

# African Development Bank Group

## Why Invest in Zambia?

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# THE AFRICAN DEVELOPMENT BANK – WHO WE ARE:

- Established in 1964
- 54 African Member Countries and 24 non-regional members
- Concessional and non-concessional lending to Governments
- Lending to private sector through commercial banks, equity funds, guarantees and insurance
- Private Developmental Projects can be supported directly

# THE AFRICAN DEVELOPMENT BANK – WHO ARE WE: *(Continued)*

- Our Strategy focus for the continent is:
  - ✓ Infrastructure Development;
  - ✓ Regional Integration;
  - ✓ Private Sector Development;
  - ✓ Governance & Accountability;
  - ✓ Skills & Technology



# ZAMBIA ECONOMIC TRENDS

- Growing Economy – in excess of 7% during 2001-2010
- Slowing in recent years 4.6% in 2015 (mining slowing and electricity supply deficit affecting production)
- Key sectors: Wholesale and Retail Trading (18.5% of GDP), Construction (13.1%), Transport and Communication (10%), Mining (10%)

## ZAMBIA ECONOMIC TRENDS *(Continued)*

- Commodities crunch, falling copper prices (USD 10,000 to USD 5,300 per ton)
- Inflation stable around 6-8% during past 4 years, but recent depreciation of Kwacha by almost 50% to the US-Dollar adding pressure on prices.

## ZAMBIA ECONOMIC TRENDS *(Continued)*

- Foreign Direct Investments growing – USD 2.1 billion (2013) – 66% in Mining, 21% in Manufacturing, 9% in Financial Services,
- Growing Trade – increasing non-copper exports (cement, gemstones, agri-products, copper wire)
  - Exports – USD 10.2 billion (2014)
  - Imports – USD 8.6 billion (2014)
- Reserves 3.7 months of imports (target 4 months)



## CHALLENGES – CURRENT STATE OF PLAY

- Fiscal Deficit (6.9% of GDP, 2015) – large investments in infrastructure (roads) partly to blame
- Infrastructure Deficit leading to higher costs and stifling growth
  - Electricity supply is in significant deficit – hydro dependence on the Zambezi/Kafue Basin

# CHALLENGES – CURRENT STATE OF PLAY

*(continued)*

- Roads – corridors are more or less in place / now need to link rural production with urban consumption
- Rail – under investment
- Water availability in some urban areas (affecting industry)



# CHALLENGES – CURRENT STATE OF PLAY

*(Continued)*

- High Dependency on Copper – vulnerable to commodity shocks
  - Diversification and Transformation of the economy urgently needed
- Low Productivity of skills – often a mismatch of skills supplied and skills demanded /labor regulations



# OPPORTUNITIES – WHY INVEST IN ZAMBIA?

- Peace and Stability for more than 50 years
- Strategic Geographic Position with access to neighboring countries
- Macro-stability and a growing consumer market – domestically and regionally
  - Some current macro economic issues
  - Food demand is growing (agro-business), construction materials (many are still imported), forestry products, alternative energy needs,

# OPPORTUNITIES – WHY INVEST IN ZAMBIA?

(Continued)

- Robust Financial Sector offers opportunities for further development, more competition needed.
- Opportunities in renewable energy and hydro in the North-East of the country



# BANK PORTFOLIO – WHAT WE DO IN ZAMBIA

- Country Strategy (infrastructure and Private Sector )
- Invested more than USD 1.5 bill. Current portfolio USD 890 mill.
- Continue to support Government in Infrastructure Development (80% of what we do)
- Support Agriculture (value chains – Cassava and Cashew),
- Skills and Entrepreneurship
- Private Sector (Lines of Credit to local banks)

# BANK PORTFOLIO – WHAT WE DO IN ZAMBIA

*(Continued)*

- Possibility of providing Corporate Loans
- Large transitional projects – e.g. 2400 MW Batoka Dam (lead arranger)
- Insurance Type Products:
  - Partial Risk Guarantees (e.g. power purchasing agreements)
  - Partial Credit Guarantees

Thank You



“ Building today,  
a better Africa tomorrow. ”