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The government policy of Zambia on attracting foreign direct investment and its effectiveness

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Abstract. Investment policy has always played one of the most important roles in the development of the national economy. Foreign direct investment is interconnected with the activities of multinational companies and the opportunities that can be obtained by the host country. The article reveals the investment policy of Zambia and the role played by the public sector in it. The identified competitive advantages prove that Zambia has significant investment potential even though the country does not have direct access to the sea. Significant reserves of mineral raw materials confirm the energy and resource security of the economy, which is the area for investment by both national and foreign companies. The authors pay attention to several important problems of socio-economic significance, which complicate the effective and full functioning of the economy. The authors found that there are not enough studies in the domestic and foreign literature on the investment potential of Zambia. The study of inward investment activity showed that free economic zones are the most effective tool for attracting FDI, while the extractive sector remains the most attractive in this area. A comparative analysis of the disadvantages and advantages of the Zambian economy, conducted by the authors, proves that the state has the necessary elements of investment attractiveness. However, it was noted that the arrival of investments in the country should also meet the socio-economic interests of the state.

Keywords: Zambia, Foreign direct investment, investment policy, free economic zones, investment law, ZDA Act, incentives

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Государственная политика Замбии по привлечению прямых иностранных инвестиций и ее эффективность

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Аннотация. Инвестиционная политика всегда играла одну из важнейших ролей в развитии национальной экономики. Прямое иностранное инвестирование взаимосвязано с деятельностью транснациональных компаний и возможностями, которые может получить принимающая страна. В статье раскрывается инвестиционная политика Замбии и роль, которую играет в ней государственный сектор. Выявленные конкурентные преимущества доказывают, что Замбия имеет значительный инвестиционный потенциал, хотя у страны нет прямого выхода к морю. Значительные запасы минерального сырья подтверждают энергетическую и ресурсную обеспеченность экономики, что является сферой приложения инвестиций со стороны как национальных, так и иностранных компаний. Уделяется внимание ряду важных проблем социально-экономического значения, которые осложняют эффективное и полноценное функционирование экономики. Авторами было установлено, что в отечественной и зарубежной литературе исследований, посвященных инвестиционному потенциалу Замбии, недостаточно. Изучение входящей инвестиционной активности показало, что свободные экономические зоны являются наиболее эффективным инструментом привлечения ПИИ, при этом добывающий сектор остается самым привлекательным в данной сфере. Сравнительный анализ недостатков и преимуществ экономики Замбии, проведенный авторами, доказывает, что государство обладает необходимыми элементами инвестиционной привлекательности. При этом подчеркивается, что приход инвестиций в страну должен отвечать и социально-экономическим интересам государства.

Ключевые слова: Замбия, прямые иностранные инвестиции, инвестиционная политика, свободные экономические зоны, закон об инвестициях, агентство по развитию Замбии, стимулы

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Introduction

The geo-economic potential of any country has its positive and negative sides in terms of attracting foreign direct investment. Zambia is no exception in this case.

On the one hand, the country has no access to the sea, which of course is a very serious constraint on development, on the other hand, its central geographical

location on the African continent makes it an important transit hub through which the most important trade routes pass.

These trade routes that pass through Zambia provide the country with access to all the sea ports, on the Indian and Atlantic Ocean, of Southern African Development Community member states of which Zambia is also a member. About 90% of Zambian goods entering international trade are transported by road to seaports and about 8% by rail. The main railway in Zambia is the Tanzam Railway. This railway connects the port of Dar es Salaam in eastern Tanzania with the city of Kapiri Mposhi in the Central Province of Zambia. About 2% of Zambian goods entering international trade are transported by air. There are four international airports in Zambia: Harry Mwanga Nkumbula in Livingstone, Kenneth Kaunda in Lusaka, Mfuwe in Mfuwe District and Simon Mwansa Kapwepwe International Airport in Ndola.

Zambia is rich in mineral resources. The country has one of the largest copper deposits in the world and is the seventh largest copper producer in the world. The amount of copper reserves discovered in Zambia is estimated at 21 million metric tons. Zambia is also the second largest producer of high-quality emeralds in the world. The volume of emerald deposits in Zambia is estimated at 1.8 billion carats of emerald. Zambia accounts for approximately 25% of the world's emerald production. Other mineral resources discovered in Zambia include cobalt (reserves estimated at 270 thousand tons), uranium (reserves estimated at 74 tons), coal (reserves estimated at 50 million tons) and gold (reserves estimated at 16,500 pounds). Zambia Consolidated Copper Mine-Investment Holdings plc is a company owned by the Government of Zambia, which owns shares in all mining enterprises in Zambia. The mining sector accounts for 10% of the country's GDP and 70% of export earnings. However, even though the mining sector plays an important role in the economy of Zambia, its potential has not yet been fully exploited, given the huge amount of minerals found in the country.

Another major resource in Zambia is land. The total land area of Zambia is 752,000 square kilometers and 58% of this area is classified as medium to highly developed potential for agricultural production. Annual rainfall ranges from 800 mm to 1400 mm and is suitable for the production of a wide range of crops, livestock and fish. Currently, the main export crops are cotton, soybeans, tobacco, groundnuts, paprika, sorghum, wheat, rice, sunflower, coffee, sugar cane, flowers and vegetables. Zambia is the seventh largest tobacco producer in the world with a production volume of about 153.8 thousand metric tons of tobacco per year. The country also has one of the lowest unit costs of sugar production in the world at \$ 169 per ton, compared with a global average of \$ 263 per ton. Thus, Zambia has a great potential for further development of agriculture.

There is also a serious potential for the development of tourism. The country has 19 national parks, 34 hunting grounds dedicated to the preservation of a great variety of animals, and several cultural heritage sites. Kafue National Park is one of the largest parks in the world, with an area of about 22,400 km² (similar in size to Wales or Massachusetts) and the Victoria falls is one of the largest waterfalls in the world, attracting up to 1.2 million tourists annually. However, the tourism industry needs serious investments since the country's tourism potential is much higher than its current use.

The most important feature of Zambia, which distinguishes it from most African countries, which are also rich in resources, is relative political stability. In

a country where more than 70 ethnic groups live, during the entire period of its independent existence there have been no serious inter-ethnic conflicts and military coups, which are typical for countries of the region, despite enormous economic difficulties and poverty. It is also worth noting the conflict-free relations with neighboring countries. Zambia is bordered by the Democratic Republic of the Congo to the north, Tanzania to the northeast, Malawi to the east, Mozambique, Zimbabwe, Botswana and Namibia to the south and Angola to the west and is a member of the Southern African Development Community (SADC) and the Common Market of Eastern and Southern Africa (COMESA), with a combined population of about 500 million people.

Despite Zambia's enormous potential to attract foreign direct investment, the country still faces many challenges, such as high levels of poverty, underdeveloped infrastructure, and corruption.

Zambia is among the countries with the highest level of poverty in the world. More than 58% of the country's 18 million residents earn less than the international poverty line of US \$ 1.90 per day, while 54% of the country's population earn less than the national poverty line of 214 Zambian kwacha per month.

The poor quality of Zambia's infrastructure remains a serious obstacle to investment and economic growth. Areas requiring development in this sector include investments in health, education, water supply and sanitation; increasing electricity production capacity through the modernization of new generation facilities and the use of alternative energy sources; improving and expanding the railway network to reduce the burden on road infrastructure; and the construction of additional inter-regional and inter-district roads. There is also an estimated shortage of 1.5 million homes in Zambia.

Zambia today faces significant problems of corruption. In 2020, the country's health minister was indicted on four counts of corruption in connection with an alleged purchase of shares in a business and property with suspicion of generating proceeds of crime. Bribery, including facilitation of payments, is a common feature when applying for utilities, obtaining licenses, and doing business. While corruption remains a problem in Zambia, the situation is considered better than in other African countries. The late President Levy Patrick Mwanawasa, in his quest to fight corruption, created the Economic Robbery Task Force and strengthened the Anti-Corruption Commission.

In the World Bank's Ease of Doing Business 2020 report, Zambia ranked 85th out of 190 countries evaluated. Zambia excelled in several categories, including ease of obtaining credit (4th place) and paying taxes (17th place). However, according to this survey, the most noticeable barriers in the country are property registration (149th place) and trade across borders (155th place). The high property transfer tax rate of 5% of the realized value of land and buildings makes it difficult to transfer property and makes it more expensive to register property in Zambia. A long time of documentation and compliance with the requirements for both import and export of goods has a negative impact on trade between countries.

However, despite these difficulties, the country remains attractive for foreign investors in terms of its geo-economic potential. The main task of the government in this case is to improve the investment climate and develop investment programs aimed at solving, first of all, the problems of the country's socio-economic development. Zambia began this work from the moment it gained its independence.

Methods

In the course of the study, the following methods were used: analysis, synthesis and retrospective. The scientific paradigm of the study is based on the fact that the liberalization of international economic relations and the subsequent increase in the weight and economic power of developing countries in the world economy, the strengthening of global competition and the relative weakening of the positions of developed players, the strengthening of disintegration processes, outright trampling and ignoring the rules and principles of the WTO led to the need to revise the foreign trade policies and investment policies of the developing countries.

Literature Review

It is generally believed that the main interest in developing countries appeared after the fall of the colonial regime. However, not all countries have become the object of close attention from the scientific community. For example, Zambia is not considered in sufficient detail and in detail in the works of an economic nature. Despite this, there are still several studies that focus on the economy of Zambia: the country is reviewed in the works of the Institute of Africa of the Russian Academy of Sciences (Denisova, 2013); the economic, political, cultural and ethnic problems of Zambia are widely considered in the works of Prokopenko L.Ya. (Prokopenko, 2019, 2018); the economic situation of the country and its integration into the world economy are considered in the works of Rory Pilosof and Andrew Cohen (Pilosof, Cohen, 2021); in the studies of Douglas G. Anglin and Timothy M. Shaw (Anglin, Shaw, 2021); the socio-economic and political situation of Zambia is considered in sufficient depth in the works of Edalina Sanches (Sanches, 2020).

Formation of investment policy

Zambia gained independence from the United Kingdom in 1964. The country's economic policy during the first ten years of independence was characterized by industrialization based on import substitution. This economic policy resulted in the country experiencing significant economic growth. For example, the industrial production index for all manufacturing sectors increased from 124.4 in 1964 to 221.2 in 1967. The manufacturing sector's contribution to GDP increased from US \$ 40.3 million in 1964 to US \$ 136 million in 1967. The price of copper was very high, which resulted in the economy growing at an average rate of 13 percent per year until 1970. The total number of employed persons increased from 268,700 people in 1964 to 372,130 people by June 1970.

The high rise in oil prices in 1973, followed by a drop in copper prices in 1975, strongly influenced the fate of the country. Zambia faced a reduction in government revenues as well as a budget deficit. The situation was exacerbated by the growth of public debt caused by the government's inability to support investment in the copper industry. In 1968, the Zambian government decided to nationalize its mining companies in order to expand the mining industry by directly influencing the company's policies as a majority shareholder. The government believed that it could convince companies to increase investments in processing enterprises at new mining sites.

However, the government's decision to nationalize the mining companies created a large financial burden that the Zambian government did not have before

the decision to nationalize. As long as world copper prices remained high and Zambia's copper industry was profitable, the government did not care about the financial burden of supporting the mining industry. When world copper prices declined after 1975 to such an extent that the industry was not only not self-financed but had to resort to large-scale borrowing just to keep it running, the financial burden fell on the government. The Zambian government was forced to guarantee overseas loans and was forced to invest large sums of money in companies. After 1975, the country's external borrowing continued to grow, mainly in order to keep the mining industry operational.

In 1991, under the leadership of the IMF and the World Bank, the Zambian Government implemented tough stabilization reforms that were based on three main strategies: the elimination of subsidies; economic liberalization and stabilization; and the privatization of public sector enterprises. As a result of these reforms, the first Investment Law of Zambia was adopted in 1993. The Investment Law contained various provisions to promote the attraction of FDI in various types of productive activities in the country. For example, under the law, any investment in mining in Zambia was exempt from income tax, the import of productive mining equipment necessary for exploration or mining was exempt from customs duties, excise taxes and VAT, and no property could be acquired forcibly, except for government purposes and with timely payment of compensation. By 2002, almost all parastatal companies were privatized.

To stimulate the inflow of foreign investment, the government took the path of creating free economic zones (FEZ). The law was adopted in 2006, and as shown in Figure 1, this had the most favorable effect on the inflow of FDI into the country. From 2006 to 2007, FDI increased by 114.99% to \$ 1.3 billion from \$ 616 million in 2006. More details about the role and effectiveness of FEZs will be discussed below.

In 2006, the Investment Law was replaced by the Zambia Development Agency (ZDA) Act as an instrument regulating investment in the country. The ZDA Act marked a departure from the more liberal position of its predecessor, introducing mandatory licensing, limiting opportunities for incentives, and making it more difficult to employ foreign workers and obtain land.

According to the ZDA Act, foreign investors can invest in any activity that is open to the private sector. The only activities closed to the private sector are the manufacture of weapons, the printing of banknotes, securities and sensitive documents, and the manufacture of hazardous substances.

In 2007, the Zambia Development Agency was established with a mandate to manage, monitor, and promote investment. To invest in any industry, all foreign investors must contact the Zambia Development Agency. After approval, potential investors are issued an investment license. To obtain an investment license, applicants must convince the Board of the Zambia Development Agency that the investment will benefit development and not harm the environment. The investment license is valid for ten years and is renewable. The 1993 Investment Law did not require an investment license to invest in any activity.

The ZDA Act contains incentives that apply only to investments of more than US \$ 500,000 that are licensed by the Zambia Development Agency and are carried out in a sector designated as a priority by the Ministry of Commerce Trade and Industry. The list of priority sectors includes mining, tourism, manufacturing, electricity, and agriculture. The incentives specified in the ZDA Act stipulate that for all eligible investors: corporate tax must be calculated on 50 percent of the

profits; dividends must be exempt from tax. In addition, imported machinery and equipment are exempt from customs duties.

Employers wishing to hire foreign employees must apply for a work permit from the Zambian Immigration Department. The Immigration and Deportation Act allows the Immigration Department to issue work permits based on the qualifications and experience of the applicant. The employer must also provide proof that there is no Zambian worker suitable for the job. However, the ZDA gives foreign investors investing a minimum of US \$ 250,000 and having at least 200 Zambian workers the right to obtain five work permits. A work permit is usually issued for a period of two years.

In Zambia, a foreign investor can purchase land on a short-term lease for a period of no more than five years. Some of the problems that foreign investors face when acquiring land include excessive centralization of processing procedures and slow opening of land for distribution. To ease the situation, the Zambia Development Agency plans to implement a land bank program to identify land suitable for investment. The program involves the purchase of land and its lease or sale to interested investors.

After the adoption of the first investment law in 1993, despite all the efforts of the government, it was not possible to achieve a large inflow of FDI into the country (see Figure 1). The small flow of foreign direct investment that came into the country showed interest primarily in the mining sector, more than 50% of all FDI. The transnational cooperations that entered Zambia included Avmin (Australia), America Mineral (USA), Metorex (South Africa), First Quantum (Canada), Equinox Minerals (Australia), J&W Investments (Switzerland), which acquired the closed Ramcoz mine (a copper mine in the Luanshya region, Copperbelt province), and Vedanta Resources (UK), which acquired Konkola Copper Mines (a copper mine in Chingola region, Copperbelt province).

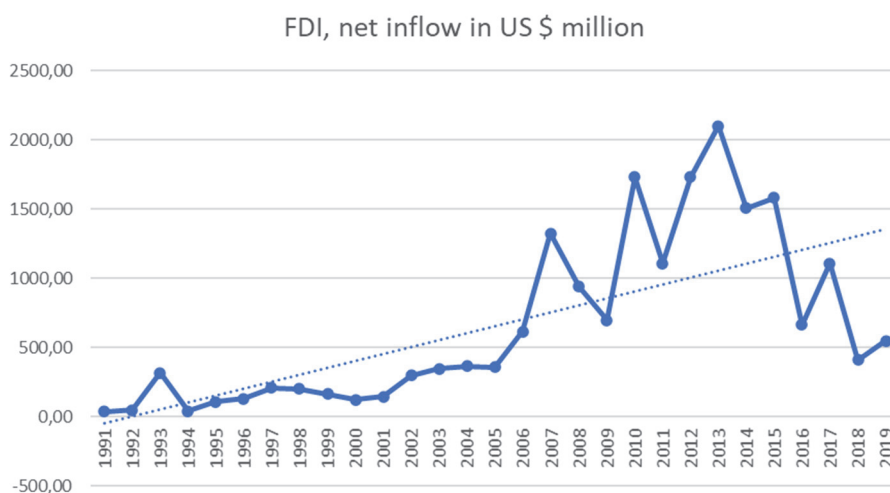


Figure 1. Foreign direct investment, net inflow into Zambia from 2010–2019 (USD million).
Source: World Bank [Electronic resource]

Source: World Bank Data. Retrieved August 18, 2021, from <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD>

The second largest sector for foreign direct investment was the service sector, in particular banking, communications, and tourism.

International banks that entered Zambia include Barclays (UK), Standard Chartered (UK), Stanbic and Citibank (US). Foreign direct investment in telecommunications services was concentrated in mobile telephony with licenses granted to Telecel (which was acquired by MTN (South Africa) at the end of 2005) and Celtel, which was acquired by the Kuwaiti MTC group in 2005.

The tourism sector also attracted foreign investors. Investments were made in the development of national parks and resorts around the Victoria Falls. This led to the opening of the Sun International Resort in 2001, built on 46 hectares at a total cost of \$ 45.6 million. Foreign investors have also invested in three major hotel chains in the country, namely Intercontinental, Taj Group of hotels and Holiday Inn.

FDI in agriculture was directed to the production of fruits, flowers, fruit and vegetable products, cotton, corn, tobacco and sugar. Foreign participation in this sector ranged from large companies such as Illovo Sugar, registered in South Africa, to medium-sized foreign companies such as Enviroflor (a joint venture with the Netherlands and individual farmers from Zimbabwe).

FDI also participated in the production of cotton yarn, machine-building, and copper products for the regional market. For example, the American company Phelps Dodge Cable and Wire Company, which in 1996 acquired the former state-owned company Zambia Metal Fabricators Limited (Zamefa), was one of the largest manufacturers of copper rods, copper wire and power cables in Southern Africa. Other key foreign investors in production included African Explosives (South Africa), South African Breweries, Pamalat (France) and Lonrho Africa (United Kingdom).

As can be seen from Figure 1, the changes in the country's legislation that occurred in 2006 affected the inflow of FDI more seriously, namely, on the one hand, some strengthening of the regulation of FDI, which was provided for by the Zambia Development Act, on the other hand, the law on the creation of free economic zones, which, on the contrary, made the investment climate of Zambia more favorable.

Creation of free economic zones and their role and effectiveness in attracting FDI to Zambia

As mentioned above, in order to stimulate FDI inflows, the Government of Zambia took the path of creating free economic zones (FEZs), which provide even more benefits for investors. In Zambia, free economic zones are called multi-facility economic zones (MFEZ) and industrial parks. The first FEZ was established in 2007, and currently there are 5 FEZs in Zambia.

The first multi-facility economic zone became Chambishi (CMFEZ). It is located in the town of Chambishi in the Copperbelt province, about 308 km north of Lusaka. The total area of the zone is 5.26 km². The main purpose of the creation of CMFEZ was to stimulate industrial and economic development in Zambia through increased activity in the manufacturing sector. The free economic zone is managed by ZCCZ Ltd, which is a subsidiary of China Non-ferrous Metal Mining Corporation. Investors investing in CMFEZ receive the following benefits:

- Zero interest tax rate on dividends for 5 years from the year of the first dividend declaration.

- Zero percentage of income tax for 5 years from the first year of profit. In years 6 to 8, only 50 percent of profits are taxable, and in years 9 and 10, only 75 percent of profits are taxable.
- Zero percentage rate of import duty on raw materials, capital goods, equipment, including trucks and specialized vehicles, for five years.
- Exemption from the payment of VAT on machinery and equipment, including trucks and specialized vehicles.

In 2020, the total number of investors registered in CMFEZ was 48 companies with a total investment of \$ 1.6 billion and a total of 8,146 jobs. All the companies that operate in this zone are Chinese. Some of these companies include Sino Metals Leach Zambia Limited, Chambishi Copper Smelter Limited, Fifteen MCC Africa Construction and Trade Limited, Reba Industrial Co-operation Limited and Zambia Non-ferrous Metals Exploration and Construction. The projects that have been implemented in this zone include mining, copper smelting, processing of agricultural products, production of copper cables, manufacture of electric cables and engine parts, etc.

In 2010, ZCCZ Ltd began the development of another multi-facility economic zone, the Lusaka East Multi-Facility Economic Zone (LE-MFEZ), which is located in the northeast of Lusaka, 25 km from the city center and 4.5 km from Kenneth Kaunda International Airport. The total area of LE-MFEZ is 5.7 km². The purpose of creating this zone was to develop trade, logistics and real estate in Zambia. Companies operating in LE-MFEZ are entitled to the following benefits:

- Zero interest tax rate on dividends for 5 years from the year of the first dividend declaration.
- Zero percentage of income tax for 5 years from the first year of profit. In years 6 to 8, only 50 percent of profits are taxable, and in years 9 and 10, only 75 percent of profits are taxable.
- Zero percentage rate of import duty on raw materials, capital goods, equipment, including trucks and specialized vehicles, for five years.
- Exemption from the payment of VAT on machinery and equipment, including trucks and specialized vehicles.

In 2019, the total number of firms operating in the zone was 14 firms. This amounted to an investment of US \$ 4.4 million and a total of 529 jobs. Only Chinese companies operate in this area. Some of these companies include: CNMC Mpongwe minning company, 15th MCC Africa construction and trade limited, and Sinotra company limited. The types of projects that have been implemented in this area include industrial, residential, recreational, and commercial projects.

Lusaka South Multi-Facility Economic Zone (LS-MFEZ) was established in 2010 and covers a total area of 2,100 hectares. It is located in Lusaka, about 10 km from the city center and 21 km from Kenneth Kaunda International Airport. The economic purpose of its creation is to provide a special environment for economic diversification and industrial development in Zambia. The development of the zone is carried out by a specially created management company LS-MFEZ Ltd, the sole shareholder of which is the government of Zambia.

There is a special legal regime for the implementation of economic, industrial, investment and other activities in LS-MFEZ. These include:

- Accelerated depreciation of main equipment and machines;
- Zero import duty on major equipment and machinery.

As of 2020, the total number of firms registered in LS-MFEZ was 18, including 10 active firms and 8 firms under construction. The total volume of investments made in the LS-MFEZ project was US \$ 240 million, while 900 jobs were created. At full capacity, the zone is expected to create 100,000 jobs. Among the largest investors are the following companies: British American Tobacco, Mylan Laboratories (USA), Zambian Breweries Group (a joint venture between Zambia and Belgium), Zambian Fertilizers Limited (a joint venture between Zambia and China). Some of the major products manufactured by the companies at LS-MFEZ include beverages, water, fertilizers, medicines (ARVs and antibacterials), 88 megawatts of solar energy, tobacco, marble, gypsum products and ceramic tiles.

Roma Industrial Park was established in 2010. The park is located about 20 km northeast of Kenneth Kaunda International Airport and covers a total area of 130 hectares. The management company of Roma Industrial Park is a private company CPD Investments Ltd from the UK. The purpose of the zone is to develop the manufacturing sector as a way to diversify the Zambian economy. Investors investing in Roma Industrial Park receive a 0% import duty rate on major equipment and machinery for 5 years. In 2020, the total number of investors registered in Roma Industrial Park was 20 companies with a total investment of \$ 120 million and a total of 691 jobs. Some of the investors working in Roma Industrial Park include AFRITANK Ltd (Rwanda), Bubezi (Zambia) and Roma Storage Solutions (UK). Afritank Ltd manufactures water tanks, Bubezi manufactures roof tiles, and Roma Storage Solutions provides premises for long-term and short-term storage.

Sub-Sahara Gemstone Exchange Industrial Park was established in 2010. The park is located in Ndola district of the Copperbelt province. The total area of the industrial park is 115 hectares. The purpose of creating this industrial park was to attract enterprises engaged in lapidary processing and auxiliary functions in the extraction of precious stones. The management company of the Sub-Sahara Gemstone Exchange Industrial Park is a private company of Sub-Sahara Gemstone Exchange Ltd from Zambia. Investors who invest at least \$ 500,000 receive the following benefits:

- Zero import duty rate for major equipment and machinery, including trucks and specialized vehicles, for five years.
- Accelerated depreciation of major equipment and machinery, including trucks and specialized vehicles, over five years.

Sub-Sahara Gemstone Exchange Industrial Park is still under construction, so there are currently only four companies operating in the park, namely Sub-Sahara Gemstone Exchange Ltd, Phoenix Materials Limited (Zambia) – brick manufacturing firm, Mei Mei Limited (China) and Electro Winning Resources Zambia Limited (UK). When fully operational, the park is expected to attract US \$ 8 million in investment and create 6,000 jobs.

Conclusion

Thus, the work on attracting foreign investors to Zambia continues. However, despite the efforts made by the Government, no serious improvement in the socio-economic situation of the country has occurred. Zambia is still one of the poorest

countries in the world, and the main sector that attracts investors remains mining. To address this key problem, the Zambian government in 2014 raised the mineral extraction tax rates from 6 to 20% and temporarily abolished the 30% corporate income tax for mining companies. It was assumed that this measure would increase state revenues. However, this did not happen. As a result, in 2015, the government introduced new changes to the tax regime. The mineral extraction tax rates were reduced to 9%, and the corporate income tax of 30% was reintroduced. In December 2018, the government again increased the mineral extraction tax by another 1.5%.

The potential of the country's mining industry is not yet fully exploited. Foreign investments are mainly concentrated in the production of copper, while the potential for exploration of precious stone deposits is practically not used, although, according to experts, this type of resource can make a greater contribution to exports than copper.

In this regard, one of the country's priority tasks is to diversify the conditions for attracting foreign direct investment in various sectors of the economy. To do this, it is necessary to develop a program for the country's industrial development, which would not only determine the priority sectors of the economy, but also contain specific measures to support investors in each of them, as well as specific targets to be achieved. In addition, the country needs an infrastructure development program. The study found that the cost and availability of basic services required for production and export are some of the main barriers to investment in Zambia. Transport, energy and telecommunications services are not available in many areas of the country with significant investment potential. Where available, they are often of poor quality, unreliable and very expensive, typically several times more expensive than in countries competing with Zambia for FDI.

In particular, in the fight for foreign direct investment, it is important not to lose sight of the need not only to grant preferential treatment to foreign companies, but also to grant conditions for the development of Zambian human capital and the implementation of social projects etc. All these measures, in our opinion, will help achieve the strategic goal set by the government of Zambia – by 2030 to become a middle-income country with a diversified economy.

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