



Doing Business in Zambia: 2013 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Zambia

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Market Overview

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Welcome to the Zambia Country Commercial Guide (CCG). This guide presents a comprehensive look at Zambia's commercial environment, using economic, political, and market analysis.

- Zambia is a politically stable, multi-party democracy, rich in natural resources. It has a population of 13 million people with 39% urban population. The GDP Per Capita is about \$1600. Zambia has experienced positive economic growth for 13 years (7.3% in 2012) and has a growing middle class in population centers. The country has strong monetary and fiscal policies and a low inflation rate (below 7%).

- Zambia has liberalized prices, interest and foreign exchange rates and no currency controls. It has a B+ rating from Fitch and Standard & Poor's (equal to Kenya, Angola and Ghana). The World Bank ranks Zambia among the best African countries to do business and among the fastest growing economies of the world. Zambia successfully issued its first international sovereign bond offering in 2012 - with 56% of buyers coming from the U.S. - raising \$750 million to support new infrastructure projects.
- Zambia's main export markets are Switzerland, China, South Africa, United Kingdom, Zimbabwe and the Democratic Republic of Congo. Imports come primarily from South Africa, China, DR Congo, Kuwait and India. Zambia's main exports are non-ferrous metals (primarily copper and cobalt), non-metallic minerals, tobacco, maize, coffee, tea, spices, miscellaneous manufactured goods, and wood products.
- In 2012, 2.02% of Zambia's total imports were from the United States. These consisted primarily of cereals, telecommunications equipment, machinery, tractors, agricultural equipment and parts, medicaments, medical instruments, chemicals, vehicles and mining equipment.
- In 2012, less than one percent of Zambian exports went to the United States, consisting almost entirely of copper and cobalt. Other exports included precious and semi-precious stones, coffee, honey, spices, and handicrafts.

Market Challenges

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- The Zambian economy is heavily dependent on copper mining and rain-fed agricultural production, which exposes the economy to external vulnerabilities such as global copper prices and seasonal weather patterns. Zambia has a relatively small domestic market that is spread across a country roughly the size of Texas. Its internal road infrastructure is generally adequate for the movement of goods between cities and towns. Outside of the main transportation arteries, however, the transportation network is largely undeveloped.
- Although improvements have been made at key entry points, including the opening of integrated customs services at the Zambia-Zimbabwe border at Chirundu, the cross-border movement of goods remains slow. This, combined with high fuel prices, translates to steep transportation costs to and from (as well as within) Zambia.
- Its domestic growth is constrained by limited availability of commercial credit (due to risk aversion, rather than lack of liquidity, in the banking sector) and high fees for financial services. A weak court system and inadequate law enforcement capacity tarnish Zambia's liberal investment environment in practice.
- Other challenges include pervasive corruption, the risk of politically-motivated deportations of foreign businesspersons, complex permit requirements, unreliable and expensive communication, and low, but growing, Internet connectivity.

- Although hourly wages are low, actual labor costs are considered high for the region—driven up by stringent labor laws, a shortage of skilled labor, and health-related absenteeism.

Market Opportunities

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There are commercial opportunities in Zambia's emerging economy. A middle class has developed in population centers that have resulted in a proliferation of South African franchises, a construction boom, and a formidable (although mostly risk-averse) banking sector. In general, most sectors are uncompetitive and are dominated by a few large players, leaving plenty of room for new market entrants. Market opportunities abound in the following sectors:

- **Construction:** Zambia implementing the Link Zambia 8000 Project, national roads tolling, Pave Zambia 2000 and L400 project.
- **Mining:** Zambia is the largest copper producer in Africa and eighth largest in the world. More than \$6 billion FDI has gone into sector since privatization with new mines coming on line in 2013 and 2014. Opportunities exist in exploration, mine services, water management, engineering, construction, and environmental services.
- **Agriculture:** Government is developing new farm block areas for large commercial farms. The first, Nansanga, is located in Central Province. Private equity and other investors are active in the sector. Opportunities are in large-scale farming, farm input and equipment supply, and commodity trading.
- **Manufacturing:** Government is developing a series of Multi-Facility Economic Zones (MFEZ) to attract manufacturing investments. Examples include Chambishi MFEZ in Copperbelt developed by China Non-Ferrous Metals Mining Company; Lumwana MFEZ in Northwestern Province development by Lumwana Mine and Lusaka South MFEZ developed by the Zambian government. Investment incentives are available for priority sectors or for investment in MFEZ.
- **Tourism:** Zambia shares the world famous Victoria Falls, one of the Seven Natural Wonders of the World, with Zimbabwe. Zambia has 19 national parks and 34 game management areas. The UN World Tourism Organization conference will be co-hosted by Zambia in August 2013. There are opportunities in tourism services and infrastructure. Zambia lacks adequate hotel room capacity in its tourism and copper producing regions.

For more information, see chapter four.

Market Entry Strategy

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- Relationships are key to finding a good business partner and a company needs to visit Zambia to maximize prospects for successful market entry. U.S.



COUNTRY FACT SHEET: ZAMBIA

PROFILE

Population in 2011 (Millions): 14
 Capital: Lusaka
 Government: Republic

ECONOMY

	2009	2010	2011
Nominal GDP (Current Billions \$U.S.)	12.8	16.2	19.2
Nominal GDP Per Capita (Current \$US)	990	1,221	1,414
Real GDP Growth Rate (% change)	6.4	7.6	6.6
Real GDP Growth Rate Per Capita (% change)	3.8	5.0	4.0
Consumer Prices (% change)	13.4	8.5	8.7
Unemployment (% of labor force)			
Economic Mix in 2011: 37.7% All Industries; 9.3% Manufactures; 41.5% Services; 20.7% Agriculture			

FOREIGN MERCHANDISE TRADE (\$US Millions)

	2009	2010	2011
Zambia Exports to World	4,312	7,200	9,001
Zambia Imports from World	3,793	5,321	7,178
U.S. Exports to Zambia	57.3	56.4	130
U.S. Imports from Zambia	8.5	29.6	47.3
U.S. Trade Balance with Zambia	48.8	26.9	82.4
Position in U.S. Trade:			
Rank of Zambia in U.S. Exports	159	160	145
Rank of Zambia in U.S. Imports	163	146	143
Zambia Share (%) of U.S. Exports	0.01	0	0.01
Zambia Share (%) of U.S. Imports	0	0	0

Principal U.S. Exports to Zambia in 2011:

1. Machinery, Except Electrical (52.9%)
2. Transportation Equipment (13.4%)
3. Special Classification Provisions, Nesoi (7.9%)
4. Computer & Electronic Products (7.9%)
5. Chemicals (6.4%)

Principal U.S. Imports from Zambia in 2011:

1. Primary Metal Mfg (77.9%)
2. Miscellaneous Manufactured Commodities (17.2%)
3. Used Or Second-Hand Merchandise (2.9%)

FOREIGN DIRECT INVESTMENT

	2009	2010	2011
U.S. FDI in Zambia (US \$Millions)	125	140	138
FDI in U.S. by Zambia (US \$Millions)	2.0	1.0	-1.0

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS

World Bank Doing Business in 2012 Rank: 94 of 185
 Heritage/WSJ 2012 Index of Freedom Rank: 97 of 179

Source: Created by USDOC/ITA/OTII-TPIS from many sources: FDI from USDOC, Bureau of Economic Analysis. US Trade from USDOC, Census Bureau, Foreign Trade Division. Zambia Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. .WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

companies usually either license through local representatives, or export directly or indirectly through (often South African) intermediaries.

- Whatever market entry strategy is chosen, businesses should bear in mind that entering the market will require local expertise on legal and regulatory issues.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

(The following is the new link to the Background Notes)

<http://www.state.gov/r/pa/ei/bgn/2359.htm>

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Using an Agent or Distributor

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- There is generally substantial local interest in representing and/or distributing on behalf of U.S. companies.

- Financing local inventories is often a problem, especially given high commercial loan rates. Few companies have sales or service networks that meet U.S. standards and expectations.
- The U.S. Embassy has the capacity to provide full commercial services when requested through a U.S. Department of Commerce district office, or when contacted directly by a U.S. company. The commercial services offered by the U.S. Embassy are listed at the link:

<http://zambia.usembassy.gov/business.html>

- Local offices of international accounting and consulting firms can also assist in identifying qualified local business partners.

Establishing an Office

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The legal requirements for establishing an office in Zambia are relatively simple.

- A prospective company will visit the One Stop Shop for business registration in Lusaka. The One Stop Shop simplifies and shortens the process of registration of a business, enabling companies and individuals to register their business in one location. It is possible to register a business within 24 hours whereas before it took a minimum of three days.
- Foreign companies that plan to invest in Zambia should obtain an investment license from the One Stop Shop to take advantage of its services. The procedure is simple and licenses are approved or disapproved within 24 hours. In the same venue, one can access the Electronic Registry for Business Licenses (e-registry) which provides online access to information on all licenses and permits required to establish and operate businesses in Zambia. The e-registry is available on www.businesslicenses.gov.zm

Franchising

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Franchise business arrangements in Zambia are based on British contract law rather than more-binding U.S. franchising regulations. There is increased interest in franchising in Zambia generated by publicity and exposure to international franchise trade events in South Africa. Lack of financing options, however, remains a major obstacle to franchise business development in Zambia.

There may be opportunities for U.S. franchises in the following areas:

- Restaurants
- Retail (including pharmaceutical and hardware)
- Hotels
- Internet Service Providers

Direct Marketing

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There are no restrictions on conducting direct marketing in Zambia. Direct marketing companies may, however, be constrained by inadequate postal services, high phone tariffs, and low Internet penetration.

Joint Ventures/Licensing

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The Zambian business community has a strong interest in joint ventures and licensing agreements. Local investors actively seek out these arrangements in order to overcome scarcity of domestic capital, technology, and expertise. There are no legal restrictions which define the terms of a joint venture arrangement. A suitable partnership should be established contractually and registered with the Patent and Company Registration Agency (PACRA).

Selling to the Government

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All government expenditure's above \$100,000, as well as all government loan and credit agreements, must go through the Zambia Public Procurement Authority (until recently known as the Zambia National Tender Board). Government purchases below \$100,000 are handled by institutional tender committees, and these are open to any company that meets the terms and conditions.

The Public Procurement Authority advertises tenders for procurement of goods and services through the print media and posts copies of all tenders on its website (www.tenderboard.gov.zm).

Distribution and Sales Channels

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Goods destined for Zambia arrive via South Africa (Durban, Port Elizabeth, and East London), Namibia (Walvis Bay), Mozambique (Beira), and Tanzania (Dar es Salaam). Durban, Walvis Bay and Dar es Salaam are the most commonly used sea ports. Virtually all imports are transported by truck, entering Zambia primarily through Chirundu and Livingstone (on the Zimbabwean border), Kazungula (on the Botswana border), Nakonde (on the Tanzanian border), and Sesheke (on the Namibian border). The Kasumbalesa border with DR Congo sees a great deal of mining sector-related traffic.

Imports coming through Durban, Walvis Bay, and Dar es Salaam can take up to two weeks to reach Zambia, due primarily to delays at border crossings. Transportation costs are high and are estimated to account for 60-70% of the cost of production for many goods in Zambia. Wholesale trade and distribution is concentrated in Lusaka, Kitwe, Ndola, Livingstone, Kasama, and Chipata.

Selling Factors/Techniques

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Selling is normally done on a cash basis, due to scarce and expensive credit. Companies that can offer credit, or an extended payment schedule, have an edge even if their prices are higher. After-sales service is an important factor for technical products.

Imported food products must have English-language labels that detail ingredients and shelf life of products. Any food products failing to meet this requirement are confiscated by local authorities and destroyed without compensation.

Goods and services are advertised through flyers in the main daily newspapers such as *Times of Zambia*, *The Daily Mail* and *The Post Newspaper* for wider circulation at a fee. There are five private television stations including two public channels operated by the state-run Zambia National Broadcasting Corporation. The television channels and community radio stations provide advertising services.

Electronic Commerce

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E-commerce is relatively new to Zambia. Very few firms have websites or are equipped to conduct on-line transactions. Internet penetration is growing, but still low (estimated to be 1,589,010 users as of June 2012), due to lack of ICT investment, particularly in rural areas, and the high cost of an Internet Service Provider operating licenses.

Trade Promotion and Advertising

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Zambia holds annual trade fairs. The main trade events are:

- Zambia Mining, Agriculture, and Commercial Show, which is held during the last week of May in Kitwe (in the Copperbelt);
- Zambia International Mining and Energy Conference & Exhibition held mid June
- Zambia International Trade Fair, which is held in Ndola (in the Copperbelt) during the last week of June;
- Zambia Agriculture and Commercial show, which takes place in Lusaka during first week of August; and
- Gemstone and Mining Exhibition, which is held in Livingstone and Lusaka.

www.zimeczambia.com
<http://www.cacss.co.zm>
<http://www.zitf.org.zm>

Electronic Media: Zambia has two government-owned national channels and five private television stations and over 45 community radio stations. Radio broadcasts are in English as well as local languages and tend to reach a wider audience than television broadcasts. The contacts for the most important television and radio broadcasters are:

Zambia National Broadcasting Company (ZNBC)
TV1 and TV2
Email: znbz@zamtel.zm
Website: www.znbc.co.zm

MUVI Television
Email: muvi@iconnect.zm
Website: www.muvitv.com

MOBI Television

Email: mobitel@zamtel.zm

Radio Phoenix

E-mail: rphoenix@zamnet.zm

Website: www.radiophoenix.co.zm

Print media: The *Times of Zambia* and the *Zambia Daily Mail* are state-owned daily newspapers. The two independent daily newspapers are The Post and The Nation. Two monthly business publications, the Zambia National Farmers Union's *Zambian Farmer*, and *Profit Magazine*, published by the Zambia Association of Chambers of Commerce and Industry, are strong voices for private sector business in Zambia. The following are contact addresses for the major print media:

Times of Zambia

E-mail: times@zamtel.zm

Website: www.times.co.zm

Zambia Daily Mail

E-mail: zadama@zamnet.zm

Website: www.daily-mail.co.zm

The Post Newspaper

E-mail: post@post.co.zm

Website: www.postzambia.com

The U.S. advertising firm Young & Rubicam has offices in Zambia and may be contacted at the following address:

Young & Rubicam (Zambia) Limited

Email: yubicam@coppernet.zm

Pricing

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Local pricing formulas usually account for international and domestic transportation charges, customs duty, and value added tax (16%), all of which contribute to high local prices. In general, Zambian consumers are price conscious and place greater emphasis on price than quality. However, in many sectors Zambians still see the value for money in U.S. products and services compared to products and services from other countries.

Sales Service/Customer Support

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After-sales service and customer support are important factors to business, particularly for technical products such as computers and equipment. Nevertheless these are often lacking in Zambia.

Protecting Your Intellectual Property

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The protection of property rights has been addressed in chapter six – the Investment Climate Statement. However, a company entering the Zambian market should register its trademark with the Patent and Company Registration Agency (PACRA) and coordinate with the Intellectual Property Unit (IPU) of the Zambia Police Service. The IPU has the ability to enforce intellectual property rights in Zambia’s major cities and border areas where counterfeit and pirated materials enter the country. Unless there is a complainant, police action cannot take action. Zambian intellectual property legislation is still undergoing review in order to remove archaic provisions, bring it to international standards, and stiffen punishments.

Protecting Your Intellectual Property in Zambia:

Several general principles are important for effective management of intellectual property (“IP”) rights in Zambia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Zambia than in the U.S. Third, rights must be registered and enforced in Zambia, under local laws. Your U.S. trademark and patent registrations will not protect you in Zambia. An “international copyright” that will automatically protect an author’s writings globally does not yet exist. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Zambian market. It is vital that companies understand that intellectual property is primarily a private right, and that the U.S. government generally cannot enforce rights for private individuals in Zambia. It is the responsibility of the rights’ holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Zambian law. The U.S. Commercial Service can provide a list of local lawyers upon request:
https://zambia.cms.getusinfo.com/servicesforamericans//zambia/attorney_information.html.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Zambia require

constant attention. Work with legal counsel familiar with Zambian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Zambian or U.S.-based. These include:

- The U.S. Chamber and local American Chamber of Commerce in Zambia
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking

imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

Due Diligence

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All U.S. companies are advised to exercise due diligence before doing business in Zambia. The Embassy has the capacity to provide limited information about local companies when requested through a U.S. Department of Commerce district office, or when contacted directly by a U.S. company. Local attorneys or business consultants can provide more comprehensive assistance in determining the bona fides of a prospective business partner.

Local Professional Services

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A number of professional service providers are available to U.S. companies. A list of attorneys can be found on the Embassy website: <http://zambia.usembassy.gov>, or through the Law Association of Zambia at: www.laz.org.zm.

Other resources are:

Zambia Institute of Chartered accountants: <http://www.zica.co.zm>

Zambia Institute of Marketing: <http://www.zim.com.zm>

National Construction Council of Zambia: <http://www.ncc.org.zm>

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Electronic Registry for Business Registration: www.businesslicenses.gov.zm

Zambia Public Procurement Authority: www.tenderboard.gov.zm

Zambia Institute of Chartered accountants: <http://www.zica.co.zm>

National Construction Council of Zambia: <http://www.ncc.org.zm>

Website: www.postzambia.com

Website: www.times.co.zm

Website: www.daily-mail.co.zm

Website: www.radiophoenix.co.zm

Website: www.muvitv.com

Website: www.znbc.co.zm

Website: www.cacss.co.zm

Website: www.zift.org.zm

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Road and Rail Construction

- Transportation Services and Equipment
- Mining and Mineral Processing Equipment
- Electrical Power Generation, Distribution, and Transmission Equipment
- Tourism Infrastructure Service
- Food Processing and Packaging
- Telecommunications
- Healthcare Services

Agricultural Sectors

- Agricultural Equipment
- Agricultural Chemicals
- Agricultural Extension Services
- Seed
- Aquaculture

#1) Road and Rail Construction

Overview

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Zambia has weak transportation infrastructure, which significantly increases the cost of doing business in Zambia. The railway has the potential to be a dominant mode of transport for heavy goods but is in need of substantial upgrades and improvements in efficiency.

Sub-Sector Best Prospects

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- Architectural/construction/engineering services
- Building products
- Construction equipment
- Railroad equipment
- Used/reconditioned equipment

Opportunities

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The GRZ is implementing the Link Zambia 8000 Project also known as the Accelerated National Roads Construction Program which targets 8,000 kilometers across Zambia at an estimated cost of \$5.6 billion and implemented in phase a period of 5-8 years. Export opportunities exist for the sale of railway wagons, road construction equipment, and engineering services. Investment opportunities may exist for the establishment of a reliable local construction company that has a reputation for accountability and quality to participate in the national road tolling project.

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www.zda.org.zm
www.rda.org.zm
www.nrfa.org.zm

#2) Transportation Services and Equipment

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Zambia has weak transportation infrastructure, which significantly increases the cost of doing business. Most goods travel by road - including all goods transiting Zambia to and from the Katanga Province of the Democratic Republic of the Congo - and there is still a shortage of trucks available for the current volume of goods. The railway has the potential to be a dominant mode of transport for heavy goods but is in need of substantial upgrades and improvements in efficiency.

Sub-Sector Best Prospects

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- Aviation services
- Railway services
- Insurance services
- Leasing services
- Operations/maintenance services
- Transportation services
- Aircraft/parts
- Airport/ground support equipment
- Trucks, trailers, busses
- Vehicles

Opportunities

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New entrants to the commercial airline industry, including Zambezi Airlines, may entail leasing opportunities in Zambia for U.S. companies.

The railway sector is run down and, following GRZ termination of the contract of the prior national rail concession operator, is undergoing restructuring under government operation. Passenger train travel is unreliable and uncomfortable. The GRZ commissioned the 27 kilometer Chipata-Mchinji Railway, connecting the eastern border with Malawi through Nacala Port in Mozambique in August 2010. Other projects include new railway lines from the mining town of Chingola to Solwezi in Northwestern and from Solwezi connecting to the Benguela Railway Line in Angola through to Lobito Bay and a railway line from the farming and mining district of Mumbwa in Central Province connecting to Lusaka.

There are investment opportunities in providing transportation services to the mining, manufacturing, and tourism sectors.

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#3) Mining and Mineral Processing Equipment

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The mining sector has played a leading role in the development of the economy. Several mining companies shut down operations and others scaled back investments during 2008 /early 2009 when there was a decline in world metal prices. However, the sharp increase in global copper prices in mid-2009 resulted in the re-opening some closed mines and substantial new investment in the sector including mines starting as green-field projects. Although the closure created unemployment, there remains a shortage of locally available skilled labor in the sector.

Sub-Sector Best Prospects

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- Mining equipment
- Mineral exploration
- Operations/maintenance services
- Transportation services
- Security/safety equipment
- Trucks
- Pollution control

Opportunities

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All mining companies are required by law to upgrade their mining equipment, particularly smelters, to conform Zambia's mining sector to international regulations and UK and U.S. environmental standards by 2015.

Despite problems within the sector, U.S. companies may find ample local interest in environmentally friendly smelting equipment as well as tunneling and haulage systems. Companies are also likely to continue with plans to replace machinery, equipment, and vehicles. Opportunities also exist for uranium production.

Given global mineral price volatility, the timing may be appropriate for mineral exploration activities, particularly technologies that bring down the cost of extraction.

Mine operators, especially of semi-precious and precious stone mines, continue to report that theft is a constraint to profitability. In this regard, there may be demand for more effective security equipment.

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<http://www.zda.org.zm>
<http://www.zambiamining.co.zm>

#4) Electrical Power Generation, distribution, and Transmission Equipment

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Electricity generation in Zambia is currently dominated by ZESCO Limited, a state-owned company with an installed capacity of 1,890 MW, about 10,000 miles of transmission lines, and about 15,600 miles of distribution lines. ZESCO has national and regional control centers. There are three private entities in the sector; Lunsemfwa Hydro Power (48MW), Copperbelt Energy Corporation (80MW) and Northwestern Energy Company (10 MW). Lunsemfwa sells into the grid and Copperbelt Energy supplies power to the mines and is building Zambia's second interconnect with DR Congo. Northwestern supplies electricity to Lumwana Mine in Northwest Province. Zambia's electricity tariffs are among the lowest in Sub Saharan Africa.

Sub-Sector Best Prospects

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- Electrical power systems
- Electrical power transmission equipment
- Hydro electrical generators
- Turbines
- Alternative energy systems
- Conventional energy systems
- Engineering services
- Power plant personnel training equipment

Opportunities

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Given that a large portion of Sub-Saharan Africa's water resources pass through Zambia, there is significant untapped hydropower potential to not only meet domestic demand but to export to Eastern and Southern African countries. Zambia is connected to the Southern African Power Pool and has plans to connect to the East African Power Pool. Domestic demand often exceeds domestic production due to maintenance and upgrades at major hydropower facilities and brown outs are relatively common.

There may be opportunities for U.S. companies to invest in large and small-scale energy generation and distribution projects, particularly those that supply electricity to manufacturers, mining companies, and farming blocs. New projects at Itezhi Tezhi, Kalungwishi, Mambilima, and Batoka may present opportunities to U.S. exporters. There is also a market for small-scale power generating equipment, such as solar panels and diesel-powered generators for household or commercial use.

In 2010 the GRZ raised ZESCO's electricity rates 25.6% as part of a commitment to raise rates to long-term cost recovery levels by the end of 2010. This could make energy generation projects more attractive to private investors. New incentives for investors in energy sector also include provisions to carry forward tax losses for ten years instead of the five-year limit given to other companies. The GRZ has faced widespread opposition to a proposed raising of electricity tariffs a further 26% in 2013.

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www.zda.org.zm
www.erb.org.zm

#5) Tourism Infrastructure Services

Overview

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Tourism opportunities abound with Zambia's 19 national parks and 34 game management areas as well as the 23 million hectares devoted to the conservation of animals. Livingstone experienced some infrastructure development in 2011. The Zambia Tourist Board launched the re-branding of "Zambia, the Real Africa" to "Let's Explore." There was a rigorous campaign in 2011 to increase the number of tourists from 850,000 to 1 million. Tourism infrastructure investment has concentrated on the town of Livingstone, home of Victoria Falls, which now receives direct flights from Johannesburg, Cape Town, and Addis Ababa. Zambia and Zimbabwe will co-host the 2013 United Nations World Tourism Organization (UNWTO). The conference will take place in Livingstone and Victoria Falls town. Adequate conference facilities and hotel bed capacity is a challenge in both Livingstone and Victoria Falls.

Government has identified tourism development as a central pillar in its strategy to diversify the economy away from an over-reliance on the extractive industries. However, the sector remains constrained by inadequate road infrastructure, limited and costly domestic transportation, relatively high cost of labor and running a business, and insufficient marketing and promotional activities. The country's efforts to market itself as a high-end tourist destination do not always succeed, given its frequent inability to provide services on par with its steep prices. Potential investors are often deterred by the high costs (in terms of time and money) of compliance with government regulations, including operating licenses.

Sub-Sector Best Prospects

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- Travel/tourism services
- Tourism infrastructure services
- Hotel/restaurant equipment
- Transportation services
- Architectural/construction/engineering services
- Advertising services

- Franchising
- Management and Public Relations consulting services

Opportunities

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Prospects exist for investments in (or franchising of) mid-range accommodation, restaurants, car rental, recreational activities, and organized tours. Adventure and ecotourism also present opportunities. There may also be a demand for additional sporting and recreational facilities in Livingstone.

The Zambian Government intends to develop further the tourism sector in Livingstone, which already enjoys VAT free status. The GRZ also plans to develop the “Northern Circuit” of waterfalls as well as the Kasaba Bay area of Lake Tanganyika in Northern Zambia into a full-service tourist destination. The GRZ has also expressed an interest in further developing Kafue National Park to make it more accessible to visitors to Livingstone. Lusaka and Livingstone have become popular conference destinations in recent years. There are many investment opportunities for reasonably priced conference facilities, services, and accommodation. There is also demand for corporate, short-term housing that meets international standards. The co-hosting of the UNWTO conference in Livingstone in August 2013 may also create short-term infrastructure and service needs, along with increased long-term tourism prospects.

To promote Zambia abroad, Government will refund up to 15% of expenses related to filming movies in Zambia. The GRZ allocated \$4 million to the Tourism sector in 2012 compared to \$2.3 million in 2010 for marketing activities.

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[http:// www.zda.org.zm](http://www.zda.org.zm)

#6) Food Processing and Packaging

Overview

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The Zambian Government has established several investment zones (Multi-Facility Economic Zones) to stimulate the manufacturing sector, including food processing.

Sub-Sector Best Prospects

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- Foods – processed
- Food processing/packaging equipment
- Used/Reconditioned equipment

Opportunities

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Local production is currently small and regional demand for processed food is being met mostly by South African firms. Zambia's landlocked location may not make it an ideal candidate for export to the United States or Europe, but may present export opportunities to neighboring DR Congo, Tanzania, Malawi, Mozambique, Namibia, Zimbabwe, and Angola. Demand is likely to increase for food processing equipment such as boilers, chillers, refrigerators, evaporative condensers, and processors, and for packaging and labeling equipment.

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[http:// www.zda.org.zm](http://www.zda.org.zm)

#7) Telecommunications Equipment

Overview

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Although more than 97% of the telephone exchanges are automatic, telecommunication infrastructure remains inadequate especially in rural areas. The Information and Communications Technology (ICT) Bill of 2009 repealed the Telecommunications Act 1994 and the Radio Communications Act 1994 to which transformed the Communications Authority of Zambia (CAZ) to the Zambia Information and Communications Technology Authority (ZICTA). The GRZ liberalized the international telecommunications gateway in 2010.

Sub-Sector Best Prospects

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- Telecommunications equipment
- Telecommunications services
- Telecommunications distribution equipment
- Satellite/microwave equipment
- Broadcasting/receiving equipment
- Audio/video equipment

Opportunities

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Given high costs as well as unreliable and slow bandwidths associated with Internet connectivity in Zambia, 3G mobile phone technology that provides reasonably priced and efficient Internet access is likely to be well received in both urban and rural areas, particularly if coverage could be expanded utilizing new CDMA technology or something comparable.

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Website: www.zda.org.zm

Health Care Services

Overview

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Weak health care service delivery, poor infrastructure, and a lack of specialized equipment are some of the major problems facing public hospitals and clinics countrywide. The GRZ has increased its budget for purchasing essential drugs and medical supplies. Patients are sometimes evacuated to South Africa or India even for treatable ailments due to lack of equipment and high quality health care services.

The government purchases drugs through the Health Ministry's procurement office and the Zambia Public Procurement Authority (ZPPA). The ZPPA issues tenders for supply and delivery of drugs in bulk. Successful bidders deliver the drugs to Medical Stores Limited, a government owned entity, which stores and distributes the products. Some medications are procured by donors directly, in consultation with Ministry of Health.

Sub-Sector Best Prospects

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- Healthcare services
- Insurance services
- Dental equipment
- Pharmaceuticals
- Medical equipment

Opportunities

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There are few companies providing international medical insurance. This may be an area where U.S. companies can participate. Export opportunities abound for affordable medical equipment, supplies, and medicine.

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<http://www.zda.org.zm>
<http://www.moh.gov.zm>

Agricultural Sectors

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#1) Agricultural Equipment

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Agriculture is at the core of the Zambian Government's strategy for rural development and poverty reduction. Only about 15% of Zambia's arable land is currently cultivated. GRZ investment in the national road network and rural feeder roads could create additional opportunities for agricultural growth. Rising global food and commodity prices, as well as Zambia's relatively weak Kwacha, make Zambian exports more competitive and create opportunities for investment and trade. As part of its agricultural development plan, the government is setting aside significant tracts of land to develop commercial farm blocks to attract large-scale private investment into the industry. The Nansanga Block in Central Province was the first block to be put out for tender in December 2010.

Investment and export opportunities have been hampered by the GRZ's intervention in the market through export and import bans on specific crops from time to time, a restrictive policy environment on genetically modified crops, and inefficient fertilizer subsidy programs. GRZ agricultural subsidy programs, however, were dramatically reduced in May 2013, raising prospects for increased productivity in the agricultural sector.

Sub-Sector Best Prospects

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- Agricultural machinery and equipment
- Autos/light trucks
- Commercial fishing equipment
- Forestry/woodworking machinery
- Automotive parts/service equipment
- Leasing services

Opportunities

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There is increasing demand for agricultural equipment, ranging from new and used tractors, harvesters, land clearing equipment, and irrigation devices. New farming blocks such as the proposed 155,000 hectare Nansanga Farming Block in Serenje District will create opportunities for exports of U.S. agricultural equipment. Currently, several USAID projects focus on strengthening links within Zambia's agricultural value chain by improving private sector delivery of extension services.

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<http://www.znfu.org.zm>
<http://www.zda.org.zm>

#2) Agricultural Chemicals

Overview

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In previous years the Zambian Government has directed much of its agricultural budget to a highly politicized and inefficient fertilizer support program, utilizing two companies for distribution. The GRZ is piloting a new system whereby the government provides eligible farmers with vouchers with which to purchase fertilizer from any vendor. This should introduce a measure of competition into the market and stimulate growth in an otherwise undeveloped sector.

Sub-Sector Best Prospects

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- Synthetic fertilizers and other growth agents
- Pesticides
- Fertilizer components

Opportunities

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U.S. companies could supply fertilizers and agriculture chemicals to commercial farmers as well as to local fertilizer producers and retailers. Given high transportation costs, it might be difficult to remain competitive with South African importers on direct exports for fertilizer. U.S. investors may wish to consider investing in local production and/or distribution.

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<http://www.zda.org.zm>

#3) Agricultural Extension Services

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The Zambian Government provides extension services to farmers, but this program has been constrained by inadequate funding levels. There continues to be strong need for technical advice on inputs, soil maintenance, crop management, marketing, and storage. Currently most cooperatives do not provide extension services, but only serve as a purchasing agent for government subsidized fertilizer.

Sub-Sector Best Prospects

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- Agricultural services
- Marketing services
- Education/training
- Veterinary services

Opportunities

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There are investment opportunities for affordable extension services in virtually every agricultural sub-sector, particularly given the interest in diversifying the economy, improving productivity, and expanding into more complicated crops, livestock, and fisheries.

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<http://www.zda.org.zm>

#4) Seed

Overview

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As the Zambian Government introduces greater openness to its fertilizer support program and decreases its presence in the inputs area of the agricultural value chain, industry experts anticipate increased competition and investment within the seed sector.

Sub-Sector Best Prospects

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- Agricultural seed
- Agricultural services
- Marketing services
- Education/training

Opportunities

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Due to rigid import requirements for agricultural seed (including the very restrictive regulatory environment in place for genetically modified organisms), the Zambian Government encourages potential investors to engage in local seed production. Local seed producers have export opportunities within the region.

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<http://www.zda.org.zm>

#5) Aquaculture

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This sector is largely undeveloped in Zambia, although there is growing interest due to reports of overfishing in Zambia's rivers and lakes. Currently, small-scale traders export fish to neighboring countries.

Sub-Sector Best Prospects

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- Commercial fishing equipment
- Agricultural services

Opportunities

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With an abundance of water resources and excess market demand for fish and fish protein, there is no shortage of opportunities within this sector, particularly with regard to commercial fish farming. To be profitable, it must be approached intensively, with heavy stocking densities, sophisticated management, specialized (imported) feeds, and reliable sources of electricity. U.S. companies not interested in investing locally may choose instead to provide professional services and/or inputs.

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<http://www.zda.org.zm>

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Chapter 5: Trade Regulations, Customs and Standards

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Import Tariffs

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Customs valuation is ad valorem on a Cost Insurance and Freight (CIF) basis. A small number of goods may be imported duty-free. These include medicines, pharmaceuticals, veterinary supplies, medical equipment, computer parts, chemicals in bulk, fertilizers, and seeds. Most goods fall into one of three tariff bands: 5% (selected raw materials,

and capital equipment); 15% (intermediate goods); or 25% (final products). Duty on productive machinery for agriculture and mining is zero percent <http://www.zra.org.zm/>.

Trade Barriers

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The Zambian Government frequently pronounces import and export bans on agricultural staples in its efforts to ensure domestic supply. It also maintains a de facto ban on agricultural products with genetically modified content through very restrictive legislation and regulations.

Administrative corruption may be the most serious non-tariff barrier, particularly as it relates to government procurement. Other non-trade barriers include intellectual property infringement, preferential treatment of state-owned enterprises, and an overly cumbersome—and often arbitrary and non-transparent—regulatory environment.

Import Requirements and Documentation

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In general, the Zambian Government does not require import licenses. Certification, however, is required to import meat (certification available from the Veterinary Department), plants and seeds (Mount Makulu Research Station), food and drugs (Ministry of Health and Pharmaceutical Regulatory Authority), and firearms and ammunition (Zambia Police) http://www.zra.org.zm/Good_Exportation_Importation.php.

U.S. Export Controls

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There are no sanctions against Zambia. The U.S. Government requires export licenses for products related to national security, particularly dual-use technology that has commercial and military or proliferation application. Other items that the U.S. Government regulates for export include defense articles, nuclear materials, and controlled substances. The U.S. Government controls exports on a case-by-case basis, examining the following factors: the destination, the end-user, the product, and its end-use. The majority of exports which do require a license are either controlled on the Commerce Control List (CCL), administered by the Commerce Department, or the U.S. Munitions List (USML), administered by the State Department.

For more information on export controls, please visit the following sites:

<http://www.dtic.mil/dtic/stinfo/exportcontrol.html>

http://www.export.gov/regulation/exp_001498.asp

http://www.export.gov/regulation/exp_defense_trade_controls.asp

<http://www.bis.doc.gov/licensing/exportingbasics.htm>

<http://www.treas.gov/offices/enforcement/ofac/articles/ticupdt.pdf>

http://www.access.gpo.gov/bis/ear/ear_data.html#ccl

<http://www.pmdtc.state.gov/>

Temporary Entry

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Visitors are generally permitted to enter the country with goods for their own use. When a visitor's motor vehicle is not covered by a valid carnet, Customs will issue a customs import permit (CIP). For goods not intended for the visitor's own use, permission must be acquired from the Commissioner of Customs. Prior to importation, persons intending to import such goods should seek authority in writing, detailing the goods, value, purposes for importing, and duration of stay in Zambia. The Commissioner will in turn indicate the conditions for importation, which may include a refundable monetary security pending exportation after expiry.

Labeling and Marking Requirements

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Imported food products must have English-language labels that detail ingredients and shelf life of products. If inadequately labeled, these products may be confiscated and destroyed without compensation. Pharmaceutical products must also be labeled in English, detailing ingredients, recommended dosage, shelf life, and any cautionary notes. www.zambialii.org/zm/legislation/consolidated-act/303.

Prohibited and Restricted Imports

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Zambian law prohibits the importation of pornographic, indecent, obscene, or objectionable material, as well as goods produced wholly or in part by prison labor. Regulations related to the importation and transportation of pharmaceuticals are relatively strict. Travelers are strongly encouraged to carry their prescription drugs and medications in original labeled containers, as well as the written prescription from their physician. Travelers who cannot get a doctor's note for their over-the-counter medications, including some cold medicines, must leave them behind or risk arrest.

Customs Regulations and Contact Information

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It is against both Zambian and U.S. law to buy, possess or transport animals or animal products, such as warthog tusks, tortoise shell, rhino horn, elephant ivory or any items made out of these materials. In Zambia, penalties range from large fines to mandatory five-year prison sentences. The Zambian Wildlife Authority has screeners at international ports of entry and will prosecute offenders to the fullest extent of the law. While many of these items are sold in open markets particularly aimed at foreign tourists, it remains the responsibility of the customer to ensure that he/she is not purchasing a prohibited item.

Commissioner – Customs
Zambia Revenue Authority
Revenue House
Kalambo Road
P. O. Box 35710
Lusaka, Zambia
Tel: 260-211-223760
Fax: 260-211-221923
Website: www.zra.org.zm

Standards

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Standards Organizations

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The Zambia Bureau of Standards (ZABS) is the statutory national standards body for Zambia established under the Standards Act, CAP 416 of 1994 of the Laws of Zambia. The ZABS is responsible for standardization, standards formulation, quality control, quality assurance, import and export quality inspection, certification and removal of technical barriers to trade. Several companies have become ISO 9000 certified.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

Conformity Assessment

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The main national testing organization or conformity assessment bodies are the Zambia Bureau of Standards (ZABS), the Food and Drug Control and the Pharmaceutical Regulatory Authority services.

Product Certification

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Manufacturing companies use in-house laboratories to certify products according to standards set by ZABS. ZABS has signed memorandums of understanding with ASTM International (2004), International Standards Organization and other regional bodies.

Accreditation

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ZABS is the accreditation body in Zambia. Below is a list of sector laboratories in Zambia:

- Petroleum Laboratory
- Condoms Testing Laboratory
- Packaging Materials Testing Laboratory
- Microbiology Laboratory
- Meat and Milk Laboratory
- Chromatography Laboratory
- Paint Testing Laboratory
- General Chemistry Laboratory
- Inorganic Laboratory and
- Textile Laboratory

Publication of Technical Regulations

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The Zambia Development Agency issues a monthly publication, "ZDA Newsletter," containing updates on technical regulations, in collaboration with ZABS. The "Zambia Gazette" also provides information related to new legislation.

Labeling and Marking

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English-language labeling is required for all imported food and pharmaceutical products.

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Zambia Bureau of Standards (ZABS)
Lechwe House, Freedom Way
P. O. Box 50259
Lusaka, Zambia
Tel: 260-211 231 385
Fax: 260-211 238 483
Email: zabs@zamnet.zm
Website: www.zabs.org.zm

Patents and Companies Registration Agency
Mwayi House, Haile Selassie Avenue
P. O. Box 32075
Lusaka, Zambia
Tel: 260-211 255 151
Fax: 260-211 255 426
Website: www.pacra.org.zm

Pharmaceutical Regulatory Authority
Plot 6903, Tuleteka Road
P. O. Box 31890

Lusaka, Zambia
Tel: 260-211 220 429
Fax: 260-211 230 458
Email: pharmacy@pra.gov.zm
Website: www.pra.gov.zm

Commercial Office
Embassy of the United States of America
P. O. Box 31617
Lusaka, Zambia
Tel: 260-211 357000
Email: commercialusaka@state.gov

Trade Agreements

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Zambia belongs to the 19-member Common Market for Eastern and Southern Africa (COMESA), which allows for preferential tariff duties between member states. In 2008, COMESA agreed to harmonize its FTA with that of the East African Community (EAC) and the Southern African Development Community (SADC). Zambia also belongs to the 14-member SADC, which established an FTA in 2008.

Zambia has duty-free and quota-free access to the EU market under the "Everything but Arms" (EBA) scheme for the world's least-developed countries (LDCs).

Zambia is also eligible for trade benefits under the African Growth and Opportunity Act (AGOA), which provides duty-free/quota-free access to the U.S. market for most goods, including textile and apparel.

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COMESA: <http://www.comesa.int>
SADC: <http://www.sadc.int>
U.S. Embassy Consular
website: <http://zambia.usembassy.gov/zambia/consular.html>
http://eeas.europa.eu/delegations/zambia/eu_zambia/trade_relation/epa/index_en.htm

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Chapter 6: Investment Climate

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Openness to Foreign Investment

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The Government of the Republic of Zambia (GRZ) seeks foreign investment through the Zambia Development Agency (ZDA) which was established in January 2007 through the consolidation of a number of trade and investment promotion entities as a one-stop resource for international investors interested in Zambia.

The major laws affecting foreign investment in Zambia include:

- The Zambia Development Agency Act of 2006, which offers a wide range of incentives in the form of allowances, exemptions and concessions to companies.
- The Public-Private Partnership (PPP) Act of 2009, which established a PPP Unit under the Ministry of Finance and National Planning to promote and facilitate privately financed infrastructure projects and effective delivery of social services. The GRZ has stated plans to merge the Zambia Development Agency and the PPP Unit to establish an Industrial Development Commission under the Ministry of Commerce, Trade and Industry to enhance capacity for the country's economic development. Progress on projects brought to the PPP Unit stalled following the election of the new Patriotic Front (PF) government in September 2011.
- The Companies Act of 1994, which governs the registration of companies in Zambia. In 2012, changes to the Companies Act were proposed which could impose indigenization requirements ranging from zero to fifty-one percent on foreign-invested companies, depending on the size of the investment. Any revisions to the Companies Act, however, remain in draft.
- General incentives to investors in various sectors are provided in assorted legislation that governs the Zambia Revenue Authority (ZRA), including the Customs and Excise Act, Income Tax Act of 1966 and the Value Added Tax Act of 1995.
- The Employment Act Cap 268, Zambia's basic employment law that provides for required minimum employment contractual terms.
- The Immigration and Deportation Act Cap 123, which regulates the entry into and residency in Zambia of visitors, expatriates and immigrants.

The Zambian judicial system has a mixed record in upholding the sanctity of contracts. The judicial process is lengthy and inefficient. Many magistrates lack experience in commercial matters.

No distinction exists in Zambian law between foreign and domestic investors, though changes to the Companies Act, which could create such distinctions, were proposed in 2012. Investors are free to invest in any sector of the economy and are entitled to incentives provided through the ZDA Act of 2006 (discussed later in this report). In the privatization process, foreign investors are eligible to bid on state-owned companies. Non-Zambians may also invest in the Lusaka Stock Exchange without restriction and on terms comparable to those Zambians receive. Companies seeking licenses or concessions or investors bidding for privatized companies are encouraged to seek local partners, although it is not clear how such commitments are weighed when licensing decisions are made by the ZDA.

The ZDA board screens all investments for which incentives are requested and usually makes its decision within 30 days. The reviews appear routine and non-discriminatory and applicants have the right to appeal the investment board decisions. The ZDA board is comprised of 16 members, including representatives from various government and private sector stakeholders.

An investment can be subject to review for determination of sector or value and filing is mandatory. An investment application is subjected to a screening mechanism to determine, among other things: the extent to which the proposed investment will help create employment and the development of human resources; the degree to which the project is export oriented; the impact the proposed investment is likely to have on the environment and, where necessary, the measures proposed to deal with an adverse environmental consequence, in accordance with the Environmental Protection and Pollution Control Act; the possibility of the transfer of technology; and any other considerations that the Board considers appropriate.

The possible outcome of the review could be prohibition or imposition of additional requirements, especially where adverse environmental issues arise. The reviews are generally completed in a timely manner. An investor may, within fourteen days of receiving a Board decision, appeal the decision to the Minister of Finance and National Planning. Within thirty days of receiving the appeal, the Minister may confirm, set aside or amend the decision of the Board. An investor dissatisfied with the decision of the Minister may, within thirty days, appeal to the High Court of Zambia against the decision. No negative reports have been received from U.S. firms concerning this process.

The ZDA Act does not discriminate against foreign investors, and all sectors are open to both local and foreign investors. The Citizens' Economic Empowerment Commission is working with the Zambia Public Procurement Authority to implement preferential procurement that would support Zambian-owned and based firms.

The following table indicates where the GRZ ranks in various indices related to openness to foreign investment prepared by think tanks and other organizations, including the Millennium Challenge Corporation (MCC):

Measure	Year	Index/Ranking
---------	------	---------------

TI Corruption Index	2012	3
Heritage Economic Freedom	2012	58.3
World Bank Doing Business	2012	84
MCC Gov't Effectiveness	2013	0.22 / 71%
MCC Rule of Law	2013	0.44 / 85%
MCC Control of Corruption	2013	0.36 / 78%
MCC Fiscal Policy	2013	-2.8 / 55%
MCC Trade Policy	2013	82.3 / 96%
MCC Regulatory Quality	2013	0.33 / 76%
MCC Business Start Up	2013	0.942 / 75%
MCC Land Rights Access	2013	0.65 / 69%
MCC Natural Resource Mgmt	2013	100.0 / 100%

Conversion and Transfer Policies

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There are no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments and lease payments) into freely usable currency and at a legal market-clearing rate. 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/or remit wages earned in Zambia without difficulty. No exchange controls exist in Zambia for anyone doing business as either a resident or non-resident. Additionally, there are no restrictions on non-cash transactions.

Over-the-counter cash conversion of the local currency, the Kwacha, into foreign currency is restricted to a \$5,000 maximum per transaction for account holders and \$1,000 for non-account holders. There are no known plans to change remittance policies affecting foreign exchange for investment remittance.

Investors can remit through a legal parallel market, including one utilizing convertible, negotiable instruments, and there is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs. There are no surrender requirements for profits earned overseas.

Expropriation and Compensation

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Investments may only be legally expropriated by an act of Parliament relating to the specific property expropriated. Although the ZDA Act states that compensation must be at a fair market value, the method for determining fair market value is ill defined. Compensation is convertible at the current exchange rate. The ZDA Act also protects investors from being adversely affected by any subsequent changes to the Investment Act of 1993 for seven years after initial investment.

Leasehold land, which is granted under 99-year leases, may revert to the government if it is ruled to be undeveloped after a certain amount of time (generally five years). Land title is sometimes questioned and land is re-titled to other owners.

In 2012, the GRZ took several actions similar to expropriation, reversing the privatization of one state owned enterprise (SOE) and terminating two government concessions. In all three instances, full compensation for GRZ actions has yet to be finalized, though GRZ figures for 2012 foreign direct investment reflect a significant offset for the return of foreign acquisition capital. In January 2012, the GRZ reversed the June 2010 sale of the SOE Zambia Telecommunications Company (Zamtel) to Libya's LAP GreenN, which acquired a 75 percent shareholding in Zamtel for \$257 million. The GRZ unilaterally reversed the sale and reappropriated the telecom company citing corruption and flaws in the privatization process. LAP GreenN has since challenged the decision in the courts of law. In September 2012, the GRZ terminated and re-acquired its concession agreement with the country's largest railway operator, Railway Systems of Zambia (RSZ). The GRZ said termination of the concession, which had been expected to last until 2023, was necessitated by RSZ's inefficiencies, including high levels of derailments and the loss of life and property. The concession was returned to Zambia Railway, the parastatal former operator of the railway networks in Zambia. In November 2012, the GRZ also terminated its concession agreement with the privately owned Zambia Border Crossing Company to manage the Kasumbalesa border post with the Democratic Republic of the Congo along with five other border concessions for Jimbe (with Angola), Nakonde (with Tanzania), Chanida (with Mozambique), Kipushi (with Congo DR) and Mwami (with Malawi). The GRZ cited smuggling and loss of revenues in terminating the concession, which had been awarded as a PPP on a design, build and operate basis.

The GRZ does not discriminate against investors or U.S. investments, companies or representatives in expropriation.

Dispute Settlement

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Relatively few investment disputes involving U.S. companies have occurred since the economy was liberalized following the introduction of multi-party democracy in 1991. The Zambian Investment Code stipulates that claimants must first file internal dispute settlements with the Zambian High Court. Failing that, the parties may go to international arbitration, which the state recognizes as binding. Zambia is a member of the International Center for the Settlement of Investment Disputes (ICSID) and the United Nations Commission of International Trade Law (UNCITRAL).

Previous disputes involved delayed payments from state-owned enterprises to U.S. companies for goods and services and the delayed deregistration of a U.S.-owned aircraft that was leased to a Zambian airline company that went bankrupt.

The courts in Zambia are somewhat independent, but contractual and property rights enforcement is weak, and final court decisions can take a prohibitively long time. The Foreign Judgments (Reciprocal Enforcement) Act, Chapter 76, of the Laws of Zambia (cited as the Act) makes provision for the enforcement in Zambia of judgments given in foreign countries that accord reciprocal treatment. The registration of a foreign judgment is not automatic. In 2010, a Lusaka High Court Judge ruled that a London civil judgment against former president Frederick Chiluba could not be registered in a Zambian court, despite contrary precedent.

The Bankruptcy Act Cap 82 of the Laws of Zambia provides for the administration of bankruptcy of the estates of debtors and makes provision for punishment of offenses

committed by debtors. It also provides for reciprocity in bankruptcy proceedings between Zambia and other countries and provides for matters incidental to and consequential upon the foregoing. This applies to individuals, local and foreign investors. Bankruptcy judgments are made in local currency, but can be paid out in any international convertible currency.

The Zambian Arbitration Act No. 19 of 2000 applies to both domestic and international arbitration and is based on the UNCITRAL Model Law. Arbitration agreements must be in writing. Parties may appoint an arbitrator of any nationality, gender or professional qualifications. Foreign lawyers cannot be used to represent parties in domestic or international arbitrations taking place in Zambia. There are no facilities that provide online arbitration, although there is an arbitral institution, the Zambia Institute of Arbitrators. Arbitration awards are enforced in the High Court of Zambia, and judgments enforcing or denying enforcement of an award can be appealed to the Supreme Court. On average, it takes about 14 weeks to enforce an arbitration award rendered in Zambia, from filing an application to a writ of execution attaching assets. It takes about 18 weeks to enforce a foreign award. Contracts involving state entities commonly rely upon arbitration as a dispute resolution tool.

Zambia is party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, which entered into force on June 7, 1959, and party to the Convention of the Settlement of Investment Disputes between States and Nationals of Other States of 1965 and entered into force on October 14, 1966. These are being enforced through the Investment Disputes Convention Act Cap 42 of the Laws of Zambia

Performance Requirements and Incentives

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The GRZ strives to be consistent with Trade Related Investment Measures (TRIMs) requirements and generally abides by the WTO's TRIMs obligations.

Priority sectors under the ZDA Act include: agriculture, manufacturing, mining and tourism. The ZDA Act of 2006 offers a wide range of incentives in the form of allowances, exemptions and concessions for companies, which are applied uniformly to both local and foreign investments. Investors who invest at least \$10 million in an identified sector or product are entitled to incentives stipulated under the ZDA Act. Investors who invest at least \$500,000 in a Multi-Facility Economic Zone (MFEZ) and/or in a sector or product provided for as a priority sector or product under the ZDA Act are entitled, in addition to general incentives, to:

- Zero percent tax rate on dividends for five years from the first year of declaration of dividends.
- Zero percent tax on profits for five years from the first year profits are made. For year six to eight, only 50 percent of profits are taxable, and for years nine and ten, only 75 percent of profits are taxable.
- Zero percent import duty on raw materials, capital goods and machinery, including trucks and specialized motor vehicles, for five years.
- Deferment of VAT on machinery and equipment, including trucks and specialized motor vehicles.

Foreign investors receive national treatment under Zambia's tax system. Manufacturing, mining, and hotel structures qualify for a depreciation allowance of five percent per year, plus an initial allowance of ten percent of the cost in the year in which the building was first used. Equipment, machinery, and plants used exclusively for farming, manufacturing, and tourism qualify for a depreciation allowance of 50 percent. Capital expenditures on farm improvements qualify for a farm improvement allowance of 20 percent per year for the first five years after improvement. Capital expenditure allowance on the growing of coffee, tea, bananas, citrus fruits, or similar plants qualifies for a development allowance of ten percent per year through the first year of production. A farm work allowance of 100 percent applies to certain farmland expenditures. The depreciation allowance for non-commercial vehicles is 20 percent (straight-line depreciation). Expenditure on other assets used in generating income qualifies for a depreciation allowance of 25 percent (straight-line depreciation).

Although performance requirements are not imposed, authorities expect commitments made in applications for investment licenses to be fulfilled. There are no requirements for local content, equity, financing, employment, or technology transfers. Government does not impose offset requirements or impose conditions on permission to invest in specific geographic area or local content, but investors are encouraged to employ local nationals.

The 2012 National Budget removed a five percent customs duty on helicopters and micro-lights for use in the tourism sector. The export duty applicable on copper and cobalt concentrates has been reduced from 15 to 10 percent and extended to cover all unprocessed or semi-processed minerals. This extension is intended to encourage local processing and value addition. In the 2013 National Budget, GRZ removed customs duties on a wide range of mechanical and electrical machines, machine tools and vehicles, including locomotives and carriages, refrigerated fishing vessels, cruise and ferry boats, dredgers, and motor cycles and ambulances.

Government requires that all international firms licensed operating a domestic cellular telephone network offer ten percent of shares on the Lusaka Stock Exchange, per commitments made by agreement prior to entering the market. Investors are required to disclose proprietary information to ZDA as part of the regulatory approval process.

Notwithstanding the provisions of the Immigration and Deportation Act of 1994, a foreign national who invests a minimum of \$250,000 or equivalent in convertible currency is entitled to a self-employment permit and employment permits for up to five expatriates. In practice, however, some foreign companies have had difficulty securing these permits, especially smaller-scale investors.

Import restrictions are in force on poultry and meat products and genetically modified products for environmental, health and security reasons. Import licensing is required for most agricultural products, and Zambia does not apply trade sanctions. Food imports must satisfy the provisions of the Food and Drugs Act of September 1978, which requires packaging and labeling requirements to be in English. In 2011, a consignment of assorted food products that were labeled in Chinese were destroyed at the Chirundu border post for not meeting the packaging and labeling requirements.

Foreign and domestic private entities have a right to establish and own business enterprises and engage in all forms of remunerative activities, and no business ventures are reserved solely for the government. Although private entities may freely establish and dispose of interests in business enterprises, investment board approval is required to transfer an investment license for a given enterprise to a new owner. Private enterprises have occasionally complained that the playing field is not level when they compete with public enterprises for licenses or concessions.

Protection of Property Rights

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The ZDA Act assures investors that property rights will be respected. Secured interests in property, both movable and real, are recognized and enforced. The ZDA Act provides for legal protection and facilitates acquisition and disposition of all property rights such as land, buildings and mortgages. The ZDA is working with the Commissioner of Lands to develop a fast-tracking system for identifying land for investment in priority sectors.

The legal framework for trademark protection in Zambia is adequate. There are fines for revealing business proprietary information; they are not large enough, however, to penalize disclosure adequately. Copyright protection is limited and does not cover computer applications. Enforcement of intellectual property rights is weak in Zambia and courts have little experience with commercial litigation.

Zambia's patent laws conform to the requirements of the Paris Convention for the Protection of Industrial Property, to which Zambia is a signatory. It takes a minimum of four months to patent an item or process. Duplicative searches are not done, but patent awards may be appealed on grounds of infringement.

Zambia is a signatory to a number of international agreements on patents and intellectual property, including the World Intellectual Property Organization (WIPO), Paris Union, Bern Union, African Regional Industrial Property Organization (ARIPO), and the Universal Copyright Convention of UNESCO. National laws are generally adequate in protecting intellectual property rights, and recent enforcement has been effective against pirated musical and video recordings, cosmetics and software. Small-scale trademark infringement occurs for some packaged goods through copied or deceptive packaging.

Transparency of Regulatory System

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The government has made strides toward introducing transparent policies to foster competition, although complaints arise from time to time. In the agricultural sector, GRZ interventions through the purchase of maize (corn) at subsidized prices and the distribution of subsidized fertilizer undercut the private sector's capacity to enter these markets. The unpredictability of import and export bans on commodities, especially maize and other grains is a deterrent to private sector participation in commodity markets.

Labor laws provide for extremely generous severance pay, leave, and other benefits to workers, which can impede investment. Such rules do not apply to personnel hired on a short-term basis. As such, the vast majority of Zambian employees are hired on an

informal or short-term basis. In July 2012, the GRZ revised the Minimum Wages and Conditions of Employment Act, Cap 276, of the Laws of Zambia for various categories of workers following the amendment of statutory instruments order 2011 No. 1 of 2011, order 2011 No. 2 of 2011 and order 2011 No. 3 of 2011. The upward revision of wages caused industrial unrest as most employers could not pay the revised wages and opted to temporarily close operations.

The GRZ has established a One-Stop Shop and e-Registry primarily to streamline bureaucratic procedures and requirements faced by entrepreneurs at business start-up stage. Services include business name registration, company incorporation, tax registration, employer registration for the employee pension scheme, loan application, MSE registration through the Zambia Development Agency, Immigration and licensing bodies such as the Zambia Wildlife Authority and Zambia Environment Management Agency. In December 2012, the Minister of Tourism and Arts dismissed the Director General of the Zambia Wildlife Authority and four other directors for allegedly corrupt practices in the issuance of hunting concessions, cancelling concessions already awarded by the administration.

Proposed laws and other statutory instruments (regulations) are usually not vetted with interest groups or published in draft form for public comment before coming into effect. Opportunities for comment on proposed laws and regulations sometimes exist through trade associations, such as the American Chamber of Commerce in Zambia – established in 2011 – Zambia Chamber of Commerce and Industry (ZACCI), Zambia Association of Manufacturers (ZAM), Zambia Chamber of Mines and Zambia Business Forum. In general, however, consultation with stakeholders when developing legislation and regulations has decreased.

Although the underpinnings of an efficient system to handle court disputes exist, Zambian courts are relatively inexperienced in the area of commercial litigation. This, coupled with the large number of pending commercial cases, keeps the regulatory system from being prompt and transparent. Some measures to promote resolution of disputes by mediation have been implemented in an attempt to clear the case backlog. The courts support alternative dispute resolution, including a mechanism for binding arbitration. In 2004, the High Court established a commercial division to adjudicate high-value claims. This fee-based system has accelerated resolution of such cases.

Efficient Capital Markets and Portfolio Investment

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Government policies generally facilitate the free flow of financial resources to support the entry of resources in the product and factor market. Banking supervision and regulation by the Bank of Zambia (BoZ), the central bank, has improved over the past few years. Improvements include revoking licenses of some insolvent banks, denying bailouts, limiting deposit protection, strengthening loan recovery efforts, and upgrading the training and incentives of bank supervisors.

Although some improvements have been registered in recent years, credit to the private sector is expensive and readily available only for low-risk investments. The persistence of high interest rates led the GRZ to direct the Bank of Zambia to cap commercial lending rates at 18.25 percent in December 2012, effective January 2013. The Bank of

Zambia subsequently capped lending by non-banking financial institutions, including microfinance lenders, at 42 percent in January 2013.

One factor inhibiting lending is a culture of tolerating loan default, which many borrowers view as a minor transgression. Despite the licensing of Zambia's first credit rating agency in 2007 – Credit Reference Bureau Africa Limited – lender data reporting remains erratic and credit rating information is not widely available. In addition, high returns on government securities have historically encouraged commercial banks to invest heavily in government debt, to the exclusion of financing productive private sector investments. Banking officials acknowledge that they need to upgrade the risk assessment and credit management skills within their institutions in order to better serve borrowers. At the same time, they argue that widespread financial illiteracy limits borrowers' ability to access credit. Banks provide credit denominated in foreign currency only for investments aimed at producing goods for export. Banks provide services on a fee-based model and banking charges are generally high. Home mortgages are available from several leading Zambian banks, although interest rates are still very high. Nineteen banks operate in Zambia, including Citibank. Zambia's largest banks are Zambia National Commercial Bank (Zanaco), Barclays Bank Zambia Limited, Standard Chartered Bank Limited and Stanbic Zambia Limited.

The 17-year old Lusaka Stock Exchange (LuSE) is structured to meet international recommendations for clearing and settlement system design and operations. There are no restrictions on foreign participation in the LuSE, and foreigners may invest in stocks on the same terms as Zambians. The LuSE has offered trading in equity securities since its inception and, in March 1998, the LuSE became the official market for selling Zambian Government bonds. Investors intending to trade in a listed security or government bond are now mandated to trade via the LuSE. The market is regulated by the Securities Act of 1993 and enforced by the Securities and Exchange Commission of Zambia. The secondary trading of financial instruments in the market is very low or non-existent in some areas. At the end of 2011, 22 companies were listed on the LuSE.

In September 2012, Zambia raised \$750 million on its debut 10-year Eurobond. Both the amount and yield of the issuance exceeded expectations. The bond was issued with a 5.625 percent yield and was raised from \$500 to \$750 million. The issuance was greatly oversubscribed, with an excess of \$11 billion in orders received. The GRZ has stated plans to use proceeds from the issue to upgrade national infrastructure, particularly in the transport and energy sectors.

Private firms are open to foreign investment through mergers and acquisitions. The Competition Consumer Protection Commission (CCPC) reviewed and handled 23 big mergers and acquisitions in 2011, including Bharti Airtel's purchase of Zain/Celtel Zambia, the purchase through privatization of Zamtel by LAP Green, the acquisition of Chevron's assets in Zambia by Engen Petroleum, Wal-Mart Stores' takeover of Game Stores through the acquisition of Massmart Holdings Limited of South Africa, Barrick Gold Corp takeover of Equinox Lumwana Copper Mines, the purchase of BP shares in Southern Africa, including BP Zambia by Puma Energy, and the Jinchuan Group Limited takeover of Metorex Chibuluma Copper Mine.

There are few state-owned enterprises (SOEs) remaining in Zambia, and all have serious operational and management challenges. ZESCO Ltd is responsible for generation, transmission, and distribution of electricity in Zambia. Two private entities are contracted to supply electricity to some mines. Copperbelt Energy Corporation supplies electricity to mining companies on the Copperbelt, while North-Western Energy Company supplies power to Lumwana (Barrick Gold) Mine in Solwezi.

Private enterprises are allowed to compete with public enterprises under the same terms and conditions with respect to access to markets, credit and other business operations, such as licenses and supplies. Zambia has a pipeline of privately developed hydro-power projects. To name but a few: a \$650-million project with Lunzua Power Authority for the construction of a 93-MW power plant at Kabweluma; a 151-MW power plant at Kundabwika; a 40-MW power project to be undertaken by Copperbelt Energy Corporation, with partners; and the \$250-million Itezhi Tezhi Hydro power project to produce 120 MW by ZESCO and Tata Africa Corporation.

The SOEs are governed by Boards of Directors that are appointed by Government, with consultations and participation of the private sector. The chief executive of the SOE reports to the Board Chairperson. In the event that the SOE declares dividends, these are paid to the Ministry of Finance and National Planning. The Board Chairperson is informally obligated to consult with government officials before making decisions. Zambia does not have a Sovereign Wealth Fund.

Zambian SOEs are audited by the Auditor General's Office, as required by law and using international reporting standards. The audited reports are submitted to the President for tabling in the National Assembly, in accordance with the provisions of Article 121 of the Constitution of Zambia and the Public Audit Act, Cap 378, of the Laws of Zambia. The audits are carried out annually, but delays in finalizing and publishing results are common.

Corporate Social Responsibility

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The concept of corporate social responsibility (CRS) has recently gained traction in Zambia. General awareness of corporate social responsibility exists among both producers and consumers. Some local and foreign enterprises tend to follow generally accepted CSR principles, such as the OECD Guidelines for multinational enterprises, while other foreign firms ignore complex issues, such as labor rights, environmental protection, bribery, corruption and human rights. The firms that pursue CSR are viewed favorably by the government and the communities in which they operate.

Political Violence

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Zambia does not have a history of significant political violence. Zambia held relatively peaceful presidential, parliamentary and local government elections in September 2011 which ushered in a change of governing party from the Movement for Multiparty Democracy (MMD) to the Patriotic Front (PF), led by now-President Michael Sata. Infrequent student protests sometimes turn violent, but they are generally short-lived and confined to small areas in and around universities. Tensions have been rising in Western Province over the rights under the Barotseland Agreement of 1964. In January

2011, protests in Mongu and Limulunga turned violent resulting in two deaths, several injuries, and hundreds of arrests. We advise caution when traveling to the Mongu area. In August 2012, Zambian miners killed a Chinese manager at a Chinese-owned coal mine in Southern Province during a riot over low wages and dangerous working conditions.

Corruption

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Zambia's anti-corruption activities are governed by the Anti-Corruption Act of 2010 and the National Anti-Corruption Policy of 2009, which stipulate penalties for different offenses. While legislation and stated policies on anti-corruption are adequate, implementation sometimes falls short. Zambia lacks adequate laws on whistleblower protection, asset disclosure, evidence, and freedom of information.

Zambia signed and ratified the United Nations Convention Against Corruption in December 2007. Zambia is also a party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. Other regional anti-corruption initiatives are the Southern Africa Development Community (SADC) Protocol Against Corruption, ratified on July 8, 2003, and the African Union (AU) Convention on Preventing and Combating Corruption, ratified on March 30, 2007.

U.S. firms and the Zambian government have identified corruption as an obstacle to foreign direct investment. Corruption is most pervasive in government procurement and dispute settlement. Giving or accepting a bribe by a private, public or foreign official is a criminal act, and a person convicted of doing so is liable to a fine or a prison term not exceeding five years. A bribe by a local company or individual to a foreign official is a criminal act and punishable under the laws of Zambia. A local company cannot deduct a bribe to a foreign official from taxes.

The Anti-Corruption Commission (ACC) is the agency mandated to spearhead the fight against corruption in Zambia. The Anti-Money Laundering Unit of the Drug Enforcement Commission (DEC) also assists with investigation of allegations of misconduct. An independent Financial Intelligence Unit (FIU) was formed in 2010, but has not yet developed the capacity to take the lead in investigating financial crimes. In November 2012, the FIU Board of Directors was appointed and sworn in with a challenge to implement its mandate. Zambia's anti-corruption agencies generally do not discriminate between local and foreign investors.

Transparency International has an active Zambian chapter. The GRZ encourages companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials. The Integrity Committees (ICs) Initiative is one of the strategies of the National Anti-Corruption Policy (NACP), which is aimed at institutionalizing the prevention of corruption. The NACP was approved by the previous government in March 2009, and its implementation is spearheaded by the Anti-Corruption Commission. Eight institutions were targeted, including the Zambia Revenue Authority, Immigration Department and Ministry of Lands. Most companies have effective internal controls, ethics and compliance programs to detect and prevent bribery. The PF government has not yet signaled whether it will follow the NACP or develop a new policy to fight corruption; although President Sata has said that anti-corruption will be a central pillar of his presidency.

Bilateral Investment Agreements

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Zambia has signed bilateral reciprocal promotional and protection of investment protocols with most of the Common Market for Eastern and Southern Africa (COMESA) and the SADC member states. In November 2001, COMESA signed a Trade and Investment Framework Agreement with the United States. On October 2, 2000, Zambia became a beneficiary of the African Growth and Opportunity Act (AGO). Zambia initialed market access through the Eastern and Southern Africa (ESA) interim Economic Partnership Agreement (IEPA) with the European Union on September 30, 2008. In completing these negotiations, the provisions of trade in goods chapter and related annexes of the ESA IEPA now apply to Zambia. Zambia has signed protective agreements with Chinese, Nigerian, Libyan and Indian investors.

Zambia does not have a bilateral investment treaty or a bilateral taxation treaty with the United States.

OPIC and Other Investment Insurance Programs

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An OPIC/Zambia agreement was signed in June 1999. Zambia is also a signatory to the Multilateral Investment Guarantee Agency (MIGA), which guarantees foreign investment protection in cases of war, strife, disasters, other disturbances, or expropriation. In June 2001, the World Bank extended credit in the amount of \$5 million to start up the African Trade Insurance Agency (ATI). This institution, which is open to all African states that are members of the AU, provides exporters with insurance against receivables on export trade deals and political risk insurance for trade transactions. In the event that OPIC should pay an inconvertible claim, the local currency accepted by OPIC would be made available, pursuant to the bilateral agreement providing for the OPIC program, to the Mission/ATI on a priority basis for USG expenses.

The Embassy uses approximately \$33.7 million in Zambian Kwacha per year. Kwacha were purchased at the average market exchange rate of K5, 135 to the U.S. dollar in 2012. Note: The Zambian Kwacha was rebased, effective January 1, 2013, dropping the final three zeros from the currency; 20,000 old Kwacha becomes 20 rebased Kwacha. Zambia's foreign exchange rates track closely with international copper prices. As such, when copper prices rise, the Kwacha generally appreciates in value.

Labor

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Although an abundance of unskilled labor exists in Zambia, investors complain that the supply of skilled and semi-skilled labor is inadequate. The government adheres closely to International Labor Organization (ILO) conventions. Labor-management relations vary by sector. The minimum monthly entitlement for any permanent employee, including general workers, is approximately Kwacha 700 rebased (\$135). The new government reviewed and amended labor policy and labor laws which raised the minimum wage levels for different categories of workers. The revised minimum wages caused industrial

unrest in most manufacturing and service industries while some companies opted to lay off some workers as they could not meet the upward revised minimum wages.

Foreign-Trade Zones/Free Ports

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An investor may apply to be appointed and licensed by the Commissioner General to establish and operate a bonded factory under Section 65 of the Customs and Excise Act. In early 2007, the GRZ announced the creation of multi-facility economic zones (MFEZ) in which investors enjoy waivers on customs duty on imported equipment, excise duty and value added tax, among other concessions. Foreign-owned firms like any investor do enjoy the same investment opportunities in Foreign Trade Zones.

On October 31, 2000, the COMESA Free Trade Area (FTA) was launched. COMESA established a customs union in June 2009, during the 13th Summit of the COMESA Heads of State and Government. The top five intra-COMESA exports from Zambia include tobacco, raw sugarcane, wire, refined copper and cement.

The SADC (Southern Africa Development Community) Trade Protocol Member States, a regional grouping of 13 African states, came into force in 2008. The protocol promotes regional integration through trade development and develops natural and human resources for the mutual benefit of their people. Trade among SADC member states is conducted on reciprocal preferential terms. Rules of Origin define the conditions for products to qualify for preferential trade in the SADC region. Products have to be 'wholly produced' or 'sufficiently processed' in the SADC region to be considered compliant with Rules of Origin. The Rules of Origin for SADC are product-specific and not generic, as are the ones for COMESA.

Foreign Direct Investment Statistics

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The ZDA compiles data on investment commitments from investors who obtain investment licenses at the ZDA and from other investment reports. Investors in mining projects do not invest through the ZDA, but instead work with the Ministry of Mines and Mineral Development. ZDA data are, therefore, incomplete and should not be considered a complete measure of foreign direct investment (FDI). They are, however, the only FDI data available in Zambia. Current estimated FDI stock as a percentage of GDP is 23 percent, according to 2011 ZDA data. Zambia recorded a drop in FDI in early 2012, primarily due to a significant offset for the return of foreign acquisition capital related to the re-acquisition of Zamtel from Libya's LAP GreenN. This drop in FDI may also have been influenced by investor concerns regarding PF management of the economy, including economic policy volatility, de facto business expropriations, and the deportation of several foreign investors without due process.

Below is a summary of investment pledges in U.S. Dollars for 2010 and 2011

Sector	2010	2011
Agriculture	194,346,500	482,550,696
Construction	86,810,000	73,384,279
Education	214,600,000	3,578,633

Energy	570,200,000	1,098,600,000
Financial Institutions	-	52,800,000
Health	22,490,000	13,298,000
ICT	161,729,000	20,450,000
Manufacturing	1,907,061,350	712,234,051
Mining	986,350,000	429,398,615
Real Estate	413,639,000	821,476,779
Service	99,806,630	145,914,489
Tourism	127,177,812	742,218,420
Transport	4,100,000	42,387,426
Total	4,788,310,292	4,638,291,388

Pledged investments in US \$

Source: Zambia Development Agency, Research, Planning and Policy Division, 2011

Summary of Investment pledges from the United States for 2010 and 2011

Sector	2010	2011
Construction	550,000	550,000
Manufacturing	31,585,000	6,317,000
Mining	-	25,000,000
Real Estate	2,000,000	-
Tourism	1,024,850	600,000
Transport	-	7,501,000
Totals	35,159,850	39,918,000

Pledged investments in US \$

Source: Zambia Development Agency, Research, Planning and Policy Division, 2011

National Level Actual FDI Inflows by Source Country – 2010 to 2011

Country	2010 US\$ millions	2011 US\$ millions
Australia	389.40	40.00
British Virgin Islands	271.80	87.30
Canada	443.40	590.70
China	32.40	6.60
France	-2.30	28.00
India	-17.00	19.80
Mauritius	1.90	8.10
Netherlands	78.80	59.30
South Africa	-51.30	21.20
Sweden	18.40	2.00
Switzerland	-15.20	19.20
Tanzania	36.20	-0.90
United Arab Emirates	18.00	-3.90
United States	250.60	-24.40
United Kingdom	-3.20	5.70

Zimbabwe	-6.60	-2.90
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Source: Private Capital Flows and Investor Perceptions Survey, 2010 and 2011 Reports

Note:

The outflows are represented by a negative (-) sign.

The FDI statistics for 2011 are for the first and second quarter of the year only.

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Chapter 7: Trade and Project Financing

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How Do I Get Paid (Methods of Payment)

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Credit is the most common method of payment used for Zambian imports. In general, Zambian companies find it difficult to finance their own imports and seek credit arrangements, but businesses considering offering their exports on credit should make a very careful check of the bona fides and finances of Zambian companies before doing so. Delinquent payments (even from government-owned companies) to suppliers are a common problem in Zambia. The cash-in-advance payment method may be advisable, especially when dealing with small companies.

How Does the Banking System Operate

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Zambia's commercial banking sector is composed of 18 international and local banks. All banks operating in Zambia must incorporate locally. As a result, there are no local branches of foreign (including U.S.) banks or financial institutions. However, Citibank Zambia Limited, a wholly-owned subsidiary of Citicorp NY, provides corporate banking services in Zambia.

The banking sector is supervised by the central bank, the Bank of Zambia (BoZ), which reports to the Ministry of Finance and National Planning. The sector is governed by the Banking and Financial Services Act of 1994. Industry observers generally credit the BoZ with making large strides in improving bank oversight over the past several years. Legislation is being drafted which will provide for the establishment of a deposit insurance system.

While Zambia currently lacks an anti-money laundering regime that meets international standards, an independent financial intelligence unit (FIU) was established at BoZ. The FIU has yet to take over investigative authority from the Drug Enforcement Commission (DEC), and remains hampered by a lack of funding.

Foreign-Exchange Controls

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In May 2013, the GRZ issued Statutory Instrument Number 32 (SI 32) empowering the BoZ to monitor balance of payments transactions, including virtually all capital inflows and outflows and all import and export transactions, valued above \$10,000. The mechanics of the implementation of SI 32 are still in development. Current SI 32 reporting requirements are to be made in a paper-based system; however, the BoZ plans to eventually shift to electronic reporting and monitoring. Bank accounts may be held in local or foreign currency, and funds are easily transferred out of the country or held offshore. Amounts over \$5,000, carried in or out in cash or travelers checks, must be declared. Commercial banks and bureau de change operators restrict issuance of over-the-counter cash to \$5,000 per transaction.

The BoZ is responsible for the management of the country's foreign exchange reserves and participates in open market operations to either build up reserves or to smooth exchange rate volatility.

U.S. Banks and Local Correspondent Banks

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Zambia has one U.S. owned bank:

Citibank Lusaka
Citibank House

Stand 4646, Corner Chikwa/Nasser Road
Addis Ababa Roundabout
P.O. Box 30037
Lusaka, Zambia
Tel: +260-211-444400
Fax: +260-211-22 6264

Citibank Ndola
Atlas Copco Building
Industrial Area, Zambia Way
P.O. Box 70686,
Ndola, Zambia
Tel: +260-212-651113/3 and +260-212-651434-5 and +260-212-651437

Project Financing

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The availability of project financing, particularly for export-oriented projects, is improving. Besides bilateral and multilateral government agencies, commercial banks and venture capital funds are playing an increasing role. Both the U.S. and European Union (EU) have established enterprise development funds, which can be accessed for projects in Zambia. U.S. enterprise development funds include the Southern African Enterprise Development Fund and the United States African Development Foundation. The International Finance Corporation (IFC) and Commonwealth Development Corporation (CDC) both offer financial assistance for projects in Zambia. There are no restrictions for U.S. companies to participate in bids and tenders floated by the Zambia Public Procurement Authority (ZPPA) and funded by the international institutions such as the World Bank, Africa Development Bank and other. After selection of successful bidder, the relevant government ministry will supervise the project while payments are made from the financing institution. However, channels for remittance of project funds will differ according to the financing institution.

<http://www.saedf.com>

<http://www.usadf.gov>

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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Business Customs

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Business law is based mostly on British law, and business customs are similar to those in the U.S. and Europe. Zambians are polite and mild-mannered, and a direct confrontational style is not well received in the local cultural context. Business dress code is formal for both men and women. If the attire is a skirt suit, then the length should be below the knees.

Travel Advisory

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Crime is a problem in Zambia. Mugging, carjacking, and house and car break-ins are not uncommon. Copperbelt towns along the border with the Democratic Republic of Congo have seen periodic surges in crime due to political instability across the border. There are no internal travel restrictions in Zambia, although areas around military bases may have restricted access. Website for State Department consular information sheet for Zambia: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1062.html

Visitors should exercise caution when purchasing curios and souvenirs to avoid items that contain materials that are protected by the Convention on International Trade in Endangered Species (see Chapter 5, Customs Regulation and Contact Information).

Visa Requirements

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Visas are required for U.S. passport holders, and it is highly recommended that travelers obtain visas in advance of arrival. Multiple entry visas may be obtained from the Embassy of the Republic of Zambia, 2419 Massachusetts Avenue, NW, Washington DC 20008, Telephone: (202) 265-9717. Zambian Embassy officials generally require a letter of invitation from the individual or entity in Zambia with whom one intends to do business. Tourist visas may be obtained at the border at the airport upon arrival for \$50 single entry and \$80 for a double entry.

A foreign national who invests a minimum of \$250,000 or equivalent in convertible currency and who employs a minimum of 200 Zambians is entitled to a self employment permit or resident permit (see Chapter 6, Investment Climate).

U.S. companies that require travel of foreign business persons to the United States should advise the foreign business person to work through the U.S. Embassy consular office for their visa application and processing. Visa applicants should go to the following links:

U.S. Embassy Website: <http://zambia.usembassy.gov>

We address for Consular Section:

http://zambia.usembassy.gov/non-immigrant_visas/visa-processing-fees2.html

In the past, the Zambian Drug Enforcement Commission (DEC) has detained a number of travelers for possession of Benadryl and other over-the-counter medications, which have contained small quantities of diphenhydramine, an active ingredient that is on Zambia's list of controlled substances. Although unaware of these restrictions, Americans have been charged with drug trafficking offenses, had their passports confiscated, and been jailed. As a result, any American visiting Zambia is strongly advised to leave behind all non-prescription medications behind. When traveling with prescription medications, Americans should bring a doctor's prescription and ensure that the medication is in its original bottle. Any American stopped by the DEC for possession of over-the-counter medications should contact the Embassy at +260-211-357 260 as soon as possible.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

American Embassy Consular

website: <http://zambia.usembassy.gov/zambia/consular.html>

Telecommunications

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Zambia is a member of Intelsat and receives video and communications services through its earth satellite station.

Telecommunications services are generally adequate, but often unreliable, especially during the rainy season (November-March), and relatively expensive. Cellular service is currently offered in all provinces of Zambia, but coverage is uneven. Major private firms that offer mobile phone facilities include MTN Zambia and Airtel Zambia. AT&T's USA Direct service is available, as well as similar services to Britain, Sweden, and some other European countries. There are a number of callback service companies operating in Zambia.

Cell phones usage has surpassed landline communication. Global System for Mobile (GSM) is the most prevalent digital cellular phone technology. The GRZ acquired back the 75% stake in Zambia's state-owned telecommunication company Zamtel previously bought by Libyan firm LAP Green following a Commission of inquiry findings. Two other privately owned cell phone companies operate in Zambia. Indian owned Airtel has the largest share of customers with South African owned MTN in second place. The GRZ has announced the award of an additional mobile operator license this year.

There are 14 Internet Service Providers offering dial-up connections, broadband wireless, and VSAT services. Following the privatization of Zamtel, the GRZ liberalized the International Voice Gateway which now falls under the Zambia Information and Communication Technology Agency.

Transportation

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There are regular airline connections to Lusaka, Ndola and Livingstone from Europe, Dubai, Dar es Salaam, Johannesburg, Gaborone, Windhoek, Harare, Addis Ababa, Cairo, Lilongwe and Nairobi. Domestic flights are available between Lusaka, Ndola, Kitwe and Chingola (Copperbelt Province), Mfuwe and Chipata (Eastern Province), Livingstone (Southern Province), Kasama (Northern Province), Mansa (Luapula Province) and Solwezi (Northwestern Province). There are regular flights linking Johannesburg to Lusaka, Ndola, and Livingstone. Emirates started flying in and out of Lusaka in February 2012, while KLM with code share with Delta Airlines began operations in May 2012. The Zambian Government has announced its intention to rehabilitate its airports and extend its runways. The Livingstone International airport upgrade began in 2012. The three other international airports, in Lusaka, Ndola and Mfuwe, are in the process of finalizing the financial terms of successful tenders in 2012. There are several private city bus lines.

The railway system is run down and undergoing restructuring. Passenger train travel is unreliable and uncomfortable. Government has made available \$120 million for use in making major facelift of the rundown infrastructure. The GRZ commissioned the construction of the 27-kilometer Chipata-Mchinji Railway, connecting the eastern border with Malawi through to Nacala Port in Mozambique and was completed in 2010. The GRZ intends to construct new railway lines from Chingola, on the Copperbelt, to Solwezi, in Northwestern Province, as well as a railway line connecting Solwezi to the Benguela railway line in Angola, providing eventual access to Lobito Bay.

Road transportation is the preferred means of transport for many goods. The core road network infrastructure consists of an interconnected network of bitumen paved roads and gravel roads that requires consistent maintenance by the Road Development Agency. The heavy rains sometimes wash away road segments on major routes, making some areas inaccessible. The GRZ launched the Link Zambia 8000 road Project through which Government plans to spend \$5.6 billion on building roads over the next five years and to modernize infrastructure. About 2,300 kilometers (1,430 miles) of roads would be built at a cost of \$1.6 billion under phase one of the Project.

Zambia is landlocked, and goods come in and out via air freight, or through five African ports: Mpulungu, on Lake Tanganyika; Dar-es-Salaam, Tanzania; Beira, Mozambique; Durban, South Africa; and Walvis Bay, Namibia.

Language

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Although there are 73 local languages in Zambia, English is the official language. Government business and commercial transactions are normally conducted in English. Other dominant languages are Bemba, Kaonda, Lunda, Lozi, Luvale, Nyanja, and Tonga.

Health

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Basic medical care outside of major cities is extremely limited. Private medical clinics in major cities can provide reasonable care in many cases, but major medical emergencies usually require medical evacuation to South Africa, India, Europe, or the United States. Doctors and hospitals often require immediate cash payment for health care services. Medical insurance covering air ambulance evacuation is highly advisable. For the most recent travel information on Zambia, check www.travel.state.gov.

Malaria is endemic in Zambia. Prophylaxis is strongly recommended. HIV prevalence is very high in Zambia, with approximately 14% of the adult population HIV positive nationwide, but with higher rates in urban areas. Drinking water should always be treated if bottled water is not available.

Local Time, Business Hours, and Holidays

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Zambia does not participate in daylight savings time. Zambia's time zone is Universal Time (UTC, GMT) plus 1 hour.

Zambian business hours:

Government offices are open from 8:00 a.m. to 5:00 p.m. and closed from 1:00 p.m. to 2:00 p.m. Monday to Friday.

Bank hours vary, but most banks are open from 8:00 a.m. to 3:00 p.m. Monday to Friday. Some are open every Saturday while most open every first and last Saturday of the month from 8:15 a.m. to 11:00 a.m.

Shops are generally open from 8:15 a.m. to 5:00 p.m., Monday to Sunday while others open from 08:15 a.m. to 22:00 p.m.

Zambian Holidays in 2013 are:

January 1	Tuesday	New Years Day
March 8	Friday	International Women's Day
March 12	Tuesday	Youth Day
March 29	Friday	Good Friday
March 30	Saturday	Holy Saturday
March 31	Sunday	Easter Sunday
April 1	Monday	Easter Monday
May 1	Wednesday	Labor Day
May 25	Saturday	African Freedom Day
July 1	Monday	Heroes Day
July 2	Tuesday	Unity Day
August 5	Monday	Farmers Day
October 24	Thursday	Independence Day
December 25	Wednesday	Christmas Day

Temporary Entry of Materials and Personal Belongings

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Tourist/visitors declare their goods to Customs at point of entry and declare and produce them for inspection at the point of departure.

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Zambia Tourist Board: <http://www.zambiatourism.com>

Road Development Agency: <http://www.rda.org.zm>

National Road Fund agency: <http://www.nrfa.org.zm>

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

State Department Consular Information

Sheet: http://travel.state.gov/travel/cis_pa_tw/cis/cis_1062.html

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Chapter 9: Contacts, Market Research and Trade Events

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Contacts

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U.S. Embassy Lusaka

Ambassador – Mark C. Storella

Deputy Chief of Mission – Stephen Schwartz

Political/Economic Chief - Timothy Smith

Commercial Specialist - Vedruna Santana

U.S. mailing address: 2310 Lusaka Pl., Washington DC 20521-2310.

International mailing address: United States Embassy, PO Box 31617, Lusaka, Zambia.

Street address: Subdivision 694/Stand 100, Ibex Hill Road, Lusaka, Zambia.

Telephone: 260-211-357 000

Fax: 260-211-357 224

Email: CommercialLusaka@state.gov

Zambian Government and Industry:

Ministry of Commerce, Trade and Industry, Permanent Secretary, Mr. Stephen Mwansa, P.O. Box 31968, Lusaka, Zambia. Tel: 260-211 223 617.

Ministry of Finance and National Planning Permanent Secretary, Mrs. Pamela Chibonga, P.O. Box RW 50062, Lusaka, Zambia. Tel: 260-211 250 657 and 260-211 251 843
Zambia Development Agency (ZDA), Director General, Mr. Andrew Chipwende, P.O Box 30819, Lusaka, Zambia. Tel: 260-211 221 417.

Zambia Association of Chambers of Commerce and Industry (ZACCI), Chairman, Mr. Geoffrey Sakulanda, P.O. Box 30844, Lusaka, Zambia. Tel: 260-211 252 369.

American Chamber of Commerce in Zambia (AmCham), David Vosburg, President. Tel: +260-211-372 777, email: info@amchamzambia.com; ed@amchamzambia.com and Website: www.amchamzambia.com

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Trade Schedule: Zambia holds five annual trade fairs. The Zambia Mining, Agriculture and Commercial Show, held in the last weekend of May, is the premier event for any mining-related business. The Zambia International Mining and Energy Conference and Exhibition is an annual event held every June in Lusaka, followed by the Zambia International Trade Fair, held the first week of July in Ndola, the Zambia Agriculture and Commercial Show, held in Lusaka during the first week of August, and the Gemstone and Mining Exhibition, held annually in Livingstone and Lusaka around September.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**,

connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: <http://www.buyusa.gov/>
U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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