Executive Summary

U.S. trade and investment has made significant strides in Zambia since the AGOA Forum was hosted in Lusaka in 2011 – marked, in part, by the formation and growth of the American Chamber of Commerce in Zambia. However, the United States still has a relatively small commercial presence in Zambia. Foreign direct investment remains dominated by large mining investments from Canada, Australia, the UK and China. Agriculture and mining continue to be the headlining sectors of Zambia's economy and, while American companies continue to incrementally grow their presence in the agricultural sector, big new agricultural investments remain pending and American participation in the mining industry remains at the exploration stage.

The government made its second foray into international debt markets in April 2014, issuing its second-ever sovereign bond and raising $1 billion. The 10-year dollar-denominated Eurobond was issued at 8.625 percent, a full three percentage points higher than Zambia's first Eurobond. Zambia's borrowing costs are sharply up due to changes in global bond demand and concerns about Zambia's economic governance. Detailed plans for use of the second Eurobond have not been announced. The government's erratic economic policies, along with continued fiscal problems, have led it to increase pressures on private industry, beginning a deterioration of the investment climate which, if unchecked, could slow the pace of recent gains in the U.S.-Zambia trade relationship and negatively impact foreign direct investment generally.

1. Openness to, and restrictions upon, foreign investment

Attitude towards FDI

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

Other Investment Policy Reviews

The Zambian law makes no distinction between foreign and domestic investors. Investors are free to invest in any sector of the economy and are entitled to incentives provided through the ZDA Act of 2006 (discussed below). Non-Zambians may also invest in the Lusaka Stock Exchange without restriction and on terms comparable to those Zambians receive. Companies seeking licenses or concessions, or investors bidding for privatized companies, are encouraged to seek local partners, although it is not clear how such commitments are weighed when licensing decisions are made by the ZDA.

Laws/Regulations of FDI

The major laws affecting foreign investment in Zambia include:

- The Zambia Development Agency Act of 2006, which offers a wide range of incentives in the form of allowances, exemptions and concessions to companies.
- The Companies Act of 1994, which governs the registration of companies in Zambia.
- The Zambia Revenue Authority's Customs and Excise Act, Income Tax Act of 1966 and the Value Added Tax of 1995 provide for general incentives to investors in various sectors.
- The Employment Act Cap 268, Zambia's basic employment law that provides for required minimum employment contractual terms.
- The Immigration and Deportation Act Cap 123, regulates the entry into and residency in Zambia of visitors, expatriates and immigrants.

Industrial Strategy

President Sata on January 22, 2014, announced the reincorporation of the former parastatal holding company, the Industrial Development Corporation (IDC). Sata announced that IDC – for which he will serve as Chairman of the Board – will act as the holding company for all state-owned enterprises, with the objective of stimulating investment in strategic non-mining industries, expanding the country's investment portfolio and creating jobs. Stated plans for IDC include: 1) creating as many as one million new jobs in five years; 2) stimulating industrial development by making investments in high-risk areas in which the private sector will not invest; and 3) serving as a development financial institution. Sata also called for the creation of a sovereign wealth fund to receive 75 percent of all dividends produced by the new IDC, as well as to receive a portion of the remaining balances of the Privatization Revenue Account. INDECO was it was known then struggled economically for several decades before being dismantled upon Zambia's development of a free market economy after the Movement for Multiparty Democracy (MMD) took power in 1991.

Limits on Foreign Control

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

Privatization Program

The privatization of parastatals that began in 1991 reduced state monopolies and saw the dismantling of INDECO and the Zambia Industrial and Mining Corporation conglomerate (ZIMCO), including Zambia Consolidated Copper Mines (ZCCM). The Zambia National Commercial Bank was privatized in 2007, with Rabobank of the Netherlands holding a controlling stake of 45 percent and the government holding 22 percent. The remaining few state-owned companies, such as the Zambia Electricity Supply Company (ZESCO), have been partially privatized and placed under private sector management, with the state retaining a majority share. In 2012, the government reversed the 2010 privatization of the Zambia Telecommunications Company (Zamtel), a 75 percent shareholding in which had been sold to Libya's LAP GreenN for $257 million. Citing corruption and flaws in the privatization process, the government unilaterally reversed the sale and re-appropriated the telecom company. LAP GreenN has since challenged the decision in the courts of law.

Screening of FDI

The ZDA board screens all investments proposals and usually makes its decision within 30 days. The reviews appear routine and non-discriminatory and applicants have the right to appeal the investment board decisions. The ZDA board is comprised of 16 members, including representatives from various government and private sector stakeholders. An investment application is subjected to a screening mechanism to determine, among other things: the extent to which the proposed investment will help create employment and the development of human resources; the degree to which the project is export oriented; the impact the proposed investment is likely to have on the environment and, where necessary, proposed environmental mitigation activities, in accordance with the Environmental Protection and Pollution Control Act; the possibility of the transfer of technology; and any other considerations the Board considers appropriate.

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

Competition Law

Market competition operates under a weak regulatory framework although there is freedom of pricing, currency convertibility, freedom of trade and free use of profits. A fairly strong institutional framework is provided only for strategic sectors linked to the mining industries and also for large-scale commercial farming. The Competition Commission was established to regulate competition, but is considered ineffectual and lacks legislative influence.

Investment Trends

TABLE 1: The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	83 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	88 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	83 of 189	http//doingbusiness.org/rankings

Global Innovation Index	2013	118 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	$1,350	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: The Millennium Challenge Corporation (MCC), a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or $4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf

Measure	**Year**	**Index/Ranking**
MCC Gov't Effectiveness	2014	0.42/85%
MCC Rule of Law	2014	0.50/87%
MCC Control of Corruption	2014	0.55/93%
MCC Fiscal Policy	2014	-2.8/53%
MCC Trade Policy	2014	84.6/96%
MCC Regulatory Quality	2014	0.32/76%
MCC Business Start Up	2014	0.950/85%
MCC Land Rights Access	2014	0.64/55%
MCC Natural Resource Management	2014	100.0/100%

2. Conversion and Transfer Policies

Foreign Exchange

In March 2014, the government announced the revocation of Statutory Instrument (SI) Number 33 (mandating use of the kwacha for domestic transactions) and SI Number 55 (monitoring foreign exchange transactions). The government had experienced challenges implementing these statutory instruments and – along with problems of fiscal management and weakening global copper prices – the SI's were perceived as undermining confidence in Zambia's economy and currency, leading to sharp depreciation of the kwacha. The decision to revoke the SIs has been widely praised in the business community. The kwacha, however, has remained weak against the dollar and currently trades at about 6.3 kwacha per dollar.

Over-the-counter cash conversion of the local currency, the Kwacha, into foreign currency is restricted to a $5,000 maximum per transaction for account holders and $1,000 for non-account holders. No exchange controls exist in Zambia for anyone doing business as either a resident or non-resident. There are no restrictions on non-cash transactions.

Remittance Policies

There are currently no restrictions on converting or transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments and lease payments) into freely usable currency and at a legal market-clearing rate. Investors are free to repatriate capital investments, as well as dividends, management fees, interest, profit, technical fees, and royalties. Foreign nationals can also transfer and/or remit wages earned in Zambia without difficulty. Investors can remit through a legal parallel market, including one utilizing convertible, negotiable instruments, and there is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property or imported inputs.

3. Expropriation and Compensation

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

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

In 2012, the GRZ took several actions similar to expropriation, reversing the privatization of one state owned enterprise (SOE) and terminating two government concessions. In all three instances, full compensation for GRZ actions has yet to be finalized, though GRZ figures for 2012 foreign direct investment reflect a significant offset for the return of foreign acquisition capital. In January 2012, the GRZ reversed the June 2010 sale of the SOE Zambia Telecommunications Company (Zamtel) to Libya's LAP GreenN, which acquired a 75 percent shareholding in Zamtel for $257 million. The GRZ unilaterally reversed the sale and re-appropriated the telecom company, citing corruption and flaws in the privatization process. LAP GreenN has since challenged the decision in the courts of law. In September 2012, the GRZ terminated and re-acquired its concession agreement with the country's largest railway operator, Railway Systems of Zambia (RSZ). The GRZ said termination of the concession, which had been expected to last until 2023, was necessitated by RSZ's inefficiencies, including high levels of derailments and the loss of life and property. The concession was returned to Zambia Railway, the parastatal former operator of Zambia's railway networks. In November 2012, the GRZ also terminated its concession agreement with the privately-owned Zambia Border Crossing Company to manage the Kasumbalesa border post with the Democratic Republic of the Congo, along with five other border concessions for Jimbe (with Angola), Nakonde (with Tanzania), Chanida (with Mozambique), Kipushi (with Congo DR) and Mwami (with Malawi). The GRZ cited smuggling and loss of revenues in terminating the concession, which had been awarded as a PPP on a design, build and operate basis. The GRZ does not discriminate against investors or U.S. investments, companies or representatives in expropriation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts
The courts in Zambia are somewhat independent, but contractual and property rights enforcement is weak and final court decisions can take a prohibitively long time. The Foreign Judgments (Reciprocal Enforcement) Act, Chapter 76, of the Laws of Zambia (cited as the Act) makes provision for the enforcement in Zambia of judgments given in foreign

countries that accord reciprocal treatment. The registration of a foreign judgment is not automatic. In 2010, a Lusaka High Court Judge ruled that a London civil judgment against former president Frederick Chiluba could not be registered in a Zambian court, despite contrary precedent.

Bankruptcy

The Bankruptcy Act Cap 82 of the Laws of Zambia provides for the administration of bankruptcy of the estates of debtors and makes provision for punishment of offenses committed by debtors. It also provides for reciprocity in bankruptcy proceedings between Zambia and other countries and provides for matters incidental to and consequential upon the foregoing. This applies to individuals, local and foreign investors. Bankruptcy judgments are made in local currency, but can be paid out in any internationally convertible currency.

Investment Disputes

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

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

ICSID Convention and New York Convention

The Zambian Arbitration Act No. 19 of 2000 applies to both domestic and international arbitration and is based on the UNCITRAL Model Law. Arbitration agreements must be in writing. Parties may appoint an arbitrator of any nationality, gender or professional qualifications. Foreign lawyers cannot be used to represent parties in domestic or international arbitrations taking place in Zambia. There are no facilities that provide online arbitration, although there is an arbitral institution, the Zambia Institute of Arbitrators. Arbitration awards are enforced in the High Court of Zambia, and judgments enforcing or denying enforcement of an award can be appealed to the Supreme Court.

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

Duration of Dispute Resolution

On average, it takes about 14 weeks to enforce an arbitration award rendered in Zambia, from filing an application to a writ of execution attaching assets. It takes about 18 weeks to enforce a foreign award. Contracts involving state entities commonly rely upon arbitration as a dispute resolution tool.

5. Performance Requirements and Investment Incentives

Priority sectors under the ZDA Act include: agriculture, manufacturing, mining and tourism. The ZDA Act of 2006 offers a wide range of incentives in the form of allowances, exemptions and concessions for companies, which are applied uniformly to both local and foreign investments. Foreign investors receive national treatment under Zambia's tax system. Although performance requirements are not currently imposed, authorities expect commitments made in applications for investment licenses to be fulfilled. There are no requirements for local content, equity, financing, employment or technology transfers. Government does not impose offset requirements or impose conditions on permission to invest in specific geographic area or local content, but investors are encouraged to employ local nationals.

WTO/TRIMS

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

Investment Incentives

Investors who invest in a Multi-Facility Economic Zone (MFEZ) and/or in a sector or product provided for as a priority sector or product under the ZDA Act may be entitled to the following general incentives:

- A corporate tax rate of 0% for 5 years from commencement of operations,
- Taxation on only 50 % of profits in year 6 through year 8 from commencement of operations and only 75% for years 9 and 10,
- 5-year exemption on dividend taxes following the first year of declaration,
- 5-year customs duties exemption on imported machinery and equipment, and
- Improvement allowance of 100% Capital Expenditure on improvements or upgrading of infrastructure.

Research and Development

The ZDA does not give specific incentives for research and development but there is a possibility of a company operating in a multi-facility economic zone (MFEZ) to qualify for such incentives.

Performance Requirements

The ZDA is currently in the process of developing standards regarding investment performance benchmarks which it seeks to put in place within the MFEZ in order to assist the government in monitoring company performance against the commitments made when investment incentives are granted.

6. Right to Private Ownership and Establishment

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

7. Protection of Property Rights

Real Property

Property rights and the regulation of property are well-defined in principle, but face problems in practical implementation. Contractual and property rights are weak. Courts are often inexperienced in commercial litigation and are frequently slow in reaching their decisions. The ZDA Act assures investors that property rights will be respected. Secured interests in property, both movable and real, are recognized and enforced. The ZDA Act provides for legal protection and facilitates acquisition and disposition of all property rights such as land, buildings and mortgages. The ZDA is working with the Commissioner of Lands to develop a fast-tracking system for identifying land for investment in priority sectors.

Intellectual Property Rights

The legal framework for trademark protection in Zambia is adequate. There are fines for revealing business proprietary information; they are not large enough, however, to penalize disclosure adequately. Copyright protection is limited and does not cover computer applications. Enforcement of intellectual property rights, however, is weak in Zambia and courts have little experience with commercial litigation. Zambia's patent laws conform to the requirements of the Paris Convention for the Protection of Industrial Property, to which Zambia is a signatory. It takes a minimum of four months to patent an item or process. Duplicative searches are not done, but patent awards may be appealed on grounds of infringement.

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

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Commercial Team, US Embassy, Lusaka, commerciallusaka@state.gov

Local lawyers list: http://zambia.usembassy.gov/zambia/attorney_information.html

8. Transparency of the Regulatory System

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

Labor laws provide for extremely generous severance pay, leave, and other benefits to workers, which can impede investment. Such rules do not apply to personnel hired on a short-term basis. As such, the vast majority of Zambian employees are hired on an informal or short-term basis. In July 2012, the GRZ revised the Minimum Wages and Conditions of Employment Act, Cap 276, of the Laws of Zambia for various categories of workers following the amendment of statutory instruments order 2011 No. 1 of 2011, order 2011 No. 2 of 2011 and order 2011 No. 3 of 2011. The upward revision of wages caused industrial unrest as several employers could not pay the revised wages and opted to temporarily close operations.

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

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

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

9. Efficient Capital Markets and Portfolio Investment

The 20-year old Lusaka Stock Exchange (LuSE) is structured to meet international recommendations for clearing and settlement system design and operations. There are no restrictions on foreign participation in the LuSE, and foreigners may invest in stocks on the same terms as Zambians. The LuSE has offered trading in equity securities since its inception and, in March 1998, the LuSE became the official market for selling Zambian Government bonds. Investors intending to trade in a listed security or government bond are now mandated to trade via the LuSE. The market is regulated by the Securities Act of 1993 and enforced by the Securities and Exchange Commission of Zambia. Secondary trading of financial instruments in the market is very low or non-existent in some areas. At the end of 2013, 22 companies were listed on the LuSE.

In September 2012, Zambia issued its debut 10-year Eurobond. The issuance was greatly oversubscribed and both the amount and yield of the issuance exceeded expectations. The bond was issued with a 5.625 percent yield and was raised from an initial planned $500 million to $750 million. The GRZ stated plans to use proceeds from the issue to upgrade national infrastructure, particularly in the transport and energy sectors. The GRZ issued its second-ever sovereign bond issuance in April 2014, raising an additional $1 billion. Zambia's second 10-year dollar-denominated Eurobond, was issued at 8.625 percent, a full three percentage points higher than its first Eurobond. Zambia's borrowing costs are sharply up due to changes in global demand and concerns about Zambia's economic governance. The three percent premium that Zambia is paying over its first Eurobond translates into an additional $30 million in annual debt payments and an additional $300 million over the life of the bond. Detailed plans for use of the second Eurobond have not been announced.

Money and Banking System, Hostile Takeovers

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

Although some improvements have been registered in recent years, credit to the private sector is expensive and readily available only for low-risk investments. The Bank of Zambia benchmark lending rate from April 2014 is 12.0 percent; the commercial lending cap is 21 percent. The persistence of high interest rates led the GRZ to direct the Bank of Zambia to cap commercial lending rates at 9 percent above the benchmark rate from January 2013. The Bank of Zambia also capped lending by non-banking financial institutions, including microfinance lenders, at 42 percent in January 2013.

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

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

10. Competition from State-Owned Enterprises

There are few state-owned enterprises (SOEs) remaining in Zambia, and all have serious operational and management challenges. Government's reincorporation of the Industrial Development Corporation (*see* Industrial Strategy) parastatal holding company appears, in part, to be a response to the need to improve SOE competitiveness. ZESCO Ltd is responsible for generation, transmission, and distribution of electricity in Zambia. Two private entities are contracted to supply electricity to some mines. Copperbelt Energy Corporation supplies electricity to mining companies on the Copperbelt, while North-Western Energy Company supplies power to Lumwana (Barrick Gold) Mine in Solwezi.

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

OECD Guidelines on Corporate Governance of SOEs

The SOEs are governed by Boards of Directors that are appointed by Government, with consultations and participation of the private sector. The chief executive of the SOE reports to the Board Chairperson. In the event that the SOE declares dividends, these are paid to the Ministry of Finance and National Planning. The Board Chairperson is informally obligated to consult with government officials before making decisions.

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

Sovereign Wealth Funds

Zambia has stated plans to launch a Sovereign Wealth Fund in connection with the February 2014 reincorporation of the Industrial Development Corporation (IDC) parastatal holding company.

11. Corporate Social Responsibility

OECD Guidelines for Multinational Enterprises

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

12. Political Violence

Zambia does not have a history of significant political violence. Zambia held relatively peaceful presidential, parliamentary and local government elections in September 2011 which ushered in a change of governing party from the Movement for Multiparty Democracy (MMD) to the Patriotic Front (PF), led by now-President Michael Sata. Infrequent student protests sometimes turn violent, but they are generally short-lived and confined to small areas in and around universities. Tensions have been rising in Western Province over the rights under the Barotseland Agreement of 1964. In January 2011, protests in Mongu and Limulunga turned violent resulting in two deaths, several injuries, and hundreds of arrests. In August 2012, Zambian miners killed a Chinese manager at a Chinese-owned coal mine in Southern Province during a riot over low wages and dangerous working conditions. In 2014, increasing violence involving political party supporters has been reported during parliamentary by-elections and political party meetings.

13. Corruption

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

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

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

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

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

14. Bilateral Investment Agreements

Bilateral Taxation Treaties

Zambia does not have a bilateral investment treaty or a bilateral taxation treaty with the United States. Zambia has signed bilateral reciprocal promotional and protection of investment protocols with most of the Common Market for Eastern and Southern Africa (COMESA) and the SADC member states. In November 2001, COMESA signed a Trade and Investment Framework Agreement with the United States. On October 2, 2000, Zambia became a beneficiary of the African Growth and Opportunity Act (AGOA). Zambia initialed market access through the Eastern and Southern Africa (ESA) interim Economic Partnership Agreement (IEPA) with the European Union on September 30, 2008. In completing these negotiations, the provisions of trade in goods chapter and related annexes of the ESA IEPA now apply to Zambia. Zambia has signed protective agreements with Chinese, Nigerian, Libyan and Indian investors.

15. OPIC and Other Investment Insurance Programs

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

16. Labor

Although an abundance of unskilled labor exists in Zambia, many investors contend that the supply of skilled and semi-skilled labor is inadequate. The government adheres closely to International Labor Organization (ILO) conventions. Labor-management relations vary by sector. The minimum monthly entitlement for any permanent employee, including general workers, is approximately Kwacha 700 (about $112). The new government reviewed and amended labor policy and labor laws which raised the minimum wage levels for different categories of workers. The revised minimum wages caused industrial unrest in most manufacturing and service industries while some companies opted to lay off some workers as they could not meet the upward revised minimum wages.

17. Foreign Trade Zones/Free Ports

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

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

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

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical sources*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Billions U.S. Dollars)*	2013	125.9 billion kwacha ($USD N/A)	2012	20.59	http://www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical sources* Balance of Payments Statistical Committee of the GRZ		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other

U.S. FDI in partner country (*Millions U.S. Dollars, stock positions)*	2012	119.7	2012	144	(BEA) click selections to reach. • Bureau of Economic Analysis • Balance of Payments and Direct Investment Position Data • U.S. Direct Investment Position Abroad on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	2012	54.1	N/A	N/A	(BEA) click selections to reach • Balance of Payments and Direct Investment Position Data • Foreign Direct Investment Position in the United States on a Historical-Cost Basis • By Country only (all countries) (Millions of Dollars)
Total inbound stock of FDI as % host GDP (***calculate)***	N/A	N/A	2012	8.3%	

* Host country GDP data from Zambia Central Statistical Office; host country FDI data from Zambia Development Agency.

TABLE 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	11,625	100%			
Australia	2,262	19%			
United Kingdom	1,928	17%			
Canada	1,758	15%			
South Africa	1,190	10%			
China, P.R.: Mainland	1,126	10%			
"0" reflects amounts rounded to +/- $500,000.					

The IMF inward direct investment above is largely consistent with host country data, with some exceptions. Host country data shows Canadian direct investment as $2,963 million, over $1 billion more than reflected in IMF data. Host country data also shows South African direct investment as somewhat lower, at $980 million. Other IMF data is consistent with local sources.

19. Contact Point at Post

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