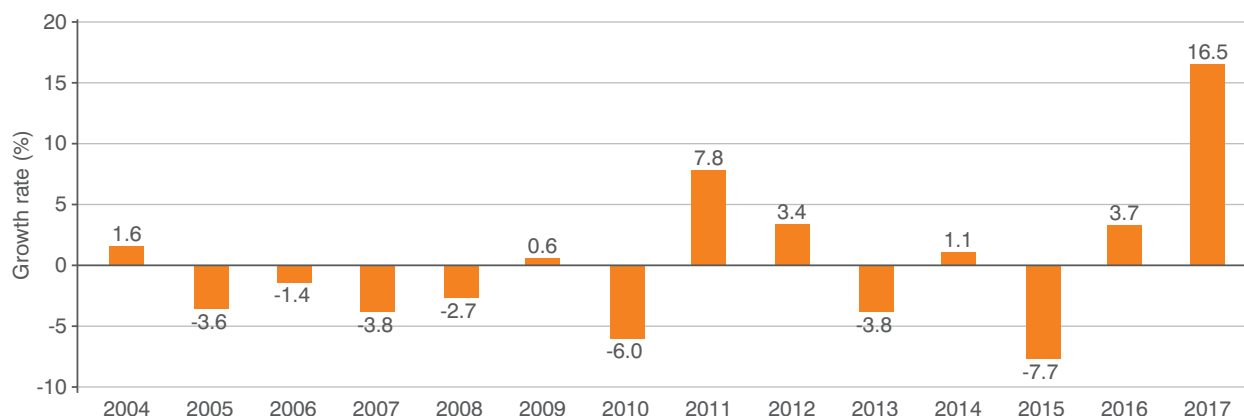
## AGRICULTURE

Zambian agriculture provides for the livelihoods of 60% of the country's labour force and 50% of its population. Approximately 70% of employed people living in rural areas work in agriculture (World Bank, 2012), while half of the Zambian population is primarily involved in smallholder agricultural production for their livelihoods (Chapoto, 2016). Despite its strategic importance in Zambia's economy, agriculture contribution to overall GDP is rather modest, at approximately 6% in 2016 (Onumah, 2018) compared to the 15% average for the African continent (Organisation for Economic Co-operation and Development (OECD); Food and Agriculture Organization (FAO), 2016). Zambian agriculture's modest contribution to GDP is due to the sector's high dependence on rainfall for cropping and livestock, limited value addition (as most products are sold in raw and semi-raw state), poor productivity, and underdeveloped agricultural markets, especially for smallholder producers.

## SECTOR PERFORMANCE

Zambian agriculture performance has been erratic in past years. Whilst sector growth was as high as 7.8% in 2011, growth dipped to negative 4% in 2013 due to adverse weather conditions and 2012 marketing challenges. The sector recovered and posted positive growth of 1.1% in 2014, but, in 2015, growth was a negative 7.7% again due to severe drought. This erratic performance limits the sector's potential contribution to overall economic growth and poverty reduction in the country (Mulundu & Ngombe, 2017). Contributory factors to erratic agricultural sector growth rate include crop subsectors (maize in particular) dominance, production domination by resource-constrained smallholder farmers practicing low-input, low productivity crop production systems, and limited value addition.

Figure 5: Agricultural growth rates (2004–17)



Source: World Bank, 2018.

## PRODUCERS AND KEY VALUE CHAINS

Smallholder farmers (currently estimated at approximately 1.5 million farming households) account for 99% of national cottonseed output averaging 100,000 tons p.a., 96% of the national maize output averaging 2.5 million tons per annum, 87% of national sunflower output, 70% of locally produced fresh fruits and vegetables, 40% of the national soya beans output estimated at 302,000 tons per annum, and 100% of the 40,000-plus tons locally produced rice per annum. Smallholder farmers also dominate major livestock production and currently own more than 70% of the 4.9 million national beef herd, command more than 90% of the national goat herd, produce 65% of Zambia's total broiler meat output, contribute up to 35% of total national egg output, and are fast increasing their production and market share towards 50% of Zambia's raw milk production.

Zambia also has a relatively developed large-scale farmer<sup>1</sup> base of more than 1,100 large-scale commercial farming operations and more than 100 large-scale corporate farming/agribusiness companies. Large-scale commercial farmers and corporates account for 100% of approximately 300,000 tons per annum, 60% of the total soya beans output, 65% of national egg output, 70% of the national tobacco output and 95% of the close to 500,000 tons sugar output per annum. A number of vertically integrated farming, processing, wholesaling and retailing corporations in sugar, meat (beef, fish, pigs and poultry), and oilseeds and edible oils have also been established and are operational.

## AGRICULTURAL TRADE

Zambia is self-sufficient in maize, soya beans, poultry, and sugar and sugar confectionery products. Wheat production is also on the increase. On average, Zambia produces 2.5 million to 2.8 million tons of maize against the 2.2 million tons annual consumption (1,316,640 tons human consumption, 300,000 tons for stockfeeds and 130,000 tons for breweries and up to 500,000 tons strategic reserves). This leaves approximately 600,000 tons of maize for export and/or processing into other products. Zambia also produces an average of 311,000 tons p.a. of soya beans against 211,250 tons crushed into 169,000 tons of soya cake and 24,000–31,600 tons of edible oil. Approximately 436,000 tons of sugar is produced annually, with domestic consumption accounting for 252,880 tons, with 192,189 tons (76%) sold for direct household consumption and 60,691 tons (24%) sold for industrial use. Approximately 182,120 tons (42%) of the remainder is exported, mostly to the Democratic Republic of the Congo, the Great Lakes and Tanzania. Approximately 15% (22,000 tons) of broiler meat and 40% (more than 440 million) eggs are exported, mostly to the Democratic Republic of the Congo. Of Zambia's day-old chicks/hatching eggs, 10%–20% are also exported into Tanzania, Mozambique, Botswana, and Zimbabwe.

Zambia is a net importer of mostly fish, edible oils, fruits and vegetables, mechanically deboned poultry meat and processed dairy products. Currently, Zambia imports more than 127,000 tons of fish p.a. Fish imports are projected to increase to 173,900 tons p.a. by 2030. By the end of 2018, Zambia was importing more than 100,000 tons of

<sup>1</sup> A large-scale farmer is one running a farming operation with \$100,000 and more annual turnover, a medium-scale farm generates \$25,000–\$100,000 turnover p.a. and a small-scale farm generates up to \$25,000 turnover p.a..

edible oils worth \$82.5 million p.a. Palm oil accounts for more than 62% of oil imports, while soya bean edible oil accounted for 17% of all imported edible oils in 2018. Formal fresh produce imports range between \$20 million and \$35 million p.a. In 2017, a combined total of 27,959.42 tons of fruits and vegetables imports worth approximately \$25 million were recorded. Apples accounted for 53%, citrus 23% and grapes 10% of total fruit imports, while onions accounted for 54% and potatoes 37% of the total vegetable imports.

## SECTOR CHALLENGES

Zambian agriculture is faced with a number of challenges affecting its smallholder farmers, large-scale farmers, corporate farming entities and other agribusinesses. Inadequate investments in Zambia's smallholder farming sector has resulted in increasing costs of production, adverse weather effects due to heavy reliance on rain-fed agriculture, limited access to agricultural financing, weak public extension and farmer support services, increasing pests and diseases outbreaks, lack of assured formal offtake markets, and a host of other output marketing constraints. Ultimately, the above challenges affect smallholder farmers' productivity, which is on the decline. Poor productivity cuts across crops and livestock enterprises and mostly arises from smallholder farmers' lack of inputs, limited access to technologies, poor agronomics and husbandry practices, and vagaries of adverse weather. The majority of Zambian smallholder crop farmers cannot afford productivity-enhancing inputs (seeds, fertilizers and agrochemicals, etc.) and technologies; thus, their current low fertilizer consumption rates of 150kg/ha in maize (38% of recommended national average) and no fertilizer at all in soya beans and cotton by most farmers. Pesticides and herbicides use stands at 14% and liming is almost unheard of among smallholder farmers. Lack of appropriate irrigation and other farm mechanization technologies also affect productivity among large-scale farmers. With improved access to financing and assured offtake markets, Zambian smallholder farmers have proved to be very viable.

Large-scale farmers, corporate farming entities and agribusinesses are also faced with increasing cost of production, adverse weather effects and lack of long-term financing. Rising costs of imported agricultural inputs (fuel, fertilizers and agro-chemicals) are affecting profitability of large-

scale farmers in primary production, while frequent droughts have constrained most large-scale farmers' irrigation capacities. Large-scale farmers and other corporate farming entities are also finding it difficult to invest in mechanization, precision farming technologies and value addition due to lack of long-term financing locally. Limited local investments in large-scale and corporate farming and value addition of both crops and livestock has also led to Zambia importing some agricultural commodities that could be produced locally once investments are made in value chains such as horticulture, poultry and aquaculture.

## AGRICULTURAL OPPORTUNITIES

Abundant agricultural land, a good climate, and untapped surface and groundwater give Zambia a set of best comparative and operative advantages for transformative and integrated agricultural investments targeting the domestic and regional raw materials and value-added food markets. Increasing demand for food and other agricultural commodities in domestic markets gives Zambia business opportunities and justifiable rationale to transform its agriculture and livestock sectors. Increasing national population growth (2.8% annually), rapid urbanization (4%) and growth in income are inducing changes in the structure and functioning of Zambian food systems due to increasing demand for processed agricultural products and agricultural raw materials for value addition. Changing food expenditure and consumption patterns have also created investment opportunities in Zambia's agriculture, food processing and trade. Zambia's domestic annual food demand is projected to triple to \$25 billion by 2030 due to "nutrition transition"; i.e. the growing demand for more health foodstuffs such as white animal protein (fish and poultry products), perishables (fresh fruits and vegetables) and other ecologically sound and healthier foods is projected to triple to Zambia's food demand to \$25 billion by 2030.

Growing continental food demand is another factor that gives Zambia an exploitable opportunity of becoming the breadbasket, especially for East and Southern Africa. Current United Nation (UN) estimates show that Africa has the fastest population growth rate and the highest proportion of younger people out of its population. Of the additional 2.4 billion people projected between 2015 and 2050, 1.3 billion will be added in Africa. This means that Africa's population will more than

double from 1.2 billion to 2.5 billion people by 2050. Consequently, Africa's share of global population will grow from 16% in 2015 to 25% in 2050 and 39% by 2100. The Federal Republic of Nigeria, the Democratic Republic of the Congo, the Federal Democratic Republic of Ethiopia, Tanzania and the Republic of Uganda will be among the top nine countries globally that will contribute the more than half of projected population growth by 2050.

With more people on the continent by 2050, Africa presents a huge intra-continental trade opportunity, especially in food and other agricultural commodities. SADC is and will be one of the key regional export markets for Zambia. The 15-member state economic bloc has a combined GDP of \$691.5 billion, a population of 342 million people and an estimated average regional GDP per capita of \$2,022. South Africa is the number one food importer and exporter among the 15 member states. South Africa imports approximately \$80.2 billion worth of food annually. Other bigger food importing SADC countries include Angola (\$49 billion), the Democratic Republic of the Congo (more than \$10 billion), Namibia (\$6.8 billion) and Zimbabwe (\$5.7 billion).

Most of the intra-Africa food trade will happen within COMESA, a 21 member states economic bloc<sup>2</sup> with a combined GDP of \$769 billion, a population of 560 million people and an estimated \$17.5 billion intra-COMESA potential food exports trade once its digital free trade area is fully implemented by all member states. Already, 15 of the 21 member states are operating under the COMESA Free Trade Area. The top four food and agricultural importing COMESA member states by value include: the Arab Republic of Egypt at \$53 billion, Ethiopia at \$16.7 billion, the Republic of Kenya at \$15 billion and Uganda at \$6.7 billion.

The above provide the best prospects for Zambia to transform its agriculture (both crops and livestock) into an export-oriented sector. Currently, the Zambian livestock sector contributes approximately 3.2% to the overall GDP and 42% to the agricultural GDP. The poultry sub-sector accounts for almost half (48%) share of the total livestock sector value added. Poultry is also the most common type of livestock owned by smallholder farmers, with more than 80% of rural households keeping poultry. The poultry sector thus presents the best livelihood and economic transformation for Zambia as it embarks on its economic diversification, poverty reduction and inclusive growth.



Currently, Zambia imports a range of fruits and vegetables (onions and potatoes), processed poultry products, fish, dairy products, and wheat and other cereals. Most of these products can be produced and processed in Zambia once their respectful value chains get new investments and are upgraded. As such, these imports provide good import substitution opportunities in horticulture, poultry, aquaculture, dairy and pork value chains, which Zambia must work at achieving by attracting foreign investments, especially in food processing.

Limited investments in smallholder financing, production and marketing has also created investment opportunities in agri-financing and outgrower schemes in value chains such as soya beans, other oilseeds, food legumes (groundnuts, sweet beans and pulses), cassava, horticulture and sugar cane. Smallholder outgrower schemes with innovative financing, extension and support services and assured and competitive offtake markets have proved viable and profitable, especially in sugar cane, soya beans and cotton.

<sup>2</sup> Nine (the Union of the Comoros, the Democratic Republic of the Congo, the Kingdom of Eswatini, the Republic of Madagascar, Malawi, Mauritius, Zambia and Zimbabwe) SADC member states are part of the 21 COMESA member states.

# Farm blocks

Farm blocks are an initiative of the Government of Zambia designed to open up and commercialize new agricultural land as part of its national economic diversification and growth. A farm block is a large agricultural area where backbone infrastructure such as feeder roads, electricity, water for irrigation and domestic uses, and communication facilities are provided by the government to stimulate sustainable partnerships with private sector investors in conducting agricultural, agribusiness and other economic development activities. Once developed, farm blocks are expected to enhance national food and nutritional security, open up undeveloped rural areas and, in the process, create employment and generate wealth while reducing rural–urban migration.

## FARM BLOCK CONCEPT

The farm block concept comprises a core venture (private sector) agricultural and agribusiness investment, large-scale commercial (private sector), medium-scale commercial and small-scale farms operating independently and under outgrower arrangements within a given farm block. While the exact size may differ, each farm block is designed as a new agricultural development area averaging 100,000ha in size and comprising a core venture; i.e. nucleus estate of up to 10,000ha, large-scale commercial farms varying in size, but 900–5,000ha, a number of medium-scale commercial farms of 50–900ha each, small-scale farms of 10–50ha and a number of land parcels for support infrastructure such as schools, clinics and service centres. Backbone infrastructure (feeder roads, electricity, water for irrigation and domestic uses, and communication facilities) development by government is another key design feature of the farm block concept. Backbone infrastructure acts as a stimulus for sustainable partnerships with private sector investors in conducting agricultural, agribusiness and economic activities.

Operationally, a farm block is driven by a core venture (large-scale private sector investment), which, with its integrated operation, attracts other large- (private sector), medium- and small-scale farming investments seeking to operate and enter into agricultural and agribusiness outgrower arrangements. Farm blocks are also meant to facilitate enhanced productivity through the use of modern agricultural practices and technologies, and enhanced food supply. Farm blocks are also meant to increase local and regional markets' reliability on Zambian-produced food products needed to sustain the growing food demand.

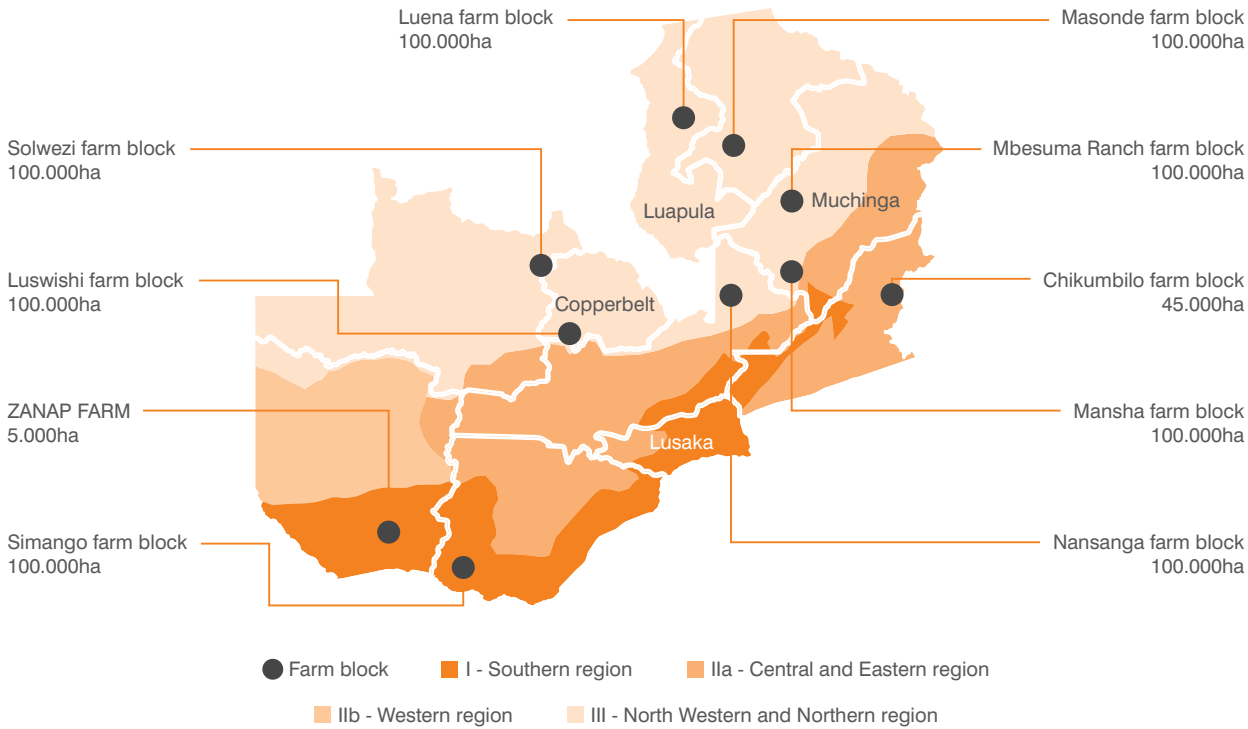




## PLANNED FARM BLOCKS

A total of 11 farm blocks with a gross area of 1,000,000ha have been earmarked for development across Zambia. Three farm blocks (Nansanga, Luswishi and Luena) have reached advanced levels of development.

**Figure 6: Planned farm block locations**

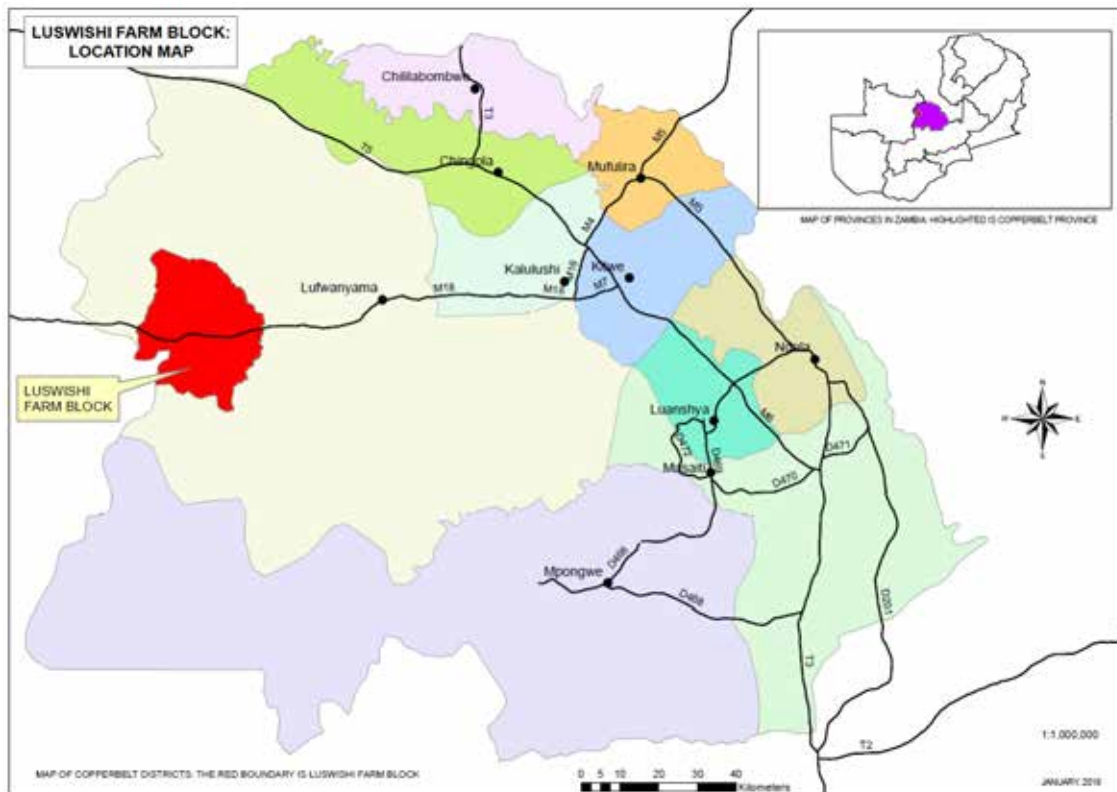


Source: Ministry of Agriculture, Technical Services Branch (TSB), 2019.

# Luswishi farm block

Luswishi farm block is in the most westerly part of Lufwanyama District in Copperbelt Province. Lufwanyama town centre is a further 34km east. The farm block is crossed by the M18 main road/ Kalengwa Road, which is tarred from Kalulushi only

up to Lufwanyama town. The remaining 60km stretch to Luswishi is still gravel road and requires regular maintenance. The farm block borders to the west with Kambilombilo Resettlement Scheme.



## TOPOGRAPHY

Luswishi farm block (approximately 88,000ha in size) lies in a gently rolling terrain, with a few hills and elevations ranging roughly between 1,100m and 1,300m above mean sea level. The topography is more pronounced in the northern part of the farm block, with a few low hills around Luswishi River. The farm block has a steady fall in elevation towards the south, and all rivers flow from north to south. The farm block lies between Luswishi River to the east and Mushingashi

River to the west. In the north, it borders the Mikelo River and in the south the Mirumbi and Bwingimilonga Rivers. There are many smaller streams and, together with their grassy flood plains and dambos, they take up a considerable part of the land. The Miombo woodlands cover most of the forested areas, and large anthills are present in high concentrations. Settlements and cultivated land have remained sparse.

## WATER RESOURCES

Approximately 238.5km of rivers and streams run through the Luswishi farm block. Luswishi is the most important perennial river, with an average flow of approximately 30m<sup>3</sup>/s. Luswishi River watershed covers 80% of the farm block. More than eight seasonal tributaries (Lumwana, Mirumbi, Kanyafimbolo, Kamibila, Kabanini, Kamasasa, Kevumba and Mikelo) flow into Luswishi River. Mushingashi is the 2<sup>nd</sup> largest perennial river and its watershed covers 20% of the farm block, but its flow is much smaller than Luswishi River, with an average annual flow of approximately 3.3m<sup>3</sup>/s. The main tributaries flowing into Mushingashi include Bwingimilonga, Mwendu, Katikula and Katuta. There are also some hot springs called “Kasho” in the nature reserve in the north-eastern part of the farm block.

## CLIMATE

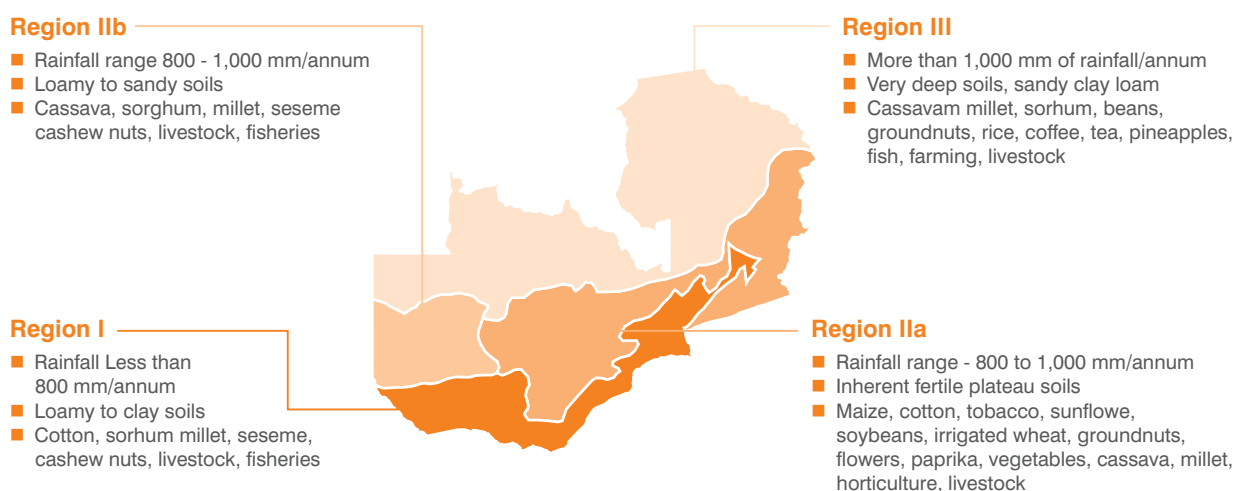
Luswishi farm block has a humid subtropical climate and three distinct seasons:

- The mid-April to mid-August cool and dry season, which corresponds to winter with mean day temperatures varying between 14°C and 18°C, and minimum temperatures often falling below 4°C in June and July;

- The mid-August to mid-November hot, dry season during which daily temperatures typically range between 20°C and 23°C, with highs of up to 32°C in October and November; and
- The mid-November through mid-April warm and wet (rainy season) during which 96% of the annual rainfall usually falls. This period corresponds to the northerly movement of the Inter-Tropical Convergence Zone (ITZC). Early rains are likely caused by westerly winds and the south-east trade winds converging over the Democratic Republic of the Congo.

Luswishi falls under Zambia’s agro-ecological Zone III, with mean annual rainfall estimated to be approximately 1,250mm, but it can vary from 898mm–1,503mm (Ministry of Agriculture, 2017). This makes Luswishi farm block ideal for both rain-fed and irrigated crops production.

Figure 8: Agro-ecological zones



Source: Indaba Agricultural Policy Research Institute (IAPRI), 2017.

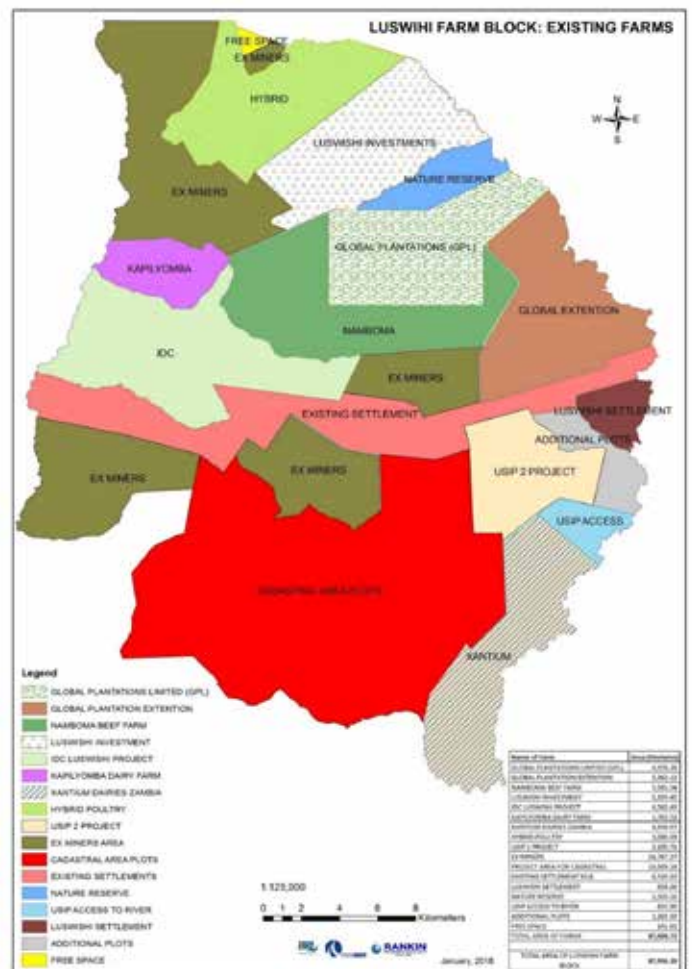
## LAND ALLOCATION

Unlike most farm blocks, most land in Luswishi has been allocated or already assigned to some enterprise and/or value chain. As the anchor investor, Global Plantations Ltd (GPL) has already developed 4,290ha, and 790ha is under centre pivot irrigation, while 3,500ha is currently under dryland farming. GPL plans to develop 7,500ha of the farm under centre pivot irrigation in five years' time. Currently, GPL averages 3 tons/ha in soya and 7.5 tons/ha in wheat. GPL is also willing to provide market opportunities to smallholder soya beans farmers in the farm block.

Luswishi Green Investments Limited plans to develop 4,000ha of mixed cropping (soya beans, wheat and maize), 600ha of livestock (cattle, pigs and goats) and 300ha of citrus, and 100ha of Irish potato and tomato production during a five-year period at a cost of \$5 million. Xanthium Dairies Zambia Limited also plans to invest \$18.9 million in establishing its allocated 5,000ha into grazing land to feed 7,500–11,000 Friesian-Jersey cross-bred dairy animals and an ultra-heat treated (UHT) milk processing plant. These investment plans are yet to be actualized.

Zambia's Industrial Development Corporation (IDC) has also partnered with TAHAL-ZRB Consulting Finance and Development Ltd. to develop an integrated agricultural project and agri-industrial community settlement on 5,750ha at an estimated cost of \$176 million. Hybrid Poultry Farm Ltd also plans to develop a 5,000ha soya beans and maize cropping operation, while the government, through its Ministry of Agriculture, has reserved close to

4,000ha for the development of an integrated irrigation project under the Up-scaling Smallholder Irrigation Project (USIP) that will require investment partners in order to fully actualize. Kapilyomba Dairy Farm Ltd is yet to firmly elaborate its investment plans and is most likely also open for partnerships with other investors. Land has also been allocated over 300 small- to medium-scale settlers found along M18 who are being allotted 50ha–350ha farm plots under the area referred to as cadastral area plots (see Figure 8). A total of 1,691 ex-miners have also been allotted a 5ha farm plot each. Luswishi farm block is also surrounded by more than 20,000 local smallholder farmers eagerly anticipating back and forward market linkages once the farm block becomes fully operational.



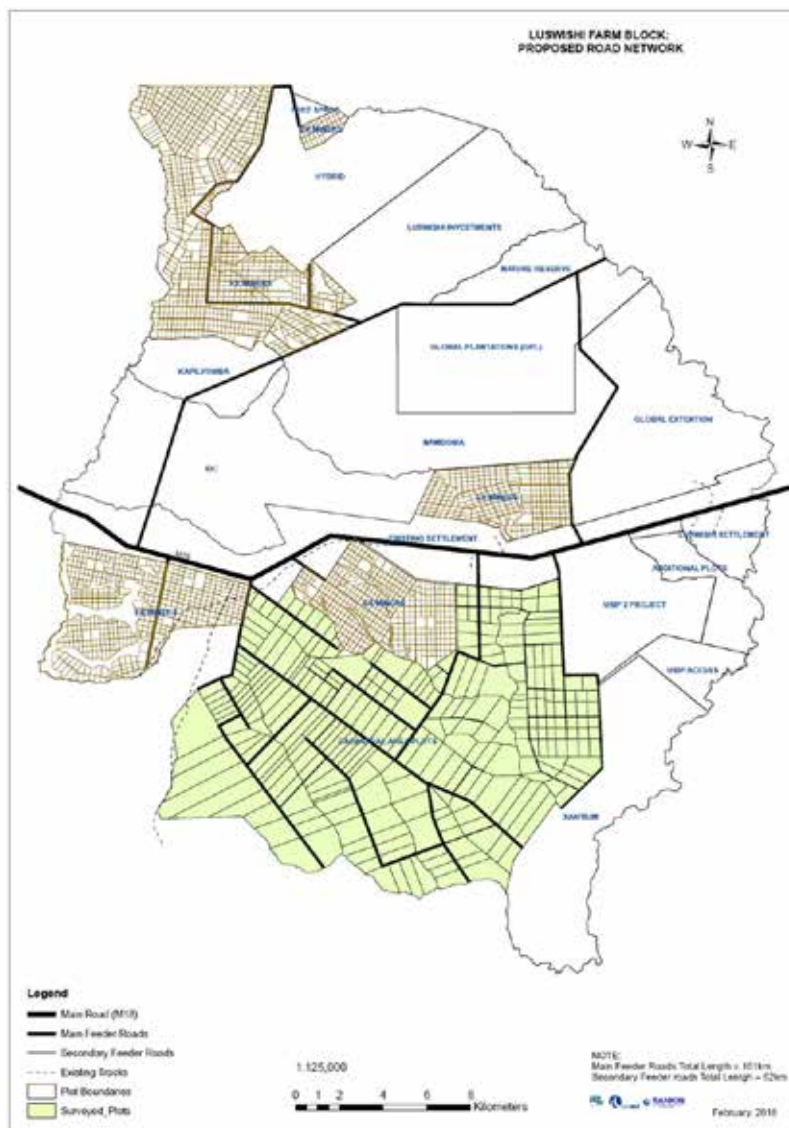
## BACKBONE INFRASTRUCTURE

Existing and planned backbone infrastructure (roads, electricity, health centres, schools and telecommunication infrastructure) has been earmarked for development to service Luswishi farm block.

### ROADS

Located approximately 130km west of Kalulushi, Luswishi farm block is connected by the M18 main road (Kalengwa Road). The road is tarred from Kalulushi up to Lufwanyama town. The remaining 60km of the 130km is still gravel road and requires regular maintenance to remain usable throughout the year. Government plans to complete tarring the remaining 60km stretch to the farm block are underway and are likely to be expedited as

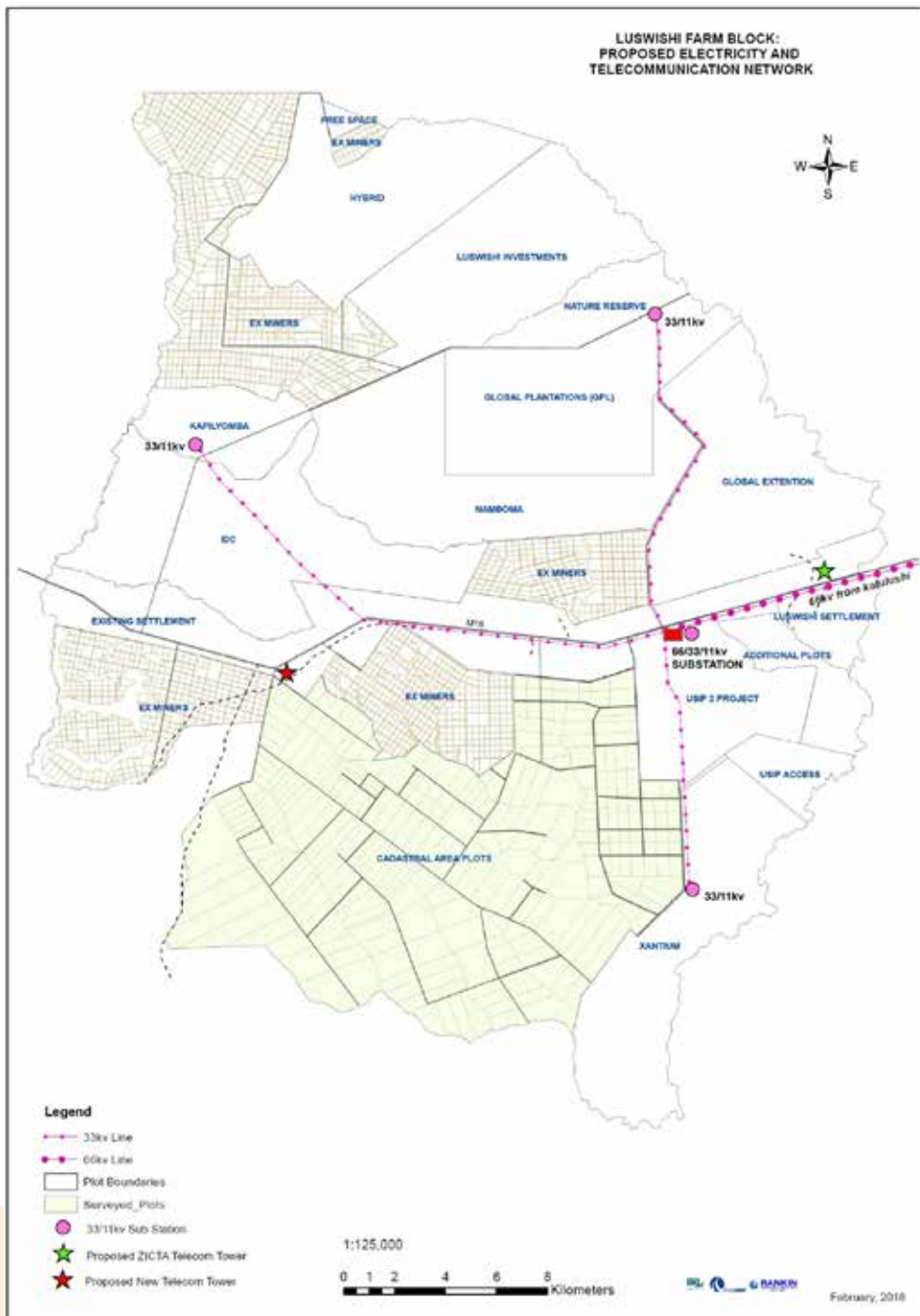
investments into the farm block reach advanced stages. A 250km feeder road network, bridges and drainage have also been proposed to connect the proposed Luswishi farm block backbone infrastructure from the main road (M18). Some of the proposed main feeder roads will pass through the larger properties in the farm block to allow all properties to be accessed. The main feeder roads will be classed as branch roads and will require a minimum road reserve of 36m (as per Public Roads Act 12 of 2002). Secondary gravel feeder roads have also been provided for all demarcated farms. Secondary feeder roads will be classed as urban or park roads, requiring a minimum required road reserve of 36m or 18m (as per Public Roads Act 12 of 2002).



## ELECTRICITY

Currently, only the core venture (GPL farm) has electricity connection off an adjacent St. Mary's Mission. Plans by the power utility, Zambia Electricity Supply Corporation Limited (ZESCO) to connect the farm block are already underway. Required electrical capacity for the farm block has been estimated to be more than 25MVA, requiring a 66kV line to be brought in from Kalulushi approximately 90km away. The 66kV

line will be stepped down to 33kV through a substation planned along the M18 main road; 33kV lines will then run from the 66/33kV substation to 33/11kV substations within the Luswishi farm block. The substations will be positioned in strategic locations close to rivers where the main pumping demand will be, and 11kV lines will also be constructed from substations to the planned service centre, schools and clinics.



## TELECOMMUNICATION

The Zambia Information and Communications Technology Authority (ZICTA) has built one Global System for Mobile Communications (GSM) telecommunication tower at the east of the Luswishi farm block (see Figure 10). Another tower in the western side of the farm block will have to be built along the main M18 road to complete the planned telecommunications infrastructure for the farm block.

## SCHOOLS AND HEALTH CENTRES

Four primary schools have been planned for close to smaller properties in the farm block to ensure coverage of approximately 5km. Planned schools will consist of classrooms, laboratories, administration buildings, tuck shops and ablution blocks. The closest secondary school is at St. Mary's Mission, east of the Luswishi farm block. First-level health in the form of three health posts and one clinic have also been proposed. The health posts will be located within 5km of where most of the farming population is assumed to be residing, while the clinic is proposed to be on the main road, within 20km of any property in the Luswishi farm block. The proposed clinic will include outpatient and inpatient facilities, labour wards, mothers' shelter, a medical building and staff houses, while health posts will have outpatient facilities, a dispensary and a staff house only.

## OTHER PLANNED INFRASTRUCTURE

Luswishi farm block is also designed to have a service centre located on the main road within 20km of any property in the Luswishi farm block. The service centre will have an office block, shopping complex, a livestock services centre, agricultural training facilities, a police post and staff housing. An agroprocessing zone is another planned for infrastructure to develop on-site agricultural production and agroprocessing infrastructure, which will include cold storage facilities, grain storage silos, processing and processed commodity storage/warehouse facilities, and irrigation and other farm machinery and equipment supply centres. A network of 20–30 agricultural inputs and commodities aggregation centres close to areas of production within and outside Luswishi farm block are also envisioned.



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# Investment opportunities

Luswishi farm block offers a number of promising investment opportunities in primary agriculture and agroprocessing. A stable climate, abundant water resources, high-quality soils and its strategic geolocation give Luswishi farm block a direct market access to the Copperbelt and North-Western mining areas. Luswishi farm block also enjoys good proximity to Angola, the Democratic Republic of the Congo and the Great Lakes region markets. The above comparative advantages, together with its unique land allocation and huge ongoing private sector investments, make Luswishi farm block the best hub for prospecting foreign investors planning establish their base in Zambia.

The most promising among the investment opportunities created by ongoing investments in Luswishi farm block include:

1. An opportunity to invest in integrated irrigation scheme development. Close to 4,000ha of land with good access to Luswishi River has been set aside by the government for the development of an integrated irrigation scheme by private investors. Investors in this scheme are expected to incorporate small- and medium-scale farmers in their planned irrigated agricultural production and agroprocessing operations;
2. An opportunity to invest in an on-site agroprocessing hub to facilitate enhanced agricultural production and the development of agroprocessing infrastructure, which will include cold storage facilities, grain storage silos, processing and processed commodity storage/warehouse facilities, and irrigation and other farm machinery and an equipment supply centre. The core venture investor already has its oilseeds processing facilities approximately 150km away, leaving the farm block without an on-site agroprocessing hub for the rest of the commodities grown in and around Luswishi farm block;
3. An opportunity to invest in a network of 20–30 agricultural inputs and commodities aggregation centres close to areas of production within and outside Luswishi farm block targeting small-, medium- and large-scale farmers;
4. Investment opportunity in land development and farm mechanization services hub, which will offer paid-for land clearing and development, tillage, crop protection and harvesting services. This provides a strong opportunity to introduce modern technologies and best practices to

increase agricultural production efficiency and on-farm processing;

5. An opportunity to establish small- and medium-scale farmer outgrower schemes on selected crops for which foreign investors will have assured offtake markets for or capacity to process for both the local and export market. Such schemes will also be critical in providing agri-financing and extension support; and
6. Investment opportunity to purchase or go into joint ventures with some of the large-scale commercial farmland given to local investors with limited resources to develop these farms within their envisaged time-frames.

The subsections below explain Luswishi farm block investment opportunities in more detail.

## INTEGRATED IRRIGATION SCHEMES

Luswishi farm block offers private investors an opportunity to invest in an innovative and economically viable irrigation scheme incorporating small- and medium-scale farmers. In its bid to increase investments in irrigation, the Government of Zambia has set aside close to 4,000ha of prime irrigable land in Luswishi for an integrated irrigation scheme that will make use of the waters from Luswishi River. This investment could be designed as a public–private partnership between the foreign investor(s) and the government-owned entity holding the earmarked irrigable farmland that has access to Luswishi River. The idea is to develop an irrigation scheme that will have a nucleus operational area that will also service some clusters of small- and medium-scale farmers who will be linked to the investor for their plantation or any other horticultural market linkages, processing and cold storage facilities. Similar schemes have been developed for sugar cane outgrower schemes and could be replicated for other plantation crops and other horticultural products. Once developed, such irrigation schemes could take advantage of Luswishi farm block's good proximity to export markets such as the Democratic Republic of the Congo, the Great Lakes region and Angola. Zambia also needs to reduce its horticultural imports such as onions, potatoes, mangoes and citrus fruits, which could easily be grown locally.





## AGROPROCESSING ZONE

Luswishi also offers good investment opportunities in establishing a diversified agroprocessing zone to take advantage of the expected increase in raw materials production within and outside the farm block. As already alluded to, the core venture investor has no plans to establish an agroprocessing facility in Luswishi. This is because Global Plantations Ltd already has its Global Industries Limited (GIL) oilseeds processing facility 150km from Luswishi in Ndola. GIL requires 300,000 tons of soya bean annually, which it procures from its core venture farm and other large-scale soya beans producers. Luswishi also lacks a wheat processing mill and all its wheat has to be supplied to big milling companies, which are also based in other Copperbelt towns away from the farm block.

Lack of agroprocessing and storage facilities within Luswishi has created an opportunity for investors to develop an agroprocessing zone within the farm block. Such investments would trigger diversified agricultural production and improved productivity. Private investments in on-site cold storage facilities, grain storage silos, value addition and processing facilities and processed commodity storage/warehouse facilities, and irrigation and other farm machinery and equipment supply will without doubt promote more agricultural investments in Luswishi farm block. Such investments will also be beneficial to the investors and to small-, medium- and some large-scale farmers who have already set their soya beans, maize, wheat and horticultural production base in Luswishi farm bloc.

## INPUTS AND COMMODITIES AGGREGATION CENTRES

Access to fairly priced agricultural inputs and to commodity markets remains one of the critical challenges for small- and medium-scale farmers countrywide. The 2,000-plus smallholder farmers within Luswishi farm block and approximately 20,000 other small-scale farmers in areas surrounding the farm block provide a promising investment opportunity in agricultural input and output aggregation ventures targeting smallholder farmers within and surrounding Luswishi farm block. Luswishi farm block feasibility has estimated the need for 20–30 input and output aggregation centres.

Foreign investors in agricultural inputs such as fertilizers and agro-chemicals could take advantage of this market gap and use Luswishi as their launch pad for their businesses. By establishing a network of 20–30 agricultural inputs and commodities aggregation centres close to areas of production within and outside Luswishi farm block, investors will be able to supply such inputs at very competitive prices and to procure crop commodities at very economic prices.

## OUTGROWER SCHEME INVESTMENTS

Luswishi farm block also offers good investment opportunities in small- and medium-scale outgrower schemes in:

- Horticulture, targeting commodities such Irish and sweet potatoes, onions and fruits (such as avocado), on which Zambia is working at substituting imports. Outgrower schemes development prospects in horticulture are further reinforced by the abundant water resource endowment in Luswishi and the huge horticulture export market potential into the Democratic Republic of the Congo market;
- Spices, chillies and colourants (e.g. paprika) mostly for export;
- Food legumes (sweet beans and groundnuts) and pulses for the domestic and export markets;
- Other crops such as soya beans, sunflower, sorghum, millet and cassava, given the increasing industrial use of these crops in agroprocessing.



Currently, outgrower schemes are the main source of agricultural inputs financing. National access to agricultural financing by the 600,000 market-oriented smallholder farmers was estimated at 15% (CSO, 2015). Outgrower schemes accounted for 9.7%, followed by informal lending, which accounted for 3.3%, then banks and microfinancing institutions (MFIs) only contributing less than 1%, and group savings contributing 0.4%. Cotton outgrower schemes dominate the source of smallholder farmers' agricultural financing, with Eastern Province leading at 35.1%, followed by Central Province at 17.3% and then Southern Province at 3.7%. Access to agri-financing by medium- and large-scale farmers has also remained low due to the high cost of financing and a host of market distortions forcing down sub-economic output prices. Smallholder outgrower schemes also offer assured extension services support and offtake markets for most market-oriented and active smallholder farmers in Zambia. Smallholder sugar cane outgrower schemes under Zambia Sugar PLC are a good example of such schemes.

Smallholder outgrower schemes in crops such as cassava have also started attracting FDI, with the United Kingdom-based Sunbird Bioenergy Ltd having launched a \$190 million bioenergy refinery in Kawambwa district early this year. The company targets to engage 20,000 small-scale farmers by 2021 to grow and supply the company with its target of 700,000 tons of cassava annually. Sunbird Bioenergy will be providing farmers with cassava seedlings and will help with agriculture extension officers, who will be supporting the outgrower scheme farmers with improved agronomic skills and husbandry practices. Once fully operational, the bioenergy refinery will supply approximately 120 million litres of biofuel annually, which is an estimated 10% of fuel being imported by Zambia annually.

This situation has created investment opportunities in outgrower schemes able to provide inputs financing and assured offtake market at competitive output prices. With better offtake market arrangements, such outgrower schemes could be economically viable for both the investors and participating farmers. The high numbers of clustered smallholder farmers within Luswishi farm block and in surrounding resettlement schemes makes it feasible to develop robust outgrower schemes in crop commodities in which investors can have offtake export markets and/or commodities that could easily be processed by the investors.

Zambia has also put in place laws, regulatory frameworks and policies that support outgrower schemes and contract farming as a measure of improving agricultural financing. The amended Agricultural Credits Act No. 23 of 2010 of the Laws of Zambia now provides for, among other key aspects, the facilitation of the borrowing of money on the security of charges created on farming stocks and other agricultural assets, and the registration of agricultural charges. Of fundamental interest is the amended Agricultural Credit Act's agricultural charge to take precedence over a fixed or floating charge granted by a borrower, including charges both granted and registered prior to an agricultural charge. This provision has made inventory credit, especially among smallholder farmers, very feasible going forward. Zambia has also continued putting in place other legislation and delegated legislation aimed at unlocking agricultural credit, especially for smallholder farmers and agro-SMEs.

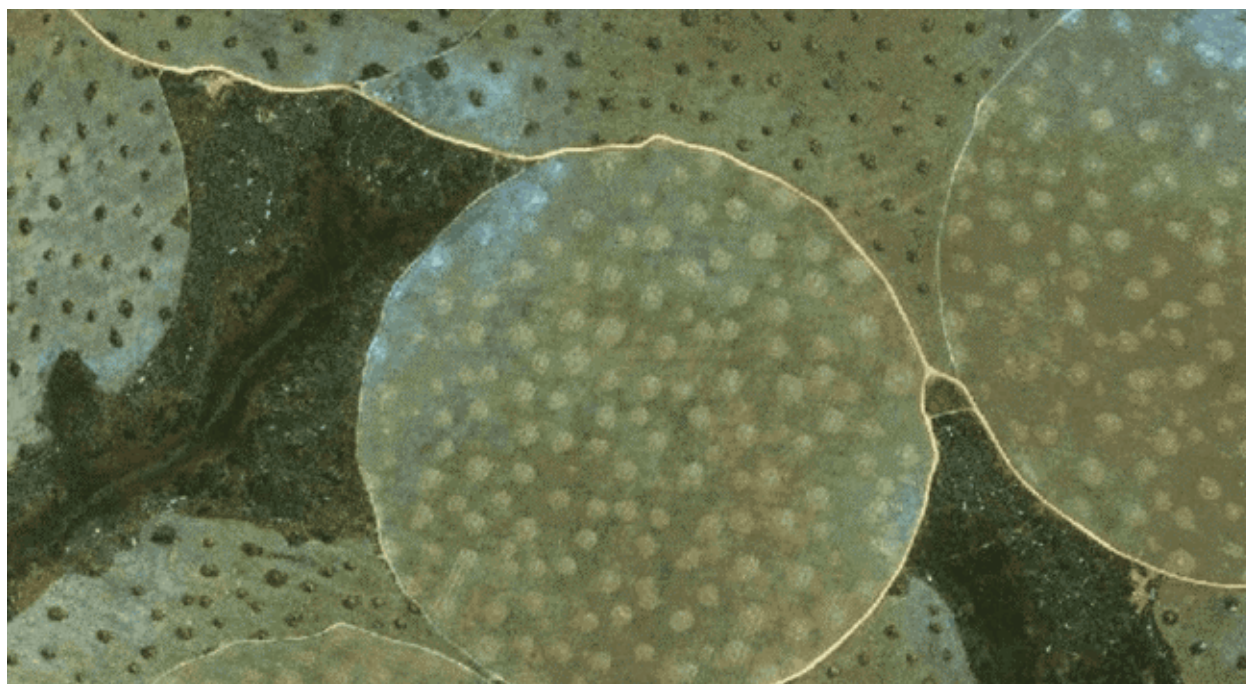
## LAND CLEARING AND MECHANIZATION SERVICES

Luswishi farm block also provides investment opportunities in land clearing and development for small- and medium-scale farmers under the ex-miners (14,742ha) and for others who have obtained farms under the cadastral area plots (19,509ha). These smallholder farmers have no bush clearing and land development equipment and equipment hire is one way they could manage to develop their farms, given the omnipresence of anthills in the farm block. Not all large-scale farms establishing in the farm block have bush clearing and land development equipment and could also be targeted for equipment hire services. Demand for mechanized tillage, planting, weeding, crop protection, harvesting and haulage services is also projected to significantly increase once the farms are established. This again provides good investment opportunities in farm mechanization and transportation services.

## JOINT VENTURES AND/OR BUY-OUTS

Luswishi also offers an opportunity for international investors to purchase or go into joint ventures with some of the large-scale commercial farmland given to local investors with limited resources to develop these farms within their planned time-frames. Very little investments and/or developments have happened in 3–4 large-scale commercial farms due to, among other reasons, limited financial resources. Access to medium- and long-term loans has become very limited locally and, as a result, some of these local investors will not be able to develop their acquired farms to their desired and/or intended levels. A number of large-scale farming investments by local investors are considering going into joint venture projects with international investors, while others are becoming amenable to selling their investment projects. Prospecting investors targeting Luswishi farm block could approach local investors with large-scale farmland in Luswishi for possible joint ventures and/or outright purchases.

Figure 12: Anthill concentration on GPL's cleared fields (each dot in cleared land is an anthill)



Source: Luswishi farm block Prefeasibility and Design, 2017.

## Business environment, immigration and taxes

Zambia has continued implementing a number of legal and policy reforms aimed at improving its investment and business environment. So far, these reforms have resulted in an improved business environment and attractive investment incentives. Improved phone and internet connectivity have also enabled the digitization of key business services such as e-tax returns and payments, e-immigration services and digitized public procurement of goods and services.

### EASE OF DOING BUSINESS

Improving ease of doing business is another factor that makes Zambia a good investment destination, especially in agricultural- and agribusiness-related projects. Zambia has strengthened minority investor protection by increasing shareholders' rights and role in major corporate decisions as well as clarifying ownership and control structures. This development will facilitate public-private partnerships (PPPs) in agriculture and agribusiness being more feasible. Through the Corporate Insolvency Act No. 09 of 2017, Zambia has also made resolving insolvency easier by introducing a reorganization procedure and granting debtors the possibility of obtaining post-commencement governance.

Automation of the construction permit system launched at the beginning of 2019 will also help to reduce the cost and time involved in dealing with construction permits and changing of ownership of property. Zambia has also made reforms aimed at easing processes and requirements for starting a business and employing workers once a business is established. Improvements in getting credit for big corporates, paying taxes and trading across borders have also continued on an improvement trajectory (World Bank, 2018). Due to the above developments, Zambia now ranks 85<sup>th</sup> in Ease of Doing Business, an improvement from 87<sup>th</sup> position in 2018 (World Bank, 2019). A Doing Business (DB2019) score of 66.9 has also placed Zambia in the 2<sup>nd</sup> best position in Ease of Doing Business in Southern Africa.

**Figure 13: Zambia and South Africa, Ease of Doing Business comparisons**



Source: World Bank, Ease of Doing Business, 2019.

The government's fight against corruption is also yielding results, with Zambia scoring 35 points out of 100 in its 2018 Corruption Perception Index (CPI), making it the 105th least corrupt nation out of 175 countries (Transparency International Zambia, 2019).

<sup>3</sup> Manufacturing, agriculture, mining, tourism, infrastructure and energy sectors.

## INVESTOR-FRIENDLY LAWS

Zambia has adequate legal laws to facilitate, nurture and protect local and foreign investments in all economic sectors. The Zambia Development Agency (ZDA) Act provides for a one-stop facility promoting and facilitating private and public sector investments in Zambia. The ZDA also facilitates industrial infrastructure development, promotes and facilitates greenfield investments through joint ventures and partnerships between local and foreign investors, and facilitates applications for work permits, water permits, electricity and other licences, permits and certificates of registration for investors.

Zambia is also a signatory to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and other international agreements. This guarantees foreign investment protection in cases of war, strife, disasters and other disturbances or in cases of expropriation. Zambia has also signed bilateral reciprocal promotional and protection of investment protocols with a number of countries. The ZDA also offers foreign investors further security against nationalization through the signing of investment promotion and protection agreements (IPPAs).

## INVESTMENT INCENTIVES

Zambia offers a range of incentives to ignite, attract, promote and sustain investments in textile, apparel and all other key economic sectors. These include investment promotion incentives and export promotion incentives.

### INVESTMENT PROMOTION INCENTIVES

Investors who invest \$500,000 or more in a multi-facility economic zone (MFEZ), an industrial park, a priority sector<sup>3</sup> or a rural enterprise under the ZDA Act are entitled to the following:

#### 1. Fiscal incentives:

- Customs duty exemption on machinery and equipment imported within five years from first year of operation;
- Accelerated depreciation on machinery and equipment within two years for priority sectors under the ZDA Act and for manufacturing projects in a rural area, MFEZs and industrial parks.

#### 2. Non-fiscal incentives:

- These include provision of investment guarantees and protection against nationalization and free facilitation for the application of immigration permits, secondary licences, land acquisition and utilities.

Investors who invest \$250,000 or more in any sector or product that is not provided for as a priority sector or product under the Act are entitled to non-fiscal incentives such as: investment guarantees and protection against state nationalization, and free facilitation for application of immigration permits, secondary licences, land acquisition and utilities. Prospective investors can also enter into investment promotion and protection agreements (IPPAs) as provided for by the ZDA Act.

## EXPORT PROMOTION INCENTIVES

The Zambian Government, through the Tax Remission for Exports Office (TREO), encourages local manufacturers to export their products on a duty drawback system. This is achieved through remitting duty and value-added tax (VAT) (duty drawback) on raw materials/intermediate goods used in the manufacturing of goods for export. Under this scheme, the manufacturer includes any process by which a commodity is finally produced, e.g. assembling, repacking, bottling, mixing, blending, grinding, cutting, bending, twisting, joining or any other similar activity. The remission of duty is done once the exporter provides evidence of exportation of the goods, which includes the Customs entry and certificate of export.

## IMMIGRATION – VISAS AND PERMITS

To ease visa applications, government has introduced online application and processing of visas and permits. Any foreign investor who invests a minimum of \$250,000 or its equivalent and employs a minimum of 200 employees (of certain technical or managerial levels) is entitled to a self-employment permit or resident permit. The ZDA assists qualifying investors to obtain work permits for up to five expatriate employees. An entry permit holder can apply to be granted a dependant's pass for each of his or her dependants. Table 7 details the type, cost and processing time for the various visas and permits.

**Table 7: Visas and permits application and processing costs and time**

Type	Application cost	Renewal cost	Processing time
Single entry visa	\$50	\$50	5 days
Multiple entry visa	\$80	\$80	5 days
Transit visa	\$50	\$50	5 days
Day tripper visa	\$20	\$20	5 days
Temporary employment permit	ZMW4, 500	ZMW5, 250	21 days
Employment permit	ZMW6, 000	ZMW7, 000	21 days
Temporary permit	ZMW6, 000	ZMW5, 250	21 days
Investors permit	ZMW4, 000	ZMW5, 000	21 days
Residence permit	ZMW5, 000	0	21 days
Spousal permit	ZMW7 50	ZMW1, 500	21 days

Source: BDO Zambia 2020 National Budget Analysis Report, 2019.

## TAXATION

Pursuant to the provisions of the Income Tax Act, Cap. 323, businesses in Zambia are required to pay a number of taxes. Main taxes payable include corporate income tax, personal income tax, withholding tax, value-added tax and property transfer tax. The Ministry of Finance is responsible for the formulation of tax policy and the tax-implementing agency is the Zambia Revenue Authority (ZRA). Selected taxes payable are explained below.

## CORPORATE INCOME TAX

Corporate income tax is paid on trading profits and other taxable income such as interest, royalties and rental income. Corporate income tax rates are currently 35%. However, companies such as agricultural and agroprocessing companies are taxed at 10%. A one-year 2% discount is granted to newly listed companies on the Lusaka Stock Exchange (LuSE). A 5% discount is also granted to an LuSE-listed company for as long as one-third of shares are owned by indigenous Zambian(s). Table 8 details the corporate tax rates for each prioritized sector.

**Table 8: Corporate tax categories and rates**

Sector category	Corporate income tax rate		
	2020	2019	2018
1. Manufacturing and others	35%	35%	35%
2. Manufacturing – value added to copper cathodes	15%	15%	15%
3. Manufacturing organic and chemical fertilizers	15%	15%	15%
4. Farming	10%	10%	10%
5. Agroprocessing	10%	10%	10%
6. Companies listed on the Lusaka Stock Exchange (LuSE) in 1st year of listing (less 2%)	33%	33%	33%
7. Companies with one-third of shares owned by indigenous Zambians (less 5%)	30%	30%	30%
8. Non-traditional exports	15%	15%	15%
9. Export of non-traditional exports from farming or agroprocessing	10%	10%	10%
<b>Capital allowance deductions</b>			
10. Investment/initial allowance on new industrial building	10%	10%	10%
11. Industrial building allowance	5%	5%	5%
12. Plant and machinery used in manufacturing and tourism	50%	50%	50%
13. Implements/machinery used in the generation of electricity	50%	50%	50%
14. Plant, equipment and machinery used in farming and agroprocessing	100%	100%	100%
15. Commercial building	2%	2%	2%
16. Commercial motor vehicle and other plant machinery	25%	25%	25%
17. Farm works/improvements and improvement allowance under MFEZ only	100%	100%	100%
<b>Capital allowances is provided on an annual basis irrespective of how accounts are drawn or prepared.</b>			

Source: BDO Zambia 2020 National Budget Analysis Report, 2019.

## PERSONAL INCOME TAX

Personal income tax is paid by people resident or deemed to be resident in Zambia. Personal income tax is also charged directly on profits made by corporate bodies such as limited liability companies and trusts. Current personal income tax is 35%. Employers are also required to register and operate a pay-as-you-earn (PAYE) scheme under which they are required to deduct the appropriate tax from the emoluments of liable employees and remit the tax to the Zambia Revenue Authority. The following are the applicable personal income tax rates for salaried employees in Zambia.

## WITHHOLDING TAX

Individuals and businesses receiving consultancy services are expected by law, under Section 82A of the Income Tax Act, to withhold tax at 15% on dividends, interest, royalties and management fees. Withholding tax (WHT) is not a final tax, and the amount paid is considered as a tax prepayment. Final tax is arrived at after assessment of the end-of-year tax return submitted by the individual or business. Zambia has double taxation relief agreements with partner countries indicated in Table 10.

Table 9: PAYE rates		
PAY-AS-YOU-EARN (PAYE) CHARGEABLE RATES BY INCOME BAND		
Income band per annum	Income band per month	Tax rate chargeable
First ZK9,600	First ZKW3,300	0%
Next ZMW9,600	Next ZMW800	25%
Next ZMW25,200	Next ZMW2,100	30%
Balance more than ZMW74,400	Balance more than ZMW6,200	37.5%

Source: BDO Zambia 2020 National Budget Analysis Report, 2019.

Table 10: Double taxation treaties rates				
Country	Applicable Tax Rates			
	Dividends	Interest	Royalties	Consultancy Fees
Canada	15%	15%	15%	0%
China	5%	10%	5%	0%
Germany	5% or 15%	10%	10%	0%
India	5% or 15%	10%	10%	10%
Ireland	7.50%	10%	10%	0%
Italy	5% or 15%	10%	10%	0%
Japan	0%	10%	10%	0%
Mauritius	5% or 15%	10%	5%	0%
Netherlands	5% or 15%	10%	10%	0%
Seychelles	5% or 10%	10%	10%	0%
South Africa	15%	15%	20%	20%
Sweden	5% or 15%	10%	10%	0%
United Kingdom	5% or 15%	10%	5%	0%

This is selection of countries most commonly transacted with and is not a comprehensive list. Rates available are not automatic and have to be applied for.

Source: BDO Zambia 2020 National Budget Analysis Report, 2019.

## VALUE-ADDED TAX (VAT)

Value-added tax (VAT) is levied at 16%. VAT applies to both goods and services of domestic production and those that are imported. VAT is levied on the cost, insurance and freight (CIF) value plus Customs tariff. Registration for VAT purposes is mandatory for every dealer in or supplier of standard-rated and zero-rated goods and services, as defined in the VAT Act No. 4 of 1995 (which replaced sales tax), whose taxable turnover exceeds ZK200 million per annum. Voluntary registration is acceptable for dealers whose turnover falls below the stipulated minimum turnover. It has also been made mandatory to capture and electronically transmit to the ZRA the taxpayer personal identification number (TPIN) and the name of both the buyer and seller of goods and services in all business transactions.

## PROPERTY TRANSFER TAX

Pursuant to the Property Transfer Tax Act, Cap. 340, a 10% property transfer tax is charged of the realized value of the property.

## OTHER TAXES

Customs duty, excise duty and export duty are some of the other main taxes payable in Zambia. Customs duty is a tax levied on all goods entering the country. Customs duty rates ranges from 0%–5% for raw materials and capital goods, 5%–15% for intermediate goods, and 15%–25% for finished products. Textile products are treated as intermediate goods, while apparel is considered as finished products. Goods imports from COMESA partners are duty free on a reciprocal basis. Excise duty, on the other hand, is levied on selected goods of a luxurious nature. These include alcoholic beverages, tobacco, selected motor vehicles and cosmetics, etc. Zambia also charges export duty on a few selected items. These include scrap metal at a rate of 25%, copper concentrates at 15% and cottonseed at 15%.

## INVESTOR SUPPORT – ZDA ONE-STOP SHOPS

As part of its business facilitation and investments promotion, the ZDA has established one-stop shops in Lusaka and selected provincial headquarters. Through these one-stop shops, the ZDA provides local and foreign investors with fast and efficient business registration services, licences and all key investment and business permits, thus reducing the cost of doing business. This has been achieved through bringing together government agencies involved in offering registration services and issuance of licences and permits in one location. Institutions hosted by a one-stop shop include the Patents and Companies Registration Agency (PACRA), the Zambia Revenue Authority (ZRA), the National Pension Scheme Authority (NAPSA), the Citizens Economic Empowerment Commission (CEEC), the Department of Immigration, and the Zambia Public Procurement Authority (ZPPA). Other stakeholders are licensing and regulatory bodies that provide optional registrations for businesses or that issue operational permits and licences. These include district councils, the Zambia Environmental Management Agency (ZEMA), Zambia Wildlife Authority (ZAWA) and Water Resources Management Authority.





# Legal requirements when investing in Zambia

Below are legal requirements and obligations prospecting investors need to comply with when investing in Zambia.

<b>Company incorporation</b>	A foreign investor intending to establish a business in Zambia is required to set up a branch or incorporate a company. Unlike a branch, an independent company or a subsidiary will be a separate legal entity from its holding company. There are various types of companies that can be formed in Zambia, including a private company limited by shares, a company limited by guarantee and an unlimited company. Unlimited companies are, however, rarely formed. In addition to a private company, one can also form a public company (a company satisfying Section 14 of the Companies Act).
<b>Company regulation</b>	The Companies Act, Cap. 388 of the Laws of Zambia regulates all companies in Zambia. A company incorporated outside Zambia intending to establish a business in Zambia must be registered as a foreign company pursuant to the Companies Act, Cap. 388. The Companies Act provides for company incorporation, share capital provisions, shareholders' rights, management and administration, accounts, directors' duties, winding up and regulation of foreign companies based in Zambia.
<b>Business regulation</b>	The Business Regulatory Act, No. 3 of 2014 provides for the business licensing system and licensing principles that all regulatory regimes must adhere to, and for regulatory service centres at which all regulators are to have a presence or an affiliation with, for all applications for licences, permits, certificates and authorizations to be processed.
<b>Tax registration</b>	Limited companies are required to register with the Zambia Revenue Authority (ZRA) for income tax purposes and obtain a taxpayer personal identification number (TPIN). Limited companies are also required to apply for VAT registration if they deal in taxable goods and services and their taxable turnover exceeds the registration threshold of ZK800,000 (approximately \$60,000+) per annum. This application can only be done following the TPIN registration.
<b>Trading and manufacturing licences</b>	A company undertaking any trade or manufacturing is required to obtain a licence under the Trades Licensing Act. Section 18A of the Trades Licensing Act requires that licence holders under the Act submit to the licensing authority details such as the physical address of the place where the licence holder conducts his or her business or trade. The information obtained by the licensing authority is forwarded to Zambia Revenue Authority at the time when the licence expires or is renewed.
<b>Environmental impact assessments</b>	Any person intending to implement any project is required, under the Environmental Protection Act, to prepare and submit a project brief to the Zambia Environment Management Agency (ZEMA) for approval. ZEMA may, on receipt of a project brief, direct that an environmental impact statement be prepared by the developer if ZEMA determines that the project is likely to have an adverse impact on the environment. Such a statement would be required even if the developer is undertaking any project as part of a previously approved project.
<b>Taxes payable</b>	<p><b>Income tax:</b> Pursuant to the provisions of the Income Tax Act, Cap. 323, businesses are subject to corporate income tax on trading profits and other taxable income such as interest, royalties and rental income. Corporate income tax rates are currently 35%. A one-year 2% discount is granted to newly listed companies on the Lusaka Stock Exchange (LuSE), while corporate tax on agricultural companies is 10%. Personal income tax is paid by people resident or deemed to be resident in Zambia. Income tax is also charged directly on profits made by corporate bodies such as limited liability companies and trusts.</p> <p><b>Withholding tax:</b> A 15% withholding tax is payable on dividends, interest, royalties and management fees.</p> <p><b>Value-added tax (VAT):</b> VAT is levied at 16%. Some specified goods and services are zero rated or exempt. VAT applies to both goods and services of domestic production and those that are imported. VAT is levied on the c.i.f. value plus Customs tariff.</p> <p><b>Property transfer tax:</b> Pursuant to the Property Transfer Tax Act, Cap. 340, a 10% property transfer tax is charged of the realized value of the property.</p>
<b>Double taxation agreements</b>	Zambia has double taxation relief agreements with Canada, the Kingdom of Denmark, the Republic of Finland, the French Republic (France), the Federal Republic of Germany, the Netherlands, Ireland, the Republic of Italy, Japan, Kenya, Mauritius, Romania, South Africa, the Kingdom of Sweden, Tanzania, Uganda, the United Kingdom of Great Britain and Northern Ireland, the Kingdom of Norway, Zimbabwe and the Republic of India.
<b>Immigration</b>	Any foreign investor who invests a minimum of \$250,000 or its equivalent and employs a minimum of 200 employees (of certain technical or managerial levels) is entitled to a self-employment permit or resident permit. The ZDA further assists the qualifying investor to obtain work permits for up to five expatriate employers. An entry permit holder can apply to be granted a dependant's pass for each of his or her dependants.



<b>Land ownership</b>	A non-Zambian can acquire land if he or she is a permanent resident in Zambia, is an investor within the meaning of the ZDA Act or any other law permitting investment in Zambia, in exceptional cases, by presidential consent in writing, a person registers a company under the Companies Act, and if the person is granted concession or right under the National Parks and Wildlife Act.
<b>Land acquisition/ purchase</b>	There are only two types of land tenure in Zambia: leasehold (99 years, renewable for a further 99 years) and customary tenure. Customary land can be converted into leasehold. Under the 1995 Act, land now has value and can be sold even without improvement on the land. Before land can be bought or sold, state consent must be obtained from the commissioner. If consent is not granted within 45 days of filing the application, the application is deemed granted. If consent is refused, the reasons for refusal must be furnished to the applicant within 30 days. Acquisition of land in an area designated as state land will require consent of the relevant district council. Land that does not fall within the jurisdiction of any council can be alienated upon direct application to the Commissioner of Lands. He will then make a formal offer to the applicant, which will contain similar conditions to those contained in the offer made for an application of land situated in the customary area.
<b>Conversion and transfer policies</b>	There is no exchange control in Zambia for anyone doing business, and either a resident or non-resident investors are free to repatriate capital investments as well as dividends, management fees, interest, profit, technical fees, and royalties. Foreign nationals can also transfer and remit wages earned in Zambia without difficulty. Additionally, there are no restrictions on non-cash transactions. Over-the-counter cash conversion of the local currency into foreign currency is restricted to a \$5,000 maximum per transaction per day for account holders and \$1,000 for non-account holders.
<b>Construction</b>	Prior to constructing any infrastructure, the developer needs to engage an architect to come up with architectural designs/drawings, which are submitted to the local council when applying for architectural/structural plans approval and construction permit application. Once council approvals are obtained, the developer is also required to register the construction with the National Council for Construction.

**Source:** BDO Zambia 2020 National Budget Analysis Report, 2019.

# How to set up base and invest in Zambia

The matrix below summarizes key steps, formalities, requirements and procedures an investor needs to complete to invest in Zambia.

<p><b>Step 1:</b> Consultations with ZDA</p>	<ul style="list-style-type: none"> <li>▪ As a first step, an investor needs to contact the ZDA investments promotions division as a first point of call to familiarize self:             <ul style="list-style-type: none"> <li>▪ Refresh themselves with business and tax registration, information on all other formalities and licensing requirements, and investment registration;</li> <li>▪ Get contact details of key industry stakeholders and make appointments for consultation meetings;</li> <li>▪ Get more information on identified potential areas for intended investment;</li> <li>▪ Assess and re-establish all critical aspects such as land, water, power, labour availability, access and adequacy in specific potential areas.</li> </ul> </li> </ul>
<p><b>Step 2:</b> Business registration</p>	<ul style="list-style-type: none"> <li>▪ Business registration starts with the business name clearance done by submitting an application consisting of three proposed names of the company to be incorporated, copy of passport or any other form of identity for one of the directors or shareholders of the proposed company, physical (local or international) address of directors and shareholders, and the proposed nature or sector of business to PACRA. The process costs ZK83 and takes a few minutes, and can also be done using the PACRA online portal at <a href="https://www.pacra.org.zm">https://www.pacra.org.zm</a>.</li> <li>▪ Business registration is done at the Patents and Companies Registration Agency (PACRA). To register a business, one needs to complete and submit the acceptance letter for name clearance, application for incorporation (Form 2), declaration of consent to act as a director or secretary (Form 5), declaration of compliance (Form 11) and articles of association.</li> <li>▪ Legal assistance on business registration could be obtained from corporate law firms. If not sure, the investor's embassy in Zambia, the ZDA or the Law Association of Zambia can assist with lists of registered corporate law firms operating in Zambia.</li> <li>▪ Business registration process takes 1–2 working days if all above-stated requirements are met.</li> <li>▪ Registration fee for a local company is ZK705 (USD equivalent) and ZK4,166 (USD equivalent) for a foreign company.</li> </ul>
<p><b>Step 3:</b> Tax registration</p>	<ul style="list-style-type: none"> <li>▪ Once the investor has registered his or her business, he or she also needs to register the company with the Zambia Revenue Authority for tax.</li> <li>▪ To register for tax, one needs to submit the certificate of incorporation, certificate of share capital, articles of association of the company, a map (sketch) of business location, tenancy agreement for the business premises, business bank account statement and business plan/projected cash flow for one year.</li> <li>▪ Tax registration can be done online at <a href="https://www.zra.org.zm">https://www.zra.org.zm</a>.</li> <li>▪ The same corporate lawyers used for business registration can assist the investor to register and get a taxpayer's identification number (TPIN) and VAT certificate.</li> <li>▪ TPIN registration precedes all other mandatory tax registration. A TPIN certificate is vital to enable the company to apply for other taxes and registrations.</li> </ul>
<p><b>Step 4:</b> Bank accounts</p>	<ul style="list-style-type: none"> <li>▪ There are a number of local and international banks in Zambia (see Annex II) from which an investor can choose to open business bank accounts with.</li> <li>▪ An application to open a business account must include a TPIN certificate, a certificate of incorporation, certificate of share capital, articles of association, and recommendations from other companies with accounts at the same bank.</li> <li>▪ The ZDA provides support services to help a potential investors open business accounts with banks in Zambia.</li> </ul>
<p><b>Step 5:</b> Investment premises acquisition</p>	<ul style="list-style-type: none"> <li>▪ Identification and acquisition of land/premises for the intended investment is another critical activity the investor needs to undertake.</li> <li>▪ Depending on the exact type of investment, land can be acquired through:             <ul style="list-style-type: none"> <li>▪ Purchasing private land on title;</li> <li>▪ Application for leased land in industrial zones, farming blocs and municipal authorities, etc.;</li> <li>▪ Acquisition and conversion of traditional land;</li> <li>▪ Purchasing institutional land.</li> </ul> </li> <li>▪ Advice on how to legally acquire the needed land for the intended investment can be obtained from the ZDA.</li> </ul>

<p><b>Step 6:</b> Investment registration</p>	<ul style="list-style-type: none"> <li>▪ Every investor planning to set up a business base in Zambia needs to register for an investment certificate with the ZDA in order to qualify for available incentives.</li> <li>▪ To apply for the investment certificate of registration, one must submit the completed formal application form from the ZDA, certified copy of certificate of incorporation or registration, certified copy of certificate of share capital, certified copy of a certificate of minimum share capital, certified copy of an official list of shareholders or directors, business plan or feasibility study, verifiable evidence of project finance (i.e. local or foreign bank statements in the name of shareholders or a financier), invoices for purchase of machinery and equipment for the proposed investment or a letter from the company indicating the proposed financing source, and brief resumes for shareholders or directors.</li> <li>▪ Once the investor completes filing, the application forms are submitted for review and possible approval and issuance of a Certificate of Registration, which enables the investor to apply for available investment incentives.</li> </ul>
<p><b>Step 7:</b> Application for investment incentives</p>	<ul style="list-style-type: none"> <li>▪ Once an investor acquires the investment licence/certificate of registration with the ZDA:</li> <li>▪ The investor can apply for all available/applicable incentives, which may include: <ul style="list-style-type: none"> <li>▪ Customs duty exemptions;</li> <li>▪ Corporate tax incentives;</li> <li>▪ Other investment incentives.</li> </ul> </li> <li>▪ The investment should have a minimum of \$250,000 in order to qualify for basic non-tax incentives; and</li> <li>▪ A minimum of \$500,000 in order to qualify for special tax incentives for priority sectors located in a multi-facility economic zone (MFEZ), an industrial park or a rural area.</li> </ul>
<p><b>Step 8:</b> Application for immigration permits</p>	<ul style="list-style-type: none"> <li>▪ Every investor wishing to live and do business in Zambia is required to comply with the Immigration Act and apply for work permits and visas.</li> <li>▪ Government has introduced the online application and processing of visas and permits. When applying for visas and permits, one is required to submit a passport-sized photo, copy of applicant's passport, cover letter on company letterhead with full address and contact numbers addressed to the Director General of Immigration, invitation from host company, and certified copy of certificate of incorporation for host company.</li> <li>▪ An investor/shareholder in a company is expected to apply for an investor's permit, which allows an investor to move freely in and out of the country and to also import personal items from one's country of origin, duty free.</li> <li>▪ An investor who wishes to apply for an investor's permit must show evidence of having transferred not less than \$250,000.00 into a Zambian bank account or in the form of equipment and machinery by attaching Customs Form CE20 from the ZRA or bank transfer documents. Other requirements include: cover letter addressed to the Director General of Immigration, duly completed and signed application for an investor's permit (Form 27), certificate of incorporation, certificate of share capital, certificate of minimum capital, investment licence from the ZDA, list of directors, proof of personal investment (bank statement, money transfer, ZRA Form CE20 and bill of lading from the ZRA), certified copy of valid passport (biodata and last endorsement stamp for the Republic of Zambia), and two recent passport-sized photographs.</li> <li>▪ Investors are also required to apply for employment permits for all their expatriate staff.</li> <li>▪ Applicants for employment permits are required to secure and apply for their permits while outside the country (for more information, visit <a href="http://www.zambiaimmigration.gov.zm">www.zambiaimmigration.gov.zm</a>).</li> </ul>
<p><b>Step 9:</b> Application for other licences</p>	<p><b>Environmental impact assessment:</b> All investment projects require either a project brief or a full environmental impact assessment (EIA) that is done by the Environmental Management Agency (ZEMA).</p> <ul style="list-style-type: none"> <li>▪ <b>Manufacturing licences:</b> Investors in the manufacturing sector are required to apply for and obtain a manufacturer's licence from the local municipality the investor will be operating from.</li> <li>▪ <b>Construction permit:</b> All infrastructure development requires the developer to apply for architectural and structural drawings approval and for a construction permit with the local council prior to commencing the construction. To do this, the developer/investor needs to: <ul style="list-style-type: none"> <li>▪ Contract an architect to draw the architectural drawings;</li> <li>▪ The architect registers with the council planning department and uploads the architectural drawings, disclaimer form in case there is excess coverage, land survey plan, and land rates clearance receipt into the City Planning Registry;</li> <li>▪ Collect a construction payment invoice from the council and pay the construction permit application fees. The fee is not standard and depends on the size and type of building being erected. The banker's cheque or cash for the total fee should be addressed and paid to the council accounts office;</li> <li>▪ It takes approximately 30 days for the drawings to be signed, after which the architect can collect the authenticated drawings and approval;</li> <li>▪ Using the approved architectural drawings, the structural engineer will then work together with the architect in order to upload the structural plans into the Lusaka City Council registry;</li> <li>▪ Once approved, the architect or structural engineer will obtain the authenticated structural plans and approved certificate of structural designs;</li> <li>▪ Once the construction permit is obtained, the developer needs to register the project with the National Council for Construction.</li> </ul> </li> </ul>

# Annexes

## ANNEX I: LIST OF INVESTMENT PROMOTION AND FACILITATING ORGANIZATIONS

Scope/area	Organization	Contact and address
Investment promotion	Zambia Development Agency (ZDA)	<b>The Director General:</b> ZDA, Privatisation House, Nasser Road, P.O. Box 30819, Lusaka, Zambia Phone: +260 211 220177/223859 E-mail: info@zda.org.zm
Business registration	Patents and Companies Registration Agency (PACRA)	<b>Chief Registrar</b> PACRA Head Office Plot No. 8471, PACRA House, Haile Selassie Avenue, Longacres, P.O. Box 32020, Lusaka, Zambia Phone: (+260) 211 255151/255127 Website: <a href="https://www.pacra.org.zm">https://www.pacra.org.zm</a>
Taxation	Zambia Revenue Authority (ZRA)	<b>The Commissioner General</b> Kalambo Road, P.O. Box 35710, Lusaka, Zambia Switchboard: +260 211 380000 Call centre: +260 211 381111, 5972 (all networks), +260 971281111, +260 962251111 E-mail: advice@zra.org.zm
Immigration – visas and permits	Immigration Department	<b>The Director-General</b> Department of Immigration, Headquarters Kent Building, Haile Selassie Road P.O. Box 50300, Lusaka, Zambia Phone: +260 211 255282 (Public Relations Office) +260 211 252622 (Customer Service Centre) E-mail: pro@zambiaimmigration.gov.zm, zambiavisa@zambiaimmigration.gov.zm
Environmental impact assessments – permits	Zambia Environmental Management Agency (ZEMA)	<b>The Director General</b> ZEMA Head Office P.O. Box 35131 Corner Suez & Church Roads Plot # 6975, Ridgeway, Lusaka, Zambia Phone: 260-1-254130/1 Fax: 260-1-254164/254023 E-mail: info@zema.org.zm
Water development and use	Water Resources Management Authority (WARMA)	<b>Director General</b> Plot No. 4186, Addis Ababa Drive P.O. Box 51059, Lusaka, Zambia Phone: +260 211 251 934/ 0974 606 743
State-owned enterprises and public investments	Industrial Development Corporation (Zambia) Limited (IDC)	<b>Chief Executive Officer</b> 61 Independence Avenue, Prospect Hill P.O. Box 37232, Lusaka, Zambia E-mail: info@idc.co.zm Phone: +260 211 427000, +260 967 773007

Standards	Zambia Bureau of Standards (ZABS)	<b>Executive Director</b> Lechwe House Freedom Way South End P.O. Box 50259, Lusaka, Zambia E-mail: info@zabs.org.zm
Energy regulation	Energy Regulation Board (ERB)	<b>Executive Director</b> Consumer & Public Relations Energy Regulation Board Plot No. 9330, Off Alick Nkhata Road P.O. Box 37631, Lusaka, Zambia Phone: 260-211-258844-49 Fax: 260-211-258852 E-mail: Public Affairs (erb@erb.org.zm)

## ANNEX II: LIST OF LEADING BANKS

Name of bank and contact details	Name of bank and contact details
<b>Stanbic Bank Zambia Limited,</b> Stanbic House, Plot 2375, Addis Ababa Drive, Long Acres, P.O. Box 31955, Lusaka Phone: +260971288200	<b>Standard Chartered Bank</b> Cairo Road, Lusaka, Zambia Phone: +260 978 751500, +260 966 751500 E-mail: customer.first@sc.com
<b>Citi Bank (Z) Limited</b> Elunda 3 Stand No. 4646 Addis Ababa Drive, Lusaka, Zambia Phone: 021 122 9025, 021 144 4400	<b>Bank of China (Zambia)</b> Street/postal address: Limitedamandra House, Ben Bella Road, Lusaka Zambia Phone: (260211) 235349/222549 Fax: (260211) 235350 Phone: +260 21 123 8696, +260 21 123 8686, +260 21/122 3084
<b>INDO ZAMBIA</b> Plot 6907, Cairo Road P.O. Box 35411 Lusaka, Zambia Phone: +260 211 224 653	<b>United Bank for Africa Zambia Ltd</b> Acacia Park Stand 22768. Corner Great East/Thabo Mbeki Road P.O. Box 36789, Lusaka, Zambia, 10101 Phone: +260 211 389501, +260 211 389502, +260 211 389503
<b>First National Bank – FNB Zambia Head Office</b> Corner Great East Road and Thabo, Lusaka, Zambia Corporate and Investment Banking +260 211 366 800/+260 211 366 362, menu option 1, then 4 E-mail: fnb@fnbzambia.co.zm	



