

ZAMBIA

**AFRICA'S NEW FRONTIER FOR
INVESTMENTS AND PROFITS**



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A NOTE FROM THE EDITORIAL TEAM

The publication is structured with the foreign investor in mind who has little knowledge of Zambia. However, domestic investors will also benefit from this publication.

Investors looking at any country as a base for investments will be examining that nation based on what we have called the 10 checkpoints for an INVESTMENT DECISION.

The 10 Checkpoints are:-

1. **Political Stability**
2. **Economic Fundamentals**
3. **Attitude of Welcome**
4. **Key Government Policies**
5. **Infrastructure**
6. **Human Resources**
7. **Banking and Finance**
8. **Efficiency of Government Machinery/Bureaucracy**
9. **Domestic Business Environment**
10. **Quality of Life**

Over and above the basic business opportunities such as raw materials, availability of market etc, it is these that determine whether or not investors will be attracted to invest in a country. In this context, tax incentives, although also important for attracting investors, only become considered if investors are happy with the status of the 10 checkpoints indicated above.

This publication examines all these issues from the viewpoint of the investor and is a road map, as it were to profitability that could make Zambia a dynamic emerging economy, and possibly a type of Switzerland or Singapore in Africa.

Lastly, Zambia Development Agency (ZDA) would like to thank Japan International Cooperation Agency (JICA) and JJ International Consultants (JJIC) for the tremendous support it has given in the gathering and verifying much of the information that is in this publication.

Zambia Development Agency (ZDA)



REPUBLIC OF ZAMBIA

OFFICE OF THE MINISTER OF COMMERCE, TRADE AND INDUSTRY

It is the private sector that are the engine of economic growth in any country and this is true of modern Zambia.

The Government of the Republic of Zambia taking a leaf from all successful, dynamic economies and especially those from emerging Asia has decided that the responsibility of Government is to create the necessary economic and investment environment that will foster the dynamic growth of the private sector, and consequently the domestic economy.

During the last two decades, Asia and especially the ASEAN economies have become the virtual role models of successful development, pulling their nations and peoples out of the vicious cycle of poverty.

The fact that the Japanese Government through Japan International Cooperation Agency (JICA), as part of their Tokyo International Conference on African Development (TICAD) Agenda is prepared to make Zambia a possible pioneering role model of a sustained programme of action of macro and micro economic endeavour is most welcomed.

The Government of Zambia is committed to work with JICA and other cooperating partners and international organizations, with similar ideals and sustained programmes, to ensure that this visionary work indeed succeeds.

Zambia welcomes domestic and foreign investors to make Zambia their profit center in Africa, either by themselves or in joint collaboration with those who have the management and technological skills to manifest success.

Thank You.

Hon. Felix Mutati

Minister of Commerce, Trade and Industry



Zambia and some of her surrounding neighbours

INTRODUCTION

Location:	Located in the Southern African Sub-region, Zambia is a landlocked country bordered by the Democratic Republic of Congo, Tanzania, Angola, Namibia, Malawi, Mozambique, Zimbabwe and Botswana. The mean altitude rises about 1200 meters above sea level and the country is situated between latitude 8 and 18 degrees East and longitude 22 and 34 degrees South
Capital City:	Lusaka
Land Surface:	752,614 Km ²
Climate:	<p>Zambia's geographical position and high altitude provides the country with sub-tropical vegetation and climatic conditions. There are three distinct seasons:</p> <ul style="list-style-type: none">☀️ A warm-wet season (November to April)☀️ A cool dry season (May to August)☀️ A hot dry season (September to October)
Population:	12.1 million, 55% living in urban areas (one of the highest urbanisation rates in sub-Saharan Africa). About 46% of the population are between 15 and 64 years of age. The annual population growth rate is 2.5%
Independence:	24 October 1964 (from the United Kingdom)
Adult Literacy Rate:	68 % (2008)
Spoken Languages:	English (official language), Other main vernacular languages are Lozi, Bemba, Nyanja and Tonga. There are about 70 other indigenous languages and dialects throughout Zambia
Religion:	Christianity comprises the largest faith group. Minority faith groups are Muslims and Hindus. The republican constitution recognises Zambia as a Christian Nation
Natural Resources:	Copper, cobalt, coal, emeralds, gold, water, wildlife, forestry and hydropower

1. POLITICAL STABILITY



Recent Presidential By Elections October 2008

Zambia practices a system of multiparty democracy with Members of Parliament and the President, who is also Head of State, elected every five years. There is a stable legal environment governed by the rule of law. The major political parties include the Movement for Multi Party Democracy (MMD), Patriotic Front (PF), the United Party for National Development (UPND), Forum for Democracy and Development (FDD) and United National Independence Party (UNIP).



Downtown Lusaka, throbbing with activity

The Zambian Constitution provides for separation of powers between the Executive (Cabinet), Legislature (Parliament) and Judiciary (Courts). **The country has had no conflict of any kind for more than 30 years**, is stable politically, peaceful and is considered to have the friendliest people in the Southern Africa Sub-region.



Cabinet Office

What also makes Zambia unique is that all its elections have always been free of violence and the last election on 28th of September 2006 and the Presidential By-Election of 30th October 2008 are testament of that legacy.

The African Union and the Common Market for Eastern and Southern Africa (COMESA) highly praised Zambia's September 28 2006 tripartite elections.

“*AU observer mission said in a statement released in Lusaka that the elections of 2006 were conducted in a transparent, free and fair manner and people were able to express their will without any fear of intimidation. The general administration of the elections by the Electoral Commission of Zambia was both systematic and well organized.*”

Another distinctive political characteristic of Zambia is the fact that although there are many diverse tribes, all co-exist in harmony: “Unity amidst diversity”.

Quote from local businessman:

“*In comparison to many countries, the political situation in Zambia is stable and consistent*”

**Daniel Nel, Managing Director, Barclays Zambia Plc.
(Investing in Zambia: 2006)**

Religious Harmony



Harmonious co-existence of churches, Hindu temple and mosque in Lusaka

One outstanding symbol of religious harmony is this prominent symbol in the heart of the capital Lusaka. A Hindu Temple and a Mosque, stand side by side, and have churches as neighbours ...a silent testimony of “Unity in diversity”.

This is Zambia: ONE ZAMBIA ONE NATION.



Commenting on religious freedom in Zambia, Fr. Keaney, parish priest of the St. Ignatius Church in Lusaka said,

“

One of the blessings that all churches in Zambia experience is the level of freedom and independence in expression of faith.

”

He also said, having lived in Zambia since 1973, he has not felt or experienced any hindrance from the government or any other religious group. He also mentioned during an interview, that Zambia is one of the few countries in the world that has people from different religious backgrounds and with great freedom to worship.

“

Zambia has freedom to worship, even though the country is a Christian Nation. The Government of Zambia allows all religions to follow their own faith and flourish in the country. There is full harmony among all religions in the country. Here, all religious communities participate in the economic growth of the country. No religion has any bias from the society.

”

Rashid Limbada – Chairman Makeni Islamic Society Trust

2. ECONOMIC FUNDAMENTALS

Economic Background

On attainment of independence in 1964, Zambia inherited, a strong economy, which has remained predominantly dependent on copper mining. The immediate post-independence years were characterized by an economic boom due to high revenues earned from copper production, representing one of Africa's best performing economies. With increased State involvement in enterprises from the mid 1970, the economy of the country took an unfavourable and downward trend.



Zambia forging ahead

Economic Environment

The country's political turnaround from one-party socialist to a multiparty democracy in 1991 was accompanied by fundamental change in economic re-orientation.

The Zambian Government embarked on drastic economic reforms whose immediate priority was stabilization of major macroeconomic indicators, encouraging the private sector and the State withdrawing from running enterprises.

Key Macroeconomic Indicators

INDICATORS	2002	2003	2004	2005	2006	2007	2008
Inflation (%) (end of period)	26.7	17.2	17.5	15.9	8.2	8.9	16.6
Exchange rate (K per US\$)	4,310	4,710	4,780	4,520	3,600	3,830	4,880
Interest rate (%)	50.0	45.3	36.9	27.6	27.9	24.4	26.9
GDP at Market Prices (K'bn)	2,702.0	2,846.3	2,999.2	3,153.5	3,356.8	3,563.7	3,769.8
GDP growth rate (%)	3.0	5.1	5.4	5.2	6.2	6.2	5.8
GDP per capita (K)	260,138	264,930	270,450	275,830	284,507	293,054	300,966
Sectoral Contribution to GDP (%):							
Agriculture	15.2	15.2	15.0	14.2	13.7	12.9	12.2
Manufacturing	10.7	10.9	10.9	10.6	10.6	10.2	10.1
Mining	7.9	7.7	8.4	8.6	8.7	8.5	8.4
Tourism	2.3	2.4	2.4	2.5	2.8	2.9	2.9
Construction	6.0	6.9	7.9	9.1	9.8	11.1	11.0

Source: Bank of Zambia, C.S.O, MoFNP

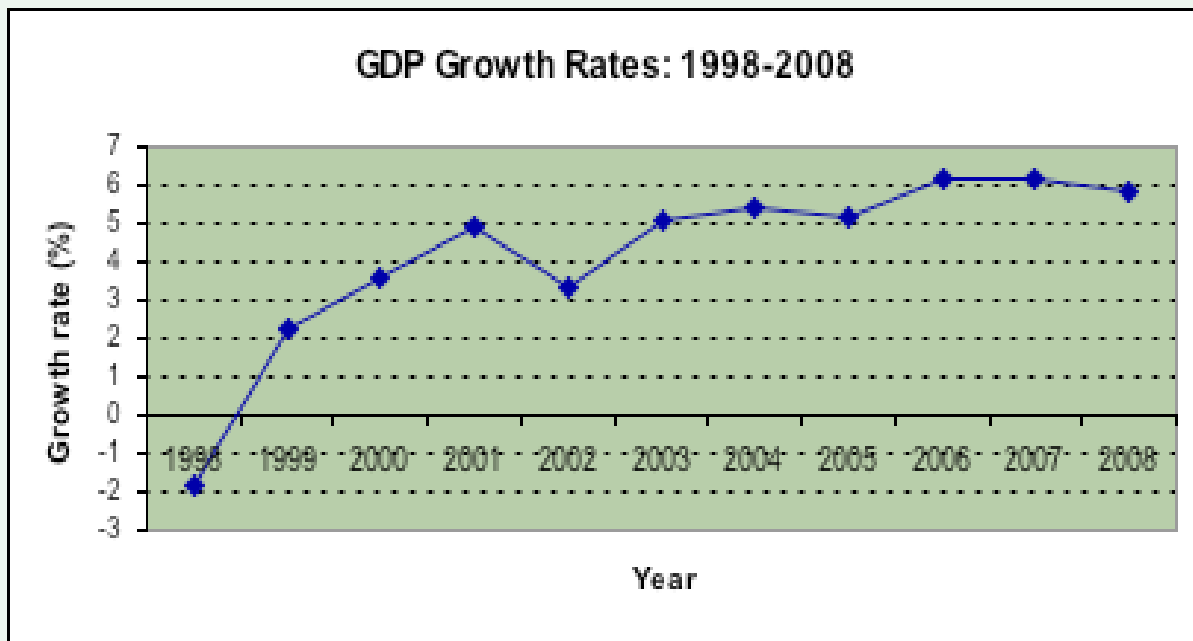
The elements of economic reforms that were implemented included:

- ✿ Abolition of price controls
- ✿ Removal of exchange rate and bank interest rate controls
- ✿ Abolition of foreign currency controls in total
- ✿ 100% repatriation of net profits
- ✿ Privatisation of state-owned enterprises
- ✿ Promotion and facilitation of both local and foreign direct investment.
- ✿ Promotion of exports
- ✿ Development of the capital market through the Lusaka Stock Exchange

The Government put in place measures to diversify the economy from the traditional (copper and cobalt production) to non-traditional production and exports (products and exports other than copper and cobalt).

The non traditional products began to exhibit a positive and favourable performance in value terms in the country's balance of payments, notably over the period 2000-2005. The export of these products more than doubled their value increasing from US\$210.8 million in 2000 to US\$923.2 million in 2007.

In the last three years, this has generally been achieved with inflation outturns of 8.2 % and 8.9% , in 2006 and 2007, respectively. However, the pass through effects of high international oil and food prices resulted in the inflation outturn for 2008 being significantly higher at 16.6% against the target of 7%.



Financial Times, July 31 2006
Foreign Investors Think Small

Sudden interest in emerging markets such as Zambia is indicative of the constant search for high yield and a willingness to go far to get it.

“

According to a report this month by the International Monetary Fund (IMF), foreign holdings of Zambian Government securities – primarily by hedge funds – rose from a negligible amount to US\$ 150 million during 2005, mostly in the last quarter. By May this year, that figure had risen by 50%.

”

Inflation

The Government's fiscal discipline has contributed to significant declining trends in inflation rates. In 2006 year-end inflation figure stood at 8.2%, the lowest since the liberalization of the economy in 1991. In 2007 the inflation rate was recorded at 8.9% at the end of the year. Towards the end of 2008, Zambia too was affected by the world financial crises and inflation has edged upwards and closed at 16.6%. However, the Zambian economy and its financial discipline has proven that this nation will remain viable.

International agencies and media report positively:-

Foreign Debt

Zambia is one of the countries that had been highly indebted to multilateral and other financial institutions such as the World Bank and IMF.

- ✿ In April 2005, Zambia successfully reached the completion point of the Heavily Indebted Poor Countries (HIPC) initiative. The HIPC Initiative, is a debt relief scheme created in 1996 where international agencies such as the World Bank and IMF agree to provide limited debt relief for the poorest countries, if they can achieve an accepted standard of financial discipline, with the goal of bringing countries to a “sustainable” level of debt.
- ✿ Having attained the HIPC process, the country started benefiting from 100% debt relief from both the bilateral and multilateral institutions.

The Government’s total external debt stock was estimated at US\$1,093.5 million by the end of 2008 which is 3.7% more than US\$1,054.5 external debt stock in 2007.

This is a strong reflection of the FINANCIAL DISCIPLINE that Zambia has imposed on itself to be able to join the dynamic growth economies of the globalized world.



*Booming construction activity***Future Growth Prospects**

Zambia has articulated its long term development objectives in the National Long Term Vision 2030. Part of this vision is enshrined in the Fifth National Development Plan (FNDP) 2006 – 2010, with its theme of “Broad Based Wealth and Job Creation through Citizenry Participation and Technological Advancement”. The broad macroeconomic objectives for the Plan period 2006-2010, are to accelerate pro-poor economic growth, to sustain a viable balance of payments and external as well as domestic debt position, and to reduce and stabilise inflation.

Breakdown of Sector Contribution to GDP

KIND OF ECONOMIC ACTIVITY	2002	2003	2004	2005	2006	2007	2008
Agriculture, Forestry and Fishing	15.2	15.2	15	14.2	13.7	12.9	12.2
Agriculture	6.9	7.1	7.2	6.5	6.3	5.8	5.3
Forestry	5.4	5.4	5.3	5.2	5	4.9	4.8
Fishing	2.9	2.7	2.6	2.4	2.3	2.2	2.2
Mining and Quarrying	7.9	7.7	8.4	8.6	8.7	8.5	8.4
Metal Mining	7.7	7.6	8.2	8.3	8.5	8.4	8.3
Other mining and quarrying	0.1	0.1	0.2	0.3	0.1	0.1	0.1
PRIMARY SECTOR	23.1	22.9	23.4	22.8	22.3	21.4	20.6
Manufacturing	10.7	10.9	10.9	10.6	10.6	10.2	10.1
Food, Beverages and Tobacco	6.4	6.6	6.6	6.5	6.7	6.8	6.8
Textile, and leather industries	1.8	1.8	1.7	1.5	1.4	1.1	0.9
Wood and wood products	0.8	0.9	0.8	0.8	0.8	0.8	0.9
Paper and Paper products	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Chemicals, rubber and plastic products	0.9	0.9	1	0.9	0.9	0.9	0.9
Non-metallic mineral products	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Basic metal products	0	0	0	0	0	0	0
Fabricated metal products	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Electricity, Gas and Water	2.9	2.7	2.6	2.6	2.7	2.5	2.4

Construction	6	6.9	7.9	9.1	9.8	11.1	11
KIND OF ECONOMIC ACTIVITY	2002	2003	2004	2005	2006	2007	2008
SECONDARY SECTOR	19.5	20.6	21.3	22.3	23.1	23.9	23.5
Wholesale and Retail trade	18.7	18.8	18.8	18.3	17.5	16.9	16.6
Restaurants, Bars and Hotels	2.3	2.4	2.4	2.5	2.8	2.9	2.9
Transport, Storage & Communications	6.1	6.1	6.1	6.5	7.4	8.3	9.2
Rail Transport	0.4	0.4	0.4	0.3	0.3	0.2	0.2
Road Transport	2.9	2.9	2.8	2.9	2.9	2.9	3.1
Air Transport	1	1	1.2	1.2	1.5	1.8	1.9
Communications	1.7	1.8	1.8	2.1	2.8	3.5	4
Financial Institutions and Insurance	7.9	7.7	7.6	7.5	7.3	7.1	7.1
Real Estate and Business services	9.5	9.4	9.3	9.1	8.8	8.6	8.4
Community, Social & Personal Services	7.7	7.4	7.1	7.5	7.7	8.1	8.8
Public Administration & Defence/ Public sanitary services	4	3.9	3.7	3.7	3.2	3.4	3.4
Education	2.3	2.2	2.1	2.4	3.1	3.3	3.9
Health	0.5	0.5	0.5	0.5	0.5	0.4	0.5
Recreation, Religious,Culture	0.3	0.3	0.3	0.4	0.5	0.5	0.6
Personal Services	0.5	0.5	0.5	0.5	0.5	0.4	0.4
Taxes on Products	10	9.3	8.5	8	7.3	6.9	6.9
TOTAL G.D.P. GROWTH	3.3	5.1	5.4	5.2	6.2	6.2	5.8

Source: C.S.O

International Trade and the Balance of Payments

- (a) Traditional exports of copper and cobalt.
- (b) Non traditional export products include ferrous scrap, refined sugar, copper wires, cables and rods, cotton lint, semi-precious/precious stones, cotton yarn, burley/flue cured tobacco, petroleum products, fresh vegetables, fresh flowers, gold, coffee, cement and fuzzy cotton seed and cotton lint. Other significant export products are fertilisers, hydrated lime, paprika, tea, coal, maize, soya beans, skin leather, asbestos pipes/sheets, groundnuts, honey,



mixed beans, mushroom, fresh eggs and day old chicks, paper, aluminium wires and cables, sorghum, clothing and blankets.

Modern buildings reflect a dynamic Zambia

Zambia mainly imports crude oil, foodstuffs, chemicals, machinery and raw materials. Zambia's supermarkets and stores hold a huge variety of imported household and consumer products and this is one indication of the potential for import substitution that must be investigated by investors.

The overall balance of payments has improved significantly from a deficit of US \$ 416 million in 2000 to a surplus of US \$266 million in 2007 representing a significant 163% improvement.

The country's balance of payment position in 2008 was adversely affected by the global economic crisis. Growth in export receipts slowed down significantly in the last quarter of the year. Total exports grew by 7.2%, reaching US\$ 4,818.3 million, compared to growth of 13% in 2007. Imports increased significantly, growing by 29.7% to US\$ 5,202.1 million. As a result, a current account deficit including capital grants widened to US\$ 1,379 million or 9.1% of GDP from a deficit of US\$ 494.2 million or 2.4% of GDP recorded in 2007.

Growing foreign investor confidence in Zambia is reflected in glowing reports in the foreign media.



3. ATTITUDE OF WELCOME



Not only the investment environment but Zambia's magnificent Victoria Falls welcomes you

“

Foreign investment has risen from 255 million dollars in 2003 to over 4.25 billion dollars for 2008. We are tackling corruption head on, and will continue to do so. We must because corruption saps investor confidence. We will continue to build a strong Zambia. Our economic policies have made us one of the most stable countries on the African continent. With this stability we have seen record levels of foreign investment that have modernized our industries and made our farmers more productive. We will continue to welcome foreign investors to Zambia.

”

HE Mr. Rupiah B. Banda – President of the Republic of Zambia
Presidential Inaugural Speech on the 2nd of November 2008

The Government of Zambia in seeing the dynamic growth of many Asian nations driven by domestic and foreign direct investments, seeks to emulate the success of the Asian tiger economies, it also seeks to maintain links with traditional Western trading and investing partners.

Thus, in understanding the need to attract Foreign Direct Investments, the Zambia Development Agency, as an Investment Promotion Agency, has embarked on several programmes such as the “Triangle of Hope: Strategic Action Initiative for Economic Development” which is being supported by the Japanese Government through JICA (Japanese International Cooperation Agency), and the



Lately, the search has often led them to countries benefiting for the current commodities boom. Zambia, a major copper producer, is one example, though debt forgiveness and growing confidence in the Government's management of the economy have also helped it to attract foreign money.



Financial Times 2006

Public Sector Development (PSD) Programme which is being supported by several cooperating partners.

The Government of the Republic of Zambia in conjunction with JICA has developed a Business, Trade and Investment initiative to serve as a stimulus for the promotion of domestic and foreign business, trade and direct investments from Asia into Zambia.

In this context, every effort has been made to ensure that Government policies and administrative environment are investor friendly.

The country's central location in the region as well as combination of following key strengths makes it a unique place to invest:

- ✿ Abundance of natural resources and manpower which are highly under-utilized.
- ✿ Abolition of controls on prices, interest rate, foreign exchange transactions
- ✿ Free repatriation of earnings and repayments
- ✿ Guarantees and security to investors with statutory rights to full and fair compensation
- ✿ Duty free access to regional markets (SADC, COMESA), wider African and to the USA markets under AGOA (African Growth and Opportunity Act)
- ✿ banking, financial, legal and insurance services of international standard as well as a Stock Exchange
- ✿ Good place to work and live: – sub-tropical climate and vegetation with plenty of water and electricity. Friendly people, mostly English speaking with high literacy rate. Educational establishments to University level. Strong religious values. Open air lifestyle with nature reserves, game parks, rivers, lakes and waterfalls.
- ✿ Thriving private sector – Government has successfully privatized most of the previously state owned businesses thus encouraging an enterprise culture.

Visa Applications

Obtaining a visa is generally straight forward, provided that all the required documentation is available. Visa may be obtained from;

The Chief Immigration Officer

New Kent Building
Haile Selassie Road
P. O. Box. 50300
Lusaka. Zambia.

Alternatively visas may be obtained from any **Zambian High Commission and Embassies in Asia:**

1. Embassy of the Republic Of Zambia

10-2, Ebara 1-Chone, Shinagawa-Ku
C.P.O. Box 1738
Tokyo 142-0063

Japan

Tel: [03] 3491-0121 / [03] 3491-0122
Fax: [03] 3491-0123

2. Embassy of the Republic of Zambia

Dongsijle
San Li Un
Beijing, 100600
CHINA

3. Zambian High Commission

E-86 Paschimi Marg
Vasant Vihar
New Dehli 110057

INDIA

Tel: 26145883 or 26145785

Fax: 26145764

Email: zambiand@sify.com

4. Embassy of the Republic of Zambia based in Malaysia will be operational in mid 2009.

If the purpose of your visit is **BUSINESS**, the following guidelines apply:

Consultants and other experts that are entering Zambia to conduct business with an organization in Zambia can obtain a visa at the port of entry. A “business” visitor must produce an invitation letter from the inviting institution, and a letter approving the issue of the visa at port of entry from the Immigration Department. Arrangements for such a letter can be obtained by the business or organisation that the business visitor will be meeting with in Zambia. Business visits by a single individual cannot exceed 30 days in a 12 month period.

Those seeking to do business from outside Zambia, and are in direct contact with ZDA (which shall be aware of genuine project interest) can obtain a visa at the point of entry by requesting ZDA to make application on their behalf and must send a scanned copy of their passport showing picture and details of passport holder.

It is also possible to obtain a visa at Zambia’s entry points for some specified foreign country nationals (e.g UK, USA– please check prior to departure). It should be noted that a work permit is required before any foreign national can take up employment in Zambia.

Malaysia, Singapore and Pakistan nationals do not require visas if not exceeding more than 30 days.

Setting Up a Business in Zambia

All businesses engaging in both domestic and/or international trade are required by law to be registered with the Patents and Companies Registration Office (PACRO), an agency of the Ministry of Commerce, Trade and Industry.

Registration is either by:

- ✿ Business name
- ✿ Public or private company (therefore being incorporated in Zambia) or
- ✿ Foreign company

The basic requirements a foreign investor must meet in order to form a company in Zambia are:

- a) Select the name of the proposed company, and have alternative names in case the first choice is not available.
- b) Select the directors
- c) Select the company secretary
- d) Select the registered office
- e) Select the accounting reference
- f) Decide on what would be the authorised share capital
- g) Decide in what would be the purpose of the company
- h) Decide whether they would need to enter into a shareholders agreement
- i) Decide on the articles of association.

The minimum capital required to register a public or private company is K 5 million (USD 1,316). Registration fees (inclusive of name search, forms, processing of application forms) are as follows:

- ✿ K 85,000 (USD 23) for registration a business name
- ✿ K245,000 (USD 65) minimum for registering a company (depending on share capital the fee increases by K 5,000 increment for each additional K 200,000 of share capital)
- ✿ K585,000 (USD 154) for a foreign company

A foreign investor can register either a public company or a private company which maybe private limited by shares, or companies limited by guarantee or unlimited companies.

However, should a foreign registered company desire, it may register as such in Zambia by lodging an application for this, and the application must be accompanied by:

- a) a certified copy of the charter, statutes, regulations, memorandum of and articles of association or other instrument consulting or defining the constitution of the company
- b) In relation to each documentary agent and local director, a statement signed by that person accepting appointment of such
- c) A statement regarding property acquired in Zambia by the company.

Registration fees for a foreign company are as follows:

- a) Registration of a certified copy of the charter, statutes, regulations, memorandum of articles of association or other instruments constituting or defining the constitution of the company is K 1,000,000.00 (USD 312.5)
- b) Registration of any document or making a record of any fact authorized to be delivered, sent or forwarded to the Registrar not specified in (a) above is K 150,000.00 (USD 47.00)
- c) Certificate of Registration – K150,000.00 (USD 47.00)
- d) Sealing – K 150,000.00 (USD 47.00)

If all the necessary paper work is in place and correctly done, the registration of a company can be completed in one day.

Legal Framework for Investment Protection

The Zambia Development Agency Act assures investors that property rights shall be respected. No investment of any description can be expropriated unless Parliament has passed an Act relating to the compulsory acquisition of that property. Also, in case of expropriation full compensation shall be made on market value and shall be convertible at the current exchange rate.

Zambia is a signatory to the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and other international agreements. This guarantees foreign investment protection in cases of war, strife, disasters, and other disturbances or in cases of expropriation.

Zambia has also signed Investment Treaties with eleven countries. These bilateral investment treaties are reciprocal agreements between two countries that encourage, promote and protect foreign investment. These countries are Belgium, Luxemburg, China, Croatia, Cuba, Egypt, France, Germany, Ghana, Italy, the Netherlands and Switzerland.

Double Taxation Agreements

Some eligible taxpayers find themselves liable to tax in more than one country or territory in respect of the same income. The predicament of international Double Taxation may adversely affect the international flow and mobility of human, financial and investment resources, thus the international community has devised a mechanism to prevent, eliminate or mitigate the incidence of Double Taxation.

The countries that Zambia has signed Double Taxation Agreements with include; Canada, Denmark, Finland, France, Germany, Holland, India, Ireland, Italy, Japan, Kenya, Mauritius, Norway, Romania, South Africa, Sweden, Tanzania, Uganda, United Kingdom, Yugoslavia and Zimbabwe.

In addition, preliminary discussions to come up with Double Taxation Agreements and other trade facilities with India and Malaysia have commenced. In principle, double taxation agreements enable offsetting tax paid in one of 2 countries against the tax payable in the other, in this way preventing double taxation.

Market Access

Zambia's active participation in the 14 countries region SADC Trade Protocol as well as the Africa wide 20 Countries COMESA/FTA offers preferential tariff access to total market potential of nearly 380 million people.

Similarly, with advent of Africa Growth and Opportunity Act (AGOA) duty free access to the huge USA market has become a reality.

AGOA - Africa Growth and Opportunity Act

This Act provides trade preferences for quota and duty-free entry into the United States for certain goods, Notably, AGOA expanded market access for textile and apparel goods into the United States for eligible countries. Some AGOA countries have begun to export new products to the United States, such as cut flowers, horticultural products, automobiles and steel. Initially, AGOA was set to expire in 2008. In 2004, the United States Congress passed the AGOA Acceleration Act of 2004, which extended the legislation to 2015. The Act's apparel special provision, which permits lesser-developed countries to use foreign fabric for their garment exports, was to expire in September 2007. However, legislation passed by Congress in December 2006 extended it through 2012.

CONTONOU AGREEMENT

The Cotonou Agreement, provides for *reciprocal* trade agreements, meaning that not only the European Union (EU) provides duty-free access to its markets for African, Caribbean and Pacific Nations (ACP) exports, but ACP countries also provide duty-free access to their own markets for EU exports.

True to the Cotonou principle of differentiation, however, not all ACP countries have to open their markets to EU products after 2008. The group of least developed countries is able to either continue cooperation of *non-reciprocal* trade preferences or the "Everything But Arms" regulation.

Zambia is also a signatory to the Cotonou Agreement, which aims to achieve free trade arrangements between the EU and the ACP regional groupings.

EBA - Everything But Arms

Everything But Arms (EBA) is an initiative of the European Union under which all imports to the EU from the Least Developed Countries (LDC) are duty free and quota free, with the exception of armaments. EBA entered into force on 5 March 2001. There are transitional arrangements for bananas, sugar and rice until January 2006, July 2009 and September 2009 respectively.

COMESA (Common Market For Eastern and Southern Africa)

COMESA was founded in 1994 to replace the former Preferential Trade Area (PTA) and forms a formidable market (both external and internal trading) with over 20 member states with a population of more than 374 million and an annual import bill of around USD32 billion.

COMESA Member States

1. Angola
2. Burundi
3. Congo DR
4. Comoros
5. Djibouti
6. Egypt
7. Eritrea
8. Ethiopia
9. Kenya
10. Libya
11. Malawi
12. Madagascar
13. Mauritius
14. Rwanda
15. Seychelles
16. Sudan
17. Swaziland
18. Uganda
19. **Zambia**
20. Zimbabwe

**SADC (Southern African Development Community)**

SADC was formed with the objective of building a region of high levels of harmonization and rationalization that enable pooling of resources to achieve self reliance and ultimately improve the living standard and quality of people in this region.

SADC Member States

1. Angola
2. Botswana
3. Congo DR
4. Lesotho
5. Madagascar
6. Mauritius
7. Malawi
8. Mozambique
9. Namibia
10. South Africa
11. Swaziland
12. Tanzania
13. **Zambia**
14. Zimbabwe



4. KEY GOVERNMENT POLICIES

The Government has recognized that the private sector must become the engine of growth to drive the economy and create wealth and jobs opportunities for the Zambian people.

Foreign Exchange

- ❁ Zambia abolished exchange controls in 1994. Companies can bring in capital and repatriate capital and profit without restrictions.
- ❁ Interest rates and foreign exchange rates are market determined.
- ❁ Investors face no restrictions on the amount of interest, profit dividends, management fees, technical fees and royalties that they are allowed to repatriate. Income earned by foreign nationals may also be externalized without difficulty.

Rule of Law

- ❁ Zambia legislative power is vested in the Parliament which comprises the President and the National Assembly. The constitution was last amended in 1996 which covered areas in governance, legal and judicial doctrines.
- ❁ These changes included the declaration of sovereignty and democracy resolution to maintain Zambia as a democratic state, equal rights of men and women, upholding the laws of the elected state, declaration of the country as a Christian nation and resolution to remain a multiparty state.
- ❁ Guarantee against expropriation - The Government of Zambia has long recognized that the ability to encourage private investment is the key to stronger economic performance. The Zambia Development Agency Act of 2006 assures investors that property rights shall be respected. No investment of any description can be expropriated unless Parliament has passed an Act relating to the compulsory acquisition of that property. Also, in case of expropriation full compensation shall be made on market value and shall be convertible at the current exchange rate.



Zambia's imposing Court House and Parliament Building reflect Nation's stability under rule and law of Parliamentary Democracy

Being a former British colony, Zambia has a common law system. The Judicature of Zambia has five layers of Courts which include:

- ✿ The Supreme Court
- ✿ The High Court
- ✿ The Industrial Relations Court
- ✿ Subordinate Court
- ✿ Local Court

Equity Ownership

- ✿ The financial sector is fully liberalized and allows for 100% foreign ownership of financial institutions.
- ✿ All projects declared as being in a priority economic sector under the ZDA Act, can be 100% foreign owned. However the Zambian Government encourages foreign companies to have Zambian joint venture partners and the ZDA stands ready to help foreign companies to find such partners.

Employment of Expatriates

Employers seeking to employ expatriate staff are required to apply for work permits from Immigration Headquarters. Such permits are usually issued for an initial period of one year with provision for subsequent extensions or renewals.

Companies that hold an Investment Licence and invest a minimum of US\$ 250,000 or employs a minimum of 200 employees shall be entitled to self-employment permit for up to five expatriate employees.

The fees relating to work permits are indicated below:

Employment/Work Permit		Self Employment Permit	
Issuance	K2, 000,000 (US\$ 400.00)	Issuance	K1, 500,000 (US\$ 300.00)
Renewal	K2, 500,000 (US\$ 500.00)	Renewal	K2, 000,000 (US\$ 400.00)
Replacement	K2, 000,000 (US\$ 400.00)	Variation	K2, 000,000 (US\$ 400.00)
Addition of name	K 500, 000 (US\$ 100.00)	Replacement	K2, 000,000 (US\$ 400.00)
Occupation Change	K1, 000,000 (US\$ 200.00)		

Exchange Rate: US\$ 1.00 = K5000.00 as at 30th February 2009

All projects under the ZDA priority economic sectors will indicate to ZDA their expatriate requirements and once approved ZDA will write recommendation letters to the Immigration Department to assist the companies obtain the necessary self employment and work permits for their expatriate staff.

5. INFRASTRUCTURE

Road Network

The Government of Zambia has begun the process of rehabilitating the road network in the country which covers 38,763 km. A five and ten year Sector Investment Programme, estimated at US\$411.9 million and US\$860.3 million respectively, has continued to generate interest and an impressive support from the World Bank.



Building of new infrastructure

International highways link Zambia with South Africa, Zimbabwe, Mozambique, Malawi, Tanzania, the Democratic Republic of Congo and Namibia.

International road highways link Zambia to nine countries Tanzania, Congo DR, Botswana, Namibia, Zimbabwe, Mozambique, Angola, Malawi and South Africa. The local highways lead to all provincial centres and towns.

ROAD LINKS TO SEAPORT

Seaports



Neighbouring international seaports link Zambia to the world

a) Beira Corridor

The corridor stretches from Beira in Mozambique via Zimbabwe and Zambia to Lubumbashi in Congo DR. The corridor is traversed by road with a total length of 1,580km and by rail with a distance of 2,557km.

b) Nacala Corridor

The corridor stretches from the Port of Nacala in Mozambique via Malawi to Lusaka in Zambia. Nacala can be accessed by road from Lusaka a distance of 1,774km and by road/rail combination measuring 604km of road and 1,140km of rail.

c) Durban Corridor

The corridor has road, rail and road/rail combination of network from Durban in South Africa via Zimbabwe, Botswana, and Zambia to Congo DR border. The length of the road via Beit Bridge on the Zimbabwe-Zambia border to Congo DR border is 2,611km, while the length of the road to Lusaka via Plumtree on the Botswana-Zimbabwe border is 2,524km. The length of the rail route via Plumtree to Congo DR is 2,510km while the road/rail combination is 304km and 2,227km rail.

d) Dar-es-Salaam Corridor

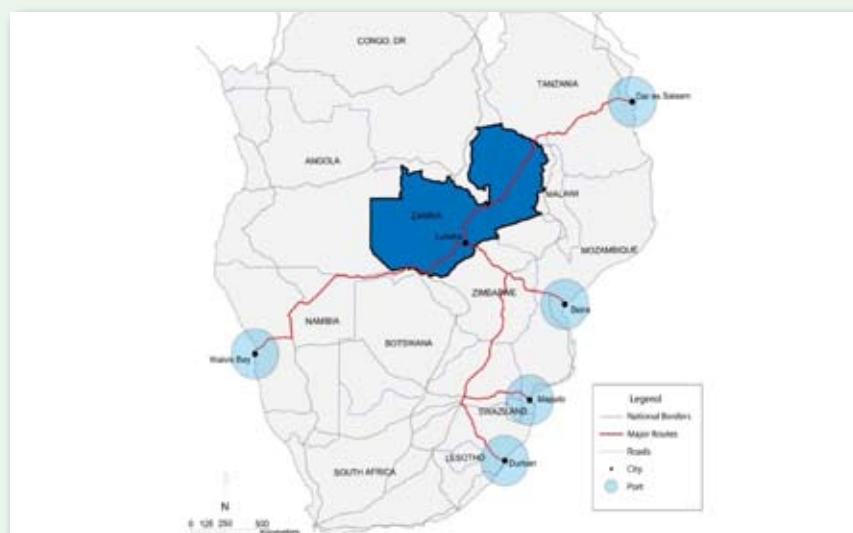
The Corridor stretches from Dar-es-Salaam in Tanzania to Harare in Zimbabwe via Lusaka. The road/rail combination is 304km road and 2,176km rail.

e) Walvis Bay Corridor

This corridor stretches from Walvis Bay in Namibia to Bujumbura in Burundi via Katima Mulilo on the Zambian-Namibia border. The road/water combination is 3,151km road and 650km.

f) Mpulungu Corridor

Mpulungu corridor services Lusaka and Malawi via Chipata on the Zambia-Malawi border to Mpulungu and Great Lakes Region. The distance between Lusaka and Kigali is 1,390km by road and 650km by water.



Airports

There are four international airports; Lusaka, Livingstone, Ndola and Mfuwe (for chartered flights only); five secondary airfields and five airstrips serve international and domestic flights.

The Lusaka International Airport is Zambia's main airport connecting the country with the rest of the world. Lusaka Airport is complimented by three smaller airports at Ndola, Livingstone and Mfuwe, as well as secondary airfields at Chipata, Kitwe, Kasama, Mongu, Solwezi and Mansa. The Lusaka International Airport is approximately 20km from the city centre.




Zambia has no national airline but is served by a number of airlines that connect to international routes via Johannesburg, Cape Town, Nairobi, and Dar-Es-Salaam. Zambian Airways is a privately run airline with regional flights to Johannesburg, Harare, Dar-es-salaam and Lubumbashi, and local flights to various destinations within the country. The country recently adapted an "open sky policy" and is currently encouraging the establishment of an air cargo hub for the Southern African region.

Flights to and from Zambia

There is a thrice-weekly British Airways flight from the Lusaka International Airport to London. Other international airlines operating in Zambia include South African Airways, Kenya Airways, Ethiopian Airlines and Nationwide.

For the Asian businessman the best and most direct route would be to fly to Johannesburg in South Africa and connect by a 2 hour flight to Lusaka.

Direct flights to Johannesburg are available from:



-  Kuala Lumpur via Malaysian Airlines
-  Singapore via Singapore Airlines
-  Hong Kong via Cathay Pacific

Another possible route is through Thailand via Thai Airlines which has connecting flights at Addis Ababa in Ethiopia to Lusaka. Now there is also a recently launched direct flight into Johannesburg with Thai Airlines.

The third possible route is through India (Mumbai) via Ethiopian Airline which has connecting flights at Addis Ababa to Lusaka.

Another route is through India (Mumbai) via Kenya Airways which has a connecting flight from Nairobi to Lusaka.

Rail network

-  Rail transport remains the dominant mode of transportation (83.4%) for goods on the local and international routes
-  Two major rail lines link Zambia to six major African sea ports which are; Dar-es-Salaam, Beira, East London, Port Elizabeth, Durban and Cape Town.

Energy

Zambia has abundant energy resources. The most important source of energy is electricity and this is generated by three major hydro-electric power stations. Other energy resources are petroleum, coal and wood.

ELECTRICITY TARIFFS (2008)

1. METERED RESIDENTIAL TARIFFS				
	R1 - Consumption up to 100 kWh	Energy charge / kWh	K 77.00	(US\$ 0.02)
	R2 - Consumption 101 to 400 kWh	Energy charge / kWh	K 127.00	(US\$ 0.07)
	R3 - Consumption above 401 kWh	Energy charge / kWh	K 207.00	(US\$ 0.06)
		Fixed monthly charge	K 7,411.00	(US\$ 2.12)
	Pre-paid	Energy charge / kWh	K 141.00	(US\$ 0.04)
2. COMMERCIAL TARIFFS - 15kVA				
	C1 – Consumption up to 700kWh	Energy charge / kWh	K 165.00	(US\$ 0.05)
		Fixed monthly charge / kWh	K 29,607.00	(US\$ 8.46)
3. SOCIAL SERVICES TARIFFS				
	Water pumping, Street Lightening	Fixed Monthly Charge	K 24,972.00	(US\$ 7.13)
	Schools, Hospitals, Churches, Orphanages	Energy Charge/kWh	K 144.00	(US\$ 0.40)
4. MAXIMUM DEMAND TARIFFS				
(I) MDI - CAPACITY BETWEEN 16 - 300kVA				
	Maximum Demand Charge /kVA/Month	K 8,068.00	(US\$ 2.31)	
	Energy Charge/kWh	K 116.00	(US\$ 0.03)	
	Fixed Monthly Charge	K 79,018.00	(US\$ 22.58)	
(II) MD2 - CAPACITY BETWEEN 301 - 2000kVA				
	Maximum Demand Charge/kVA/Month	K 15,094.00	(US\$ 4.31)	
	Energy Charge/kWh	K 99.00	(US\$ 0.03)	
	Fixed Monthly Charge	K 158,035.00	(US\$ 45.15)	
(III) MD3 CAPACITY BETWEEN 2001 - 7500 kVA				
	Maximum Demand Charge/kVA/Month	K 24,973.00	(US\$ 7.14)	
	Energy Charge/kWh	K 80.00	(US\$ 0.02)	
	Fixed Monthly Charge	K 346,808.00	(US\$ 99.09)	
(IV) MD4 CAPACITY ABOVE 7500 Kva				
	Maximum Demand Charge/kVA/Month	K 25,112.00	(US\$ 7.17)	
	Energy Charge/kWh	K 66.00	(US\$ 0.01)	
	Fixed Monthly Charge	K 693,615.00	(US\$ 198.18)	

NOTE:

The above tariffs are exclusive of:

- (a) 3 % rural electrification levy
- (b) 16 % Value Added Tax (VAT)
- (c) Exchange Rate- K 3,500.00 = US\$1.00 as at September 2008

Source: Zambia Electricity Supply Corporation



Growing power lines reflect dynamic infrastructure development

WATER TARIFFS

DOMESTIC CUSTOMERS			COMMERCIAL AND OTHER CUSTOMERS		
Consumption Block	Amount per m ³		Consumption Block	Amount per m ³	
	Kwacha	USD		Kwacha	USD
0-6m ³	600	0.17	0-100m ³	800	0.23
6-30m ³	750	0.21			
30-100m ³	900	0.26			
100-170m ³	1700	0.49	100-170m ³	1800	0.51
Above 170m ³	1900	0.54	Above 170m ³	2000	0.57

OTHER CHARGES	FEE	
	Kwacha	USD
Communal taps: charge per household per month	K3,000	0.86
Sewerage services(percentage of water consumed); Domestic	30%	
Others	45%	
Leak detection fee	K50 000	14.29
Reconnection fee (domestic)	K70 000	20.00
Reconnection fee (others)	K200 000	57.14
Fixed charge per month (domestic)	K4 000	1.14
Fixed charge per month (others)	K10 000	2.86

MAXIMUM VOLUME FOR ASSESSING UN-METERED CUSTOMERS			
Category and Area	Maximum Volume	Maximum Assessed Billing	
		Kwacha	USD
Low Cost Area (e.g. Matero, Mtendere, Kaunda Square etc)	30m ³	K21,600	6.17
Medium Cost Areas (e.g. Kabwata, Kamwala, Libala, parts of Chelstone etc.)	45 to 55m ³	K44,100	12.60
High Cost Area (e.g. Kabulonga, Woodlands, Roma, parts of Chelstone etc.)	120m ³	K115,606	33.03

N.B

1. Discharge of effluent costs K1, 300 per 1 000 litres of disposal

Source: Lusaka Water and Sewerage Company Limited.

Telecommunications

1. Zambia is a member of INTELSAT and accesses an earth satellite station, which provides telex, telephone and television links with the rest of the world. Broadband internet connections are easily available and are efficient and reliable. The types of broad bandwidth in Zambia, uses both fixed and wireless broadband internet access. The fixed broadband internet access or ISDN is dominated by the state owned Zambia Telecommunication (Zamtel) while other internet service providers use MMDS wireless broadband internet access. However, the Communications Authority of Zambia is yet to start licensing broadband internet access using spectrum in the 3MHz band and WiMAX.

Over 97 percent of the telephone exchanges are automatic. In the main urban centers public telephones and privately operated cellular telephone networks are already in place. All towns are now fully covered by cellular telephone network.

The major firms, which offer mobile phone services are, CellZ (government-owned) Zain Zambia (formally Celtel Zambia) and MTN Zambia, both are privately owned.

Fibre Optic

Currently there are three Zambian companies that have been licensed to operate as national Carrier of Carriers and have opted to lay fiber optics as a technology of choice. These are ZESCO (www.zesco.co.zm), Copperbelt Energy Corporation (CEC) (www.cec.com.zm) and ZAMTEL (www.zamtel.zm).

ZESCO and CEC have completed laying their fiber optic networks. CEC has the fibre connecting all Copperbelt towns. ZESCO has completed about 1200km from the Western Province via Livingstone-Lusaka- Ndola-Kitwe-Chingola-Solwezi to Lumwana in North Western Province. A complete installation countrywide to form the core backbone requires about 3,700km of fibre. ZESCO and CEC fibre is available at 2.5Gbps. The entire network is to connect Zambia to the undersea cable through the EAssy Project or the SAT 3 cable of the west coast side of Africa through Namibia/Angola. The fibre will also interconnect to Zambia’s eight (08) neighbouring

countries.

Industrial Land

Industrial land in the capital city Lusaka is located on the western part of the city. Every city in Zambia is zoned an industrial area where all manufacturing activities can take place. It is also where an investor wishing to set up an industry can do so. From 2009 additional industrial zones will be opened up.

In order to expand the country's manufacturing base and enhance national competitiveness, the Government is establishing industrial parks and will extend tax incentives under the ZDA Act to developers of, and investors in Multi- Facility Economic Zones and industrial parks. In addition, developers of an industrial park will qualify for the above incentives only if:

- (a) The layout of the development plan is approved by the relevant planning authority;
- (b) The park to be developed is at least 15 acres in size;
- (c) The park will have paved roads; and
- (d) Water and electricity supply within the park is provided.

These measures are aimed at attracting both local and foreign investors to open up and invest in the MFEZ and industrial parks across the country.

ZDA will assist all investors to identify suitable land for economic activities and ensure its proper allocation according to existing laws and regulations.

Land Acquisition and Transfer

A foreign investor can acquire and obtain title deeds over land as long as he is an investor within the meaning of the ZDA Act or any other law permitting investment in Zambia.

The Government has also approved the establishment of Multi Facility Economic Zones (MFEZ). These will be industrial areas for both export orientated and domestic orientated industries, with all the necessary infrastructure provided.

The Government has also embarked on an exercise to identify land for the creation of land banks for purposes of investment activities. This will greatly improve the speed of land delivery for investment purposes.

Multi Facility Economic Zones (MFEZ) - The Wave of the Future

In responding to the need for value addition on raw materials and to boost the manufacturing sector, the Government of Zambia has embarked on setting up industrial parks around the country. The Government has identified an area located in the southern part of Lusaka designated to be an MFEZ. This is a 2100 hectares piece of land located in the southern part of Lusaka; it is 15 kilometres from Lusaka City and approximately 35 kilometres from the Lusaka International Airport. The Government of Zambia, supported by JICA and the Malaysian Kulim Hi-Tech Park (KTPC) are working on a Development Master Plan for the launching of the Lusaka South (MFEZ).

The MFEZ is expected to be ready for investment by 2010.

Zambia-China Cooperation Zone (ZCCZ)

The Zambia-China Cooperation Zone is an MFEZ with a total area is 4100 Hectares located in



High Tech Printing company in Zambia

Chambeshi in the Copperbelt Province of Zambia. The Chambeshi MFEZ has been established by China Nonferrous Metal Mining Group with the support of both Governments of Zambia and China. The MFEZ was declared through a Statutory Instrument. Already several enterprise mainly Chinese businesses have established in the area, including a copper smelter due to open by the end of 2008.

Catering for both Domestic and Foreign Investors all MFEZ's will have within or in close proximity the following features:

- a) Industrial land, cleared, zoned and ready for construction! Speedy approval of building plans, grant of titles etc.
- b) Road and / or rail linkages to ports (air and sea) and major internal markets.
- c) Electricity – adequate, without voltage fluctuations, blackouts, etc.
- d) Water, uninterrupted supply and depending upon needs – treated or untreated.
- e) Telecommunications – international direct dialling, fax, direct computer linkage to parent company overseas, etc.
- f) Waste disposal systems – both toxic and non-toxic wastes.
- g) Executive housing for expatriate and senior staff (and adequate housing for other local staff).
- h) International school for expatriate children. Initial Government support will be required until sufficient numbers of students are reached, for them to be independent.
- i) First class hotel facilities, for visiting senior official and staff on temporary assignments, etc (in proximity to zone).
- j) Adequate medical facilities.

Note: g, h, i, j above, can be, but need not be within the physical area of the zone.

Several other areas have been identified for such similar MFEZs in Zambia. These areas are in Ndola and Kasumbalesa both are in the Copperbelt Province, and in Nakonde which is in the

6. HUMAN RESOURCES



Glimpse of Zambia's work force

Employment and Industrial Relations

Legislation governing the rights and obligations of employers and employees is mainly contained in the 1993 Industrial and Labour Relations Act, which among other things, contains the principle of employee involvement, through the medium of works councils. The Act also sets out a framework for the role of the employer/employee negotiations and prescribes the conditions under which industrial action may be called. The Act confirms the Industrial Relations Court as the final arbiter of disputes.

“We employ 800 workers. There is a harmonious working relationship with the workers in our group. The workforce is intelligent and is adaptable to new technical advancements very quickly. The commitment to work is good. There are no working days lost due to strikes in our establishments since its inception. The present economic environment in the country is very attracting and conducive in Zambia.”

Mr. Mohmed Seedat, Group Chairman, Melcome Group of Companies

(Melcome Group of Companies is in the business of plastics manufacturing, sales and distribution, pharmaceuticals manufacturing and distribution, engineering industry, financial services and shoe manufacturing. The company has been in the business for the last 50 years).

In line with the government's liberalization policy, Zambia's labour relation continues to be under review and both the Employment Act and the Industrial and Labour Act were amended in the last quarter of 1997. The Government is opening up the labour market and in the process playing a very limited role.

- ✿ Recognizing that the ideal wage levels result from collective bargaining between employers and trade unions, the Government is seeking to create an environment that allows only for minimum involvement from the Government.
- ✿ The number of registered trade unions had increased from 19 by end of 1996 to 26 by 1998.

A number of legislations have been enacted to protect the rights of both employers and employees to ensure a harmonious human resource situation for rapid economic development. These legislation are being constantly evolved to meet the challenges of a modern globalized Zambia. These include the following:

a) Employment Act Cap 268.

This is the basic employment law and provides for the basic employment contractual terms such as:

- ✿ Minimum contractual age
- ✿ Establishment of employment contracts
- ✿ Settlements of disputes
- ✿ Appointment of labour officers, and
- ✿ Certain conditions of employment, such as ordinary leave, sick leave, maternity, redundancy and welfare of employees

b) Industrial and Labour Relations Act Cap 269

The Act provides for the conduct of industrial relations, the establishment of workers/ employers organisation, their registration and administration, and the settlement of disputes and consultative machinery.

d) The Minimum Wage and Conditions of Employment Act Cap 276

This Act enables the Minister to determine minimum conditions of employment for categories of employees not effectively covered through collective bargaining. Such employees include general workers, drivers and clerks.

e) Employment of Young Persons and Children Act Cap 274

The Act provides protection for young persons and children in the employment relationship. It is the major law against child labour and abuse.

f) Employment (Special Provisions) Act Cap 270

This is an enabling protection and may be activated only when a state of emergency is in place. Under this Act, various regulations may be promulgated with regards to labour and employment.

g) Factories Act Cap 441

Occupational health and safety in the factory and at places of work

Working Conditions

Basic Salaries, Wages and Allowances

There are normally two categories of employees namely the unionized and non-unionized (management) staff. Conditions of service for non-unionized employees are normally fixed by top management, while those for unionized employees are negotiated through collective bargain/agreement.

The Minimum Wage and Conditions of Work Act provides for machinery for determining statutory minimum wages and other conditions of employment in industries or companies where conditions of employment are not regulated by a free collective bargaining.

Allowances, which are commonly added to the basic salary, include:

- ✿ Housing
- ✿ Transport
- ✿ Children's medical and education
- ✿ Water, electricity, holiday travel (usually for senior management staff)

Indicative Monthly Wages

1. Management Workers – US\$ 2,500
2. Fresh Graduates – US\$ 1,400
3. Technical Staff – US\$ 1,000
4. Manual Labour – US\$ 250
5. Non skilled workers are protected under the minimum wages conditions act which must be paid a minimum of K 265,000 (US\$65) not including food, transport, allowances which can be negotiated.

“ We have been engaged in business in Zambia for over 50 years. We are in the business of steel fabrication and machining. We employ 125 workers. Our experience with our employees is positive. Educated manpower is available. Their capacity and willingness to absorb skills is good. We have not experienced a strike in the last ten years. Since 1991, the opening up of the economy has led to an increasingly conducive business environment.”

- Mr Ashok Oza, Managing Director, Saro Agri Equipment

All allowances are taxable at the same rate as the basic salary.

Other common non-cash benefits may include:

- ✿ Transport to and from work
- ✿ Subsidized meals in staff canteen
- ✿ Sporting and recreation facilities

Pensions and Life Insurance

Membership of a pension scheme may be a condition of employment and most employers maintain a pension scheme for their employees with the National Pensions Scheme Authority (NAPSA). Employers may establish or join other pension schemes under the Pension Scheme Regulation Act.

Insurance companies that offer pension schemes include:

- ✿ The Zambia State Insurance Corporation, a state enterprise.
- ✿ Madison Insurance
- ✿ Professional Insurance
- ✿ African Life Assurance

Medical Coverage and Maternity Benefits




Employers are obliged, by the Minimum Wages and Conditions of Employment Act, to grant an employee full pay should illness make the employee unable to work, subject to production of a certificate from a registered physician. The maximum period for which such benefit may be given is three months at full pay, followed by three months at half pay.

Some employers provide health and medical coverage through membership to private clinics to which the employee and employer contribute equally. The Act also requires that maternity leave, for female employees, be paid up to 90 days provided such female employees have worked for a minimum of twenty-four months with their employers.



Housing

The Employment Act requires employers to provide to employees one of the following:

-  Housing or housing allowance in lieu thereof
-  House loan or advance towards the purchase or construction of a house
-  Guarantee facility for a mortgage

Working Hours

The normal working hours is 40 hours per week for office workers and 45 hours per week for factory workers. Office hours are normally from 08:00 hours to 17:00 hours Mondays through Fridays and 08:00 hours to 13:00 hours on Saturdays (for most companies outside the retail sector).

The normal weekly hours should not exceed 48 hours under the Minimum Wages and Conditions of Employment Act. Overtime work should be paid at one and half times the normal rate and twice the normal rate on weekends and public holidays.

Paid Holidays






Employers are obliged, under the Minimum Wages and Employment Act, to grant paid leave of absence of not less than 24 days annually. It is, however, a normal practice for employers to provide employees with more leave days than that prescribed in the Act depending on the rank and nature of the employee's job.

Special Leave

Employers are obliged, under the Minimum Wages and Conditions of Employment Act, to grant an employee 7 days paid leave on the death of an employee's spouse, child, mother or father. The Act also obliges the employer to provide for a funeral grant for a standard coffin, cash and food in the event of death of an employee, spouse registered child or dependant of the employee.

Termination of Employment

A contract of employment may be terminated under the Zambian law through:

-  Resignation or Dismissal
-  Normal retirement or medical discharge
-  Expiry of contract
-  Redundancy
-  Death

Zambian Public Holidays

1 st January	New Year's Day	1 st Mon. in July	Heroes Day
12 th March	Youth Day	1 st Tuesday in July	Unity Day
Easter	Good Friday	1 st Mon. in August	Farmers Day
Easter	Easter Monday	24 th October	Independence Day
1 st May	Labour Day	25 th December	Christmas Day
25 th May	Africa Freedom Day		

7. FINANCIAL AND BANKING SYSTEM

There is total freedom in the movement of currencies into and from Zambia. A company can bring in its funds and repatriate its capital and profits without any restrictions and conforming only to international monetary regulations such as prevention of money laundering activities. While investors may borrow to invest in Zambia, some financial institutions do not provide loans to non residents unless wholly owned Zambian company participants in the business.

The financial system of the country is regulated by the Bank of Zambia (BoZ), which is the country's Central Bank. The 1994 Banking and Financial Services (BFS) Act, recommendations of BASLE Committee on International Minimum Accounting Standards and the adoption of the Capital Assets Management Earning and Liquidity (CAMEL) rating system have all strengthened both on-site inspections and the efficacy of the Central Bank in supervising the commercial banks. Banks and financial institutions are registered and regulated under the Banking and Financial Services Act.

Monetary System

- ☀ Currency: Zambian Kwacha (ZMK)
100 Ngwee = 1 ZMK
- ☀ Denominations:
Notes: K20, K50, K100, K500, K1000, K5000, K10000, K50,000
Coins: None in circulation



Central Bank of Zambia

Banks in Zambia

1. International Banks

There are several international banks operating in Zambia. The main ones are: Barclays Bank Zambia Limited; Standard Chartered Bank Zambia Limited; Stanbic Bank Limited; African Banking Corporation; Citibank Zambia Limited, Cavmont Capital Bank and the Bank of China. A new bank Access Bank from Nigeria has recently opened in Lusaka as well, while FNB from South Africa is soon to open.

2. Indigenous Banks

Finance Bank, Investrust Bank, Development Bank of Zambia (DBZ) and Zanaco.

3. Joint Ventures with Foreign Banks

Credit Suisse acquired majority shares in Finance Bank which was previously wholly owned by a Zambian. Indo-Zambia Bank Limited a bank which is jointly owned by the Zambian Government and three banks from India (Bank of Baroda, Bank of India and Central Bank of India).

Rabobank of the Netherlands acquired shares in Zambia National Commercial Bank Plc (ZANACO) which was a state owned commercial bank.

Banking In Zambia

All major credit cards are readily accepted in urban areas.

ATM facilities are provided by commercial banks. Visitors with VISA and VISA Electron cards draw cash from VISA ATM's in Zambia.

Traveler's cheques (TC) and hard currency bank notes can be cashed at banks, large hotels or bureau de change. (**Please note:** *proof of purchase of TCs is prerequisite to cashing at these outlets*).

Over the years Bank's interest rates have shown a steady yet dramatic decline from 44.1% in 2000 to 26.9% in December 2008 (Bank of Zambia).



Finance Bank (Indigenous) and Indo-Bank Zambia Ltd (Joint Venture)

After having remained fairly stable between 2000 and 2004, the Kwacha appreciated strongly towards the end of 2005 and the beginning of 2006. The appreciation of the Kwacha has continued into 2008, driven by the rising of copper prices as well as the country's attainment of the HIPC completion and the upward and favourable trend in non-traditional exports (exports other than copper and cobalt).

8. EFFICIENCY OF GOVERNMENT MACHINERY/ BUREAUCRACY

The Government of Zambia has committed itself to creating a business environment that benchmarks the best among dynamic developing economies.

Realising that Zambia's landlocked situation may add to the cost of production and exports of goods, the Government of Zambia is dedicating itself to creating a competitive investment environment so that the Government Bureaucracy becomes a friend and an ally to all businessmen.

Realising that delay of Government approvals is a cost; the Government is undertaking a major initiative to streamline Government approval systems by the introduction of a Clients Charter and Integrated Approval System mechanism and also e governance.

During the official opening of the first session of the 10th National Assembly, the Late President Dr. Levy Mwanawasa said his administration would continue the fight against corruption because this ensures that public resources are protected for the benefit of all Zambians.

The Zambia Development Agency Act of 2006

The Zambia Development Agency (ZDA) Act No 11 of 2006, saw the establishment of the Zambia Development Agency which came into effect on January 1, 2007. This followed the merger of the following:

1. Zambia Privatization Agency
2. Zambia Investment Centre
3. Export Board of Zambia
4. Zambia Export Processing Zones Authority
5. Small Enterprises Development Board



“ *The Zambians have demanded for transparency and accountability in the management of public affairs and prudent use of public resources. In doing so they have reaffirmed our policy of zero tolerance to corruption and renewed our mandate to strengthened the institution of governance in our Nation.* ”

The Late Dr. Levy Patrick Mwanawasa, 3rd President of Zambia: 27th October 2006

In order to foster economic growth and development, Government created the Zambia Development Agency which is tasked with promoting trade and investment in Zambia as well as streamline bureaucratic procedures and requirements faced by investors. It is an institution that is client focused, encourages dialogue with the private sector and creates confidence in the public sectors support for business and overall private sector growth. The Agency encourages the private sector to take advantage of and benefit from international and regional trade agreements.

The ZDA mission is to promote development by providing effective and comprehensive facilitation and aftercare services, business development services and market information in order to attract investment and promote Zambian exports in a transparent, innovative, efficient and competitive manner that ensures stakeholder satisfaction. The ZDA is mandated to provide and facilitate support to micro and small business enterprises as well as to promote exports and globalisation. The Agency promotes Greenfield investments through joint ventures and partnerships between local and foreign investors

Speed of Approvals

- ✿ Business/company incorporation in accordance with the company law – 2 days
- ✿ Application and approval of foreign currency account – 21 days
- ✿ Tax Registration with Zambia Revenue Authority – 7 days
- ✿ Investment License Approval - 30 days

In respect of foreign investors, the ZDA stands ready to provide the following services:

- i. Ensure speedy approval of all Licenses by all Government agencies
- ii. Assist in obtaining work permits for expatriate staff
- iii. Assist in obtaining land for economic projects

9. DOMESTIC BUSINESS ENVIRONMENT

The ZDA's main aim is to foster economic development through a whole Zambia strategic view that will increase investment and trade levels across the whole country. The Agency will strive to develop an internationally competitive Zambian economy through innovations that promote high skills, productive investment, and increased trade.

Joint Venture Partners

Foreign investors seeking joint venture partners can approach Zambia Development Agency (ZDA) which operates a registrar of investors together with project profiles of domestic investors seeking foreign investor partnerships. These domestic investors have been screened and are bona fide Zambian businessmen.

For New Listing on the Lusaka Stock Exchange

A discount of 2 percentage point from a normal corporate tax rate applicable to each sector; and a further 5 discount of 5 percentage points over and above the 2 percentage point for those companies that offer more than 33 percent of their shares to Zambians.

The realised value of shares sold by the companies listed on the Lusaka Stock Exchange is exempt from property transfer tax.

Business and Industry Association

Several business and industry associations exist and they are ready to assist all types of businessmen.

Zambia Association of Manufacturers
P.O. Box 31992, Lusaka
Tel: +260 211 229364/ 222709
Fax: +260 211 229371
E-mail: shyams@zamnet.zm

Zambia Export Growers Association
P.O. Box 31705, Lusaka
Tel: +260 211 221895 Fax: +260 211 221895
E-mail: zega@zamnet.zm

Zambia Association of Chambers of Commerce and Industry
P.O. Box 30844, Lusaka
Tel: +260 211 252369 Fax: +260 211 252483
E-mail: zacci@zamnet.zm

Zambia National Farmers Union
P.O. Box 30395, Lusaka
Tel: +260 211 223222 Fax: 222736
E-mail: znfu@zamnet.zm

10. QUALITY OF LIFE

Zambia is safe and friendly nation where foreigners can feel at home and go about their lives in comfort and security.

“

I have had the privilege of living in Zambia for the last 3 years due to my work assignment as Resident Representative of JICA (Japanese International Cooperation Agency). I am very impressed with the political stability of the country and the recent election is a testimony of this. The Zambian people are polite and friendly. In my experience the political leadership of the country led by the President is very serious in developing the economy and I feel this country has a good future.

”

Mr. Eiji Inui, Resident Representative (till September 2007) JICA

Quality of Life for Foreign Investors

Housing

Availability of suitable expatriate accommodation is good in most urban areas. Quality accommodation include a 3-bedroomed, mostly unfurnished detached house standing in its own plot, often with a swimming pool and full security provisions.

Full range of furniture is available from local suppliers and it is also possible to have it made to order from quality Zambian wood at reasonable cost.

Furnished properties can be found including opportunity to rent a flat. New arrivals are recommended to contact reputable estate agents/realtors, who are listed in yellow pages as well as in a monthly publication called the Lowdown or in the daily newspapers.

Typical rentals for:

- a) One bedroom house/apartment – USD 500 and above
- b) Two bedroom house/apartment – USD 1,500 and above
- c) Three bedroom house/apartment – USD 2,000 and above
- d) One house within a housing complex with security – USD 3,000 and above

Health

Zambia is on a high plateau (1,280 above sea level) is a fairly healthy place to live. Tap water in homes and hotels is treated but as precautionary measure should be boiled or chlorinated before drinking. There are many good privately run clinics and hospitals in Lusaka including good dental clinics for normal health problems. Super specialist medical centres are being developed and encouraged. Already, a key hole surgery specialist hospital from India is setting up a hospital in Lusaka.

Vaccinations

- ✿ Cholera: required if visitors are coming from an infected zone
- ✿ Yellow Fever: required only if visitors have been in an infected zone a week prior to their arrival into Zambia
- ✿ Normal Anti-Malarial Precaution

Education

The state educational system is Zambian oriented and therefore, expatriate parents must look for private schooling for their children. There are satisfactory private infant, primary and secondary schooling available in Lusaka and other parts of Zambia.

The schools commonly used at present by the international community are:

The International School of Lusaka (ISL)

The school takes children through all stages through reception, primary and secondary education through IGCSE to International Baccalaureate (IB).

Baobab College

This school runs on the South African schedule and has expanded to include secondary pupils up to GCSE level. The school is situated in Lusaka and has provisions for day scholars and boarders.

The American International School

The school draws on several sources for curriculum standards, including US, UK and International Baccalaureate (IB). The school is located in Lusaka

The Lusaka International Community School (LICS)

Prepare children for their respective national school systems.



Baobab College

The French School

Located at the Alliance Francaise of Lusaka premises in Lusaka.

Other schools include Chengelo Secondary School in Mkushi, Simba International School in Ndola, and Musikili Primary School in Mazabuka, which all have provisions for day scholars and boarders.

Moreover, there are many nursery schools for children between 2½ to 6 years, which are mostly privately run and have a good reputation.

Universities

There are three state-run universities in Zambia, one in Lusaka, one in Kabwe (Central Province) and another in the Copperbelt town of Kitwe. In addition, there are various other tertiary level institutions including the Zambia Institute of Chartered Accountancy Studies (ZICAS) in Lusaka as well as a number of private universities.



View of the University of Zambia

Clothing

Zambians tend to be formal in their business wear. For business/office formal attire is normal. It can get very cold in the evenings around June and July. For the rest of European summer clothing is ideal.

Shopping

There are a good variety of foodstuffs available from well-stocked supermarkets and mini-markets. Chemists, stationers and bookshops are well stocked.

Two shopping complexes were recently constructed in Lusaka, namely Manda Hill and Arcades. These are modern and efficient and will provide for most of the expatriates household needs.

Leisure Activities

Activities such as keep-fit, aerobic, weight training, golf, tennis, swimming training, indoor/ outdoor bowling, squash, rugby, horse riding and polo are available in Zambia.

Lusaka has a very good selection of restaurants, cafes and cinemas, educational and cultural services are also provided by the Alliance Francaise of Lusaka (L' Alliance Français de Lusaka).



The Magnificent Victoria Falls - Investors could find a "veritable pot of gold" at the end of the rainbow in Zambia

Zambia has ample opportunity for camping and the scenery is beautiful. Weekend breaks are possible at safari lodges outside Lusaka or Kafue National Park or Lake Kariba.

The world famous Victoria Falls in Livingstone and the connecting gorges provide the best white-water rafting in the world as well as access to highest commercial bungi-jump in the world. Zambia also has a unique distinction to provide excellent walking safaris.



Hotels/Accommodation

Zambia has a number of good business hotels/guests houses in Lusaka, Copperbelt and Livingstone. Glimpses of some of these used by foreign businessmen include:

- a) Taj Pamodzi Hotel
- b) Southern Sun Hotel
- c) Intercontinental Hotel
- e) Cresta Golf View Hotel
- f) Livingstone Sun
- f) Mukuba Hotel
- g) Chrisma Hotel
- i) Protea Hotel
- j) Savoy Hotel
- k) Edinburgh Hotel



Lodge on the bank of Lake Kariba

Another option is to use guest houses for short, medium or long staying guests, with living room and cooking facilities.



11. TAXES AND INVESTMENT INCENTIVES

Zambia has an open economy with a POSITIVE INVESTMENT ENVIRONMENT, where Government's participation is minimized thus paving way for private sector participation.

The Government has recognized that its role is to create a conducive regulatory environment as well as providing the basic infrastructure to enhance private sector investment.

Taxation and incentive structure in Zambia

The Ministry of Finance and National Planning (MoFNP) is responsible for the formulation of tax policy, while the Zambia Revenue Authority is responsible for administering the taxes.

The legislative framework of taxation is provided for in the Income Tax Act Chapter 323, VAT Act Chapter 331 and the Customs and Excise Act Chapter 322, of the Laws of Zambia.

(a) Tax Policy

Company Income Tax (CIT)

CIT rate for Zambia is 35 percent for both resident and non-resident companies.

For companies involved in agriculture, manufacture of chemical fertilizer and non-traditional exports, the CIT rate is 15 percent; for mining it is 30 percent; 40 percent on bank profits above K 250 million (USD 78,125).

Personal Income Tax (PIT)

All individuals are liable to tax on personal income accrued after deducting personal relief at a graduated rate as follows:

Income Bands	Tax Rate
K0 – K 700,000 (US\$ 140) per month	0%
K 700,001 to K 1,335,000 (US\$ 267) per month	25%
K 1,335,001 to K 4,100,000 (US\$ 820) per month	30%
K 4,100,001 (US\$ 820) and above per month	35%

Withholding Tax

Zambia charges withholding tax of 15 percent on rental charges, dividends, interest payments, management fees and payments to subcontractors.

Presumptive Tax

A presumptive tax at the rate of 3 percent is charged on business income for small scale businesses below a turnover threshold of K200 million (USD 62,500) per annum.

Indirect Taxes

Zambia charges import duty on all imports at the varied rates of zero percent for capital and basic raw materials, 5 percent for other raw materials and equipment, 15 percent for intermediate goods and 25 percent for finished goods. There is also export duty charged on scrap metal.

Tax Rates and Incentives	
Personal	10 – 35
Corporate Tax	
Manufacturing	35 %
Listed Companies (LUSE)	33%
Other Companies	35 %
Non Traditional Exports	15%
Mining	30%
Chemical Fertilizer Production	15%
Farming	15%

(b) Incentive for Industry**Investment Incentives Under The Zambia Development Agency (ZDA) Act**

Companies approved under ZDA priority economic sectors will be given the following incentives. Similar incentives will be available for approved projects within the Multi Facility Economic Zones (MFEZ)

- ✿ Zero Tax on Profits made by companies in the priority Sector for a period of 5 years from the first year profits are made. For years 6 to 8 only 50% of Profits should be Taxed and for years 9 and 10, 75% of Profit should be taxed
- ✿ Zero percent tax rate on dividends of companies operating under the MFEZ/priority sector for a period of five years from the year of first declaration of dividends. From year 6 to 8, only 50% of the profits should be taxed and for years 9 and 10, 75% of profits should be taxed
- ✿ Zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialized vehicles for five years for all priority sector
- ✿ Deferment of VAT on machinery and equipment including trucks and specialized vehicles imported for investment in the MFEZ/priority sector

Qualifying Priority Sectors entitled to the 5 years tax holiday as above:

1. Floriculture: Fresh flowers and dried flowers

There over 60 types of rose flowers and 7 varieties of summer flowers are grown in Zambia. Approximately 145 hectares of land, in the form of greenhouses is dedicated to growing rose flowers whilst summer flowers are grown in expansive open fields. Cut roses are mostly exported to Holland (70%) while the remaining is exported to South Africa.

2. Horticulture: Fresh and dried vegetables

A major exporter to the European markets with UK and Holland that make up about 80 %. These products range from baby corn, fine beans, courgettes, asparagus, leek okra and baby melons.

3. Processed Foods: Wheat flour and other processed foods

4. Beverages and stimulants:

- i. Tea and tea products
- ii. Coffee and coffee products

5. Production and the processing of the following products in the textiles sector:

- i. Cotton
- ii. Cotton yarn
- iii. Fabric
- iv. Garments

6 Manufacturing and Agro Processing

The manufacturing sector contributes about 11 % to national GDP and about 10 % to employment. The country's third largest employer of human resources.

7. Manufacturing of the following engineering products:

- i. Copper products
- ii. Iron Ore and steel
- iii. Cobalt
- iv. Other engineering products

8. Beneficiation of phosphates and any other related material into fertilizer. Beneficiation of rock materials into cement

9. Production and processing of the following products in the leather sector:

- i. Cattle hides
- ii. Crust leather
- iii. Leather products

10. Building of mini-hydro power stations

11. Education and skill training

12. Information and Communications Technology (ICT):

- i. Development of computer software
- ii. Assembly/manufacture of ICT equipment

13. Health:






- i. Manufacture of pharmaceutical products
- ii. Repair and maintenance of medical equipment

- iii. Provision of laundry services to medical institutions
- iv. Ambulance services
- v. Medical laboratory services
- vi. Diagnostic services
- vii. Other medical services eg: setting up and operating a hospital, super specialist medical services, etc.

The following is the general incentive structure currently in place:




Agriculture

Income Tax

-  15 percent tax on income from farming
-  50 percent depreciation allowance per year for the first two years on machinery used for farming
-  20 percent capital expenditure allowance per year for the first five years on farm improvements
-  10 percent development allowance per year, up to the first year of production, on capital expenditure incurred for the purpose of growing coffee, tea, bananas, citrus fruits or similar plants
-  100 percent farm work allowance for expenditure on farm land, such as for stumping, land clearing, water conservation, etc

Mining (base metals)

Income Tax



-  30 percent tax income from mining
-  Pre-production expenses deducted in the first year of production and other capital expenditures deducted in the year incurred
-  10 years carry forward of losses

Indirect Taxes




-  Exemption from customs duty in respect of all machinery and equipment (including specialized motor vehicles) used for exploration and mining activities.

Tourism

Income Tax



-  10 percent initial allowance and annual 5 percent wear and tear on buildings
-  50 percent depreciation allowance for machinery

Indirect Taxes




-  Zero rated hotel accommodation in the Livingstone district
-  Zero-rating of exportation of goods by a tourist
-  Zero-rating of the supply of an inclusive tour package by a tour operator or travel agent licensed as such by the Zambia National Tourist Board

Manufacturing

Income Tax





-  10 percent initial allowance and annual 5 percent wear and tear on buildings and structures
-  50 percent depreciation allowance for machinery

Indirect Taxes




-  Customs duty exemptions exemption on most machinery and equipment used in manufacturing
-  Zero rate/reduced duty of certain raw materials
-  Import VAT deferment on eligible plant/machinery of a capital nature

Private investments are encouraged by the provision of a dynamic and efficient administrative and physical environment and by the provision of investment incentives as indicated below:


General Investment Incentives

-  Tax credit given where double taxation agreement exists
-  Investors are permitted to establish bonded factories
-  Small-scale enterprises are tax exempt for three and five years for urban and rural enterprises respectively. Customs duty and sales tax on equipment is exempt
-  Exemption from customs duties on specified machinery and equipment (other than motor vehicles) required for the establishment, rehabilitation or expansion of eligible enterprises

Commerce


-  Income from the export of non-traditional products (i.e. anything, other than copper and cobalt and electricity, produced or manufactured in Zambia but excluding services) is taxed at 15%.
-  Income from the chemical manufacture of fertilizer is taxed at 15%
-  Implements, machinery and plant used exclusively for farming, manufacturing, tourism and leasing: Capital allowances are calculated at the rate of 50% on cost

Research and Development Incentives


-  A deduction is allowed in ascertaining the gains or profits of a business of any expenditure, not being of a capital nature, incurred by the business during the tax year on experiments or research relating to the business.

**Additional Investment Incentives provided under the 2009 National Budget:
(February 2008 - being debated in Parliament)**


In addition to the above measures, the Government has provided the following tax incentives to targeted sectors in an effort to attract new investments and consolidate the existing ones:

-  Increase company income tax rate for income earned from export of cotton lint without export permit from MCTI from 15 percent to 35 percent

This measure is aimed at discouraging exports of cotton lint (raw cotton) in order to increase local value addition. This is in recognition of the availability of local processing capacity.

-  Reduce excise duty on Heavy Fuel Oils of heading 2710.19.20 from 30 percent to 15 percent.

This measure is intended to mitigate the cost of production as Heavy Fuel Oils area a major input in the mining and manufacturing sectors.

-  Remove customs duty on packaging materials (paper board) of subheadings 4811.59.00 and 4811.51.00 currently at 5 percent.

This measure is intended to mitigate the cost of production of packaging materials as it is one of the major costs in the manufacturing sector.

Reduce customs duty on the following capital equipment:-

- a) Refrigerating or freezing equipment for cold rooms of heading 8418.69.10 from 25 percent to free

✿ Fork lift trucks of heading 8427.10.00, 8427.20.00 and 8427.90.00 from 15 percent to free

✿ Track laying bull dozers and angle dozers of heading 8429.11.00 and 8429.19.00 from 5 percent to free

✿ Graders and Levellers of heading 8429.20.00; scrapers of heading 8429.30.00; tamping machines and road rollers of heading number 8429.40.00; mechanical front ended shovel loaders of heading of 8429.51.00 and 8429.52.00; pile drivers and pile extractors of heading 8430.10.00; snow blowers of heading 8430.20.00; self propelled coal or rock cutters and tunneling machinery of heading 8430.31.00 and 8430.39.00; boring or sinking machinery of headings 8430.41.00, 8430.50.50 and tamping or compacting machinery of headings 8430.61.00 and 8430.69.00 from 5 percent to free

✿ Survey equipment of heading 9015.10.00 from 25 percent and of headings 9015.20.00, 9015.30.00, 9015.40.00, 9015.80.00 and 9015.90.00 from 15 percent to free

This measure is intended to reduce the cost of doing business in Zambia by reducing the cost of importing these capital goods.

✿ Remove duty on trucks (mechanical horses) of heading 8701.30.00 at 15 percent, 8701.90.10, 8701.90.90 and 8701.20.00 currently at 5 percent

This measure is intended to promote commercial transport services especially that Zambia's transport services are constrained by lack of a well developed rail network. This measure is also necessary to boost growth in cross border trade and reduce the cost of transport which is one of the major operating costs for business in Zambia.

✿ Remove customs duty on special purpose motor vehicles of heading 8705.10.00, 8705.20.00, 8705.30.00, 8705.40.00, 8705.90.00 currently at 15 percent

This measure is intended to reduce the cost of doing business in Zambia by removing duty on specialized motor vehicles such as fire fighting vehicles, crane lorries, concrete mixer lorries, mobile drilling derricks.

✿ Remove duty on those aircrafts of heading 8802.20.00, 8802.30.00, 8802.40.00 and 8802.60.00 which are currently 5 percent

This measure is intended to encourage investment in the airline industry and encourage competitiveness in the tourism sector.


✿ Amend the Forth Schedule to the Customs and Excise Act to exclude vehicles propelled by non pollutant energy sources from payment of carbon tax

This measure is intended to exclude vehicles propelled by non pollutant energy sources from payment of carbon tax.


✿ Remove customs duty on copper powder, copper flakes and copper blisters currently at 15 percent.

This measure is aimed at encouraging the utilization of expanding smelting capacity in the country. In order to adequately utilize the local smelters, mining companies will have to import these products from neighbouring countries.

Compensating Measures:-


-  Increase export duty on cotton seed of heading 1207.20.00 and 5201.00.00 from 15 percent to 20 percent.

This measure is aimed at discouraging export of cotton seed in order to increase local value addition in view of the increased capacity to process it locally.


-  Increase customs duty on mobile cellular phones of heading 8517.12.00 from 5 percent to 15 percent

This is aimed at encouraging local manufacturing of mobile cellular phones.


-  Amend the provision of Statutory Instrument No 23 of 1994 (The Customs and Excise (Suspension) (Manufacturing Inputs) Regulations) in order to simplify procedures for companies to qualify for duty suspension.

-  *This measure is intended to increase the accessibility of all manufacturing firms to the schemes so as to promote manufacturing industries across sectors in Zambia.*

Incentives for shooting of world class movies locally:-


-  To provide a rebate or refund to filmmakers of up to 15 percent of the expenses incurred in shooting movies locally.

This measure is aimed at job creation, foreign exchange earnings and also has the ability to support many other spin off industries.



-  Remove customs duty on materials that are mainly used in the manufacturing and textiles industry including crude vegetable oil, gray fabric and packaging material.

Incentives for developers:-

The following additional incentives are proposed for developers of and investors in Multi Facility Economic Zones (MFEZ) and industrial parks:

-  Zero withholding tax on payments of management fees, consultancy fees, interest and to foreign contractors

Zero rate supplies to Developers of MFEZ and Industrial Parks for VAT purposes:-

-  Exclude foreign suppliers to Developers in the MFEZ from the Reverse VAT Regime
-  Exempt equipment, machinery and accessories and materials imported for development of an MFEZ and Industrial Park from Customs Duty

12. ZAMBIA - THE ASIAN CONNECTION



Even as Zambia continues to preserve and cultivate its traditional links with Western Nations, it is now trying to create a dynamic balance between East and West and is increasingly attempting to build social, political and economic bridges with dynamic Asian economies.

Some of the prominent Asian business ventures include the following:-

Japan



Japan has played and continues to play a significant role in Zambia, through the efforts of the Embassy of Japan and the Japanese International Cooperating Agency (JICA).

Significant among these are:-

A medium and long term economic recovery programme called the Triangle of Hope (Strategic Action Initiative for Economic Development) was launched in 2005. The programme is designed to assist in improving the Zambian investment environment and to attract domestic and foreign investment into target economic sectors. The TOH is an initiative to ensure that three forces work together to ensure economic success, i.e political will, civil service efficiency and private sector dynamism.

A Malaysian consultant was engaged by JICA to advise the Government and the various stakeholders on the economic sectors that would enable this initiative to take off with concrete results on the ground.

With JICA's support the Zambian Government set up 12 Task Forces that provided recommendations to the Zambian Cabinet. Land locked Zambia was asked to focus on agriculture and agro based industries, and 3rd wave knowledge based industries and to improve administrative and physical infrastructure.

The key areas of focus are:

- ✿ **Agriculture** – to ensure dynamic commercial private sector development and foster agro based industries. Also to focus on Zambia's strength in cotton production and encourage forward integration of the cotton sector.
- ✿ **Information & Communication Technology** – To utilize Zambia's strength in English language and educated youth.
- ✿ **Tourism** – Already this sector is playing a critical role. With the great Victoria Falls and Safari Parks and its safe environment. The sector will be targeted for new investments.
- ✿ **Education** – To make tertiary (diploma and degree) education a private sector driven sector and to make Zambia a regional centre of excellence for education for domestic and foreign students.

- ✿ **Health & Medicine** – to make this sector private sector driven, with incentives and Government support to ensure that Zambia becomes a centre of excellence where Zambians and foreigners can seek specialized treatment.
- ✿ **Micro, Small, Medium Scale Enterprises** – A well developed strategy can mitigate against urban unemployment and social unrest. Since the government will never have enough money to support SME's, recommendations have been made to introduce innovative incentives for the bigger companies to be encouraged to support smaller companies.
- ✿ **Air Cargo Hub** – Zambia to become a cost efficient air cargo center that will encourage greater international air cargo traffic.
- ✿ **Banking and Finance** – Financial agencies are powerful conduits for attracting investment into the country. The challenge is to create a modern, dynamic financial sector and also encourage participation of Asian financial institutions.
- ✿ **Multi Facility Economic Zones (MFEZ)** – Combining the best features of traditional industrial parks and export processing zones, the MFEZ is a bold new vision to create “best practice” physical and administrative environments necessary to attract investments.
- ✿ **Streamlining of Government Machinery** – To ensure that the civil service become a friend and ally to the business community. The vision is to create clients charters, integrated approval systems and e-governance that emulates the best that the Asian dynamic economies have to offer.

The third President of the Republic of Zambia the Late Dr. Levy P. Mwanawasa SC, appointed a Presidential Steering Committee chaired by the Economic Advisor to the President. The fact that the JICA Resident Representative has been appointed as one of the two Deputy Chairpersons of this Steering Committee is indicative of the recognition of the critical role that Japan is playing in the Zambia to foster the **Asian Connection**.

This is in line with the Japanese Government's programme to create private sector driven, south-south business cooperation as part of its Tokyo International Conference on African Development (TICAD) Agenda.

In addition to the above, Japan is involved in both social, (school, water, etc) and infrastructure development.

Infrastructure developments include:

- a) Assistance in the building of 136.4 km of roads in the Lusaka area.
- b) Assistance in the building of bridges in the southern part of Zambia near the border to Botswana.
- c) Funding of the Master Plan for the development of the Lusaka South MFEZ.
- d) Funding for the Master Plan for the Urban Redevelopment of Greater Lusaka City.

India



1. TATA Zambia

TATA Zambia was established as a wholly owned company in 1977 and is part of the TATA

Group. Very recently a motor vehicle assembly plant was commissioned by the then Late President Mr. Levy P. Mwanawasa in Ndola. Due to its success in other sectors, TATA Zambia has shown interest in constructing a hydro power station at an estimated cost of US\$ 120 million.

2. Taj Pamodzi Hotel

In 1997, the TATA Group took over Pamodzi Hotel which had been Government owned, and managed to turn the property around and make it an efficient and successful operation.

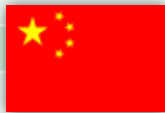
3. Vedanta Mining Resources

Vedanta is an Indian managed company which is registered in London, it registered in 2003 and their principal operations are in India. The core of Vedanta's asset lies in India, where they are domestic producers of aluminium, copper, zinc and lead. It acquired 51% shares of Konkola Copper Mines (KCM) which is the largest copper mining company in Zambia. They also have substantial assets in Australia with two copper mines.

4. Lifeline Hospital

Lifeline Hospital of India (Chennai) is finalizing plans to set up a high tech "key hole" surgical centre in Lusaka.

China



1. Zambia-China Cooperation Zone (ZCCZ)

This is the first economic and trade zone to be approved by China to be established in Africa. The ZCCZ is located in Chambeshi, in the Copperbelt, and has been developed from a Greenfield site. The Zone will mainly be focused on the development of non ferrous metals industry. The company is expected to invest a total of at least US\$ 800 million in the next five years.

Malaysia



Two joint venture projects are being implemented. The first is for the assembly/manufacture of mobile phones and the other, a college for technical education.

In 2009, Malaysian companies working with international partners have visited Zambia and are finalizing investigations for:

- ✿ Repair and maintenance of medical equipment
- ✿ Medical Laundry
- ✿ Diagnostic Laboratories
- ✿ Assembly of Laptops
- ✿ Universities and Colleges including vocational training etc

In addition Malaysia's Kulim Hi Tech Park (declared as the Science City of the Future) is involved with JICA for the preparation of the Master Plan for the Lusaka South Multi Facility Economic Zone, which is expected to be implemented in 2009.

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