

Zambia

This mineral-rich country in the heart of southern Africa is enjoying record growth levels and making a splash on the international stage.



ZAMBIA

A country of 11 million people, Zambia has 10% of the world's copper reserves, and enormous energy resources. Years of double-digit inflation and exchange rate instability have hampered its development, however—until now. Economic reforms implemented since 1991 have begun to bear fruit, with impressive growth being recorded in recent years and export receipts earning more than U.S. \$650 million in 2006.

President Levy Patrick Mwanawasa, who won his second term in September,

“Mining is the engine of our economy. There are possibilities in uranium & copper.”

has been praised for his work in sending growth above 5% and taking a firm stand against corruption. Inflation has fallen below 10% for the first time in three decades, and most of the country's 330 former state-owned enterprises are now privatized. The President wants to see Zambia as a prosperous, middle-income nation by 2030, with the onus on job creation and broad-based wealth.

Minister of Finance and National Planning, Ng'andu Magande, notes how the investment climate has improved, pointing out that Zambia's positive image means “debts were down to less than U.S. \$0.5 billion last year.”

Felix Mutati, Minister of Commerce, Trade and Industry, notes how exports are a critical component in growing the economy. “We are looking at what will make us more competitive,” he says. “Our philosophy is based on long-term

commitments, and all investors will have access to our marketplace, which includes the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC) regions. In the meantime, we are encouraging the Zambian people to work in partnerships, so they can grow a business elite.”

Caleb Fundanga, governor of the Bank of Zambia, notes how foreign investment and privatization has renewed the interest in Zambia's mining potential. He says: “Mining is the engine of our

economy, and there are possibilities in uranium as well as copper. Tourism is also growing in importance and is one of our largest foreign exchange earners. We are home to the Victoria Falls, we have 19 game parks, and there has been a lot of investment in our international airport.”

Michael Kaingu, Minister of Tourism, Environment and Natural Resources, wants to attract one million visitors annually by 2010. “Our ‘Visit Zambia’ campaign has been very successful,” he says. “Numbers were up by 3% in 2006, with earnings estimated at U.S. \$176.7 million.”

Glyne Michelo, director general of the Zambia Development Agency, reinforces the country's many incentives. “Anyone investing in a rural enterprise or a minimum of U.S. \$500,000 in priority sectors or U.S. \$10 million in a non-

priority sector, will be entitled to incentives,” he says. “Priority sectors include floriculture, horticulture, food processing, textile production, mineral processing and leather goods.”

Mining accounts for 70% of Zambia's foreign exchange earnings and continued to perform well last year, with estimates putting growth at a staggering 11.8%. Copper production increased by 7.9% from 2005, and output is slated to rise to 600,000 tonnes this year and 800,000 for 2008, due to the impending opening of the Lumwana Copper Mine.

Kalombo Mwansa, Minister of Mines and Minerals Development, says: “More than U.S. \$2 billion has been invested in existing and new plants between 2002 and 2006. The investment opportunities in this sector are immense. Forty-five per cent of the country has yet to be geologically surveyed.”

ZCCM Investments Holdings, the mining sector's leading investments company, aims to look after the long-term interests of all its stakeholders and



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**Kalombo Mwansa,
Minister of Mines and
Minerals Development**

promote social responsibility. CEO Joseph Chikolwa says: "The current mining investment portfolio will encourage investment in metals other than copper and cobalt, and we have identified prospective partners to help us harness the investment needed." ZCCM is committed to investing in new mines, and is also looking at opportunities in energy and tourism.

Luanshya is Zambia's oldest continuously operated copper mine, providing copper and cobalt concentrates under the management of Luanshya Copper Mines Plc (LCM), which started operations in Baluba in 2004. CEO Derek Webbstock says: "We are stepping up the performance of the Baluba mine to 6,000 tons a day, an increase of 30%."

The future development of Muliashi mine, meanwhile, at an estimated cost of U.S. \$350 billion, is a major achievement for LCM, for the town of Luanshya and for Zambia, Webbstock says. "The project is very sensitive to the politics of the region, and the culture of the town, and comes with a lot of expectations for the community in terms of employment. It is looking at a yield of 60,000 tons of Grade A copper a year on-site, and as a by-product we also have another 1,000 tons of cobalt a year."

"We are increasing copper production by 30%."

Webbstock also heads Chambishi Metals Plc, an ISO 9001/200-accredited cobalt refinery with substantial cobalt and copper reserves. Situated 35 km from the heart of the copper belt, the company treats slag from the Nkana surface dump, which contains in excess of 20 million tons. Webbstock says: "Chambishi's objective is to produce about 300 tons of cobalt per month. The board recently approved construction of a

Copper Essex plant and we hope to have it in place by 2009. The plant will increase our current electro-winning capacity by 27,000 tons a year, to 40,000, and it will improve quality."

The company will also investigate value-added initiatives, such as the processing of lime and cement. "We will continue to look at these opportunities," Webbstock says. "Then there are service industries, particularly power generation."

Growing financial markets

The buoyant economic activity is bringing growth to the financial sector, which is playing a vital role in credit, development and banking services. Since the sector was liberalized in 1991, there has been a marked rise in the number of commercial banks and insurers. The establishment of the Lusaka Stock Exchange, and the repeal of the Exchange Control Act in 1994, have strengthened the capital market considerably, and the Bank of Zambia is hoping to achieve a stable and market-based financial system.

The National Pension Scheme Authority (NAPSA) was established in February 2000 to provide income protection for workers and is the biggest pension house in Zambia, with more than three million cumulative members and 450,000 current members. NAPSA has more than 12,000 company registrations, from both the private and public sectors.

Aubrey Chibumba, NAPSA's recently appointed director general, says: "Somebody keeps telling me that we control over 10% of the economy, which is a huge amount! However, around 80% of our assets are in government security, so we are looking to invest in the real economy now. Part of my role is to deepen development in capital markets, which has been quite challenging. I would be very interested in organizing joint ventures, equity shares and eventually listing the company on the stock exchange."

Chibumba reinforces the importance of capacity building for Zambia. He says: "Even though we have huge resources, we don't have experience in adding value, even in simple things

Zambia's global insurance company

The company's mission is to provide a full range of insurance products and services at competitive terms to all sectors of the Zambian economy, with particular emphasis being placed on: Excellent customer service, Knowledge management, Profitability & Employee satisfaction.

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like cables. There has been a reticence to lend money for start-ups, but we are changing our investment guidelines so that we can start. I think the Zambian people have been frustrated, because they see foreign companies doing everything from scratch, yet very often, it is the local people that have the ideas and provide the expertise.

"It is for this reason I am so committed to building more joint ventures. We lose 30% of the food that we grow because of a lack of marketing and storage facilities. We produce thousands of tons of mangoes, which go to waste when they could be processed. I am raising these issues to show how, with good logistics and more investment, we could really turn this around to our advantage."

Zigi Insurance Co. Ltd., which provides a full range of competitively-priced insurance products, grew its premiums by 32% last year. A locally-controlled company, Zigi is present in Zambia and DR Congo, which has a market of some 60 million people. Chairman and CEO Saviour Konie agrees that better access to capital is needed. He says: "In the insurance market, the best opportunities exist in mining, which needs liability, life and construction insurance. Training is needed in direct insurance selling to support the national economy."

Zigi insures all sectors of the economy and has recorded steady growth every year in its four-year history. Konie, who has more than 30 years' insurance management experience,



Kenneth Konga,
Minister of Energy and
Water Development

notes how Zambia is the only country in the region with no exchange controls and that its people are proficient in English, something he believes is "crucial for business."

Zambia also has huge opportunities in new and traditional energy production, but with large numbers of waterfalls and rivers, the country's greatest potential lies in hydropower. One of the biggest challenges, however, is connecting the rural community

to an electricity supply. Kenneth Konga, Minister of Energy and Water Development, says: "Only 30% of the population has access to electricity, and only 2% of the rural community. We launched the Rural Electrification Program to rectify this with the support of partners, and financed 43 projects last year."

The Energy Regulation Board will be playing a key role in the sector's development, and is mindful of the need to match increased mining activity with the power it needs. Silvester Hibajene, executive director says: "In the next five years, I would like to see the security of the supply assured, because right now, it is not. All the stakeholders in this market have a role to play. On the petroleum supply side of things, we need investment in the infrastructure. Efficiency is key in both electricity and petroleum production. My role as regulator is to set real trade benchmarks, and see that we provide a quality service and good prices."

Copperbelt Energy Corporation plc (CEC) is ensuring an electricity supply to the mining industry. With 800 km of transmission lines, 520 km of optical fibers and more than 300 sub-stations, CEC can provide a network of more than 700 MW. The company is also a regional player, operating an interconnector with neighbor DR Congo, through which power is channeled to Zambia, Zimbabwe and South Africa.

Hanson Sindowe, CEC's executive chairman, says: "CEC will spend around U.S. \$60 million to increase its power supply to the copper mines by 40%." ■

Regulating the Energy Sector in a transparent, effective and efficient manner that safeguards the interests of stakeholders.



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