

HOW EUROPEAN UNION PRIVATE SECTOR INVESTMENT CONTRIBUTES TO SUSTAINABLE GROWTH AND DEVELOPMENT IN ZAMBIA



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FOREWORD

“ Africa and Europe are neighbours and natural partners, and share many common interests. We both want to see a strong and vibrant Africa, based on green growth, generating quality and sustainable jobs for the increasing number of youth. In this spirit, the Africa-Europe Alliance advocates for a gradual shift from traditional aid and cooperation, towards partnerships, including increased support to private sector development, sustainable trade and investment facilitation. We believe that the private sector holds the highest potential for generating inclusive decent jobs and sustainable green growth. It is therefore essential to boost socially inclusive, environmentally sound and economically viable private sector investments, in terms of both domestic and foreign direct investment.



Jacek Jankowski

EU Ambassador to Zambia

We believe Zambia offers plenty of sustainable investment opportunities that can diversify and boost the economy. Enhancing private investment can be mutually advantageous for Zambia's economy, by generating jobs and growth, as well as for the European Union (EU), by creating investment opportunities. On a larger scale, public and private investment need to also support the implementation of Zambia's Nationally Determined Contributions (NDC) to the Paris Agreement on Climate Change. This is why Team Europe (the European Union Delegation to Zambia and its Member States) aims to develop and invest in green partnerships for sustainable recovery, growth and jobs in Zambia.

The European Union is already an important trade and investment partner for Zambia. This mapping shows that a sample of 107 European companies established in Zambia have a combined annual turnover of 2.4 billion EUR and employ more than 12,000 Zambians, whilst supplying goods and services from more than 13,000 Zambian companies. EU companies and joint ventures significantly contribute to skills development for their employees, to technical innovation, social impact and environmental protection.

The EU-Zambia partnership aims at creating a conducive investment climate and a business enabling environment, which covers a wide range of domains that go beyond supporting the private sector directly. For example, the EU provides support to the Zambia Revenue Authority (ZRA) to modernise the tax administration and decrease tax compliance costs for businesses. A new programme called Economic Governance Support Programme (EGSP) will accompany business regulatory reforms, invest in skills of the youth to improve their employability, and improve the governance and management of land tenure, which is a key asset for investors. Other EU funded initiatives will directly support the private sector in the agriculture, forestry, biodiversity, water and energy sectors.

I am very pleased to introduce this survey on EU private sector investments in Zambia. You will find a complete update of the economic exchanges, trade relations, and impact of EU investments, as well as challenges and opportunities of doing business in Zambia.

Team Europe is committed to intensify its efforts with the Zambian authorities and the private sector to support particularly green and digital investments in the country. By doing so, Team Europe will contribute to the diversification of Zambia's economy and support Zambia in gaining traction towards a sustainable and climate neutral socio-economic development path.

”

Mark Lüring

President of the Board of the EU-Zambia Business Club (EUZBC)

Managing Director of Drake & Gorham

“ Despite the impact of COVID-19 on businesses, the members of the European Union-Zambia Business Club (EUZBC) remain dedicated to building strong, profitable and sustainable businesses in Zambia. The EUZBC stays optimistic and believes there is hope for a green recovery in the near future, as the country rolls out its vaccination campaign (with the help of the COVAX facility supported also by the EU) and implements mitigation measures supported by the Government.

The EUZBC welcomes the initiative of the European Union and its Member States to undertake a study on the impact of the EU private sector investments in Zambia. The results of the study clearly show the importance of the EU investment community in Zambia and reinforce its position vis-à-vis government in terms of advocacy on business environment issues.

EUZBC's mandate is to increase trade and investment opportunities between the EU and Zambia. This is achieved through coordinated activities including advocacy for a conducive business environment and promotion of fair competition, alongside business networking opportunities amongst members.

It is interesting to note from the study that a significant portion of the EU private sector investments in Zambia are in non-mining sectors such as manufacturing, tourism, agriculture, energy (in particular renewable energy) and construction, thus supporting Government ambitions to diversify the Zambian economy and make it less dependent on the mining sector.

We are excited that the mapping study, which has culminated into this brochure, brings to light the various challenges that businesses in Zambia face and will constitute the basis of engagements with the government. We believe an increased role of the private sector and private-public dialogue and understanding is a sure way to turning these challenges into business opportunities along the path to economic recovery. This will lead to job creation and overall economic growth in line with Zambia's vision of becoming a middle-income country by 2030.

”

EUROPEAN UNION



 Population
 445 Million
 GDP
 EUR 17 Trillion
 ZMW 466,6 Trillion
 GDP per capita
 EUR 41,000
 ZMW 1,1 Million

ZAMBIA



 Population
 17,86 Million
 GDP
 EUR 23 Billion
 ZMW 631 Billion
 GDP per capita
 EUR 1,094
 ZMW 30,022

ZAMBIAN EXPORTS TO THE EU

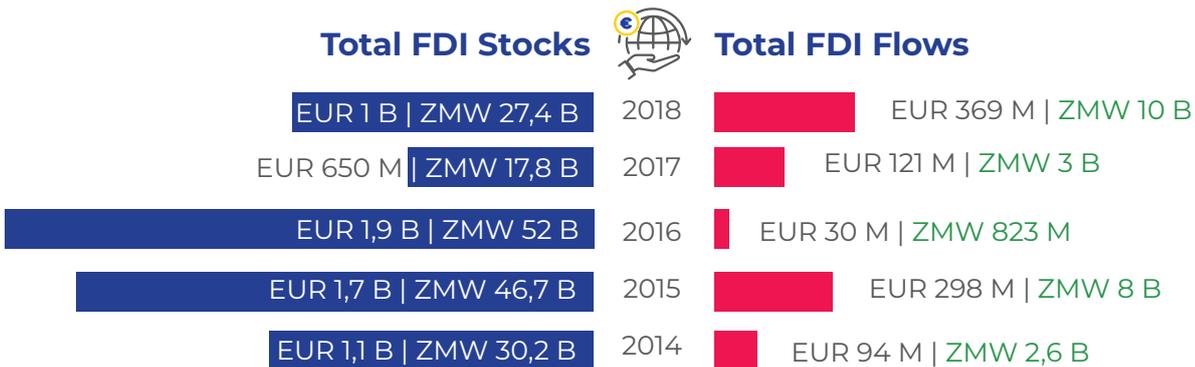


Year	Value (EUR)	Value (ZMW)
2020	EUR 244 M	ZMW 6,7 B
2019	EUR 369 M	ZMW 10 B
2018	EUR 406,5 M	ZMW 11,2 B
2017	EUR 346 M	ZMW 9,5 B
2016	EUR 406,9 M	ZMW 11,2 B
2015	EUR 411 M	ZMW 11,3 B
2014	EUR 319 M	ZMW 8,8 B
2013	EUR 403,6 M	ZMW 11,1 B
2012	EUR 412 M	ZMW 11,3 B
2011	EUR 466,9 M	ZMW 12,8 B
2010	EUR 182 M	ZMW 5 B

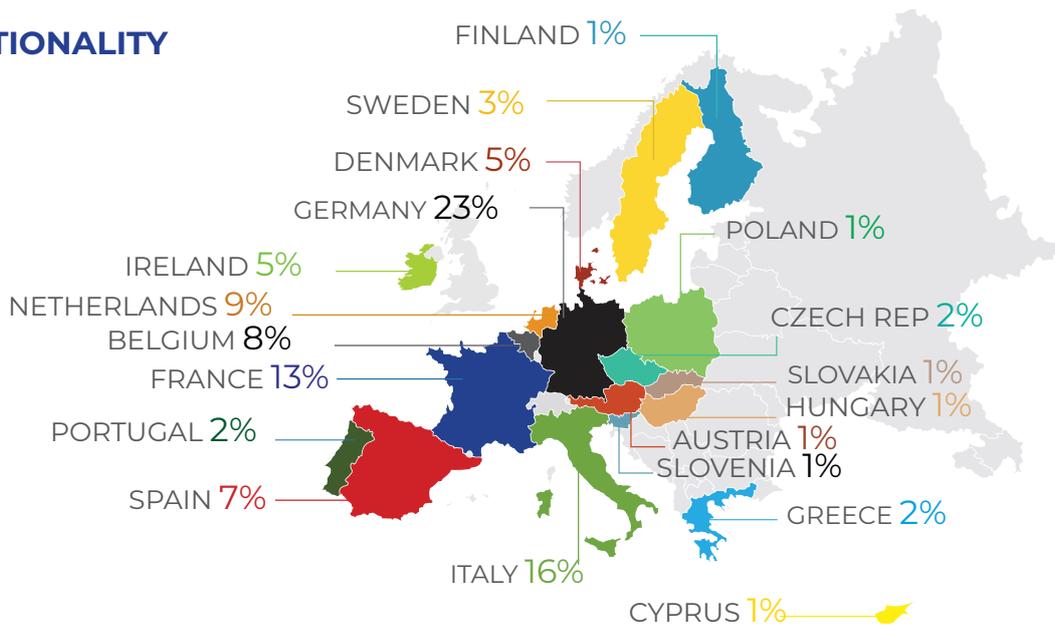
MAIN EU IMPORTERS OF ZAMBIAN PRODUCTS

 Belgium EUR 67,6 M ZMW 1,8 B	 Netherlands EUR 64,8 M ZMW 1,8 B	 Germany EUR 57 M ZMW 1,6 B	 Italy EUR 23,8 M ZMW 653 M	 Greece EUR 9,9 M ZMW 272 M
 France EUR 8 M ZMW 220 M	 Spain EUR 6 M ZMW 165 M	 Poland EUR 2,8 M ZMW 76,9 M	 Denmark EUR 905 K ZMW 25 M	 Croatia EUR 565 K ZMW 15,5 M

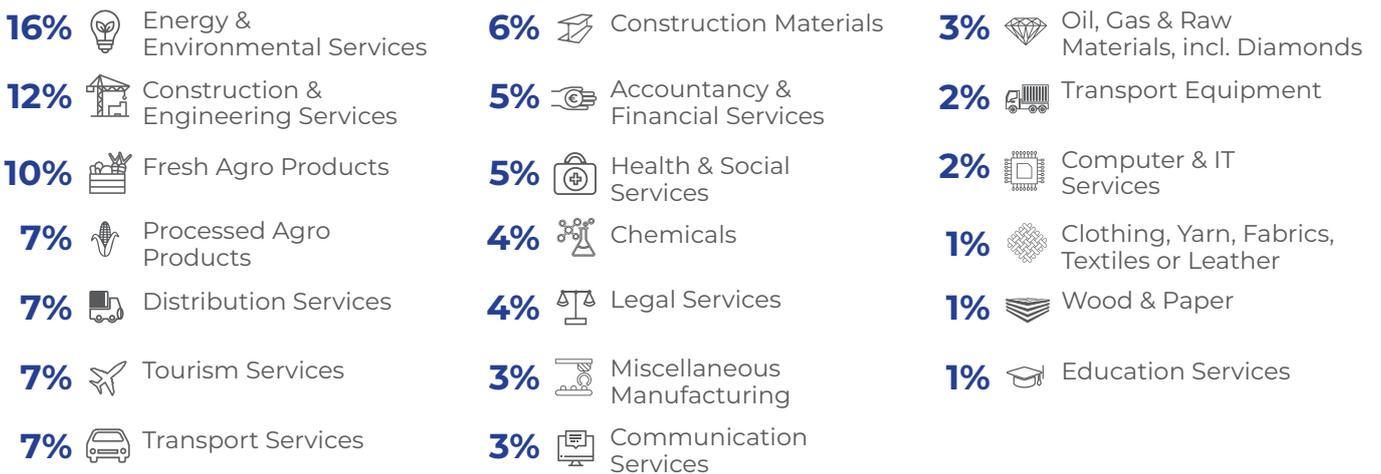
EU FOREIGN DIRECT INVESTMENT IN ZAMBIA



NATIONALITY



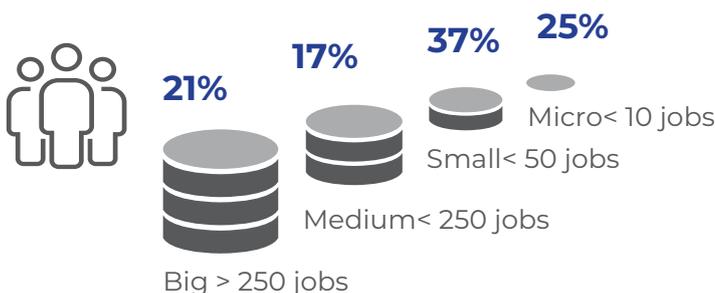
KEY SECTORS



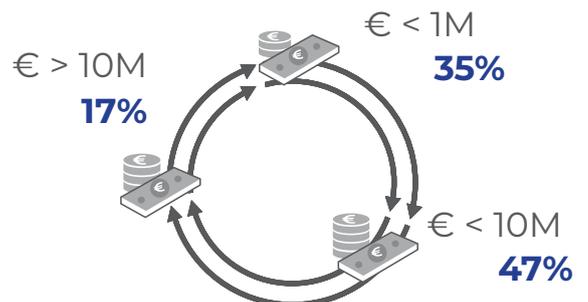
RELATION TO THE EU



SIZE



TURNOVER





LOCATION



71%
Capital



29%
Outside the capital



AGE Established for



28%



23%



49%

INVESTMENT MOTIVATION



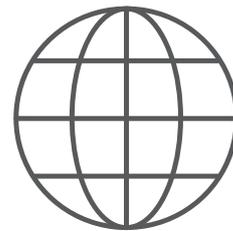
Investment due to the local market

65%



Investment due to the regional market

43%



Investment due to the international market

29%

Importance of the local market for companies now

- 13%** Low
- 14%** Average
- 73%** High or very high

Importance of the regional market for companies now

- Low **31%**
- Average **21%**
- High or very high **47%**

MARKET OUTLOOK (2021 - 2026)



40%

Tougher conditions



12%

Stable



34%

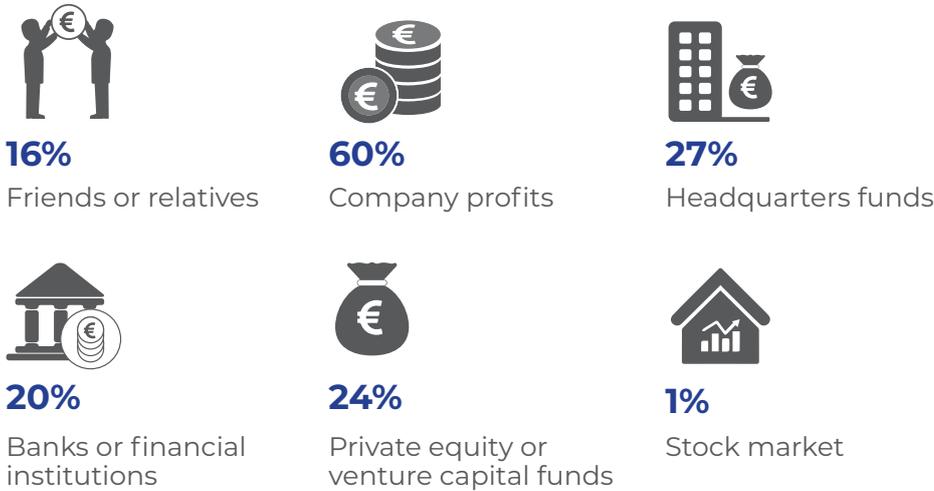
Potential for growth



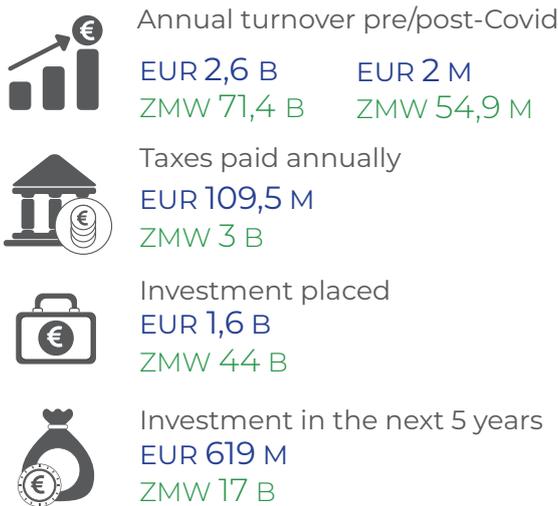
15%

Higher potential for growth

ACCESS TO FINANCE



ECONOMIC IMPACT



SOCIAL IMPACT



SOCIAL IMPACT



BARRIERS



BEST PRACTICES TO IMPROVE THE BUSINESS CLIMATE IN ZAMBIA

<p>Stable Macro-Economic Environment A stable macroeconomic environment (low & predictable inflation & sustainable public finances) is key to investments in the economy. It increases capital accumulation & productivity growth.</p>	<p>Business Simplification Transparency & simplification of the processes & procedures for setting up a business & operating it will reduce compliance costs to businesses & entice them to be compliant. Digitalising processes will increase speed & accountability.</p>
<p>Stable Business Environment A predictable regulatory environment helps investors to plan on the long term & reduces the risk of investing.</p>	<p>Supportive & Stable Tax Regime Good cooperation between the tax authorities & the private sector allows for mutual gains. Frequent tax changes have a high compliance cost.</p>
<p>Rule of Law The rule of law creates a good business environment & increases investor confidence.</p>	<p>Investment Friendly Labour Laws Investment friendly labour laws allow foreigners to live & work in the country they invest in. They also allow & facilitate the sourcing of highly skilled professionals outside the country should the skills not be available in the country.</p>
<p>Public-Private Dialogue/ Government Engagement with Stakeholders Regular, open & constructive dialogues between the private & public sectors will increase mutual trust & collaboration. Assessing the impact of regulatory & policy changes on the private sector will contribute to better policy making.</p>	<p>Public Procurement Transparent public procurement, which opens the market to fair competition, will result in the best value for money for the taxpayer.</p>

COVID IMPACT % of affected firms

Shortage of products or services
36%



Liquidity constraints
36%



Cancellation of orders
28%



Deferred or cancelled investments
45%



Own production losses or sick employees
14%



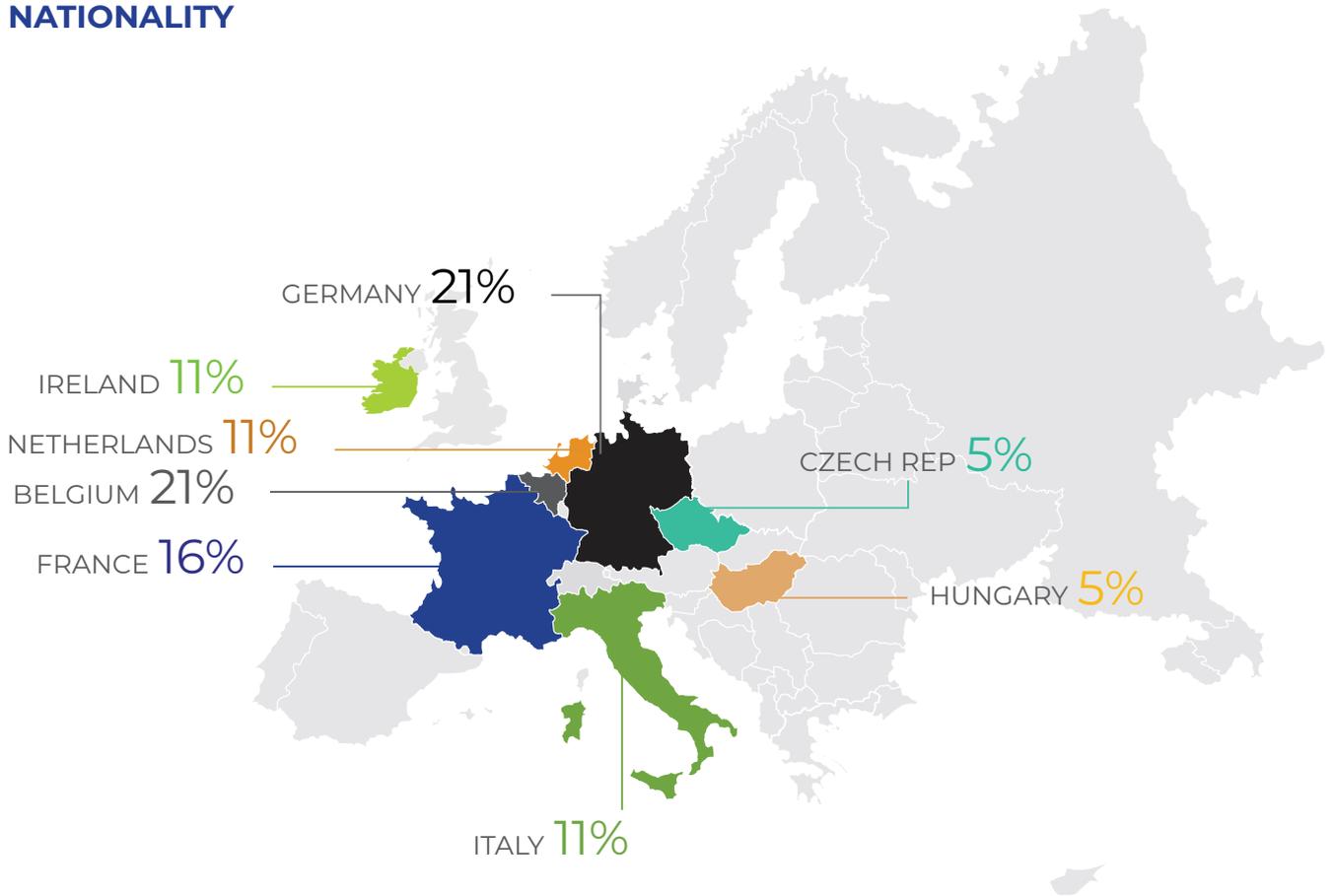
Decrease in demand for their products & services
50%



Problems in the supply chain or logistics
43%



NATIONALITY



KEY SECTORS



Fresh Agro Products



Processed Agro Products



EU INVESTMENT PER SECTOR AGRICULTURE

RELATION TO THE EU



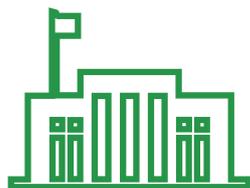
88%
EU Shareholders



59%
EU Capital



18%
EU Registration



24%
EU Headquarters



18%
EU Market

INVESTMENT MOTIVATION



Investment due to the local market
76%



Investment due to the regional market
53%



Investment due to the international market
29%

Importance of the local market for companies now

- 24%** Low
- 12%** Average
- 65%** High or very high

Importance of the regional market for companies now

- Low **29%**
- Average **18%**
- High or very high **53%**

MARKET OUTLOOK (2021- 2026)



53%
Tougher conditions



0%
Stable

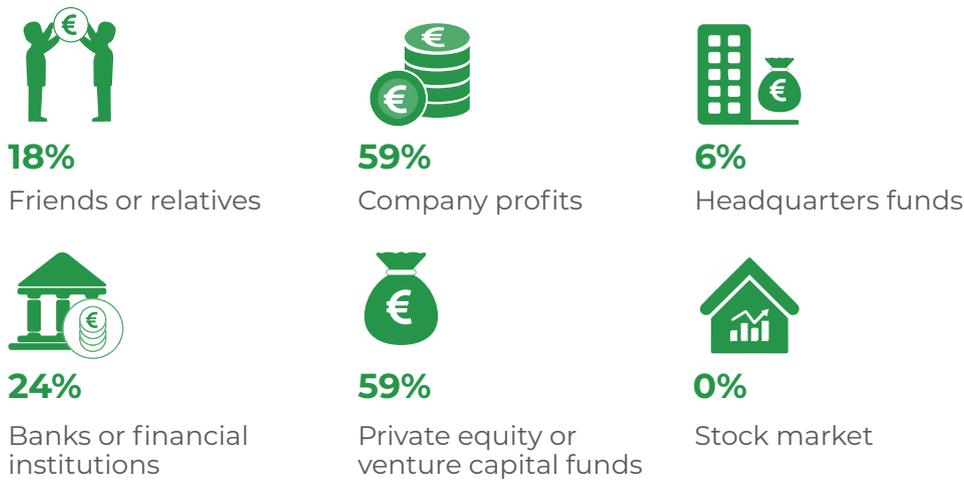


35%
Potential for growth

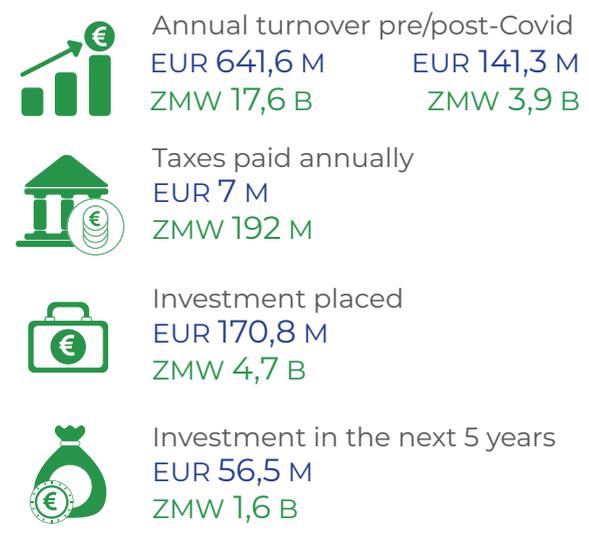


12%
Higher potential for growth

ACCESS TO FINANCE



ECONOMIC IMPACT



SOCIAL IMPACT



SOCIAL IMPACT



BARRIERS



COVID IMPACT

% of affected firms

Shortage of products or services

41%



Liquidity constraints

41%



Cancellation of orders

24%



Deferred or cancelled investments

53%



Own production losses or sick employees

0%



Decrease in demand for their products & services

29%

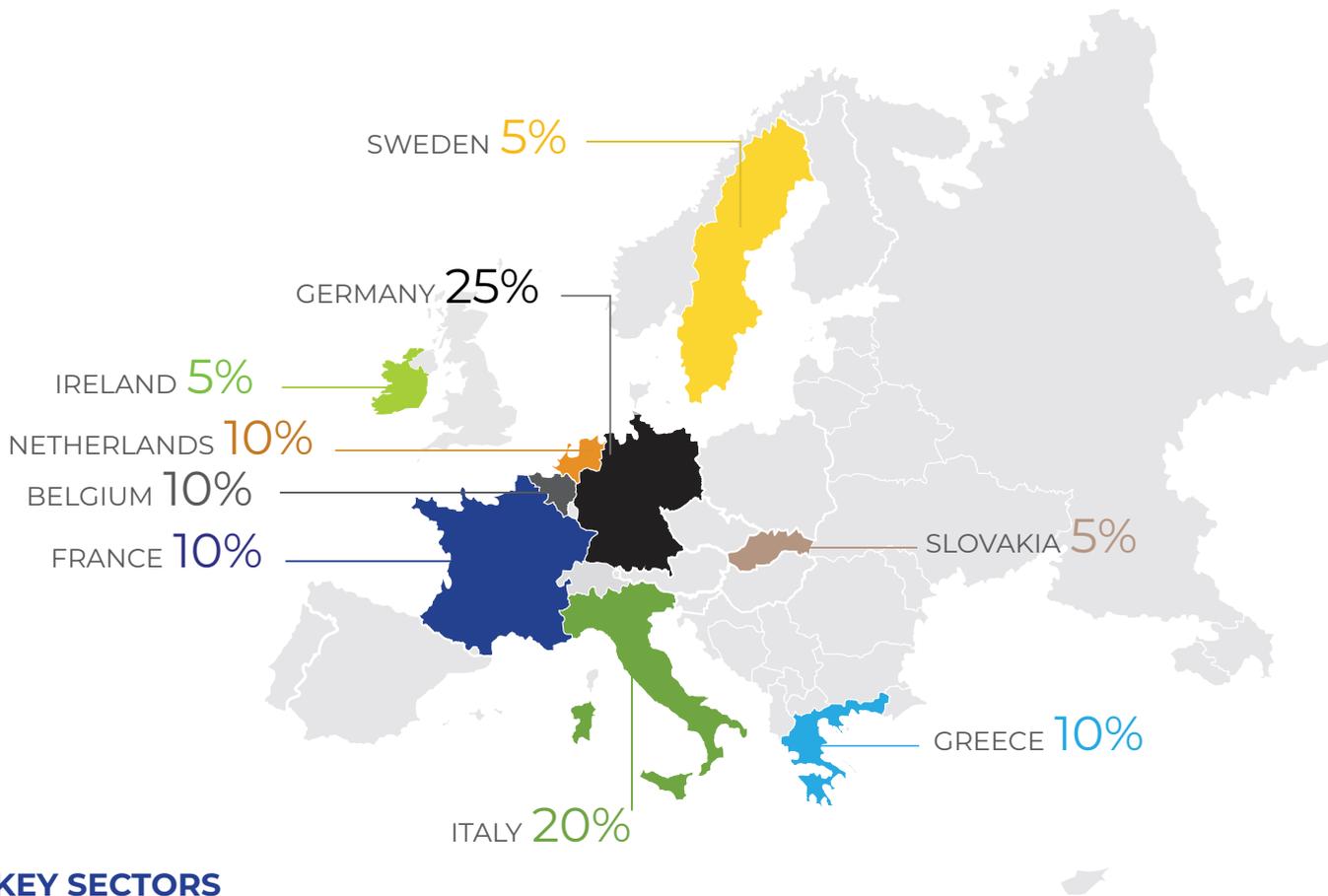


Problems in the supply chain or logistics

76%



NATIONALITY



KEY SECTORS

35%  Construction Materials

12%  Transport Equipment

24%  Chemicals

6%  Clothing, Yarn, Fabrics, Textiles or Leather

18%  Miscellaneous Manufacturing

6%  Wood & Paper



RELATION TO THE EU



85%
EU Shareholders



35%
EU Capital



15%
EU Registration



15%
EU Headquarters



30%
EU Market

INVESTMENT MOTIVATION



Investment due to the local market
60%



Investment due to the regional market
60%



Investment due to the international market
10%

Importance of the local market for companies now

Importance of the regional market for companies now

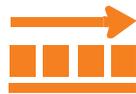
- 0% Low
- 5% Average
- 95% High or very high

- Low 30%
- Average 25%
- High or very high 45%

MARKET OUTLOOK (2021 - 2026)



50%
Tougher conditions



15%
Stable



20%
Potential for growth



15%
Higher potential for growth

ACCESS TO FINANCE



ECONOMIC IMPACT



SOCIAL IMPACT



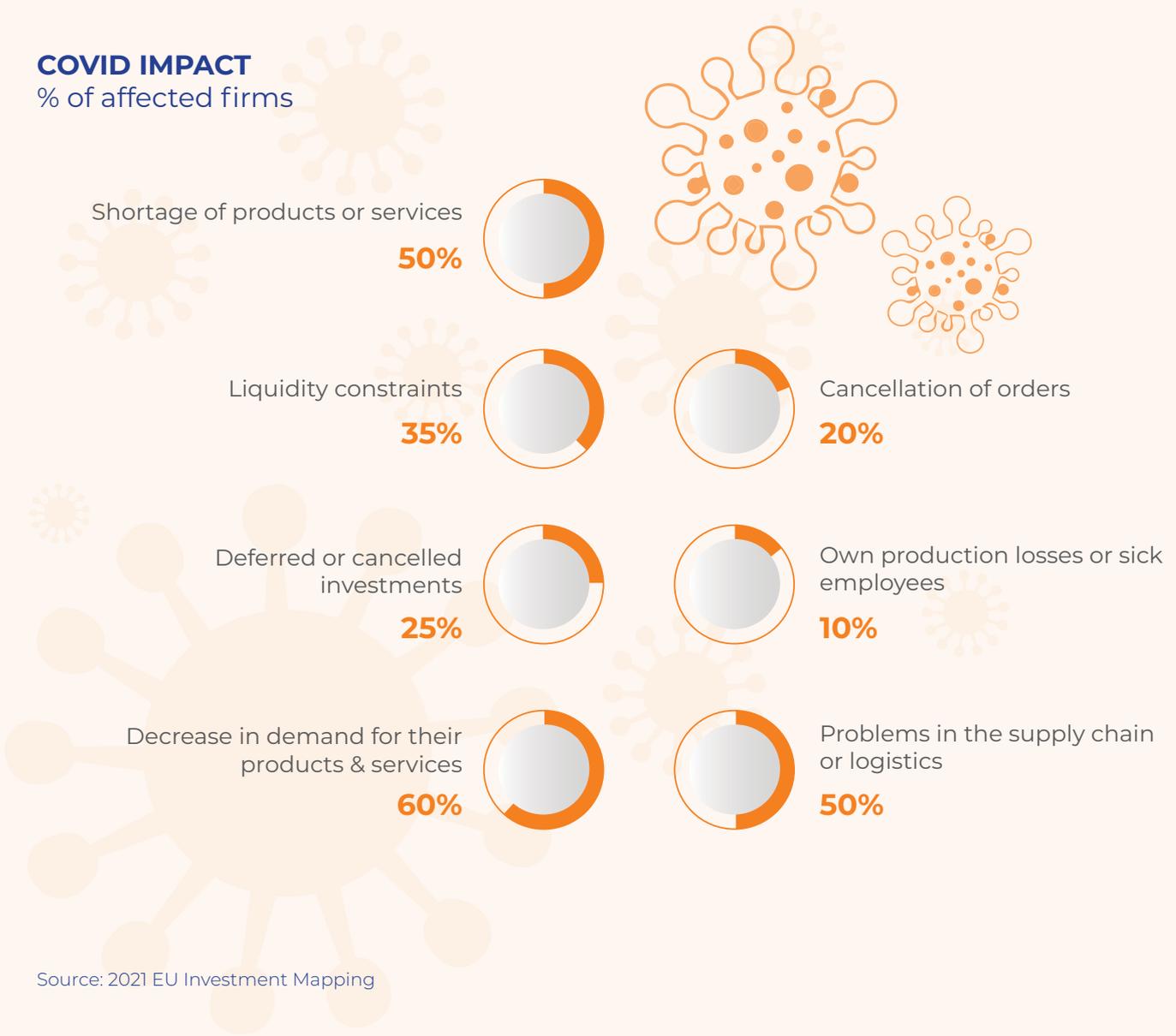
SOCIAL IMPACT



BARRIERS

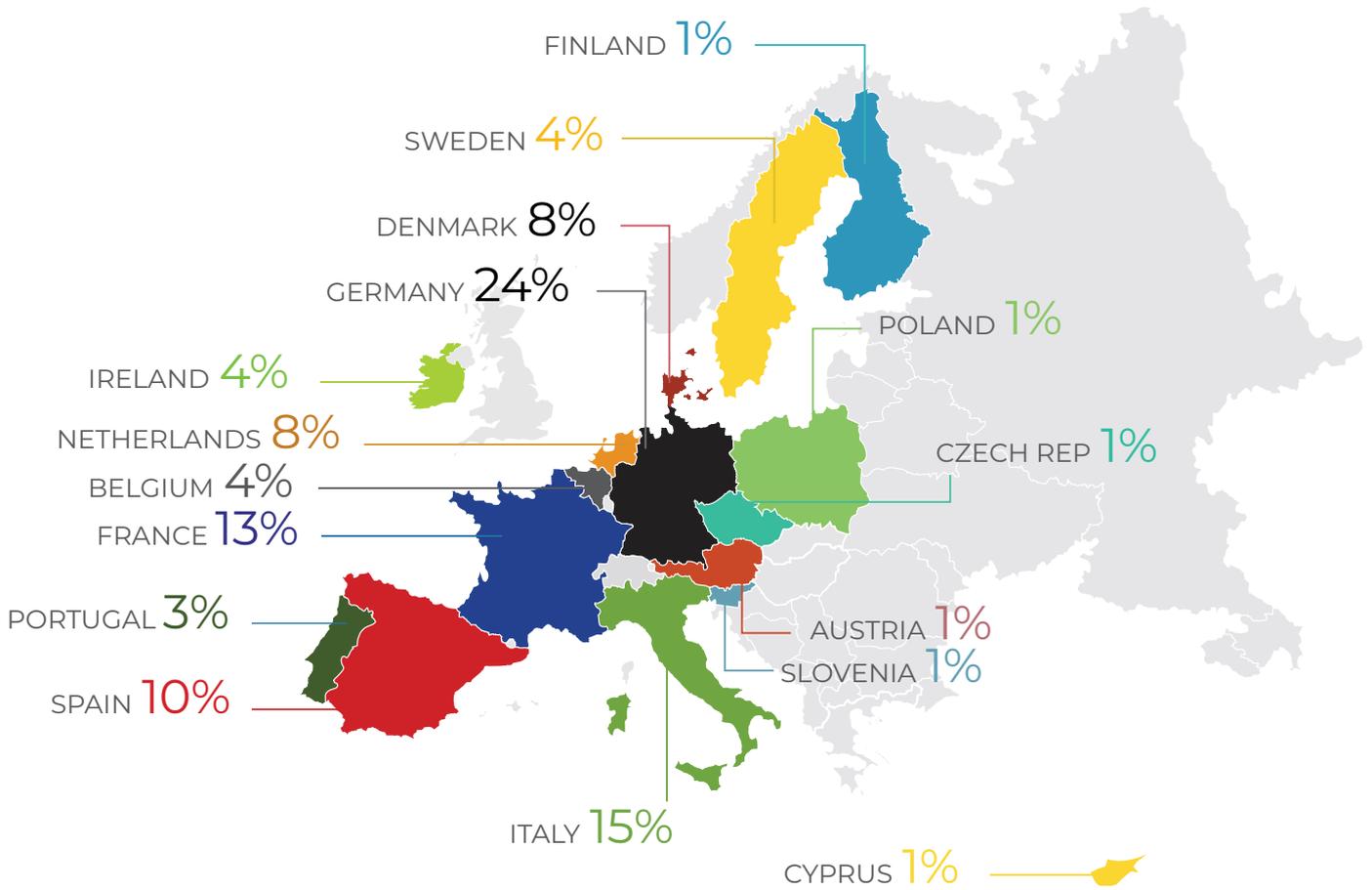


COVID IMPACT % of affected firms



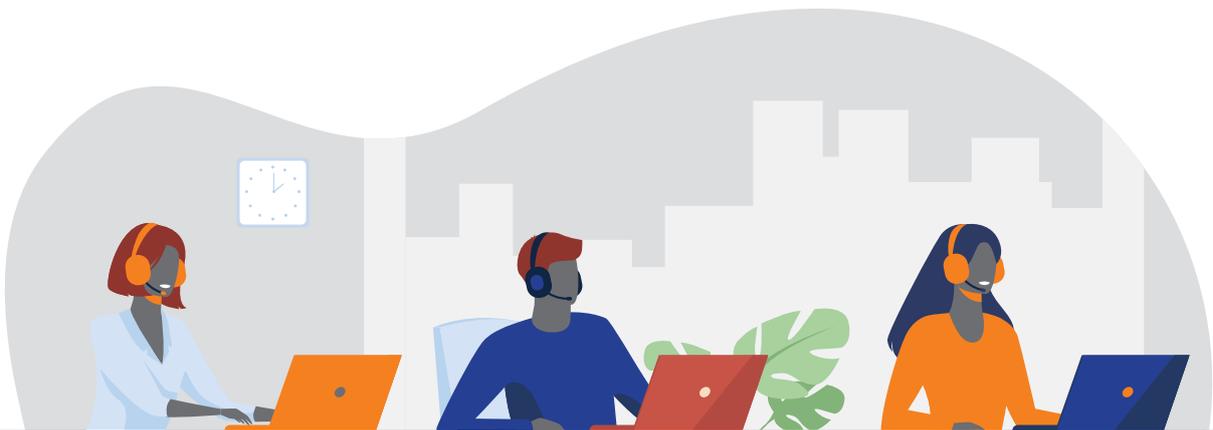
Source: 2021 EU Investment Mapping

NATIONALITY



KEY SECTORS

- | | | |
|--|--|--|
| 23% Energy & Environmental Services | 9% Transport Services | 4% Communication Services |
| 17% Construction & Engineering Services | 7% Accountancy & Financial Services | 4% Oil, Gas & Raw Materials, incl. Diamonds |
| 11% Tourism Services | 7% Health & Social Services | 3% Computer & IT Services |
| 9% Distribution Services | 5% Legal Services | 1% Education Services |



RELATION TO THE EU



91%

EU Shareholders



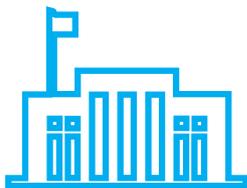
55%

EU Capital



21%

EU Registration



36%

EU Headquarters



35%

EU Market

INVESTMENT MOTIVATION



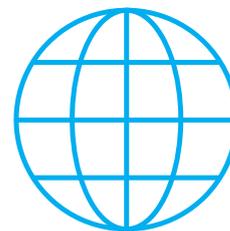
Investment due to the local market

63%



Investment due to the regional market

37%



Investment due to the international market

33%

Importance of the local market for companies now

13%



Low

16%



Average

71%



High or very high

Importance of the regional market for companies now

Low



31%

Average



24%

High or very high



45%

MARKET OUTLOOK (2021 - 2026)



38%

Tougher conditions



9%

Stable



38%

Potential for growth



14%

Higher potential for growth

ACCESS TO FINANCE



17%

Friends or relatives



57%

Company profits



31%

Headquarters funds



20%

Banks or financial institutions



19%

Private equity or venture capital funds



1%

Stock market



ECONOMIC IMPACT



Annual turnover pre/post-Covid
 EUR 1,8 B EUR 1,7 B
 ZMW 49,4 B ZMW 46,6 B



Taxes paid annually
 EUR 90 M
 ZMW 2,5 B



Investment placed
 EUR 867,7 M
 ZMW 23,8 B



Investment in the next 5 years
 EUR 506 M
 ZMW 13,9 B

SOCIAL IMPACT



Direct employees
 6,345



Local employees
 96.9%



Women employees
 30%



Local suppliers
 2,492

SOCIAL IMPACT



GREEN ACTIONS

Carbon Footprint,
 Environment & Biodiversity

Annual Actions **822**

Annual Budget **EUR 17,6 M**
ZMW 483 M



SOCIAL ACTIONS

Labor Policies & Fair Trade

Annual Actions **867**

Annual Budget **EUR 6,4 M**
ZMW 176 M



INNOVATION ACTIONS

Training & R&D

Annual Actions **840**

Annual Budget **EUR 15,4 M**
ZMW 423 M

ANNUAL
 ACTIONS

2,529

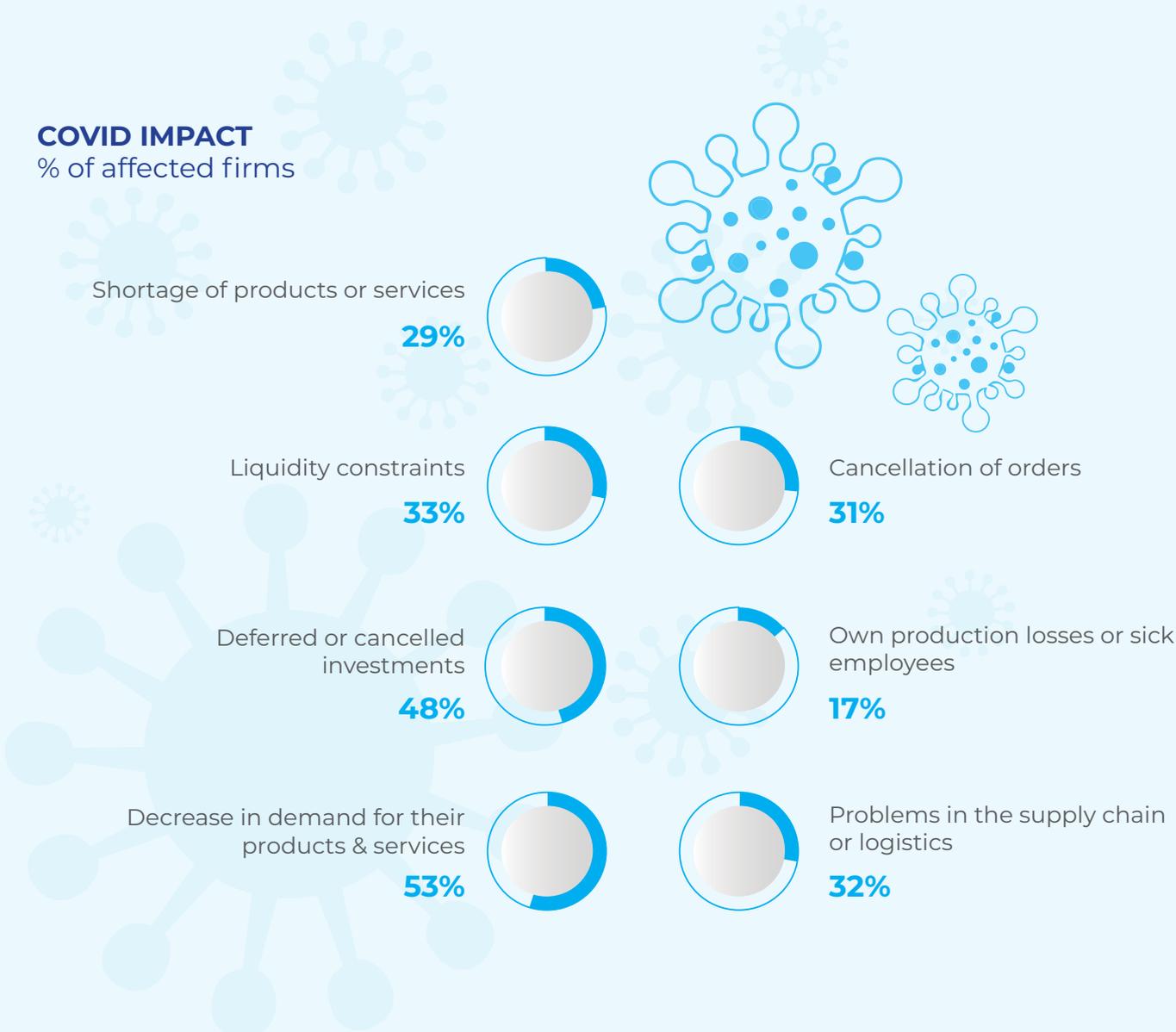
ANNUAL
 BUDGET

EUR 39 M | ZMW 1 B

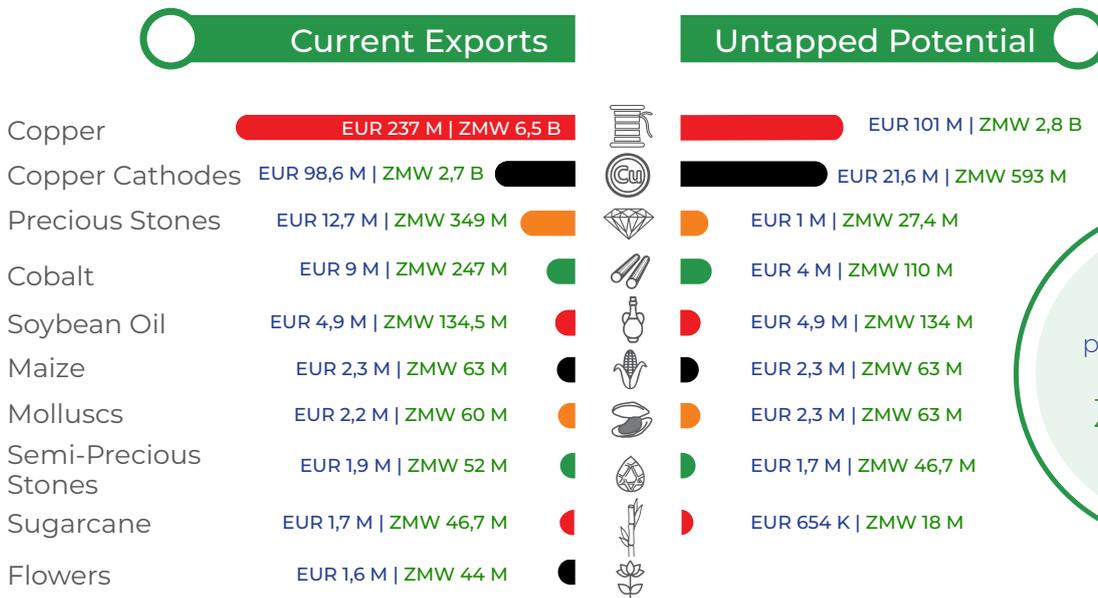
BARRIERS



COVID IMPACT % of affected firms

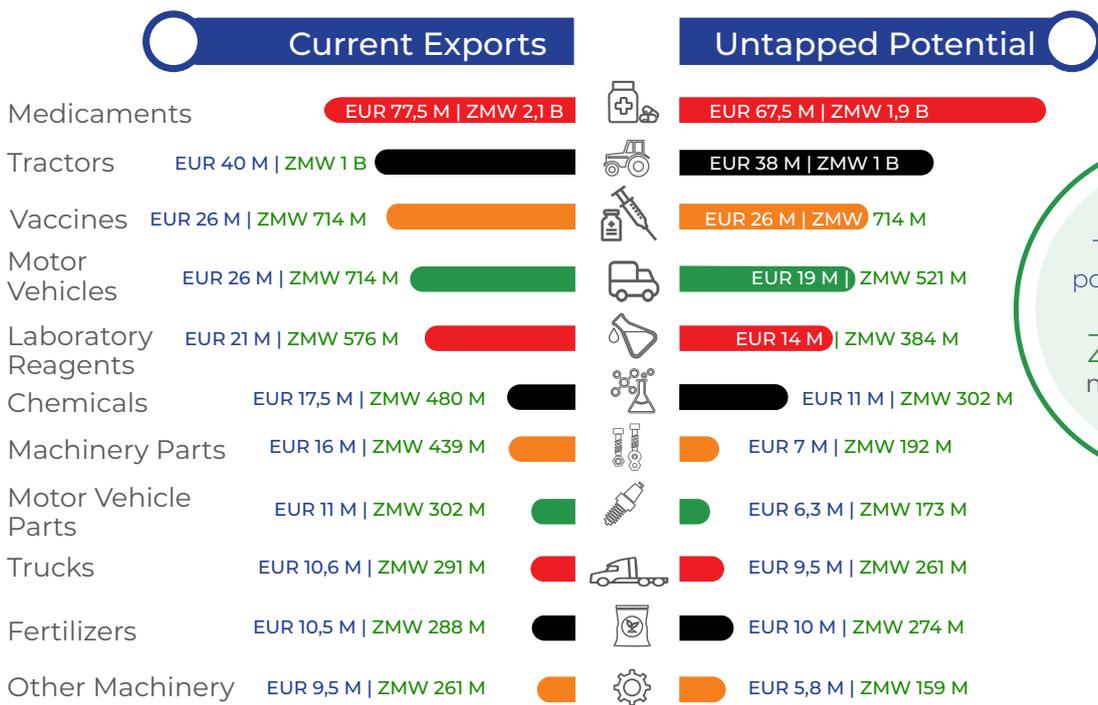


EXPORT POTENTIAL FROM ZAMBIA TO THE EU



Zambia has the potential to export
EUR 101 M
ZMW 2,8 B
 more to the EU

EXPORT POTENTIAL FROM THE EU TO ZAMBIA



The EU has the potential to export
EUR 67,5 M
ZMW 1,9 B
 more to Zambia

*The Export Potential Indicator (EPI) identifies products in which the exporting country has already proven to be internationally competitive & which has good prospects of export success in new or existing target markets. The criteria to calculate the EPI are the export performance, target market's demand & tariff conditions as well as bilateral links between the exporting country & target market.

The Trade & Private Sector Development & Engagement (TPSD) Facility is an on-demand advisory service managed by the European Commission Department for International Partnerships (DG INTPA). It was launched in 2017, to increase the capacity of partner countries & European Union (EU) staff in Delegations to understand & implement private sector & trade policy orientations & further improve the quality of INTPA interventions.

The team of experts provides technical assistance, knowledge management & communication support to EU staff. In 3 years, the TPSD Facility conducted 38 short term missions in 29 countries, dealing with value chain analyses, feasibility studies for the operationalisation of the External Investment Plan, public-private dialogues & EU investment mappings.



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