

ZAMBIA

Strategically situated at the hub of Southern and Central Africa, land-locked Zambia shares borders with eight neighbours and sits atop one of the richest copper deposits in the world. While sufficient water supplies are a constant concern for many African states, Zambia is blessed with a vast river network that accounts for 45% of Sub-Saharan Africa's water. Overall, the mineral, agricultural, tourism, and hydroelectric potential of Zambia is immense.

However, Zambia's economic fortunes have long been tied to that single export commodity: copper. This preoccupation and dependence on copper exports overshadowed other potential mineral developments, and impacted negatively on the agricultural sector.

In the late 1960s the government took a majority interest in the copper industry once dominated by British and South African mining houses, and in 1982 the companies were merged to become Zambia Consolidated Copper Mines (ZCCM), the major player ever since. The collapse in copper prices in the 1970s and 1980s hit Zambia hard and resulted in declining production and export earnings, as well as diminishing capacity as re-investments could not keep up with industry and maintenance requirements.

Expanding government involvement in many facets of the economy throughout the 1970s and 1980s also negatively influenced economic performance. The new government of President Frederick Chiluba, first elected in 1991, reversed this trend by pushing through a number of economic reforms. Exchange controls were eliminated in 1992, the banking system was liberalized, and a large number of parastatal enterprises were privatized.

Canada's relationship with Zambia goes back decades, dominated by development aid and Commonwealth issues. Now aid is being overshadowed by trade (Canada's main import from Zambia is slag from copper mines to extract cobalt) and by Canadian companies' exploration



The bridge at Victoria Falls linking Zambia and Zimbabwe. The Zambian Tourism Board wants to unlock the tourism potential of the entire country.

and investment in the mineral sector. As Zambia's economy grows and diversifies, on the foundation of a robust mining industry, opportunities in other sectors will open up. Sigma's contract with Zamtel (see below) is a case in point.

Investment Promotion, Privatization, & Incentives

During the last fifteen years Zambia occasionally fell into debt payment arrears to international lenders. However, in 1995 the requirements of an IMF "rights accumulation programme" were fulfilled and repayment pressures were eased as Zambia graduated to a three year IMF Enhanced Structural Adjustment Facility and

additional Paris Club reductions were made to Zambia's external debt.

In 1996 the Zambia Investment Centre (ZIC) was judged the fourth best investment promotions agency in Africa and the Middle East by the second annual Corporate Location/Coopers & Lybrand ratings. Its aim is to be a "one-stop shop" for foreign investors, facilitating inward investor missions, assisting and advising on proposed projects, and issuing investment certificates which ease the process of bringing in foreign staff. Recently, ZIC launched phase one of its Joint Venture Programme, designed to focus on bringing together compatible local and foreign companies. Phase two of the programme will see ZIC offer an expanded range of services related to this objective.

Privatization remains a key thrust of Zambia's liberalization efforts. The Zambian Privatization Agency has been very active over the last few years, and companies like Anglo American and Unilever have snapped up divested parastatals. ZCCM is undergoing an extensive two stage divestment process which should be completed during 1998. Many of the companies listed on the Lusaka Stock Exchange are divested parastatals.

As part of the extensive privatization programme, and in the hopes of further increasing tourism industry