INVEST IN ZAMBIA’S MANUFACTURING SECTOR

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# OVERVIEW OF MANUFACTURING SECTOR

The Manufacturing sector accounts for about 8% of the country’s gross domestic product (GDP) and has been growing at an average annual growth rate of 3% in the last five years. Growth in the sector is largely driven by the agro processing (food and beverages), textiles and leather subsectors. Secondary processing of metals is another main activity in the sector, including the smelting and refining of copper.

 Fertilizers, chemicals, explosives and construction materials such as cement are also prominent in the sector. Other activities include wood products and paper products. Government has put in place measures to support manufacturing activities, such as the establishment of multi-facility economic zones (MFEZs) and industrial parks (these are industrial areas for both export-orientated and domestic-orientated industries, with the necessary support infrastructure installed), and the provision of sector-specific investment incentives. Government also promotes small and medium-sized enterprises in rural and urban areas so as to enhance labour-intensive light manufacturing activities in these areas.

The main destinations of Zambia’s manufactured products are the Common Market for Eastern and Southern Africa (COMESA) and the Southern African Development Community (SADC) trade blocs, with the Democratic Republic of Congo and the Republic of South Africa being the largest single markets. Other significant export markets outside Africa are China, Belgium, Netherlands and Switzerland.

# 2.0 PERFORMANCE OF THE MANUFACTURING SECTOR

The table below shows the top ten performing NTE products and the associated value of exports. The total earnings from the export of these products was USD 831.3 million, accounting for 38 % of the total NTE earnings. The major NTE product that was exported was Sulphuric acid (oleum in bulk) valued at USD 171.26 million representing 20.6% of total NTE exports, followed by Articles of stones or other mineral substances at USD 108.28 million (13.0%), and Bullion semi-manufactured forms were third at USD 94.13 million (11.32%).

**Top Ten Export of manufactured products in 2018**

|  |  |  |
| --- | --- | --- |
| Product Description at 8HS | Value in USD Million | Percent |
| Sulphuric acid; oleum in bulk | 171.26 | 20.60 |
| Articles of stone or other mineral substances | 108.28 | 13.03 |
| Bullion semi-manufactured forms | 94.13 | 11.32 |
| Wire of refined copper | 77.50 | 9.32 |
| Electrical energy | 69.48 | 8.36 |
| Oil-cake and other solid residues, of soya-bean | 67.84 | 8.16 |
| Tobacco, partly or wholly stemmed/stripped | 64.92 | 7.81 |
| Other non-alcoholic beverages | 63.26 | 7.61 |
| Portland cement (excl. white) | 58.59 | 7.05 |
| Manganese Ores/Concentrates | 56.04 | 6.74 |
| Total | **831.30** | **100.00** |

***Source: CSO estimates***

# 3.0 INVESTMENT OPPORTUNITIES

Zambia’s manufacturing sector has considerable investment potential since Zambia is endowed with natural resources such as raw materials, required labor force, abundant land, water and rich minerals.

## 2.1. Domestic and Regional Demand for Manufactured Goods

Zambia has a high propensity for consumption of manufactured goods. Domestic demand factors provide a readily available local markets for manufactured goods while the country’s membership to regional organizations such as the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), and the Tripartite Free Trade Area provide export markets for value added manufactured products.

Zambia’s annual domestic demand for manufactured products exceeds US$ 2,000 million per annum.

In the last three years over US$ 906 million worth of manufactured products have been exported from Zambia to the COMESA region, while over 936 million worth of manufactured products have been exported to the SADC region.

Furthermore, there are also market opportunities in other international markets other than COMESA and SADC through Zambia’s membership to the World Trade Organization (WTO), and through various market access agreements that the country has signed including; Economic Partnership Agreements (EPAs), the Africa Growth and Opportunity ACT - which provides trade preferences for quota and duty free entry into the United States of America (USA) for certain goods such as steel, and the Everything But Arms (EBA) initiative (in which all imports to the European Union from least developed countries such as Zambia are duty and quota free).

*Source: World Bank, 2019*

The graph above shows that Zambia has traditionally been an importer of finished manufactured commodities and an exporter of primary commodities.

This points to a deficit of manufactured products within the Country, thereby highlighting opportunities for investment in sub-sectors such as:

* Agro-processing;
* Pharmaceutical products;
* Assembly of machinery and equipment;
* Cement;
* Packaging materials;
* Fertilizers;
* Textiles; and
* Tobacco products, to mention a few

## 2.2 Priority Areas for Investment in the Manufacturing Sector

### 2.2.1. Processed and Refined Foods and Beverages

There is vast investment potential for food processing in the Country, covering both large and small scale industries. Specific areas of interest include; the growing and processing of oil seeds, and the processing of livestock products especially in the beef and dairy sub-sector. The Zambian economy also has potential for fish processing such as canning.

The processing of grocery products such as cold meats, biscuits, tinned foods, jam and cheese is also largely under exploited. Furthermore, crops such as paprika have been gaining in prominence as crops with export potential due to their low capital input requirement for processing.

Other potential investment opportunities in the sub sector are; the sugar industry, grain milling (both maize and wheat), carbonated soft drinks production, and clear and opaque beer production.

### 2.2.2 Textiles

Over the years, textiles, garment and apparel manufacturing have shown to be promising sub-sectors in Zambia’s economy. Investment opportunities in textiles manufacturing exist under the Manufacturing Under Bond Scheme (MUBS) and in the Multi Facility Economic Zones.

Cotton is grown, ginned and spun in Zambia at industrial sites with state of the art spinning, weaving and processing factories. Among the notable textile products include cotton yarn and grey cloth of world class quality.

The European Union is a major export market for textile products from Zambia, with South Africa and Mauritius forming the largest African markets. Furthermore, Zambian textile products penetrate the US market through the Africa Growth Opportunity Act (AGOA).

### 2.2.3. Mineral Processing

The secondary processing of minerals is gaining momentum within the Manufacturing sector. Government incentives such as the preferential corporate tax rate of 15% support new businesses that add value to Copper rather than exporting the raw copper.

There is scope for investment in the manufacture of copper wire and other copper products, such as copper plate and tubing, and also for increased copper rod and cable manufacturing which are already being undertaken in the Country.

The cutting and polishing of gemstones for export also has great potential, as does the manufacturing of jewelry.

### 2.2.4. Chemical Products

The processing of minerals for the agro industry is another area in which demand is fast growing in Zambia. Zambia contains many agricultural minerals such as Peat and limestone deposits that are available for the manufacture of soil conditioners, while phosphates are available for the production of fertilizers.

Zambia currently imports about $200 million worth of fertilizers annually, most of this is imported by the Government in order to subsidies small scale farmers in rural areas. Limited Government subsidies on agricultural inputs and the high cost of conventional water soluble P fertilizers increases the cost of agriculture production. This calls for cheaper alternative sources of P fertilizers for crop production to mitigate the problems of scarcity and reduce the high importation costs.

Major investment opportunities exist in the production of fertilizers due to the availability of feasible resources in the following areas:

a) Chilembwe deposits near Petauke district estimated at 1.6 million tonnes,

b) Mumbwa deposits at 500,000 tonnes,

c) Nkombwe (near Isoka district) at 500 million tonnes; and

 d) Kaluwe (near Luangwa) estimated at 207 million tonnes.

Establishment of rural based plants in any of the areas mentioned above would contribute to the realization of food security, increase agricultural productivity and improve the quality of life of the people.

The Country is also endowed with mineral deposits for the production of other chemical products such as cement, adhesives and explosives, as well as glass, batteries, argon gas, sulphuric acid, paints, cosmetics, soaps and detergents.

### 2.2.5. Engineering and Metal Works

Zambia has a variety of minerals which are exported as raw materials. At present, there is very little value addition being made to these mineral exports. Hence, there are massive investment opportunities in processing copper, iron ore and steel, cobalt and other minerals into intermediate and finished engineering products.

Engineering products have a readily available local market from the mines (for the supply of mining equipment), construction companies, and other industries. The manufacture of engineering products includes metal items such as window frames, doors, roofing materials, nuts and bolts, as well as light engineering products such as cable carbon brushes, switch gears, pipes and rail sleepers.

Furthermore, Zambia imports all the major spare parts required for the repair of its machinery. Therefore, investment opportunities exist in the local manufacture of spare parts for various industrial machines.

### 2.2.6. Leather Products

Leather products have a readily available market in the international and regional space. Zambian leather Products are of such high quality that they qualify to enter the United States market under the Africa Growth Opportunity Act (AGOA).

### 2.2.7. Pharmaceuticals

Zambia and her surrounding neighbors have relatively high burdens of diseases that require high consumption of pharmaceutical products. Malaria, HIV/AIDS and other ailments have constantly triggered demand for these products, which are mostly sourced outside Africa.

There is a limited number of pharmaceutical manufacturing and trading companies in the Country, most of which are engaged in the manufacturing of basic pharmaceutical formulations (medicines). The majority of essential drugs are still being imported. In addition, there is scope for investment in the manufacture of pharmaceutical products such as moringa and atemisia for the production of coatem.

### 2.2.9. Packaging Materials

Investment opportunities also exist in the manufacturing of packaging materials to supply industries such as the food processing industry (for packaging material of grain milling, products, sugar, opaque beer, dairy products, cold meats and canned foods) and the chemical products industry (for packaging of; soaps, detergents, cement and fertilizers).

Other industries that require packaging materials are leather products, electrical appliances and pharmaceuticals, to mention a few.

Currently, most packaging materials used by manufacturing companies in the Country are imported from the Republic of South Africa, China, India and Europe. The companies spend about US$ 30 million annually on the import of packaging materials. This is a clear indication for the existence of huge local demand for these materials. Government’s introduction of the Extended Producer Responsibility regulation which banned plastic materials below 30 microns presents an opportunity for the manufacture of environmentally friendly alternative packaging materials.

# 4.0 INVESTMENT INCENTIVES IN THE MANUFACTURING SECTOR

The Zambia Development Act provides for investment thresholds that have to be met to qualify for fiscal and non-fiscal incentives.

1. Investors that invest not less than US$500,000 in a Multi Facility Economic Zone, an Industrial Park, a Priority Sector, or in a rural area are entitled to the following fiscal incentives:
2. Accelerated depreciation on capital equipment
3. Duty free import of equipment and machinery

In addition to fiscal incentives, the above category of investors is entitled to the following non-fiscal incentives;

1. Investment guarantees and protection against expropriation;
2. Free facilitation of immigration permits, secondary licenses, land acquisition and utilities
3. Investors that invest an amount not less than US$250,000 in any sector are entitled to non-fiscal incentives as follows:
4. Investment guarantees and protection against expropriation; and
5. Free facilitation of immigration permits, secondary licenses, land acquisition and utilities

# 5.0 MULTI- FACILITY ECONOMIC ZONES

The Multi- Facility Economic Zone (MFEZ) initiative is a Government programme whose aim was to create a platform for Zambia to achieve economic development by attracting significant domestic and foreign direct investment (FDI) through a strengthened policy and legislative environment.

The implementation of MFEZs in Zambia was designed to make Zambia competitive through increased activity in the Manufacturing sector, which has numerous positive spillover effects in other sectors such as utilities, transport, agriculture and services.

The zones have infrastructure in place in order to attract and facilitate the establishment of world-class enterprises.

The MFEZs blend the best features of the free trade zones (FTZs), export processing zones (EPZs) and the industrial parks/zones concept and create the administrative infrastructure, rules, regulations etc that benchmark among the best dynamic economies. The blending of physical infrastructure with an efficient and effective administrative infrastructure has created the ideal investment environment for investors.

The Ministry has to date declared six (6) areas as MFEZs and Industrial Parks vis-à-vis:

Chambeshi, Lusaka East, Lusaka South, Lumwana; and Ndola (Sub Saharan gemstones exchange) as well as Roma Industrial Parks.

* **Chambeshi MFEZ**

With a total area of 4,100 hectares, this is suitable for industries that can process raw material such as copper, and manufacturers of components for the mining and agriculture sectors.

* **Lusaka East MFEZ**

Located adjacent to Kenneth Kaunda International Airport, this is suitable for light industries and commercial development such as provision of conference facilities, offices and hotel accommodation.

* **Lusaka South MFEZ**

On 2,100 hectares, this MFEZ houses industries and facilities including high tech industries, research and development, commercial and residential development institutions and community facilities.

* **Roma Industrial Park**

Roma Industrial Park is a mixed-use development planned to focus on residential housing, commercial/retail and light industrial developments. Notable developments recently undertaken in the Park include the construction of 6km of internal asphalt tarred road.

All the 300 residential housing plots have been taken up with individual developers being at various stages of construction with majority houses being occupied. The residential housing part has been fully subscribed and the developers are currently putting up additional 100 houses to be maintained for rental purposes.

# 6.0 RAILWAY, ROADS AND AVIATION INFRASTRUCTURE

The rail network remains the dominant mode of bulk transportation (83%) for goods on local and international routes. The major rail line links Zambia with Tanzania and is jointly owned by the Zambian and Tanzanian governments. It is run by the Tanzania-Zambia Railway Authority (TAZARA). The Chipata-Mchinji Railway was constructed to link Zambia to the Nacara Corridor. Furthermore, there are more than 130 airfields, of which one third are Government-owned while the rest are privately owned. The Kenneth Kaunda and Harry Nkumbula International Airports are Zambia’s main airports connecting the Country with the region and the rest of the world. The smaller airports include Ndola, on the Copperbelt province and Mfuwe, in the Luangwa National Park.

As a major global copper producer, Zambia relies heavily on its road network to ship mining inputs and exports overseas through its eight neighboring countries. Zambia’s neighbors also heavily use Zambian roads to provide a reliable and shorter path to African ports. Trade Corridors are therefore vital to sustaining Zambia’s economic activity. The following are the corridors; The Southern Corridor links Zambia to the Durban Port in South Africa; the Walvis Bay Corridor connects Zambia to the Port of Walvis Bay in Namibia; Zambia is linked to Mozambique through three corridors: the Maputo Corridor to the Port of Maputo; the Beira Corridor to Beira and the Nacala Corridor to Nacara; while the Tazara Corridor connects Zambia to Dar es Salaam, Tanzania.

# 7.0 REGULATORY FRAMEWORK

The industrialization Policy that is being implemented by the Ministry of Commerce, Trade and Industry guides the growth of the Manufacturing by outlining strategies aimed at transforming Zambia from a producer of primary commodities to a producer of value added goods.

## 7.1 Licenses and Permits

### 7.1.1 Company Formation and Registration

The Company's Act Cap 388 governs the registration of companies in Zambia. Registration is done at the Patents and Companies Registration Office. Any two or more persons can incorporate a company under the Company's Act. The persons will be required to submit the following documents:

* Application for name clearance, in order to avoid use of an existing or similar name
* Application for incorporation by subscribing the names of directors and secretaries of the company
* Articles of the company
* Statutory declaration as to compliance with the Company's Act
* Signed consent to act as director or secretary by each person named in the company's application
* Declaration of guarantee, if a company is limited by guarantee.

The minimum share capital of a company is K15, 000 (about US$ 1, 500).The law requires that half the directors of the company be residents in Zambia. All companies are required to submit annual returns to the Registrar of Companies within three months after the end of the financial year or one month after the Annual General Meeting if it is held within three months after the financial year.

The Company's Act allows foreign companies to register with the Registrar of Companies within 28 days of setting up or acquiring an established place of business. The documentation requirement may be obtained from the Office of the Registrar of Companies.

### 7.1.2 Certificate of Registration

The Zambia Development Agency Act No. 11 of 2006 provides for investment incentives and investment guarantees. Applications for a certificate of registration should be submitted to the Zambia Development Agency, a statutory body mandated by government to foster economic development through the promotion and facilitation of investment and international trade.

The documents required to support an application for a Certificate of Registration include:

* Copy of Certificate of Incorporation, issued by the Registrar of Companies
* Certificate of Share capital
* Official list of shareholders / directors
* Proof of finance (audited financial statements, certificate of deposit at bank or latest bank statement)
* Detailed Business Plan
* Brief resumes/CVs for shareholders and/or directors
* Certified Identity cards of shareholders and/or directors

Applications for a Certificate of Registration in some sectors of the Economy require proof that applications for subsidiary permits from relevant institutions or ministries have been lodged.

### 7.1.3 Employment Licences / Permits

The following employment licenses and permits are required in all sectors of the economy;

1. **Investors permit**

Immigration Headquarters are responsible for issuance of Investors Permits to deserving foreign investors. An application for the permit should be supported by the following documents:

* Two passport-size photos
* Bank statement
* Valid copy of the company's certificate of incorporation
* Copy of the certificate of registration issued by the Zambia Development Agency
1. **Employment permit**

Immigration Headquarters, may issue employment permits after an investor submits the following documents:

* Certified copy of the applicant's highest education qualification and any other additional qualifications and certificate of employment from previous employers;
* Letter from the prospective employer explaining steps taken to employ Zambian citizens to fill the vacancy

## 7.2 Other Permits and Licenses

There are also a number of other general permits and licenses as follows;

1. **The Project Brief and Environmental Impact Statement**

Most projects in all sectors other than the service sector require authorization from the Zambia Environmental Management Agency (ZEMA). It is a requirement under the Environmental Protection and Pollution Control Act(EPPCA) Cap 204 of the Laws of Zambia that before a project is undertaken, an Environmental Project Brief (EPB) or an Environmental Impact Statement (EIS) is submitted to ZEMA to ascertain its impacts on the environment. A Decision Letter will be issued by the ZEMA when they are satisfied that the project will have no negative environmental impact.

1. **Title Deed**

Lands Department is responsible for issuance of Title Deeds upon submission of the following documents:

* Certificate of Incorporation
* Land sketch
* Letter of consent from the chief
* Recommendation letter from the local council
1. **Whole Sale, Manufacturer's and Agents' License**

Upon submission of the Certificate of Incorporation, the local council would issue the above licences.

1. **Forest Concession License**

The following documents are required to support an application for the above license:

* Letter of consent from the local chief and letter of consent from the local council
* Letter of recommendation from the respective Principal Extension Officer
* Company's Certificate of Incorporation
* Map of the area of operation
* Plan of operation
* Bank statement to prove that the applicants have more than K10, 000, about US$1667.

The applicants must be able to pay for a minimum of 200 to 600 trees and have adequate machines and equipment.

## 7.3 Taxation

* 35% corporate tax
* 10% corporate tax for agro-processing firms
* 15% corporate tax for firms adding value to copper cathodes and manufacturing fertilizers
* Duty free on productive equipment
* Import duty of 25% for finished products, 15% for intermediate goods, and 0-5% for raw materials.
* 4% on business turnover below K 800,000/year
* 16% VAT
* 20% Withholding Tax Rate on dividends, interest, and branch profit remittances
* Graduated Pay As You Earn rates from 0-37.5% with ZMW 3,300 exemption threshold

APPENDIX 1: STEPS WHEN STARTING A BUSINESS

 

1. Patents and Companies Registration Agency

* Certificate of Incorporation

 

2. Zambia Revenue Authority

* Tax Payers Identification Number (TPIN) Certificate

 

3. Zambia Development Agency

* Investment Certificate

4. Utilities and Secondary Licenses such as:

|  |  |  |
| --- | --- | --- |
| C:\Users\Stephen.Zulu\Desktop\zesco logo.png |  | C:\Users\Stephen.Zulu\Desktop\zema logo.png |
| ZESCO Ltd |  | Zambia Environmental Management Agency |
| * Electricity
 |  | * Environmental licenses
 |
| C:\Users\Stephen.Zulu\Desktop\immigration logo.png |  |  |
| Immigration Department |  |  |
| * Immigration/

work Permits |  |  |
| C:\Users\Stephen.Zulu\Desktop\zambia coat of arms.png |  | C:\Users\Stephen.Zulu\Desktop\NAPSA LOGO.png |
| Local authorities |  | National Pensions Scheme Authority |
| * Business permits/Land
 |  | * Social security
 |

APPENDIX 2: APPLICATION FOR A ZDA CERTIFICATE

Signing of the Certificate by the Board Secretary/Legal Counsel

Signing of the Certificate by the Director General

Application is processed and recommended for approval

Investor pays processing fees to accounts and brings a receipt to the ZDA officer

Certificate of Registration is issued to the investor

General consultation through a meeting with a ZDA officer

Step 3: issuance of ZDA CoR within 5 days

Approval letter is issued

A senior investments officer screens the application and checks for suitability

Step 2: submission of application

Investment Promotion officer reviews documents and advises when there are missing documents. For complete applications, investor proceeds to the next step

Certificate processing

Officer files the application on the system server

Step 1: Consultation

Investor prepares necessary documents and submits to ZDA officer

# APPENDIX 3: USEFUL CONTACTS

|  |  |  |  |
| --- | --- | --- | --- |
| **NAME** | **ADDRESS** | **TELEPHONE** | **EMAIL** |
| 1. Zambia Development Agency (ZDA) | P.O. Box 30819, Lusaka | 260-211-220177 | info@zda.org.zm [www.zda.org.zm](http://www.zda.org.zm)  |
| 2. Ministry of Commerce, Trade and Industry (MCTI) | P.O. Box 31968, Lusaka | 260-211-228301-9 | mcti@gov.co.zm [www.mcti.gov.co.zm](http://www.mcti.gov.co.zm)  |
| 3. Patents and Companies Registration Agency (PACRA) | Head OfficePlot No. 8471PACRA House,Haile Selassie Avenue,Longacres,P.O. Box 32020, Lusaka | 260 211 255151, 260 255127260 255426 | pro@pacra.org.zm[www.pacra.org.zm](http://www.pacra.org.zm)  |
| 4. Zambia Revenue Authority(ZRA) | P.O. Box 35710, Lusaka | 260-211-223754 | advice@zra.org.zmwww.zra.org.zm |
| 3.Zambia Environmental Agency (ZEMA) | P.O Box 5124, Lusaka | 260-211-254130260-211254023260-211-254059 | zema@zema.org.zm  |
| 6. Zambia Association of Chambers of Commerce and Industry (ZACCI) | P.O. Box 30844, Lusaka | 260-211-252483 / 253020260-211-253020 | zam@zamnet.zm [www.zam.org.zm](http://www.zam.org.zm)  |
| 7. Zambia Association of Manufacturers (ZAM) | P.O. Box 31992, Lusaka | 260-211-229364 | zam@zamnet.zm [www.zam.org.zm](http://www.zam.org.zm) |