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ZAMBIA'S BUSINESS CLIMATE AT A GLANCE

Evidence from the UNIDO-ZDA Pilot Survey of Foreign Direct Investment Enterprises

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Acknowledgements

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The report builds on UNIDO's technical support to the Zambia Development Agency (ZDA) in strengthening investment facilitation, aftercare services, and foreign direct investment (FDI) intelligence through institutional capacity development and digital transformation.

We gratefully acknowledge the Zambia Development Agency (ZDA) for its leadership, commitment, and active engagement throughout this process. Under the guidance of Director General, Mr. Albert Halwampa, dedicated staff from ZDA's Investment Support Services, Monitoring and Evaluation, Planning, and Research units contributed extensively across all phases of implementation. This included the development and quality enhancement of the business directory, collection of enterprise-level data through both online and in-person methods, and provision of strategic inputs during the drafting and validation of the report. Their collaboration was essential to ensuring the quality, relevance, and credibility of the survey findings.

The development and oversight of this report were made possible through the efforts of the UNIDO team. The project was carried out under the direction and supervision of Stefan Kratzsch, Head of the Sustainable Investments and Responsible Business Unit (IET/PST/SIB). Brian Portelli provided the overall technical lead to the report in alignment with the broader framework of the ACP Business Friendly Programme coordination and implementation. Hasan Tamer Tandogan was the lead researcher and principal author of the report, steering the development and execution of the survey and the ensuing analytical and research framework. This process was extensively supported by Janet Simwanza throughout all phases of the programme's implementation in Zambia. Sandeepta Pradhan provided technical support to both UNIDO and ZDA in the use of UNIDO's Digital Investment Promotion Solution (DIPS), which facilitated integrated data collection and processing. Final editing, design, and production of this publication was completed with the support of Teodor Nicula-Golovei, Aiden Selsick and the SF-production LLC team. Synthesis and initial drafting were supported by artificial intelligence applications.

UNIDO also extends its gratitude to the investor community in Zambia for the valuable participation in the survey.

Foreword
UNIDO

Mr Gerd Müller, Director General, United Nations Industrial Development Agency (UNIDO)

The current global environment is marked by economic uncertainties, new barriers to trade and shifting value chains. It is now more important than ever to facilitate and promote investments in order to unlock new opportunities, create more local value addition and support institutions in their ability to gain and retain investor confidence to achieve long-lasting sustainable economic and industrial development impacts on the ground.

Zambia is an example of these challenges and also these opportunities. Achieving the country's long-term development objectives depends on the creation of a robust and resilient investment climate. Investors must be empowered to grow, reinvest and integrate more deeply into the local economy. In order to accomplish this, institutions must evolve into more effective strategic enablers: agile, evidence-based and capable of delivering tailored support to investors at every stage of the investment lifecycle.

This report presents the findings of the Investment Monitoring and Support Services (IMSS) survey, a collaborative effort by the Zambia Development Agency (ZDA) and the United Nations Industrial Development Organization (UNIDO). The survey was conducted within the framework of the ACP Business-Friendly Programme, which is funded by the European Union and the Organization of African, Caribbean and Pacific States (OACPS).

As a strategic tool, the IMSS provides Zambia with essential data, practical insights and institutional learning which helps to modernize investment promotion and facilitation systems. By capturing the experiences, plans and challenges faced by investors operating in the country, the survey generates a valuable evidence base for shaping policy reforms and strengthening investor services.

This effort has multiple impacts: on the one hand, it offers actionable intelligence on reinvestment trends, business expansion plans and sectoral dynamics. On the other, it enhances the ZDA's institutional capacities, enabling it to engage investors more proactively, adopt innovative tools and foster a culture of continuous learning for ever-growing impact.

UNIDO is proud to support Zambia's progress towards more strategic and data-driven investment governance solutions. The IMSS is more than just a survey — it marks a step forward in building the systems, skills and partnerships necessary to realize Zambia's development ambitions.

I commend the leadership of ZDA, the participation of the investor community and the valuable contributions of all technical partners involved in this milestone initiative. I encourage all stakeholders to draw on the findings of this report to strengthen policy and foster investments which deliver long-term win-win solutions for Zambia and its people.

Foreword
ZDA

Mr Albert Halwampa, Director General, Zambia Development Agency (ZDA)

Foreign Direct Investment (FDI) plays a pivotal role in Zambia's economic development, enabling the inflow of capital, technology, and skills that are essential for industrial transformation and inclusive growth. In this regard, the Zambia Development Agency (ZDA), in collaboration with the United Nations Industrial Development Organization (UNIDO), is pleased to present the *"Zambia's Business Climate at a Glance" Report*. This report is a milestone in the country's efforts to institutionalize investment monitoring, strengthen investor support mechanisms, and promote data-driven policy-making.

The IMSS survey, undertaken simultaneously with the ZDA Enterprise Performance Monitoring (EPM) survey, provides timely and practical insights into the experiences, aspirations, and outlooks of foreign-owned enterprises operating in Zambia. With contributions from over 100 businesses, this report explores re-investment trends, business confidence, regional and sectoral patterns, and investor support needs. It serves as both a diagnostic tool and a strategic resource for enhancing Zambia's investment climate.

This initiative reflects ZDA's ongoing commitment to delivering investor-focused services while aligning with national development objectives under Vision 2030 and the Eighth National Development Plan (8NDP). The report underscores the importance of aftercare, stakeholder engagement, and institutional readiness in attracting and retaining high-quality investment. Moreover, the integration of digital platforms such as the Digital Investment Promotion Solutions (DIPS) demonstrates Zambia's progress toward a more responsive, transparent, and investor-friendly ecosystem.

We extend our appreciation to all enterprises that participated in this exercise, and to the dedicated teams at ZDA and UNIDO who worked collaboratively to deliver this comprehensive analysis. The IMSS Report lays a foundation for more targeted interventions, better alignment of support services, and deeper engagement with the investor community.

As Zambia continues its journey toward sustainable and diversified economic growth, the insights drawn from this report will contribute meaningfully to shaping forward-looking strategies and fostering a more competitive investment environment, which will promote economic growth, job creation and wealth creation.

Foreword
EU

The European Union in Zambia is proud to present this report, developed by the United Nations Industrial Development Organization (UNIDO) and the Zambia Development Agency (ZDA), which offers a timely and in-depth assessment of foreign direct investment (FDI) in Zambia. As the country continues to pursue inclusive and sustainable industrial growth, understanding the dynamics of FDI is essential to unlocking its full economic potential.

The EU remains a steadfast partner in Zambia's development journey, and our cooperation is anchored in shared values of sustainability, innovation, and regional integration. Through the Global Gateway initiative, the EU is mobilizing investments in critical infrastructure, digital connectivity, and green energy —– key enablers of a competitive and resilient economy. A flagship example is the Lobito Corridor, where the EU and its Member States are supporting, together with international partners, the development of a strategic transport and logistics network linking Zambia, Angola and the Democratic Republic of Congo. This initiative is set to enhance regional trade, attract quality investment and create green, decent jobs.

This report provides timely insights into Zambia's investment landscape and valuable elements to improve investors' confidence, so important to sustain the investment opportunities discussed at the EU–Zambia Lobito Corridor Business Forum in November 2025. The Forum brought together European and Zambian businesses, government leaders, and financial institutions to foster partnerships in energy, agriculture and critical raw materials, showcasing concrete businesss opportunities along the Lobito Corridor.

The European Union reaffirms its commitment to working with Zambia to foster a vibrant investment ecosystem that delivers tangible benefits for all Zambians.

Ms Karolina Stasiak, Ambassador of the European Union (EU) to Zambia and COMESA

Foreword
OACPS

H.E. Moussa S. Batraki, Secretary-General, Organisation of African, Caribbean and Pacific States (OACPS)

The Organisation of African, Caribbean and Pacific States (OACPS) recognises that robust, quality Foreign Direct Investment (FDI) is a non-negotiable prerequisite for driving the structural economic transformation our member states seek. Zambia, with its rich potential, stands to benefit significantly from a more streamlined and attractive investment climate.

The ACP Business-Friendly Programme is a wide-reaching, broad-scope programme which has been benefiting dozens of OACPS Member States in Africa, the Caribbean and Pacific Regions since 2019. The OACPS is grateful for its funding by our long-standing development partners at the European Union and expert implementation by a consortium of partners including the World Bank, International Trade Centre and the United Nations Industrial Development Organisation (UNIDO) which has responsibility for the implementation of the programme at the meso-level.

This initiative is a powerful demonstration of the longstanding strategic partnership between the OACPS and UNIDO. For decades, our collaboration has been founded on a shared vision of Inclusive and Sustainable Industrial Development (ISID), leveraging UNIDO's technical expertise to translate OACPS mandates into concrete results on the ground. The success of the ACP Business-Friendly Programme in Zambia — from strengthening the capacity of national institutions to identifying and promoting specific, bankable investment opportunities — is a tangible outcome of this durable and essential cooperation.

It is with great pride that I introduce this comprehensive report, compiled by UNIDO, which outlines the targeted efforts to enhance FDI in Zambia under the auspices of the ACP Business-Friendly Programme. The findings and recommendations presented here offer valuable strategic direction for Zambian policymakers and the private sector alike. They provide a blueprint for replicating success across the OACPS, highlighting the crucial role of collaborative interventions in overcoming systemic barriers to investment.

I commend UNIDO and all partners involved for their dedicated work. I urge all stakeholders to embrace the recommendations contained within this report, ensuring that this momentum translates into sustained economic growth, job creation, and enhanced prosperity for the people of Zambia and the wider OACPS family.

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Table of abbreviations

ACP	African, Caribbean and Pacific
AfCFTA	African Continental Free Trade Area
COO	Country of origin
CRM	Customer relationship management
DIPS	Digital Investment Promotion System
DRC	Democratic Republic of the Congo
EC	European Commission
EPM	Enterprise performance monitoring
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product
HR	Human resources
ICT	Information and communication technology
IFC	International Finance Corporation
IMF	International Monetary Fund
IMSS	Investment Monitoring and Support Services
IPA	Investment promotion agency
IRM	Investment relationship management
ISI	Import substitution industrialization
ITBD	Investment, Trade and Business Development
KPI	Key performance indicator
M&E	Monitoring and evaluation
MDAs	Ministries, departments and agencies
MSMEs	Micro, small and medium-sized enterprises
OECD	Organisation for Economic Co-operation and Development
OACPS	Organisation of African, Caribbean and Pacific States
PDU	Presidential Delivery Unit
PPDF	Public–private dialogue forum
R&D	Research and development
SDGs	Sustainable Development Goals
SME	Small and medium-sized enterprise
UNCTAD	United Nations Trade and Development
UNIDO	United Nations Industrial Development Organization
WBG	World Bank Group
ZamStats	Zambia Statistics Agency
ZDA	Zambia Development Agency
ZMW	Zambian kwacha

Executive summary

This report captures the essence of the Investment Monitoring and Support Services (IMSS) survey, a collaborative effort by the Zambia Development Agency (ZDA) and the United Nations Industrial Development Organization (UNIDO). Designed to offer a fresh perspective on Zambia's investment landscape, the survey provides actionable insights into attracting, retaining, and supporting foreign direct investment (FDI) while aligning with the nation's Vision 2030 and broader economic goals. By identifying critical gaps and opportunities, the IMSS report empowers ZDA with the knowledge needed to refine strategies, strengthen investor relations, and elevate its investment facilitation efforts.

Conducted in 2023, the IMSS survey integrated seamlessly with the Enterprise Performance Monitoring (EPM) survey to optimize efficiency and reduce respondent fatigue. The IMSS survey covers over 100 responses from a pool of more than 400 foreign-owned enterprises.

At the heart of this initiative is a commitment to building a dataset that tracks investment trends, uncovers challenges, and highlights opportunities. Beyond data, the IMSS survey is also a capacity-building exercise, equipping ZDA with cutting-edge tools and methodologies to drive investment promotion and facilitation.

With its practical insights and strategic focus, this report stands as a pivotal resource for shaping Zambia's investment ecosystem and reinforcing its position as a destination of choice for investors.

Methodology overview

The IMSS survey is underpinned by a robust business registry, which contains current information on at least 400 foreign-owned companies.

Sampling approach: Given the survey's sampling frame, the results from 103 responses are not generalizable to the entire investment population in the country; rather, it offers insights and demonstrates the value of the IMSS for gathering intelligence on investment facilitation, aftercare, and policy development. The sampling approach was adjusted to ensure the inclusion of a wide range of businesses. The sample was skewed toward medium and large enterprises to ensure their perspectives are adequately captured, recognizing their disproportionate influence on the Zambian economy.

Data collection: The data collected includes comprehensive information on company demographics, investment plans, business outlook, and the need for investment support services. This methodology allows for a detailed examination of various aspects of business operations and investment behaviour.

Integration with EPM survey: The integration of the IMSS with the ZDA's regular Enterprise Performance Monitoring survey streamlined data collection, improving efficiency and optimizing resource use. The IMSS survey focuses on broader investment performance and business trends, while the EPM survey is specifically aimed at ensuring compliance with investment agreements. Data collection redundancy and respondent fatigue were minimized.

Capacity building: Comprehensive capacity building, including extensive advisory support from UNIDO, was critical in enabling ZDA to manage these integrated surveys effectively. This included 71 technical meetings and training sessions, involving 130 staff members, with an emphasis on data management and leveraging digital tools like DIPS (Digital Investment Promotion System).

Key findings

The IMSS survey revealed several significant trends and patterns in Zambia's investment environment:

Re-investment trends: While most surveyed companies (65 out of 103) indicated plans to re-invest in fixed assets over the next three years, indicating a positive outlook, a significant minority (26 enterprises) reported no re-investment intentions, highlighting potential stagnation due to operational challenges or a lack of capital. Furthermore, the data shows a predicted decline in total re-investment from ZMW 26.46 billion to

ZMW 18.54 billion over two trienniums, with a significant contraction among Small and Medium-sized Enterprises (SMEs). The average re-investment is also decreasing, from ZMW 0.27 billion to ZMW 0.19 billion.

Business expansion: There is strong optimism for business growth, with a substantial majority (85% among valid responses) of companies planning to expand their operations within Zambia over the next three years. This indicates a robust intent to grow despite prevailing challenges. None of the surveyed companies reported plans to downsize, close or relocate, reflecting positively on Zambia's capacity to retain investment.

Sectoral insights: The manufacturing and agriculture sectors lead in terms of the number of businesses in the survey sample. However, the manufacturing sector is projected to experience slower growth in sales, exports, and employment. Mining and quarrying is dominated by larger firms, while agriculture is primarily composed of medium and large enterprises.

Investor origins: China is the leading investor, contributing 18 entities (17.48%). South Africa is a significant regional player with 10 entities (9.71%), followed by Mauritius with six entities (5.83%). The United States and the United Kingdom collectively account for 12 entities, demonstrating sustained interest from Western economies. The inclusion of some Zambian enterprises (13 entities or 12.62%) provides a comprehensive view of the investment ecosystem. Most investments come from upper and middle-income countries, based on the reclassification of investors' countries of origin.

Key drivers: Economic stability is the most influential factor in shaping business development plans. Other highly valued factors include the rule of law, living standards, and market size and potential. Infrastructure, political stability, and market potential also play significant roles.

Investment support: Investors frequently raise concerns about administrative and financial matters, such as tax exemptions, securing licenses, and navigating regulatory frameworks, which account for 41.76% of inquiries. There is a need for efficient regulatory processes and more strategic aftercare to facilitate business expansions and re-investments.

Sector-specific insights

The agriculture sector is dominated by medium and large enterprises by sample selection. It is projected to see significant growth in firm-level exports and demonstrates strong potential for job creation and economic growth.

Despite having a significant number of businesses, the manufacturing sector is facing slower growth in sales, exports and employment. This sector companies are projected to see a sharp decline in local content, dropping from 32.16% to 10.26%.

Mining and quarrying companies are predominantly composed of larger firms, underscoring the labour-intensive nature of extraction activities. The sector is expected to see significant growth in firm-level exports and shows positive trends in the adoption of local content.

Investment trends by key dimensions

A significant portion of FDI inflows come from re-invested earnings. However, the trends indicate a predicted decline in total re-investment, particularly among SMEs.

The data suggests a slight acceleration in employment growth, moving from 31.46% to 32.60%.

The integration of local content varies across business segments, with some sectors showing progress while others face challenges. Mature businesses and the mining sector show an increase in local content, while the manufacturing sector is expected to decline. Medium and large enterprises are also expected to reduce their local content use, signalling a need for more tailored support.

While ores and metals remain the dominant export, their share has declined, showing the gradual diversification of Zambia's export base. The agriculture and manufacturing sectors are projected to see increased exports.

Growth in import costs tends to decelerate across most categories, though outcomes vary by business age, sector, region and size. Long-established businesses are likely to see a drop in import costs, while mature businesses may face an increase.

Implications and recommendations

The findings of the IMSS survey have significant implications for Zambia's economic policy and investment strategies. The following recommendations are aimed at enhancing ZDA's effectiveness and fostering sustainable economic growth:

Strengthen aftercare services: ZDA should continue to strengthen its aftercare services and leverage digital tools to boost investor retention and promote sustainable growth. This requires adopting a lifecycle approach, providing continuous and tailored support from the initial inquiry through to re-investment or expansion. Specialized aftercare units, organized by sector, region, or company size, can deliver targeted investor support. Furthermore, aftercare services should focus on deepening local economic integration, encouraging re-investment, and connecting investors with local suppliers and businesses, for example through matchmaking events.

Prioritise digital transformation: ZDA should prioritize and accelerate its digital transformation efforts to improve operational efficiency, service delivery and data-driven decision-making. This includes the development of a clear digital transformation roadmap, the implementation of systems such as a CRM for managing investor interactions and project tracking, and the investment in systems to gather and analyse data, with attention to cybersecurity and training for staff in data analysis.

Refine mandate and advocate for increased budget allocation: ZDA should conduct a comprehensive review of its mandate to ensure alignment with national development plans, streamlining its activities and prioritizing high-impact sectors. The agency should advocate for increased budget allocation by creating a business case based on economic impact analyses and a multi-year financial plan with performance indicators. This will support investment facilitation and allow ZDA to focus on value creation through business linkages, trade facilitation, and FDI retention.

Address emerging challenges: The projected deceleration in total re-investment, particularly among SMEs, needs to be addressed. Sectoral shifts showing slow growth in manufacturing and uneven export performance need to be tackled, along with challenges in adopting local content and regional disparities.

The report provides a valuable and data-driven understanding of Zambia's investment dynamics. It offers practical insights into the experiences and aspirations of the investor community. The findings underscore the need for the ZDA to enhance its investment support services, improve its digital infrastructure, and strengthen collaboration with key stakeholders. By addressing the challenges identified and implementing the recommendations provided, ZDA can contribute to Zambia's economic development, attract more investment, and foster a more competitive business environment. The ongoing implementation of the UNIDO ACP Business Friendly Programme, in combination with the findings from the IMSS survey will help refine strategic decisions and guide future research and planning. The report acts as a call to action to adopt data-driven strategies, engage with investors proactively, and implement targeted interventions to foster sustainable growth and ensure that Zambia achieves its long-term development goals.

Introduction

Introduction

Zambia has made significant progress in implementing economic policies and achieving development milestones. Recently, the nation celebrated the attainment of lower-middle-income status, as classified by the World Bank. This achievement reflects the country's ongoing efforts and offers promise for its future growth and economic diversification. Zambia aims to leverage its strategic geographic position and abundant natural resources to further integrate into regional and global markets.

Zambia's Vision 2030 strategy [1] further underscores its commitment to achieving economic prosperity and sustainability. Through this vision, Zambia aims to transform into a prosperous middle-income nation, emphasizing the importance of diversifying its economy beyond the traditional mining sector. Foreign direct investment (FDI) contributes significantly by providing capital, technology, skills and innovation, while also boosting international competitiveness. Attracting FDI into sectors such as manufacturing, agriculture and services is important for promoting inclusive economic development, building resilience and diversifying the economy.

Despite having substantial natural assets and a clear vision for the future, as articulated in Vision 2030, Zambia continues to encounter challenges in attracting steady levels of FDI. Historical data shows fluctuations in FDI inflows due to both global and domestic economic factors, as well as local conditions such as the stability of the investment environment and infrastructure preparedness. Addressing these challenges is critical to utilizing FDI for Zambia's development objectives. Enhancing the investment climate requires implementing policy reforms, improving infrastructure and offering targeted incentives to attract international investors. But first, it is essential to examine the key elements influencing FDI in Zambia – both internal and external – the measures taken to improve the situation, and the role of FDI in achieving Vision 2030.

1 Republic of Zambia (2006) Vision 2030. A prosperous middle-income nation by 2030. https://www.nor.gov.zm/?wpfb_dl=44.

Foreign direct investment flows and stocks

From 1990 to 2022, Zambia's FDI inflows fluctuated due to both global dynamics and domestic factors. Internal elements like the investment environment and policy stability, along with external factors such as commodity price shifts and macroeconomic conditions, significantly influenced these trends [2]. In the broader Sub-Saharan African context, FDI inflows exhibited variability, peaking at $72.75 billion in 2021 **(Figure 1)**. Zambia's FDI inflows have remained modest in comparison, with a notable figure of $2.1 billion recorded in 2013. Zambia's share of FDI within the Sub-Saharan African region has fluctuated, peaking at 5.5% in 2010, but predominantly staying below 5% otherwise.

A notable decline occurred in 2022, with inflows to Zambia dropping to negative $65 million, indicating a substantial setback. However, a modest recovery was observed in 2023, with inflows reaching $108 million, demonstrating resilience and latent potential for future growth. These shifts mirror the evolving appeal of Zambia to foreign investors within the region, with its share ranging from a peak of 12.0% in 1990 to a low of 0.3% by 2023.

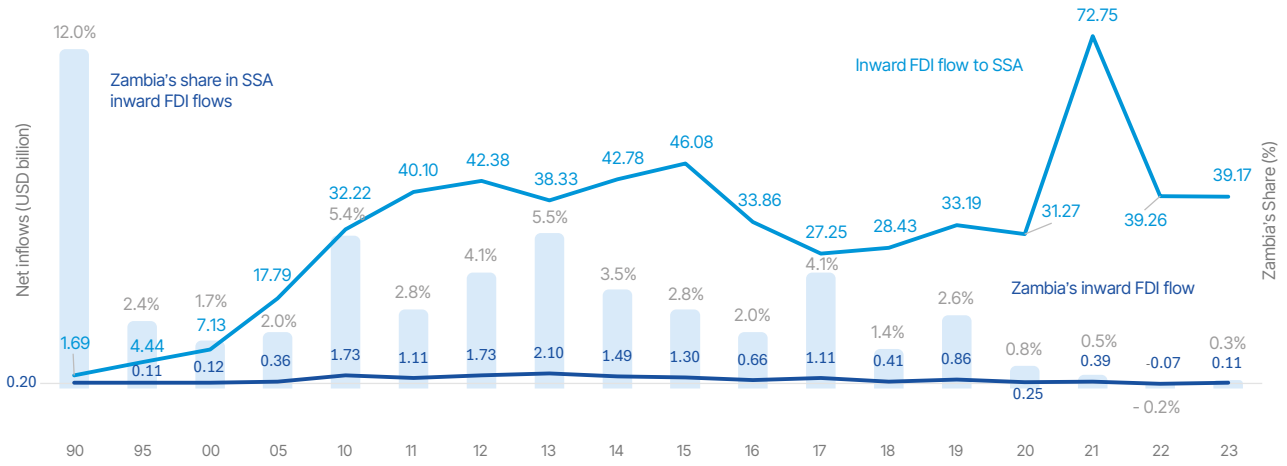
The country's accumulated FDI stock reflects a story of gradual growth, peaking at $21.37 billion in 2018 **(Figure 2)**. However, when compared to the much larger FDI stock of Sub-Saharan Africa, which reached $710 billion by 2022, Zambia's proportional share has shown a declining trend overall, decreasing from 7.4% in 1990 to just 2.3% in 2023. These dynamics underscore the growing competitiveness within the region, and Zambia's changing position in attracting sustained foreign investment over time.

2 International Monetary Fund. African Dept. (2023) Zambia: Selected issues. IMF Staff Country Reports, 2023(257). https://doi.org/10.5089/9798400249839.002.

Figure 1 | Inward foreign direct investment flows to Zambia and Sub-Saharan Africa, 1990–2023 (current USD billion)

Zambia's inward FDI flows declined even as Sub-Saharan Africa experienced a temporary surge in 2021.

Current, USD billion

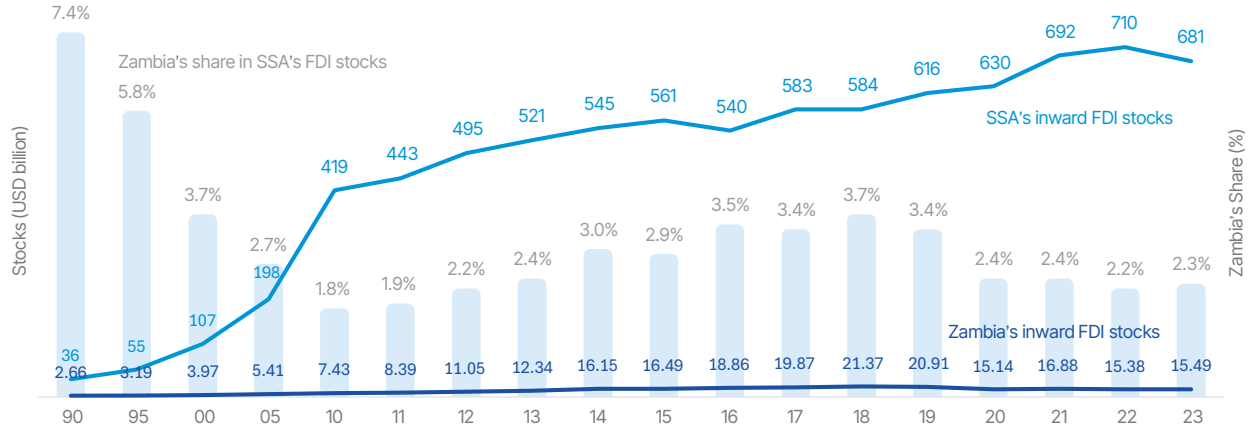


Source: United Nations Conference on Trade and Development (UNCTAD), FDI flows and stocks database, retrieved from unctadstat.unctad.org, accessed on January 8, 2025.

Figure 2 | Inward foreign direct investment stocks in Zambia and Sub-Saharan Africa, 1990–2023 (current USD billion)

Zambia's share of SSA's FDI stock has steadily declined despite the region's continued growth.

Current, USD billion



Source: United Nations Conference on Trade and Development (UNCTAD), FDI flows and stocks database, retrieved from unctadstat.unctad.org, accessed on January 8, 2025.

Zambia's FDI and regional performance

Strategically nestled in the heart of Southern Africa, land-linked Zambia serves as a vital conduit for regional trade and investment. The country borders eight nations: Angola [3], the Democratic Republic of the Congo (DRC), Botswana, Namibia, Malawi, Mozambique, Tanzania and Zimbabwe. Zambia's geographic position offers a unique advantage in its economic narrative, serving as a critical hub for cross-border trade in the region.

However, Zambia ranks sixth among its neighbours in FDI inflows, building up only ~$1.5 billion over the past five years, as shown in **Table 1**.

Table 1 | FDI inflows in USD millions by country, 2019–2023

Zambia ranked sixth in total FDI inflows during a period of regional volatility.

Current prices and ranking

	2019		2020		2021		2022		2023		2019-23 total	
	USD	Rank	USD	Rank	USD	Rank	USD	Rank	USD	Rank	USD	Rank
Angola	(4,098)	9	(1,866)	9	(4,355)	9	(6,599)	9	(2,086)	9	(19,004)	9
Botswana	94	6	32	7	-319	8	708	5	198	7	713	8
Congo, Democratic Republic of the	1,488	2	1,647	2	1,870	2	1,846	2	1,635	3	8,485	2
Malawi	55	7	252	4	129	7	243	7	208	6	888	7
Mozambique	2,212	1	3,035	1	5,102	1	2,458	1	2,509	1	15,316	1
Namibia	179	8	(146)	8	851	4	1,072	4	2,345	2	3,943	4
Tanzania, United Republic of	1,217	3	944	3	1,190	3	1,265	3	1,339	4	5,955	3
Zambia	860	4	245	5	394	5	(65)	8	108	8	1,542	6
Zimbabwe	280	5	194	6	250	6	395	6	588	5	1,708	5
Total inflow	1,928		4,335		5,113		1,323		6,845		19,545	
Average inflow	214		482		568		147		761		2,172	
Average inflow (excluding Angola)	753		775		1,184		990		1,116		4,819	
Zambia's relative position in avg. inflows	14%		-68%		-67%		-107%		-90%		-68%	

Source: United Nations Conference on Trade and Development (UNCTAD), FDI flows and stocks database, retrieved from unctadstat.unctad.org, accessed on January 8, 2025.

3 Foreign direct investment (FDI) flows to Angola remained negative for the fifth consecutive year in 2022, amounting to USD –6.6 billion, as companies in the oil sector continued repaying loans. Source: United Nations Conference on Trade and Development (UNCTAD). (2023). World investment report 2023: Investing in sustainable energy for all. United Nations. https://unctad.org/publication/world-investment-report-2023

Zambia has many attributes that have the potential to attract FDI, from its diverse resources and preferential market access opportunities to a policy framework designed to support investment. However, there have been many challenges. In 2020, Zambia became the first nation in the COVID era to default on its Eurobond payments [4]. Since then, the country has faced several economic and financial difficulties, but various policies and reforms have been implemented to put the economy back on a growth trajectory. Reforms aimed at improving the investment climate and boosting investor confidence have already contributed to attracting FDI, with inflows increasing to $394 million in 2021 [4].

Although Zambia still lags regional giants such as South Africa, Mozambique and the DRC, its total FDI inflows currently surpass those of Botswana and Malawi. By addressing infrastructural limitations and stabilizing macroeconomic fundamentals, the country could significantly enhance its potential for FDI.

In 2023, Zambia's FDI inflows experienced a commendable rebound, capturing 19.4% ($108 million) of the total inflow among its immediate neighbours. This upward shift from a negative 8.7% share the previous year not only marks a notable recovery but also indicates a restoration of investor confidence after the challenges of 2022. Despite this positive trend, Zambia maintained its position in the regional rankings, suggesting that the increase, while substantial, was in line with general regional trends.

According to the 2023 Private Capital Flows and Investor Perceptions survey [5], peace and security, market potential, good infrastructure and political stability were the main factors that influenced decisions to invest and re-invest in Zambia in 2022. Investors perceived that the most effective government policies for promoting investment in 2022 related to economic diversification, conducive governance, improved transport infrastructure, facilitation of business linkages and an overall improvement in the investment climate.

Zambia's GDP and growth potential

Zambia has experienced a consistent increase in GDP over the past four years, and projections suggest continued growth. This is substantiated by the consistent increase in Zambia's regional GDP share from 9% in 2022 to 9.9% in 2023, as shown in Table 2. As a result, the country ranked third

4 Banda-Muleya, F. (2021). The allure of commercial debt: The case of Zambia and Mozambique [PDF]. https://www.un.org/ldc5/sites/www.un.org.ldc5/files/the_allure_of_commercial_debt_case_of_zambia_and_mozambique.pdf.

5 Balance of Payments Statistical Committee, (2023). Foreign Private Investment and Investor Perceptions in Zambia – 2023: Unlocking Economic Potential Through Business-Friendly Reforms to Stimulate Private Sector Investment.

among its neighbors in both 2022 and 2023, with GDP figures exceeding $29 billion and $28 billion, respectively — an increase of at least $6 billion compared to 2021.

The region has seen GDP growth, led by Angola, which increased by a little over $43 billion from 2021 to 2022, reaching $113 billion. Although Angola's GDP dropped to $88 billion in 2023, it still marked a significant rise from $70 billion in 2021. The Africa Development Bank [6] estimates that GDP for the Southern African region will grow at only 2.2% in 2024; this sluggishness has been attributed to subdued growth in South Africa, the region's largest economy. Nevertheless, increasing fixed investment and expanding capital diversification into profitable non-traditional sectors could propel the region into a period of higher growth rates.

Table 2 | Gross domestic product (GDP) in USD millions by country, 2019–2023

Zambia maintained the third highest average GDP among neighboring countries.

Current prices and ranking

	2019		2020		2021		2022		2023		2019-23 avg.	
	USD	Rank	USD	Rank	USD	Rank	USD	Rank	USD	Rank	USD	Rank
Angola	83,137	1	54,821	2	69,906	2	113,305	1	87,890	1	81,812	1
Botswana	16,696	5	14,930	5	18,737	5	20,352	5	20,406	5	18,224	5
Congo, Dem. Rep, of the	13,977	7	11,469	8	14,738	7	15,345	7	15,726	6	14,251	7
Malawi	11,052	9	11,769	7	12,505	8	12,559	9	13,330	7	12,243	8
Mozambique	15,513	6	14,235	6	16,168	6	18,407	6	20,882	4	17,041	6
Namibia	12,542	8	10,584	9	12,446	9	12,607	8	12,287	8	12,093	9
Tanzania, United Republic of	60,535	2	65,231	1	70,121	1	75,897	2	81,812	2	70,719	2
Zambia	23,310	3	18,064	4	22,104	4	29,137	3	27,768	3	24,076	3
Zimbabwe	22,595	4	21,665	3	24,118	3	26,419	4	n.a	n.a.	23,699	4
Grand total	259,356		222,768		260,842		324,027		280,100		269,418	
Average GDP	28,817		24,752		28,982		36,003		35,013		30,462	
Zambia's share in total	9.0%		8.1%		8.5%		9.0%		9.9%		8.9%	

Source: United Nations Conference on Trade and Development (UNCTAD), FDI flows and stocks database, retrieved from unctadstat.unctad.org, accessed on January 8, 2025.

6 African Development Bank Group (2024) Africa's Macroeconomic Performance and Outlook: January 2024. https://www.afdb.org/en/documents/africas-macroeconomic-performance-and-outlook-january-2024. Accessed 10 April 2024.

The Zambia Development Agency

The Zambia Development Agency (ZDA) is Zambia's premier investment promotion agency, with a mandate to promote and facilitate investment, trade and business development in the country. Anchored by the ZDA Act No. 17 of 2022, its authority is further derived from the Investment, Trade and Business Development (ITBD) Act No. 18 of 2022.

ZDA promotes and facilitates both inward and outward investment missions to generate investment transactions, establish joint ventures and issue Investment Certificates of Registration (investment licences). Furthermore, it provides secondary licence facilitation and post-establishment industrial support (aftercare services) to foster a conducive investment climate and identify opportunities for business expansion and economic diversification.

As the investment promotion agency, ZDA drives economic development by elevating Zambia's investment profile, attracting capital inflows and stimulating job creation. Central to its mandate is the streamlining of investment processes in collaboration with relevant authorities, simplifying procedures and reducing business costs to make Zambia an attractive investment destination. Additionally, ZDA collaborates with the government to cultivate an investment climate favourable to sustainable economic growth.

The agency's mandate is executed through three core functions:

1

Investment promotion

promotes and facilitates both local investment and FDI across multiple sectors of the Zambian economy. Investment facilitation includes aftercare services, assisting investors in securing sector-specific licences, permits and other authorizations.

2

Export facilitation

focuses on promoting and facilitating exports, both traditional and non-traditional, through trade missions, fairs and exhibitions, while identifying international markets for Zambian products.

3

Business development

is responsible for business support services, facilitating joint ventures and partnerships, access to markets, finance, technology and capacity-building.

Past strategic initiatives and policy tools

A review of Zambia's strategic initiatives and policy tools demonstrates the country's approach to managing fluctuations in FDI and GDP, particularly when compared to other Southern African and neighbouring nations. The 2016–2020 strategic plan aimed to realign Zambia's business landscape with the goal of maximizing benefits for Zambian citizens. This plan encouraged greater collaboration between the government and local private enterprises, working under the theme: "Transforming Business for the Advancement of Zambians".

The 2018–2021 strategic plan refined these efforts by prioritizing economic growth and development through investment and trade promotion, as mandated by the ZDA Act of 2006. ZDA pursued this vision through multiple strategies, including the National Export Strategy and the N8+1 Export Plan, designed to boost Zambia's export competitiveness.

The National Export Strategy specifically targeted the challenges impeding Zambia's export potential. It focused on initiatives designed to strengthen sector capabilities, enhance the quality of goods produced and facilitate access to international markets. The strategy also sought to address infrastructure bottlenecks and other barriers limiting Zambia's export performance.

Complementing this, the N8+1 Export Plan aims at increasing Zambia's trade with its eight neighbouring countries, plus one additional key market (South Africa). This plan provided online matchmaking platforms that linked Zambian businesses with counterparts in neighbouring countries, helping to identify and capitalize on profitable business opportunities. By targeting these regional markets, the plan aimed to expand Zambia's export base, promoting diversification and reducing reliance on traditional sectors.

These strategic initiatives laid the groundwork for attracting and retaining foreign investment, while also fostering stronger ties between domestic enterprises and the global economy. By addressing critical challenges and implementing targeted policy tools, Zambia aims to become a more competitive and investment-friendly economy, in line with its long-term development goals.

ZDA's current initiatives are centred around three fundamental pillars:

Trade and investment

Promoting increased trade and FDI across sectors, enhancing Zambia's international competitiveness.

Stakeholder coordination

Building strong relationships with both domestic and international stakeholders to facilitate investment flows.

Operational excellence

Ensuring ZDA's internal processes are streamlined and efficient, enhancing service delivery and investor satisfaction.

ZDA's role in economic transformation and the 2022–2026 strategic plan

The ZDA is committed to strategies that drive Zambia's future economic development. According to the 2022–2026 strategic plan, ZDA has a vision to become a world-class agency, fostering a transformed and prosperous Zambian economy. Currently, the agency carries out its mandate by promoting and facilitating investment, trade and business development through an efficient, effective and coordinated private-sector-led economic development strategy, as outlined in the ITBD Act No. 18 of 2022.

Through these activities, ZDA aims to cultivate a competitive economy that attracts and retains investment. This includes identifying opportunities for economic growth, fostering partnerships and leveraging resources to maximize returns on investment.

Successful project implementation requires buy-in from all stakeholders. This involves effective communication, goal alignment and a commitment to enhance overall project outcomes. In addition, ZDA pursues operational excellence by simplifying processes, improving efficiency and advancing practices to satisfy and exceed investor expectations.

ZDA's strategic plans, both past and present, highlight the agency's dedication to strengthening Zambia's role in the regional and global economy. The promotion of FDI focuses on economic expansion, technological advancement and job creation.

The Investment Monitoring and Support Services (IMSS) survey

The UNIDO ACP Business Friendly initiative aims to strengthen the technical capacity of Investment Promotion Agencies (IPAs), including the ZDA, providing the tools and methodologies to strengthen

investment facilitation and promotion. The goal is to jointly develop practices that can then be taken on by IPAs independently. In this exercise, UNIDO worked with ZDA to develop a survey that will help them track the investment landscape, with a view to developing programmes and policies to target, attract and retain foreign direct investment in the country.

The programme-relevant workstream focused on data collection through the Investment Monitoring and Support Services Survey (IMSS) implemented in Zambia. During 2023, ZDA managed multiple data collection exercises, including the Foreign Private Investment & Investor Perceptions Survey (FPI-IPS), conducted with the Bank of Zambia and ZamStats, alongside the Enterprise Performance Monitoring (EPM). To avoid respondent fatigue and make efficient use of limited resources, UNIDO supported ZDA in streamlining multiple data collection exercises by integrating the IMSS with the EPM survey. The decision to align the IMSS and EPM surveys helped ZDA streamline data collection, improving efficiency while maintaining each survey's distinct purpose. The IMSS survey focuses on broader investment performance and business trends, while the EPM survey is specifically aimed at ensuring compliance with investment agreements. By implementing both surveys together, ZDA was able to optimize resources and improve data management. Given the multiple ongoing firm-level data-collection exercises in Zambia and the limited sample of respondents available, the

sampling and implementation strategies were adjusted during the course of the project. This process also revealed that the EPM data included domestic enterprises, indicating that a system to isolate FDI will need to be developed in future rounds.

A business registry, capturing accurate, up-to-date information on at least 400 foreign-owned companies, was developed and served as the foundation for the IMSS survey. A pilot phase, in which 484 enterprises were initially engaged to test the online data-collection system, helped ZDA gather initial investor profiles and refine the questionnaire, reducing the number of questions to improve response rates and optimize system performance.

Given the survey sampling frame and the IMSS Survey coverage, results are not generalizable to the entire investment population in the country. Nevertheless, this report offers practical insights and demonstrates the value of the IMSS for gathering decision-useful intelligence on investment facilitation, aftercare and policy development. As the survey is scaled up and conducted periodically, it will no doubt enhance ZDA's capacity to attract and retain investment in Zambia.

Comprehensive capacity-building, including extensive advisory support provided by UNIDO, was critical in enabling ZDA to effectively manage these integrated surveys. A total of 71 technical meetings and training sessions were conducted, engaging 130 staff members, with particular emphasis on data management, ensuring data quality and leveraging digital tools like DIPS. By 2024, the project conducted additional training sessions, reinforcing ZDA's ability to independently handle data collection for investment intelligence in the future. Through this technical assistance process, UNIDO has also provided ZDA with concrete advisory support and inputs to its 2022-2026 strategic plan.

The project has achieved several practical outcomes, including maintaining communication with over 400 companies during the pandemic, adopting international business classification standards for data comparability, and implementing flexible, efficient data-collection processes for investment support services, service planning, and policy development. These achievements underscore the long-term sustainability of ZDA's data-driven practices.

Furthermore, through the direct involvement in the drafting of this report, ZDA staff have gained valuable experience in data analysis, turning insights into actionable strategies for investment retention, expansion and economic development. This process highlights how the initiative is less about gathering data but more about using it effectively to strengthen investment facilitation support and continue to shape Zambia's business environment.

Through the Meso-level pillar of the ACP Business Friendly programme, UNIDO has laid a solid foundation for ZDA to adopt sustainable, independent data management practices, earmarked to strengthen FDI intelligence capacity. The integration of digital tools and the focus on building technical capacity ensure that ZDA is well-positioned to deliver on its mandate to foster economic development through the promotion and facilitation of investment, trade and enterprise development in Zambia.

The IMSS report, enriched by a breadth of data from the combined EPM – IMSS surveys, illustrates the diverse experiences and aspirations within Zambia's investor community. This comprehensive analysis serves as a critical tool for the ZDA in its strategic efforts to enhance the investment environment and contribute to the nation's economic development narrative.

By integrating detailed investment data, the IMSS establishes a foundation for understanding Zambia's investment dynamics. This initiative significantly advances our data-driven approach to refining investment strategies. It offers a solid baseline from which the ZDA can derive targeted policies and engagement strategies, aimed at improving the investment climate. Armed with these insights, the ZDA is better positioned to promote sustainable economic growth and encourage industrial innovation, fostering a more attractive and competitive environment for foreign investors in Zambia.

Key points:

Zambia's economic progress:

Zambia has achieved significant economic milestones, including attaining lower-middle-income status as classified by the World Bank. Vision 2030 aims to transform Zambia into a prosperous middle-income nation by focusing on economic diversification beyond mining.

Challenges in attracting FDI:

Zambia faces challenges in attracting consistent FDI due to global economic factors and local conditions like investment environment stability and infrastructure readiness. Improving these areas through policy adjustments, infrastructure upgrades and incentives will contribute to progress.

FDI flows and stocks:

Zambia's FDI inflows have fluctuated significantly, peaking at $2.10 billion in 2013 and recovering modestly in 2022 with $120 million. Despite growth, Zambia's share of FDI stock in Sub-Saharan Africa has declined, highlighting regional competition.

Comparative economic position in Southern Africa:

Despite being strategically located, Zambia ranks sixth among its neighbours in FDI inflows over the past five years. The country has attributes that attract FDI, but it faces infrastructural and economic challenges. Recent policy reforms have positively impacted FDI inflows between 2021 and 2022.

Strategic plans:

The ZDA aims to foster economic growth through its 2022–2026 strategic plan, focusing on trade, investment, stakeholder coordination and operational excellence. Informed policies developed using data from the IMSS and EPM survey assist in enhancing Zambia's investment appeal and achieving developmental goals.

The report unfolds across five chapters, each delving into critical aspects of the FDI narrative in Zambia:

Chapter 1

Company demographics and operations set the stage by exploring the profiles of participating companies, offering insights into the diverse array of businesses operating within the ecosystem. This chapter provides the context for subsequent discussions on investment trends and business outlook.

Chapter 2

Investment plans investigate the evolving investment landscape, shedding light on the trends and objectives shaping investment decisions. By examining shifts in fixed asset investments and strategic goals, this chapter introduces the broader context within which businesses operate.

Chapter 3

Business outlook offers a comprehensive overview of the business climate, drawing on indicators to assess past performance and gauge future expectations. This chapter provides valuable insights into the opportunities and challenges that businesses anticipate, informing strategies for investment and growth.

Chapter 4

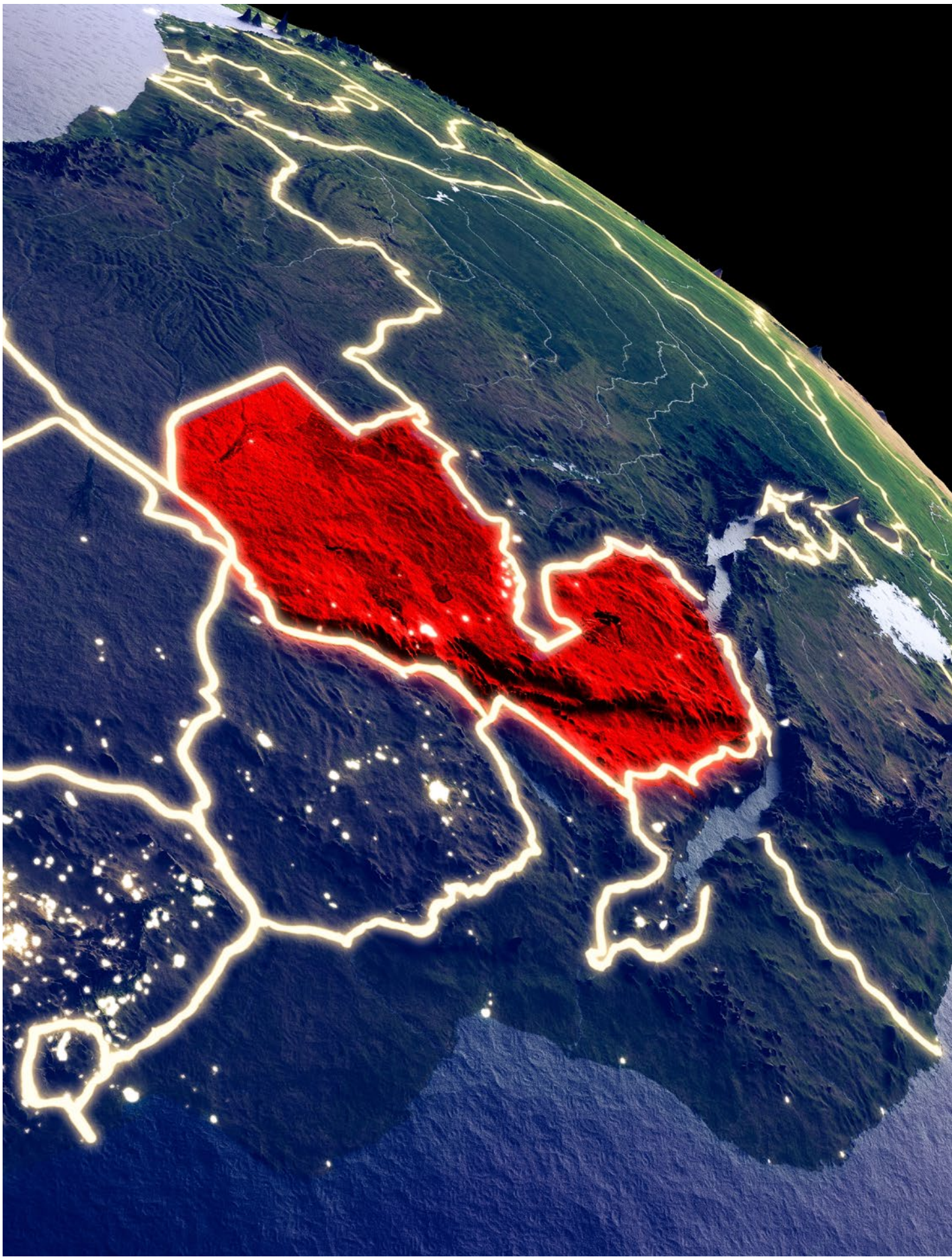
Investment support and challenges critically evaluate the support ecosystem for investments, highlighting the challenges and immediate needs identified by businesses. The chapter aims to address these concerns, thereby fostering investment and business expansion in pursuit of economic growth.

Chapter 5

Comparative analysis of business profiles, investment impact and outlook trends offers a comparison of business dimensions across investment, impact and business outlook metrics. This chapter aims to identify patterns and divergences in how businesses of different sizes, sectors and regions approach investment and growth. By analysing these trajectories, the chapter seeks to better align policies, services and facilitation efforts with the evolving needs of businesses, from initial investment through to aftercare.

Chapter 6

Policy recommendations extract the survey's findings into actionable policy suggestions aimed at strengthening investment attraction and supporting Zambia's strategic economic objectives. By aligning policy recommendations with the insights gleaned from the survey, this chapter seeks to leverage opportunities and address challenges identified by businesses, ultimately contributing to the advancement of Zambia's economic agenda.



Chapter 1
Profile of foreign enterprises

Chapter 1
Profile of foreign enterprises

FDI influences the economy through employment, GDP growth, technology transfer, industry competitiveness and regional development. Analysing foreign enterprises helps clarify the FDI landscape and its effects on the host country [7]. Mapping FDI presence and its implications can also provide practical insights for informed decision-making and tailoring policies to maximize FDI benefits.

This chapter looks at the foreign companies sampled for the IMSS 2024 survey and examines their characteristics in terms of geographical and sectoral distribution, firm size, organizational structure and operations.

Business size

International business development and investment aftercare require enterprises to be classified by size, particularly in the context of micro, small, and medium enterprises (MSMEs). A clear understanding of these classifications allows policymakers and development agencies to tailor support services, develop appropriate regulations and provide financial products that meet the needs of businesses at various growth stages.

International definitions of MSMEs

SME classifications differ across organizations and economic contexts. For example, the OECD typically defines SMEs as firms with fewer than 250 employees – a standard also used by many European countries [8] [9]. In contrast, New Zealand sets the threshold for SMEs at 19, with small

7 OECD (2002) Foreign Direct Investment for Development: Maximising benefits, minimising costs. https://doi.org/10.1787/9789264199286-en.

8 Lemaire, J. P., Magnier-Watanabe, R., & Freeman, S. (2024). Are all cats grey in the dark? calling for a new taxonomy of internationalizing SMEs. The International Journal of Entrepreneurship and Innovation, 25(3), 203-216. https://doi.org/10.1177/14657503221114840.

9 Buculescu, M. M. (2013). Harmonization process in defining small and medium-sized enterprises. Arguments for a quantitative definition versus a qualitative one. Theoretical and Applied Economics, 9(586), 103-114. https://ideas.repec.org/a/agr/journl/vxxy2013i9(586)p103-114.html.

enterprises defined as those with zero to five employees [10]. The World Bank Group (WBG) and International Finance Corporation (IFC) adopt broader definitions, categorizing SMEs as firms with up to 300, and in some sectors, up to 500 employees [11]. The United Nations does not have a single definition, but emphasizes the importance of SMEs in global economic integration and sustainable development, often aligning with regional definitions set by other organizations such as the OECD and the European Commission (EC) [12].

These differences highlight the unique characteristics of SMEs in different regions and sectors [13], while acknowledging that SMEs universally contribute to economic activity and employment, with a notable impact on innovation and international trade [14].

The diverse definitions underscore the need for tailored policies that address the specific needs and constraints of SMEs in different regions and sectors, particularly in facilitating their participation in international trade and investment [15].

Zambia's MSME classification system

Zambia takes a slightly different approach to firm size classification, using sector-specific monetary intervals as its basis [16]. For example, a micro enterprise in agriculture has an investment value between ZMW 1 and ZMW 250,000, whereas a micro mining and quarrying firm goes up to ZMW 5 million. Similarly, a medium enterprise in agriculture ranges from ZMW 5.25 million to ZMW 25 million, whereas mining and quarrying ranges from ZMW 10.5 million to ZMW 50 million.

While employment-based size classification is convenient and widely used, it overlooks other important dimensions like assets and turnover, which provide a fuller picture of a company's scale and economic impact. This approach is also used by the IFC [17], which defines small enterprises as

10 Rensmann, T. (Ed.). (2017). Small and Medium-sized enterprises in international economic law. Oxford University Press. https://doi.org/10.1093/acprof:oso/9780198795650.001.0001.

11 Ghobadian, A., & O'Regan, N. (2000). Time to reassess the size criterion for SME classification? An empirical investigation. International Journal of Manufacturing Technology and Management, 2(1-7), 879-890. https://doi.org/10.1504/IJMTM.2000.001381.

12 Fujita, M. (1997). Small and medium-sized enterprises in foreign direct investment. In International Technology Transfer by Small and Medium-Sized Enterprises: Country Studies (pp. 9-70). London: Palgrave Macmillan UK. https://doi.org/10.1007/978-1-349-25686-0_2

13 González, J. L., & Sorescu, S. (2019). Helping SMEs internationalise through trade facilitation. https://doi.org/10.1787/2050E6B0-EN

14 Luttenberger, N., & Zedlitz, J. (2018). Standard International Trade Classification: From Spreadsheet to OWL-2 Ontology. Business & Information Systems Engineering, 60, 305-316.

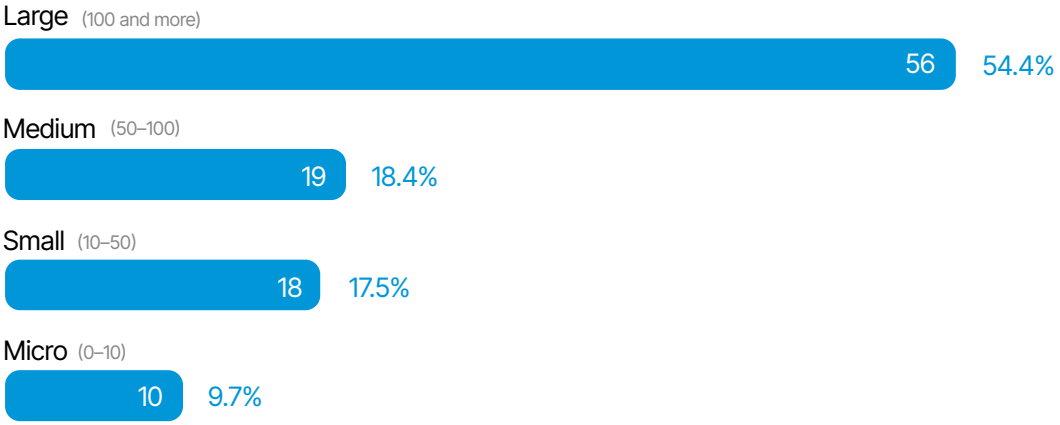
15 Lejárraga, I., Rizzo, H. L., Oberhofer, H., Stone, S., & Shepherd, B. (2014). Small and medium-sized enterprises in global markets: A differential approach for services? https://doi.org/10.1787/5JZ17JTFKMZT-EN

16 Republic of Zambia (2023) Revised National Micro, Small and Medium Enterprise Development Policy.

17 International Finance Corporation. (2012). Interpretation Note: SME Definition. https://www.ifc.org/content/dam/ifc/doc/mgrt/interpretationnote-sme-2012.pdf.

Figure 3 | Distribution of enterprises by employment size

Most profiled firms fall into the large enterprise category.



*The IMSS dataset is based on non-sampled survey data collected from 103 firms which prioritised relatively larger businesses in its pilot phase. Results are not statistically representative and should be interpreted as illustrative of responding enterprises only.

those with up to 50 employees and $3 million in assets or annual sales, while medium enterprises have up to 300 employees and $15 million. This multifaceted approach is particularly valuable in FDI aftercare, as it captures both operational scale and financial capacity.

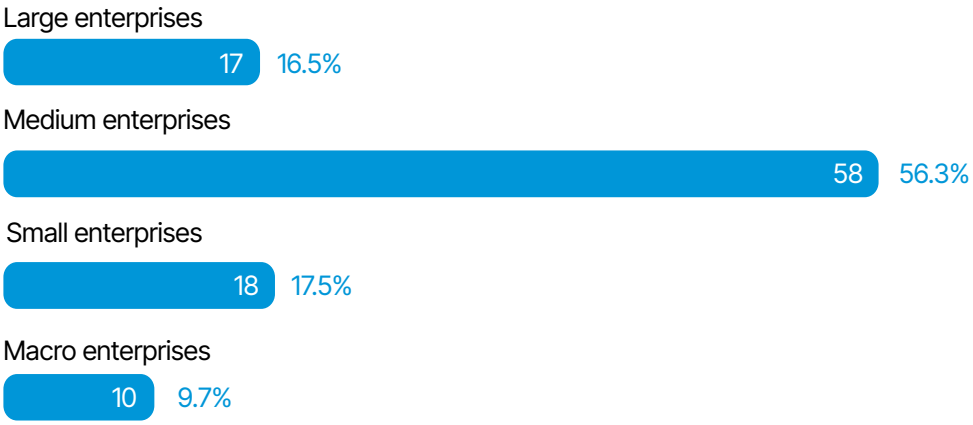
Nevertheless, while Zambia's national classification is suited to its local context, it complicates international comparisons. For example, Zambia's micro mining enterprises have a higher asset threshold than the IFC standard, whereas small and medium enterprises have lower thresholds, making comparisons difficult.

Business size profile

Figure 3 illustrates the distribution of businesses in the survey sample, categorized by size according to number of employees. Although large firms have a relatively small presence in Zambia's overall business landscape, they have a disproportionate influence. For this reason, the sampling was skewed towards medium and large enterprises to ensure their perspectives are adequately captured.

Both distributions underscore the need for tailored approaches for each business size. Investment aftercare must address the unique challenges and opportunities of each group, support the growth of small and micro enterprises and leverage the impact of medium and large firms.

Figure 4 | Distribution of enterprises by employment size categories (IFC classification)



*N = 103. Based on a larger medium size interval by employment (IFC, 2012).

Most firms fall under the medium-size category based on the wider IFC definition.

Insights from the business size data

This broader definition of medium-sized enterprises (50–300 employees) offers some advantages for analysis and policy development. By encompassing a wider range of businesses, it better captures firms that have outgrown the small business category but are not yet large corporations, reflecting their critical role in job creation, supply chain development, and economic growth. SMEs, including larger medium-sized ones, play a significant role in fostering economic growth, job creation, and poverty reduction [18, 19]. In Zambia, SMEs account for 97% of all businesses, 70% of GDP, and 88% of employment, underscoring their importance as drivers of inclusive growth and private sector dynamism [20]. Additionally, the inclusion of firms with up to 300 employees aligns with international standards, such as those set by the International Finance Corporation (IFC), facilitating global comparability and benchmarking. This definition also distinguishes SMEs from microenterprises, which often have very different needs and face unique challenges, such as limited access to formal financial services. Larger SMEs, on the other hand, typically require more sophisticated financial products and targeted support to enable growth and entry into export markets. Consequently, this approach provides a more comprehensive understanding of the SME segment and its pivotal role in Zambia's economic landscape.

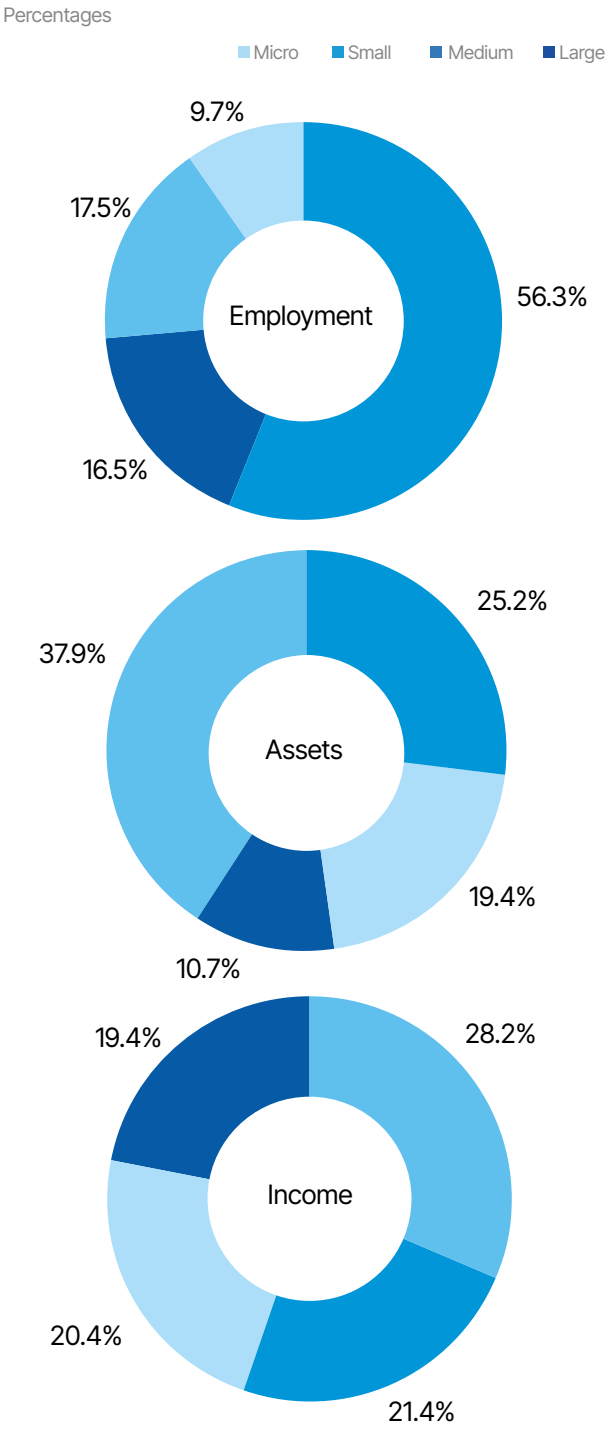
18 International Finance Corporation. (2012). Interpretation notes on small and medium enterprises and environmental and social risk management. https://www.ifc.org/content/dam/ifc/doc/mgrt/interpretationnote-sme-2012.pdf.

19 World Bank Group. (2013). *Evaluation of the world bank group's targeted support for small and medium enterprises: Approach paper.* https://documents.worldbank.org/en/publication/documents-reports/documentdetail/520021468152101035/evaluation-of-the-world-bank-groups-targeted-support-for-small-and-medium-enterprises?.

20 International Trade Centre. (2019). Promoting SME competitiveness in Zambia. https://www.intracen.org/resources/publications/promoting-sme-competitiveness-in-zambia.

Figure 5 | Distribution of MSMEs by employment, asset, and income size categories

The share of micro, small, and medium enterprises shifts notably depending on whether employment, assets, or income is used for classification.



*Based on size intervals from IFC (2012). Micro: <10 employees, <$100K assets/sales. Small: <50 employees, <$3M assets/sales. Medium: <300 employees, <$15M assets/sales. N = 103 for all indicators. Segments without labels reflect enterprises that could not be classified due to missing or incomplete data.

To further clarify these differences, **Figure 5** categorizes companies based on employment, assets and income, showing their distinct distributions. In terms of employment, medium-sized companies (50 to 300 employees) dominate at 56.3%, indicating a robust segment that may need support to scale operations. Small companies make up 17.5%, and large companies account for 16.5%, showing a balanced spread across employment sizes.

Regarding assets, small companies dominate with 37.9%, indicating that many firms operate with lower asset bases, highlighting a need for investment in infrastructure and capital. Medium-sized companies account for 25.2% and large companies for 10.7%, reflecting fewer firms with large asset bases. Income distribution is more varied: small companies lead at 28.2% followed by large companies at 21.4%, micro companies at 20.4%, and medium-sized companies at 19.4%. This variety indicates a diverse range of income levels among businesses.

Analysing company size through different criteria provides understanding productivity dynamics across enterprise categories. Micro and small enterprises drive job creation but often exhibit lower capital efficiency, while medium and large firms generate disproportionate income and asset utilization, reflecting higher productivity.

The categorization shows how different metrics provide varying perspectives on the business landscape. A company classified as medium-sized according to its employee count might be considered small based on its assets or income. Differentiating by size enables targeted policy interventions that enhance efficiency, foster inclusivity and balance economic growth with equity. By understanding the distinct characteristics and needs within each category, investors and support organizations can allocate resources more effectively and provide targeted support.

Spatial distribution of enterprises

The spatial distribution of FDI can shed light on economic growth patterns across Zambia's regions and cities, from the Copperbelt's industrial hubs to the commercial activities of Lusaka. FDI dispersion across regions helps reveal disparities in development and highlights which areas attract the most investment.

Figure 6 illustrates the regional distribution of profiled enterprises in Zambia. Lusaka, the capital and largest city, dominates with 40.8% of enterprises. This highlights the centralization of FDI in the country's economic and administrative hub, likely due to the city's advanced infrastructure, market accessibility and policy incentives, including one of the region's largest special economic zones (SEZs).

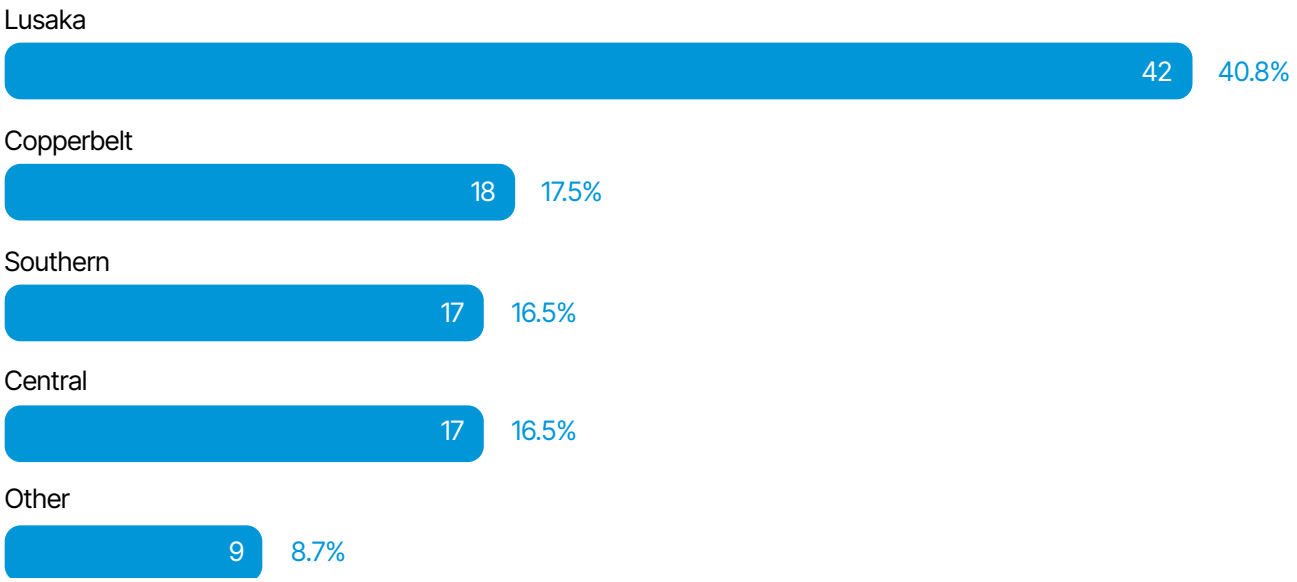
The Copperbelt region follows with 17.5%, reflecting its historical and continued importance, particularly within the mining sector. The Southern and Central regions account for 16.5% each, indicating a relatively balanced distribution of business activities between these areas.

The "Other" category, consisting of the Eastern, Western, Luapula, Northern and North-Western regions, collectively represents only 8.7% of the distribution, signalling a smaller concentration of businesses in these regions. Additionally, the data shows a pronounced focus on Lusaka as a city,

Figure 6 | Distribution of enterprises by region in Zambia

Lusaka hosts the largest share of profiled firms, with markedly fewer enterprises in other regions.

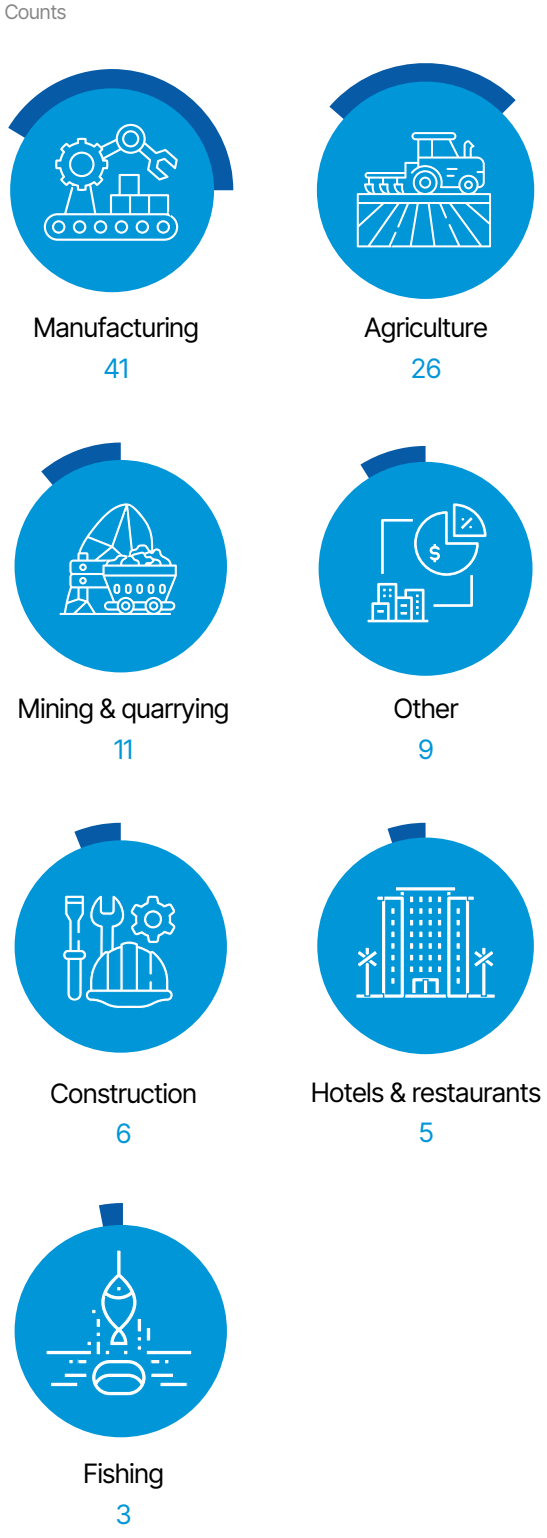
Counts and percentages



*N = 103. Data reflect non-sampled IMSS survey responses. "Other" includes Eastern, Western, Luapula, Northern, and North-Western provinces.

Figure 7 | Distribution of businesses by economic activities

Profiled firms are concentrated in manufacturing and agriculture, with limited presence in services.



N = 103. Economic activities are grouped according to ISIC Rev. 3.1 based on self-reported descriptions.

which alone accounts for 33.0% of businesses. Kitwe follows with 7.8%, standing out as another important hub for business activity. Other notable cities, including Chibombo, Chom, Mkushi and Ndola, each account for 4.9% of the businesses in the sample.

Main economic activities

The distribution of businesses across sectors provides a picture of the economic landscape based on survey data. This section outlines sector dynamics and also the distribution of employment by business types. This helps identify growth sectors and employment trends, as well as potential sectors for investment promotion.

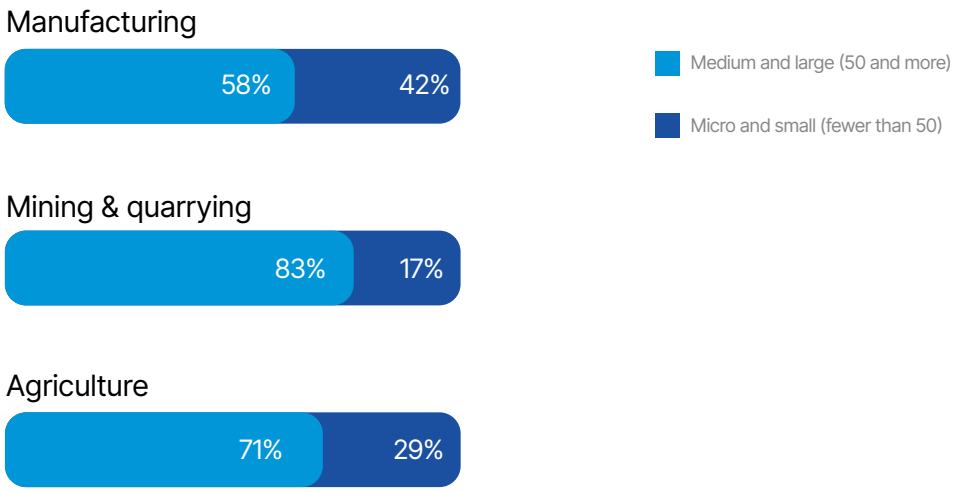
Figure 7 shows the sectoral distribution of firms in the sample. Manufacturing leads with 41 businesses and agriculture follows with 26 businesses, reflecting its significant role in economic sustenance and growth potential. In contrast, the fishing sector has a minimal presence, with only three businesses, indicating that it is a niche or underdeveloped industry.

Mining and quarrying account for 11 businesses, a moderate number but notable given the sector's capital-intensive nature. Construction has six businesses and hotels and restaurants account for five, possibly reflecting barriers to market entry or sector maturity. There are nine businesses classified as "other", pointing to a diversified but smaller segment within the survey sample.

Mining and quarrying, by contrast, is predominantly composed of larger employers, with 83% of businesses falling into the large-employment category, underscoring the

Figure 8 | Top 3 economic activities by employment size categories

Medium and large enterprises dominate the top three sectors, reflecting the profile of firms targeted in the pilot.



N = 78. Figure includes only firms in the top three sectors (manufacturing, agriculture, mining and quarrying).

labour-intensive nature of extraction activities. Agriculture is the second-largest sector, with 71% of its businesses also in the larger employment size category, reflecting its significant role in employment generation.

In conducting this survey of 100 businesses, the focus was primarily on medium and large enterprises in the agriculture and manufacturing sectors, providing detailed insights into employment patterns and economic activities. While there was some overrepresentation in these sectors, valuable data was still gathered, offering a clearer picture of sectors poised for substantial economic impact.

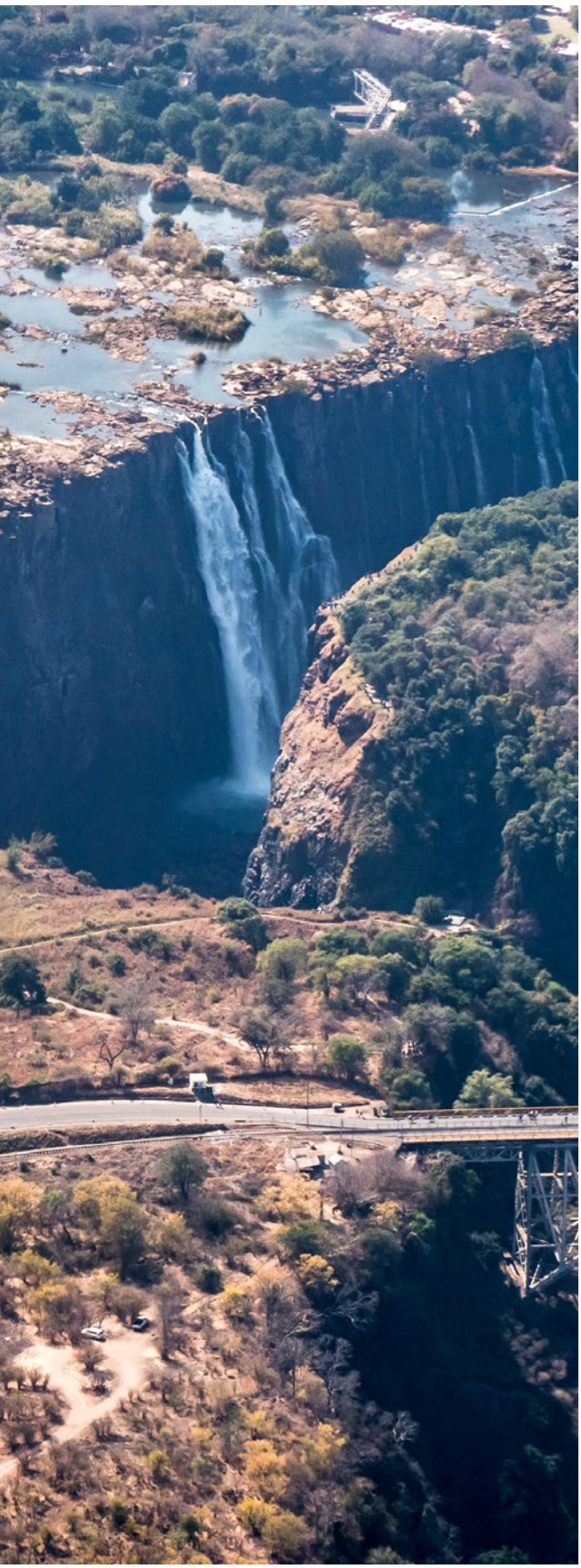
Though the survey intentionally oversampled larger businesses, attention must also be given to SMEs. Supportive policies for smaller enterprises will be critical to ensuring balanced, inclusive economic development that taps into the potential of all business sizes.

As already mentioned, employment size can be an indicator of firm characteristics, and even sectoral dynamics, but it does not necessarily align with the actual GDP contribution of a firm or industry. This discrepancy is particularly evident in Zambia's mining and manufacturing sectors. In 2022, mining contributed 9.43% of GVA but accounted for only 2% of employment, while manufacturing contributed a similar 9.34% of GVA but employed 9.9% of the workforce. This highlights mining's capital-intensive nature versus manufacturing's broader employment impact, emphasizing the need for diverse policy approaches [21,22].

In 2022, Zambia's economy showed diverse provincial contributions to the national GDP of approximately ZMW 493,964.3 million **(Annex Table 1)**. Lusaka led with 35.2%, or ZMW 173,919.5 million, supported by central sectors such as manufacturing (17%) and services like wholesale

21 Zambia Statistics Agency. (2024). Annual GDP. https://www.zamstats.gov.zm

22 Zambia Statistics Agency. (2023). 2022 Labour Force Survey Report. https://www.zamstats.gov.zm



and retail trade (19%) and transportation (16%). The Copperbelt province followed, contributing 25.3% (ZMW 124,926.3 million), driven primarily by mining (31%), construction (14%), and wholesale and retail trade (20%). Southern province, with an 8.7% share (ZMW 42,848.2 million), had a balanced industrial mix, led by agriculture (5%) and wholesale and retail trade (22%). Central province contributed 8.4% (ZMW 41,296.1 million), dominated by construction (19%) and agriculture, with a notable 11% share in mining and quarrying. The remaining provinces, Eastern, Luapula, Muchinga, Northern, North-Western and Western, together made up 22.5% of the GDP (ZMW 111,074.2 million), driven largely by mining (24%) and agriculture (6%).

The survey data further reflects the importance of agriculture, mining and manufacturing. According to Zambia's national statistics, [23] agriculture generated ZMW 2.73 billion, accounting for 11.05% of total income, a significant share of the rural economy. Mining and quarrying contributed ZMW 9.68 billion (39.13%), while manufacturing emerged as the largest contributor with ZMW 10.13 billion (40.95%).

However, these figures differ from provincial GDP data, where manufacturing accounts for 9% and mining for 15%, while agriculture has a larger share in the survey (11.05%) compared to the provincial data (3%). This over- and underrepresentation may result from the sampling methods used, rather than an accurate reflection of the actual economic conditions.

This discrepancy underscores the importance of adopting more inclusive sampling frameworks for future data collection to obtain a representative snapshot of business activities across Zambia's sectors and regions.

Despite these limitations, the data remains valuable. The ZDA can leverage these insights to identify areas that may have been overlooked by investors, develop targeted strategies to encourage a more balanced distribution, and address sectoral and regional investment disparities.

23 Zambia Statistics Agency. (2024). Provincial GDP figures for Zambia (Data provided by Zambia Development Agency)

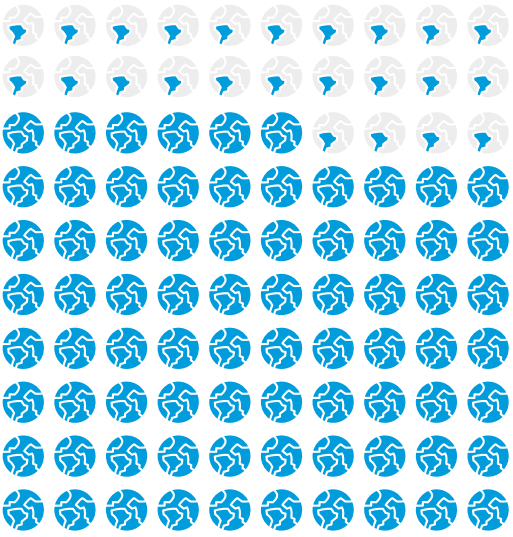
Ownership and governance

The characteristics of FDI, such as export orientation, foreign ownership share and the presence of foreign parent companies, shapes corporate governance, investment strategies and the overall business outlook of firms. These factors drive global competitiveness, adherence to high governance standards, and strategic approaches to international markets. Strong corporate governance attracts foreign investment, as it fosters transparency and accountability, enhancing investor confidence [24]. The effectiveness of governance in managing foreign investors is critical in shaping strategic planning and policy formulation, just like other determinants of FDI.

Figure 9 reveals that, on average, foreign investors control 76.7% of ownership, underscoring their dominant role in corporate governance. Additionally, there are an average of 2.28 foreign direct investors per business, compared to 1.05 domestic investors, highlighting a stronger foreign presence. The presence of multiple foreign owners with substantial equity stakes signifies a diversified ownership structure, bringing diverse perspectives, expertise and resources to the firm.

Foreign parent companies hold a majority equity interest of 60%, with only 11% classified as minority stakes. Majority control by foreign parents grants companies access to capital, advanced technology, global distribution channels and managerial expertise, all which support competitiveness in both domestic and international markets. Importantly, 85% of entities reported no change in their FDI share, reflecting strong investor confidence

Figure 9 | Foreign ownership in the equity shares



76%

is the average share of foreign ownership in total equity

Foreign investors hold the majority stake in most profiled firms.

Figure reflects only firms with valid foreign equity share data; missing values excluded. Data are from the non-sampled IMSS survey covering ZDA-registered enterprises, which include both foreign-owned and locally-owned firms seeking internationalization and receiving assistance of ZDA.

24 Rueda-Sabater, E. (2000). Corporate governance: And the bargaining power of developing countries to attract foreign investment. Corporate Governance: An International Review, 8(2), 117-124. https://doi.org/10.1111/1467-8683.00189

Nearly all registered firms operate as private limited companies.

Figure 10 | The legal status of enterprises

92%

are private limited companies

N = 103. Data are from the non-sampled IMSS survey. Figure reflects firms with valid responses on legal status.

in the host country's economic conditions. Factors such as political stability, regulatory predictability and market opportunities likely reassure investors, leading to sustained investment levels.

The legal structure of a company significantly influences FDI, investment strategies and business outlooks. It shapes governance frameworks, investor confidence, regulatory compliance, capital access, market positioning and risk management. The choice of legal structure is pivotal for growth, sustainability and long-term success. According to the survey, 92% of respondent entities are Private Limited Companies, reflecting the private sector's preference for this structure due to its governance flexibility and control. Ownership structures impact the degree of control, financing options and operational agility, tailored to meet diverse investor needs and business objectives. Private limited companies often rely on debt financing and higher leverage ratios, avoiding external capital markets. This makes them more sensitive to performance fluctuations [25], as they typically face higher costs when seeking external funding compared to public firms [26], especially in countries with strong legal frameworks. While private companies benefit from maintaining control and operational privacy, which supports strategic decision-making and long-term planning [27], they often struggle with limited access to external funding due to their shorter track records, insufficient collateral and limited financial documentation, which can hinder expansion efforts [28].

25 Angela, R. (2011). SMES' sector access to finance: An overview. Annals of the University of Oradea, Economic Science Series, 20(1), 431-437.

26 Goyal, V. K., Nova, A., & Zanetti, L. (2011). Capital market access and financing of private firms. International Review of Finance, 11(2), 155-179. https://doi.org/10.1111/J.1468-2443.2011.01131.X

27 Brav, O. (2009). Access to capital, capital structure, and the funding of the firm. The journal of finance, 64(1), 263-308. https://doi.org/10.1111/J.1540-6261.2008.01434.X

28 Fox, D., Bowen, M., Usher, J., V., W. (1991). The law of private companies. Sweet & Maxwell.

The expectations and experiences of foreign investors significantly shape their perception of a host economy's investment climate. With most survey respondents from middle and upper management, the data reflects insights from those closely involved in operational decision-making. These insights can inform better strategic planning and policymaking, ultimately helping businesses align their operations with the broader economic objectives of the host country.

Business life cycle (based on year of establishment)

The analysis of business life cycle stages, based on the year of establishment, provides a valuable framework for assessing the economic landscape. Categorizing businesses by their operational tenure offers insights into their growth trajectories, challenges and needs, allowing policymakers to design targeted interventions that support businesses at different stages. This helps create a business environment conducive to sustained growth, innovation and long-term success.

Business lifecycle theories categorize organizations into stages such as start-up, expansion, consolidation and diversification, each with unique challenges and resource needs [29]. Using a modified version of Churchill and Lewis's (1983) framework [30], with specific years assigned to each stage, helps highlight the need for tailored planning at each phase. This approach is particularly useful for understanding the challenges and opportunities related to investment retention and SME expansion.

While the original model does not define exact durations for each phase, we have assigned years of tenure to better quantify business development stages. In Zambia, the distribution of enterprises by life cycle stage aligns with Churchill and Lewis's five stages of small business growth, each characterized by distinct goals. The Start-up phase (0–3 years) corresponds to the Existence stage, focused on market entry. The Early Stage (3–6 years) mirrors the Survival stage, centred on operational sustainability. The Growth Stage (6–11 years) parallels the Success stage, where businesses choose between scaling or stability. The Mature Business stage (11–20 years) represents the Take-off stage, characterized by significant growth efforts. Finally, the long-established phase (20+ years) aligns with the Resource Maturity stage, where businesses

29 Khamaki, A., Saeidi, P., Naderian, A., & Khozain, A. (2019). Which Investment method is selected by companies in each stage of their Life Cycle? (Investing in operating assets or non-operational assets). Iranian Journal of Finance, 3(1), 110-129. https://doi.org/10.22034/IJF.2019.183450.1021

30 Churchill, N. C., & Lewis, V. L. (2002). The five stages of small business growth. Entrepreneurship: Critical Perspectives on Business and Management, 3, 83.

focus on consolidation and profitability. This framework sheds light on the strategic needs of businesses within the Zambian economy at each phase of their development.

Understanding these lifecycle stages enables the creation of strategies that foster a supportive environment for investment. It addresses both demand-driven and profit-driven determinants of business cycles [31]. The model also highlights the importance of reducing regulatory and political uncertainties, which can greatly influence investment decisions, as evidenced by shifts in investment behaviour during political cycles [32]. Furthermore, this lifecycle approach helps identify periods of underinvestment or overinvestment, allowing Investment Promotion Agencies (IPAs) to implement timely interventions and stabilize investment flows [33]. By applying this model, IPAs can enhance their role in promoting sustainable growth, ensuring businesses receive the right support at each stage, ultimately contributing to a more robust and resilient economy [34].

Figure 11 shows that most businesses fall within the Mature Business category, with 38% having been in operation for 11 to 20 years. These well-established companies typically enjoy entrenched market positions and stable revenue streams, but they may require incentives to innovate and stay competitive in evolving markets.

Long-Established businesses, representing 21%, have been active for over 20 years. Although stable, these firms might also benefit from policies that encourage adaptation to modern market dynamics.

The Growth Stage is represented by 23% of businesses, aged 6 to 11 years. These companies are likely facing challenges related to expansion and scaling, and thus, policies that support growth and enhance competitive positioning are needed for their continued success.

31 Acemoglu, D. (1993). Learning about others' actions and the investment accelerator. The Economic Journal, 103(417), 318-328. https://doi.org/10.2307/2234770

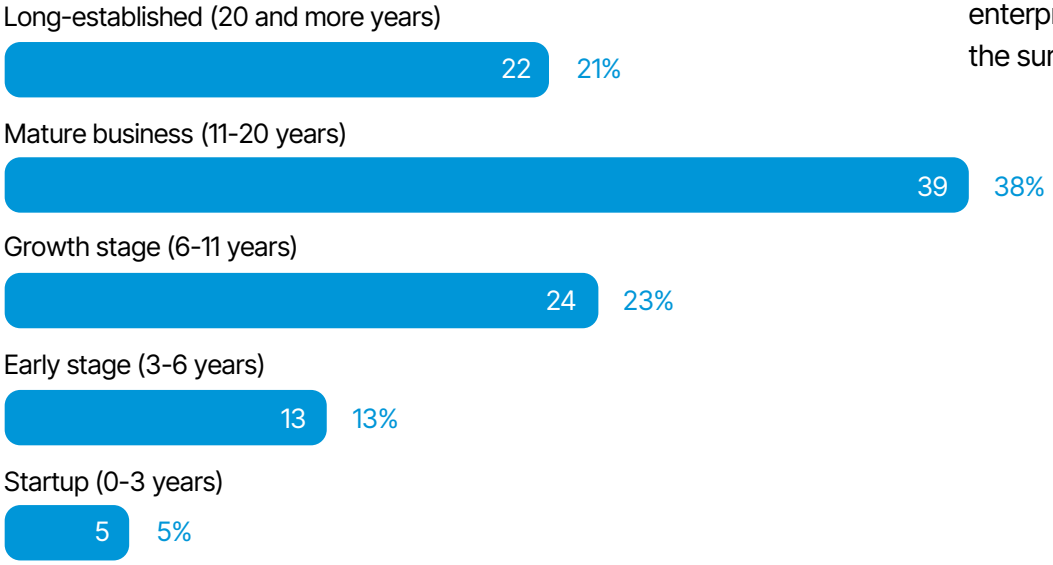
32 Kato, M. (2010). The role of investment efficiency in the industry life cycle. Industrial and Corporate Change, 19(1), 273-294. https://doi.org/10.1093/ICC/DTP041

33 Peck, J., & Yang, H. (2011). Investment Cycles, Strategic Delay, And Self-Reversing Cascades. International economic review, 52(1), 259-280. https://doi.org/10.1111/J.1468-2354.2010.00628.X

34 MacRae, C. D. (1977). A political model of the business cycle. Journal of political economy, 85(2), 239-263. https://doi.org/10.1086/260561

Figure 11 | Distribution of enterprises by business life cycle

Counts and percentages



Life-cycle categories are based on years of operation in Zambia.

Stability and growth: mature and long-established enterprises predominate in the survey results.

Early-Stage businesses, accounting for 13% of the sample and in the 3 to 6-year range, are working to solidify their market presence. They could benefit from development programmes focused on market access, operational capabilities and support for scaling.

Startups, which make up 5% of businesses, are in the 0–3-year category. These firms are often characterized by high innovation but also face significant risks. Policies for startups should focus on providing access to capital, mentorship and networks to foster their growth potential and job creation capabilities.

Overall, the data reflects a mature business landscape, with a relatively smaller focus on growing enterprises. These findings suggest that investment should prioritize both long-term stability and growth. Policies should encourage innovation and competitiveness in mature and long-established businesses while also supporting the growth of startups, early-stage and expanding firms. This balanced approach ensures that businesses at all stages of the life cycle are equipped to contribute significantly to the economy's strength and resilience.

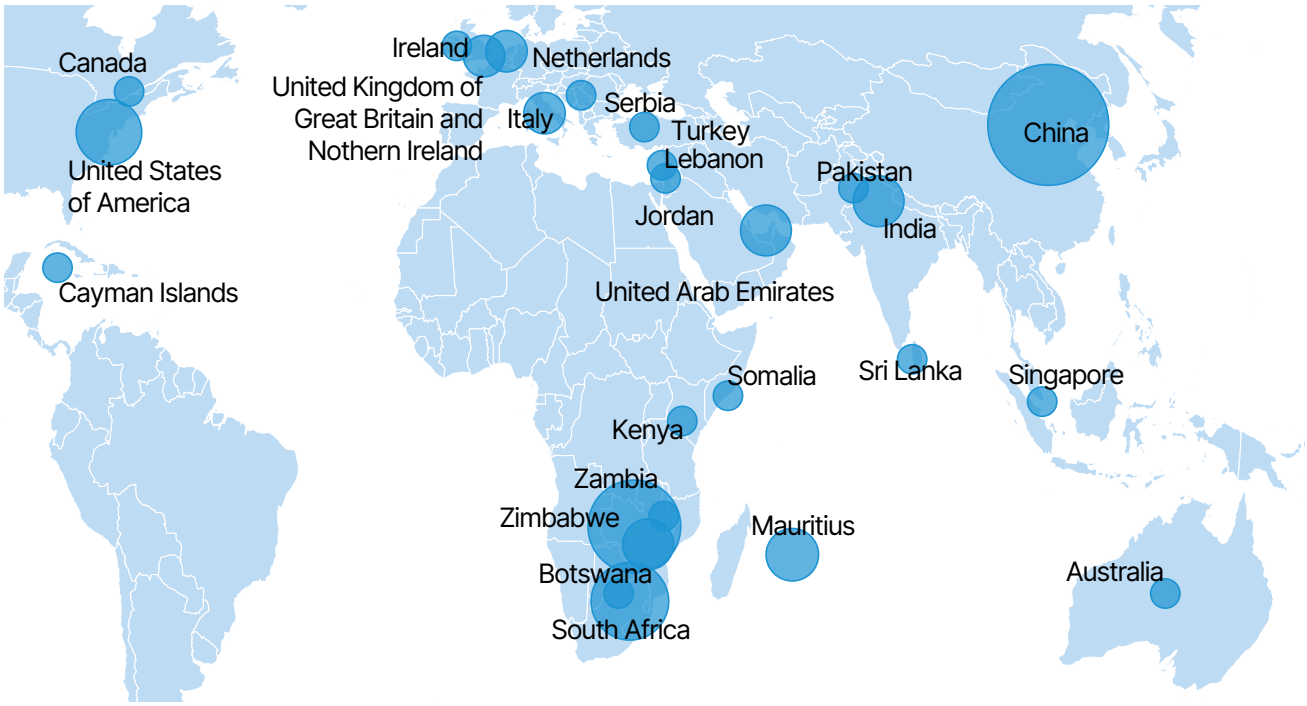
Origin of investors

The origin of investors, based on the home country, significantly shapes investment attraction and facilitation strategies by influencing economic resilience, regulatory navigation and geopolitical alignment. An investor's country of origin can either offer advantages or pose challenges, depending on how the host country perceives it, impacting both initial and subsequent investment decisions [35]. Identifying the origins of investors allows for the diversification of investment portfolios, helping mitigate risks associated with regional economic fluctuations [36].

This understanding enables tailored marketing strategies and investment incentives that resonate with the specific priorities and regulatory frameworks of investors from different geopolitical backgrounds. Such alignment enhances the effectiveness of investment promotion efforts while also strengthening economic ties with key regions, fostering a stable and conducive environment for FDI.

Figure 12 | Investor's country of origin (incorporation)

Chinese capital leads Zambia's foreign investment footprint.



Based on reported country of incorporation. Includes both foreign and domestic firms (Zambia). Bubble size reflects the number of profiled firms by country of origin.

35 Cuervo-Cazurra, A., & Un, C. A. (2023). Beauty in the eyes of the beholders: How government and consumer-based country-of-origin advantages and disadvantages drive host country investment dynamics. Management International Review, 63(2), 285-312. https://doi.org/10.1007/s11575-022-00497-8

36 Elango, B., & Sethi, S. P. (2007). An exploration of the relationship between country of origin (COE) and the internationalization-performance paradigm. Management International Review, 47, 369-392. https://doi.org/10.1007/S11575-007-0021-5

Figure 12 maps the origins of 103 businesses, with China emerging as the leading investor, contributing 18 entities or 17.48% of the total. South Africa, with 10 entities (9.71%), also represents a significant regional player, likely leveraging its proximity and shared regional goals. Mauritius stands out with six entities (5.83%), while the United States and the United Kingdom collectively account for 12 entities, demonstrating sustained interest from Western economies. Despite the survey's focus on foreign-owned enterprises, Zambia itself is listed as the origin for 13 entities (12.62%). The inclusion of Zambian enterprises, with or without FDI, provides a more comprehensive view of the investment ecosystem.

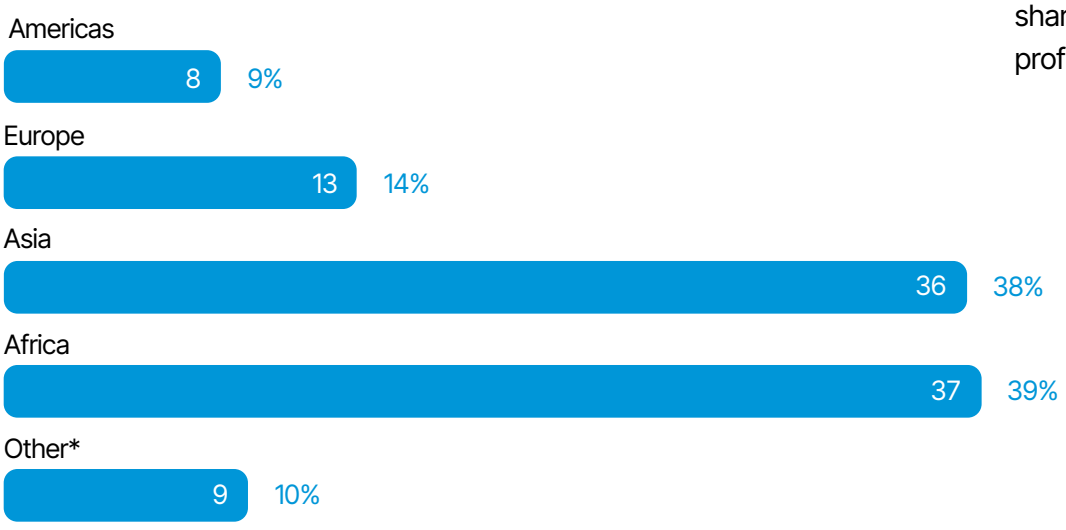
The reclassification of foreign parent companies by their country of origin into regions and income groups allows for a deeper analysis of FDI, beyond simple geographic origin. This offers insights into the economic stratification of investing entities, giving a clearer perspective on how investors' domestic economic environments shape their investment behaviour and strategies.

Such reclassification is advantageous for both policy formulation and strategic planning. It enables policymakers to craft targeted approaches to attract investments that align with the host country's economic development goals.

Figure 13 highlights that Asia and Africa are the most significant contributors, representing 38.3% and 39.4% of total investments, respectively. This near parity reflects strong geopolitical ties, regional trade agreements

Figure 13 | Investors' country of origin reclassified as regions of the world

Counts and percentages



N = 103. "Africa" includes 13 domestically owned (Zambian) firms and other African investors. "Other" includes Oceania and firms with unidentified origin.

Asian investors account for the largest share of foreign-origin profiled firms.

Key points:

Detailed business profiles aid investment promotion:

Understanding the profiles of foreign enterprises helps shape effective investment promotion strategies. The characteristics of FDI companies provide insights into the quality and potential benefits of investments. By analysing these profiles, the ZDA and policymakers can better tailor support services, regulations and financial products to meet the needs of the economy.

Sector-based planning and value chain support:

Looking at the sectoral distribution of FDI companies, such as those in manufacturing and agriculture, allows for targeted programmes to boost competitiveness, innovation and integration into global value chains. This focused approach enhances the economic benefits of FDI and supports sustainable growth in targeted sectors.

Promoting regional growth and diversification:

The concentration of the sample in Lusaka and the Copperbelt shows a need for balanced regional development. Understanding where investments are concentrated and identifying regional disparities can help the ZDA create strategies to attract investment to less-developed areas. This approach supports more balanced economic growth and leverages regional strengths, leading to a more diversified and resilient economy.

and mutual investment interests aligned with development strategies. South Africa and Mauritius have a considerable role in boosting intra-African investments, with South Africa's economic size and the favourable investment and tax conditions in Mauritius making them prominent investors.

The near-equal presence of Asian and African countries among profiled enterprises may also be further enhanced by the African Continental Free Trade Area (AfCFTA) framework, which is projected to increase intra-African trade by up to 24% in the short term. Over time, AfCFTA could streamline investment processes, reduce trade barriers and encourage cross-border enterprise growth, likely increasing the share of intra-African investments [37].

Historically, Europe and the Americas have been dominant investors in Africa, but recent trends indicate a shift towards a more diversified investment portfolio in Zambia. Surveys such as the EPM, IMSS, and the Foreign Private Investment & Investor Perceptions Survey (FPI-IPS) 2023 [5] offer complementary insights into FDI stock and asset distribution, providing a comprehensive understanding of investment dynamics. According to the FPI-IPS 2023 survey results, the Americas account for 44% of Zambia's FDI stock, with Canada leading at 67%, while Europe holds 27%, driven by the Netherlands at 38.6%. Meanwhile, Asia has seen significant growth, contributing 18%, led by China at 73.2%.

These figures contrast with EPM and IMSS data, where Asia dominates with 76.23% of total assets, Africa holds 13.91%, and Europe and the Americas trail with 7.00% and 1.62%, respectively. Differences in survey methodologies may explain the underrepresentation of Europe and the Americas, but these regions remain vital to Zambia's FDI landscape. The combined insights from these surveys reveal an evolving investment environment, with traditional

37 Fofack, H., Dzene, R., & Hussein, O. A. M. (2021). Estimating the effect of AfCFTA on intra-African trade using augmented GE-PPML. Journal of African Trade, 8(Suppl 2), 62-76. https://doi.org/10.2991/jat.k.211122.001

investors maintaining their role while emerging markets, particularly in Asia and Africa, increasingly drive growth.

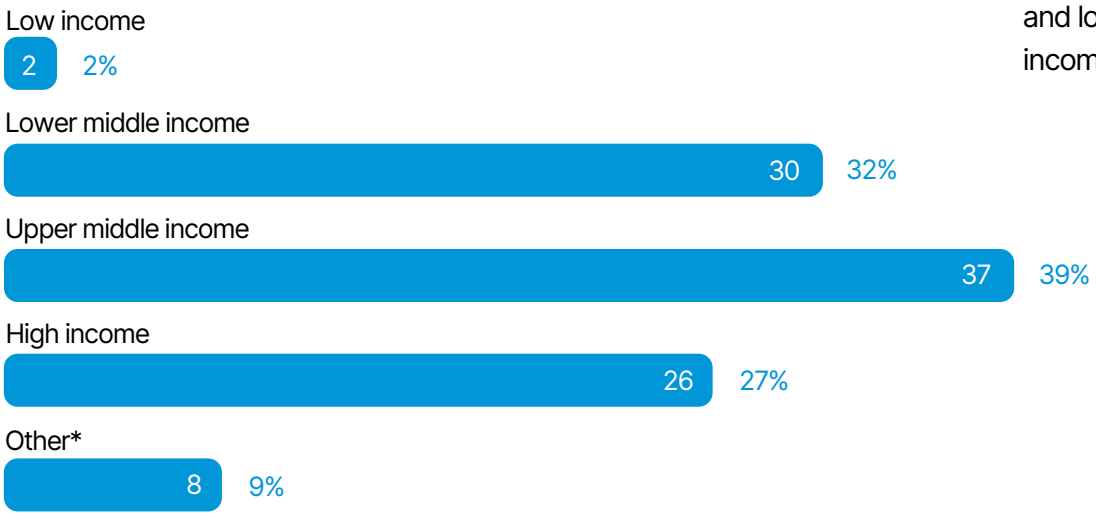
Figure 14 shows that upper-middle-income countries account for the largest share of enterprises at 39.4%, followed closely by lower-middle-income countries at 31.9%. High-income countries contribute 27.4% of the total, while low-income countries represent just 2.1%. An additional 8.5% of enterprises are classified under "Other," potentially indicating investments from countries with undisclosed or non-standard income classifications.

Investment landscape and economic disparity are interconnected, and while these figures should not be generalized to the entire economy [38], they offer valuable insights into the investment landscape through the lens of economic stratification. The predominance of upper- and middle-income countries among profiled investors suggests that capital availability and investment capabilities in these economies may influence Zambia's investment profile.

This data is critical for policymakers and business strategists, highlighting which income groups are most active in investment and informing targeted investment promotion efforts and policy development.

Figure 14 | Investors' country of origin reclassified as country income groups

Counts and percentages



*"Other" includes firms that did not disclose a country of origin and could not be classified. Country income groups are based on World Bank classifications at the time of data collection.

Most profiled firms originate from upper- and lower-middle income countries.

38 UNCTAD (2023). World Investment Report 2023: Investing in Sustainable Energy for All. United Nations.

Chapter 2

Re-investment plans

Chapter 2
Re-investment plans

Re-investment plans, including the expansion and retention of FDI, are critical indicators of economic strength and investor confidence. An analysis of these trends in Zambia reveals a nuanced landscape of global capital movement, with re-invested earnings forming a significant and variable share of FDI flows. Since the early 2000s, re-invested earnings have contributed between 20% and 29% of FDI inflows, dropping to 18% during the 2008–09 economic downturn, before rebounding to pre-crisis levels [39].

Re-invested earnings have constituted 20% to 29% of FDI since 2000, dipping during the 2008–09 crisis but since recovering.

The role of re-invested earnings in expanding FDI cannot be overstated, as empirical evidence shows a positive correlation between these earnings and economic growth in host countries [40]. Re-investment earnings are more likely to stimulate economic growth if the host country has a strong absorptive capacity, enabling it to effectively utilize the re-invested capital for productive investments and technological upgrading. For example, firms in developing economies, as indicated by World Bank Enterprise Surveys, have heavily relied on internal funds and retained earnings to finance growth in fixed assets, averaging 73% from 2010 to 2017, with a peak of 94% in 2011 [41]. In these economies, re-invested earnings make up a larger share of FDI inflows compared to higher-income countries, underscoring the need for policies that encourage the retention and expansion of FDI.

For companies, re-investing earnings signifies a long-term commitment to the host economy and confidence in local investment opportunities. Research shows that investment in innovation, particularly in research and development (R&D), enhances firm performance and growth, especially in emerging markets like India, with industries such as food and agriculture

39 World Bank (2019). Retention and Expansion of Foreign Direct Investment: Political Risk and Policy Responses. http://documents.worldbank.org/curated/en/387801576142339003/pdf/Political-Risk-and-Policy-Responses.pdf.

40 Polat, B. (2017). Determinants of re-invested earnings as a component of foreign direct investment, 6(1).

41 Ngundu, M., & Ngepah, N. (2020). Comparative Effects of Foreign Direct Investment from China and Other Sources on Africa's Economic Growth. Margin: The Journal of Applied Economic Research, 14(4). https://doi.org/10.1177/0973801020953399

seeing significant benefits [42]. Investment also influences access to export markets and boosts exports, contributing to economic growth and poverty reduction, particularly in small open economies [43]. Additionally, the presence and growth of foreign subsidiaries in developing countries have been found to positively impact economic growth, emphasizing the critical role of foreign investment in driving development in less-developed economies [44].

For IPAs, these trends are valuable indicators of the effectiveness of their strategies aimed at attracting, retaining and expanding investments. For policymakers, the implications are clear: creating an attractive and stable investment climate helps to retain and expand FDI. Policy responses must be targeted and strategic, addressing the specific needs of investors.

The rest of this chapter explores Zambia's investment environment based on the IMSS survey data. It examines additional investments in fixed assets over recent years, planned investments for the next three years, the objectives driving these investments, and firms' broader business plans. While not representative of the economy, the analysis offers a structured view of investment dynamics among the profiled firms.

Additionally, the analysis assesses how country-specific factors influence business development plans, offering insights into the external and internal forces shaping investment trends. This will help stakeholders assess the health and trajectory of economic development, identify growth opportunities and navigate potential challenges more effectively.

Past and future re-investment by triennium periods

Understanding past and future re-investment trends across two distinct three-year periods reveals significant shifts in capital allocation and provides valuable insights into the broader economic landscape.

As outlined in **Table 3**, survey respondents had re-invested a total of ZMW 26.5 billion in the previous triennium. However, projections for the upcoming

42 Manogna, R.L., & Mishra, A. K. (2021). Does investment in innovation impact firm performance in emerging economies? An empirical investigation of the Indian food and agricultural manufacturing industry. International Journal of Innovation Science, 13(2), 233-248. https://doi.org/10.1108/IJIS-07-2020-0104

43 Peluffo, A. (2016). The role of investments in export growth. Small Business Economics, 47(1), 115-137. https://doi.org/10.1007/S11187-016-9714-0

44 Chakma, J., & Chakma, H. (2013). Developing countries can contribute to global health innovation. Nature Medicine, 19(2), 129-129. https://doi.org/10.1038/NM.3086

period show a decline to ZMW 18.5 billion. This downturn is particularly evident among small and medium-sized enterprises, suggesting a recalibration of investment approaches or the influence of external economic pressures. For instance, small enterprises are set to reduce their aggregate re-investment from ZMW 2.8 billion to ZMW 700.6 million, while medium enterprises are forecast to lower their total from ZMW 7.4 billion to ZMW 1.5 billion.

Micro enterprises are doubling their re-investment from ZMW 6.08 million to ZMW 12.17 million, indicating a surge in small-scale entrepreneurship.

On the other hand, micro enterprises show encouraging growth, with their combined re-investment doubling from ZMW 6.08 million to ZMW 12.17 million over the next three years. This suggests a resurgence in micro-scale entrepreneurship, or perhaps a more favourable environment for small-scale business expansion. Large enterprises expect to maintain relatively stable re-investment levels, with only a slight increase, reflecting sustained confidence and consistent investment practices in this segment.

The average re-investment per enterprise echoes these trends. Small enterprises, on average, drop significantly from ZMW 157.74 million to ZMW 38.92 million, while medium enterprises expect to see their average re-investment fall from ZMW 136.40 million to ZMW 27.41 million. Conversely, micro enterprises anticipate a doubling of their average re-investment, and large enterprises maintain their substantial averages with modest growth.

Table 3 | Enterprise re-investment trends as a breakdown by employment size (in ZMW million)

Micro and large firms diverge from the downward re-investment trend.

Sum, average, and percentage change

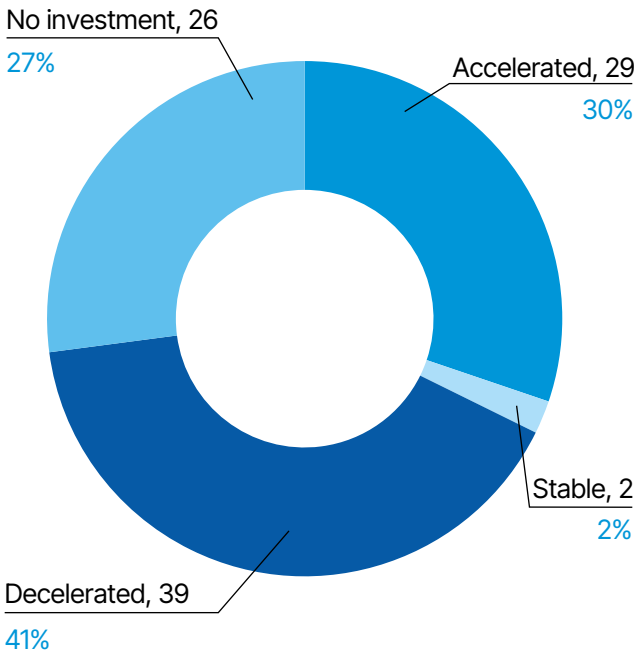
Size by employment	#	Sum		Average		
		(Last 3 years)	(Next 3 years)	(Last 3 years)	(Next 3 years)	% Change
Micro (0–10)	10	6.1	12.2	0.6	1.2	100%
Small (10–50)	18	2,839.4	700.6	157.7	38.9	-75%
Medium (50–300)	54	7,365.9	1,480.2	136.4	27.4	-80%
Large (300 and more)	16	16,247.1	16,350.3	1,015.4	1,021.9	0.6%
Total	98	26,458.48	18,543.27	269.98	189.22	-30%

N = 98. Table includes only firms with valid responses on both past and projected re-investment. Size classification is based on total number of employees.

Figure 15 | Enterprise re-investment patterns over the next three years

Almost three-quarters of profiled firms plan to sustain or increase investment over the next three years.

Counts and percentages



*N = 96. Figure reflects only firms with valid responses on projected re-investment; missing values excluded.

This expected overall contraction in re-investment, particularly within the small and medium enterprise segments, could have profound implications for economic growth, employment and the investment climate. Exacerbating factors include difficulties accessing credit due to collateral issues and gender biases in financial markets [45], reduced revenues despite government and commercial bank support [46,47], and the impact of COVID-19 on business operations. The volatile business environment further complicates MSMEs' ability to sustain operations and engage in strategic planning [48,49]. These trends highlight the need for policymakers to investigate the underlying causes and stimulate re-investment where necessary. At the same time, the rise in micro-enterprise re-investment could signal promising entrepreneurial activity, which should be supported through targeted programmes. High levels of re-investment by large enterprises reflect resilience; however, policymakers should ensure that this translates into broader economic goals such as diversification and inclusive growth. This can be achieved by directing re-investments toward underdeveloped sectors, regions, or innovative activities, aligning their activities with national development priorities and supporting inclusive economic outcomes.

As shown in **Figure 15**, 29 companies (30% of respondents) have increased re-investment intentions for the next three years, whereas 39 companies (41% of respondents) expect

45 Gwala, R. S., & Mashau, P. (2023). COVID-19 and SME adoption of social media in developing economies in Africa. In Strengthening SME Performance Through Social Media Adoption and Usage (pp. 133-152). IGI Global. https://doi.org/10.4018/978-1-6684-5770-2.ch008

46 Simba, A., Tajeddin, M., Dana, L. P., & Ribeiro Soriano, D. E. (2024). Deconstructing involuntary financial exclusion: a focus on African SMEs. Small Business Economics, 62(1), 285-305. https://doi.org/10.1007/s11187-023-00767-1

47 Gakii, A., Kolokonyi, K., & Miceni, R. (2022). Commercial Banks Responses toward Small and Medium Enterprises Survival in the Context of the COVID-19 in Africa. Journal of Sustainable Business and Economics, 5(3), 12-17. https://doi.org/10.30564/jsbe.v5i3.15

48 Gwakwa, M. (2020). Why Small and Medium Enterprises are left choiceless in adopting Strategic Management ethological (ethos) practices in Africa! A comprehensive study of selected small businesses across Africa. American Journal of Economics and Business Management, 3(3), 51-73. https://globalresearchnetwork.us/index.php/ajebm/article/view/174/144

49 Iwu, C. G. (2021). COVID-19 lessons for mitigation and future SME prospects. In Handbook of research on strategies and interventions to mitigate COVID-19 impact on SMEs (pp. 74-100). IGI Global. https://doi.org/10.4018/978-1-7998-7436-2.CH004

decelerated investment. While these firms will continue to invest, they will do so at a slower rate. This is likely in response to market uncertainty, strategic shifts or the completion of major investment projects in the previous period.

More concerning is that 26 enterprises (27%) report no re-investment intentions at all, neither in the past nor for the future. This points to stagnation, possibly due to operational challenges or a lack of capital to pursue growth opportunities.

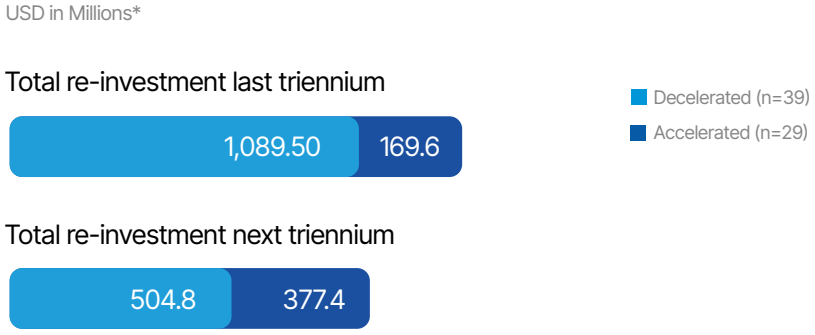
Despite these variances, 71% of businesses remain committed to some level of re-investment. This signals a strategic recalibration, rather than a withdrawal from the economy. This continued engagement lays a solid foundation for the development of recovery plans and future economic initiatives.

Looking more closely at firms with accelerated re-investment intentions, investments show an impressive 122.52% increase from $169.6 million in the previous triennium to $377.4 million in the upcoming period, as illustrated in **Figure 16**. The average investment per instance also surged from $5.8 million to $13 million in this group.

Conversely, firms with decelerated re-investment intentions saw a sharp decline in investments from $1,089.5 million to $504.8 million (53.67%). The average investment per instance also decreased from $27.9 million to $12.9 million. This reduction could be attributed to the completion of major capital projects during the previous period, or a shift in focus towards optimizing existing assets. Nevertheless, this category still accounts for 57% of total investment over the next three years.

These inverse trends bring the average investment in the deceleration category closer to that of the accelerated group. This interplay provides a deeper understanding of the financial and strategic landscape. As average investment levels converge, the dynamics of market strategies emerge. Deceleration indicates a focus on optimizing and extracting value from existing

Figure 16 | Accelerated and decelerated re-investment over three-year periods



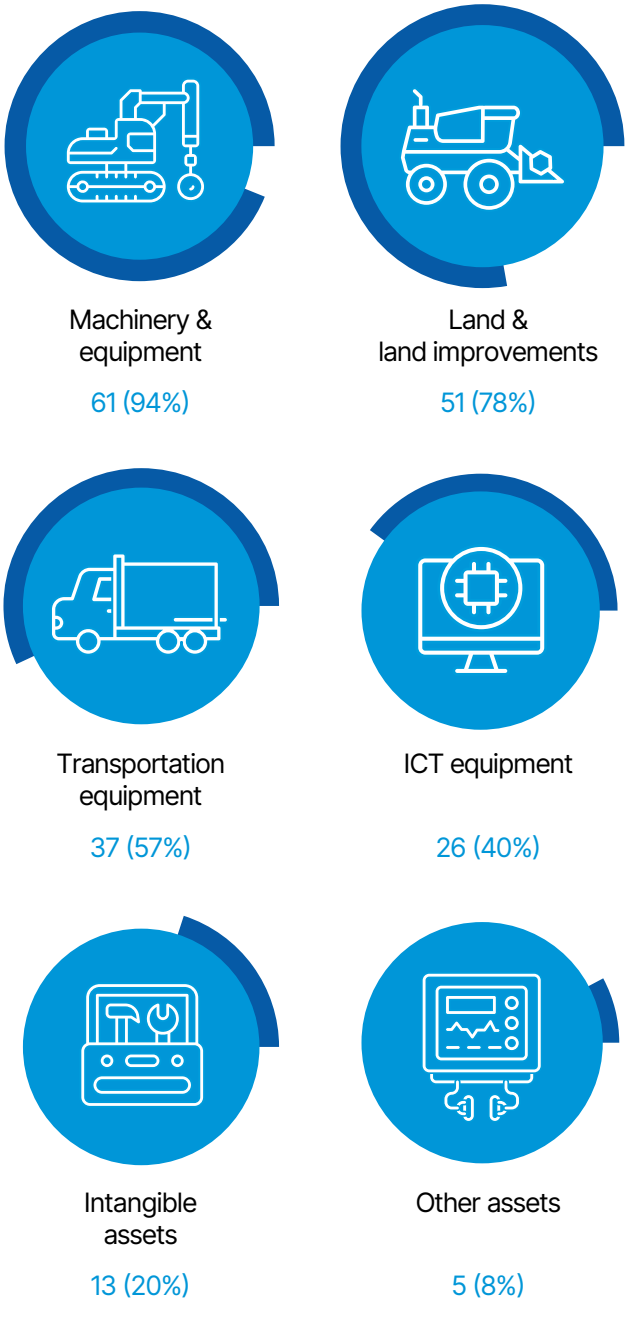
*N = 68. Includes only firms with valid re-investment amounts and classification into accelerated or decelerated categories. Values are in USD millions (USD 1 = ZMW 21 at time of conversion).

Declining re-investment by decelerating firms contrasts with increased commitments by growth-driven firms.

Figure 17 | Re-investment in fixed assets over the next three years

Machinery and land dominate projected fixed asset re-investments.

Counts and percentages



N = 65. Figure reflects only firms that reported re-investment intentions by asset type; multiple responses allowed.

assets, enhancing efficiency and profitability, whereas acceleration reflects targeted growth and efforts to capture new opportunities.

Fixed asset investments and objectives

The planned re-investment in fixed assets represents a strategic allocation of resources that reflects both current market realities and future aspirations. Among the 103 respondents, 65 investors indicated plans to re-invest in fixed assets over the next three years, reflecting a positive outlook.

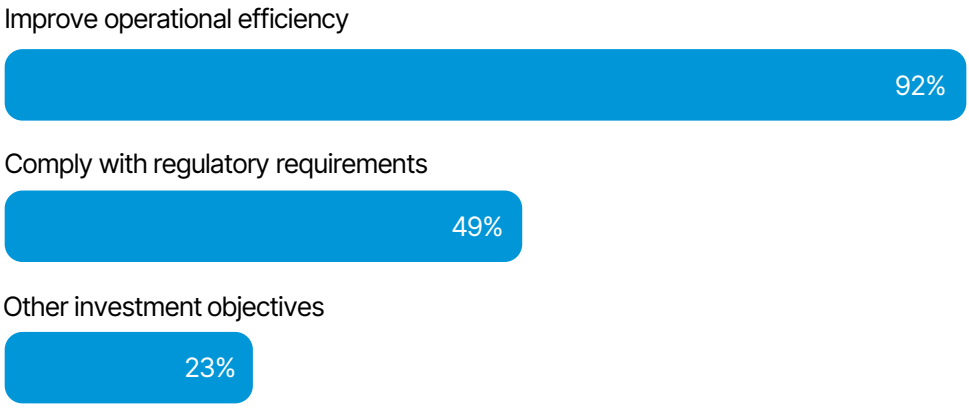
Figure 17 highlights the range of re-investment interests in fixed assets, with percentages indicating the proportion of respondents planning to re-invest in each asset type. Among businesses planning to re-invest, 94% intend to allocate funds to machinery and equipment, likely reflecting their goal to innovate and scale operations to enhance productivity. Land and land improvements attracted 78% of positive responses, pointing to a focus on expansion or upgrading physical premises, driven by the need for operational growth or improved infrastructure.

With 57% intending to invest in transportation equipment, this suggests that logistics and distribution are critical, especially for firms seeking to expand market reach or optimize supply chains in response to evolving market demands. Additionally, 40% of businesses plan to invest in ICT equipment, highlighting the growing importance of digital technologies for competitiveness and efficiency in the digital economy.

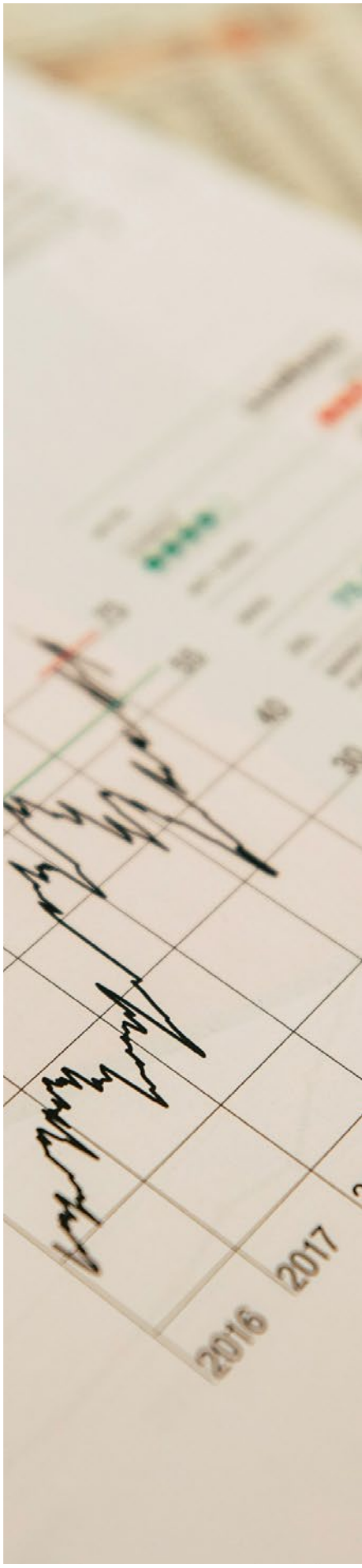
Figure 18 | Investment objectives by type

Nearly all firms cite operational efficiency as a key investment driver.

Percentage of 'yes'



N = 65. Figure reflects firms with valid responses; multiple responses allowed.



Only 20% of respondents plan to re-invest in intangible assets (such as patents and trademarks), suggesting an opportunity to increase long-term value creation through investments beyond immediate operational needs.

Interrogating the objectives of these investment intentions, **Figure 18** shows that 92% of respondents aim to enhance operational efficiency, reflecting a strong focus on cost-effective, streamlined business practices. Compliance remains important, with 49% of investors planning to invest in meeting regulatory requirements, underscoring the need for continued support to help businesses fulfil these obligations efficiently.

Other objectives, including expanding export capabilities, increasing production, advancing agricultural storage and processing, boosting copper output, and modernizing food processing equipment were identified by 23% of investors. These investment goals illustrate a diversity of sector-specific priorities and a multifaceted approach to business growth and innovation.

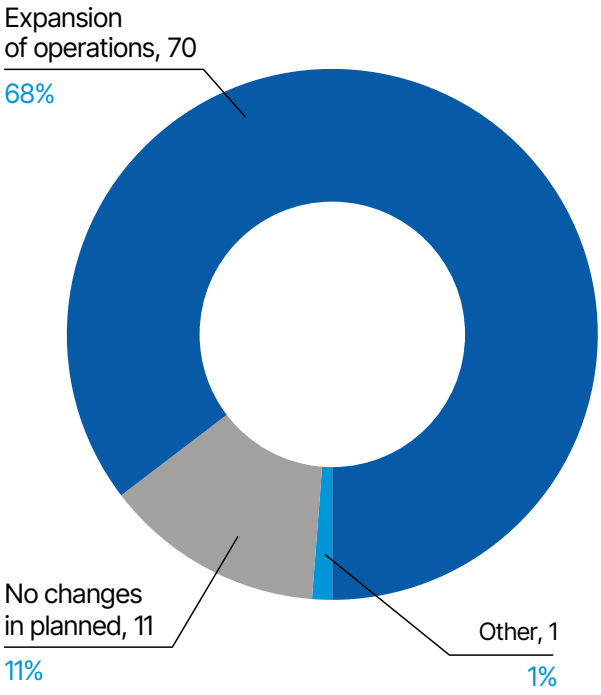
Business plans

The IMSS survey probed businesses in Zambia about their plans for the next three years. They were asked whether they could foresee expansion within Zambia, potential downsizing, maintaining the status quo, permanent closure or relocation.

Figure 19 | Business plans for next triennium

Most firms plan to expand operations over the next three years.

Counts and percentages*



* N = 82. Figure excludes firms with missing responses on business plans.

Their responses indicate an optimistic outlook, with 85% of companies planning to expand their operations within Zambia over the next three years (see **Figure 19**) and only 14% reporting no planned changes. Notably, none of the companies reported an intention to downsize, close or relocate. These responses suggest a broadly positive investment outlook among profiled enterprises.

The connection between business expansion and innovation is evident in the survey results. Expansion often goes hand in hand with new products or services, as firms seek to meet evolving market demands.

Figure 20 shows that 47% of businesses plan to add new products or services over the next three years, and 49% will retain their current offerings, striking a balance between proven value and new growth opportunities.

A significant 60% of firms plan to upgrade their existing products or services. This may include adopting new technologies, enhancing customer experiences or improving operational efficiency. Such efforts signal a dynamic approach to competitiveness, with companies actively seeking to innovate and adapt.

The IMSS survey results offer valuable insights for ZDA and public resource planners. With 85% of companies planning to expand, targeted strategies should support this growth through regulatory adjustments, infrastructure improvements and incentives. ZDA can prioritize clusters needing immediate support, aligning initiatives with emerging industry trends.

Together, these figures underscore a proactive business environment where innovation and cost reduction are continuous strategic efforts rather than isolated events. The survey data shows a clear relationship: as companies aim to enter new markets, their focus on cost reduction and re-investment increases in tandem. As seen in **Figure 21**, cost control is a priority, with businesses recognizing the need to enhance profitability through efficient cost management. This emphasis ensures competitiveness in both existing and emerging markets, making cost control a vital driver of long-term growth.

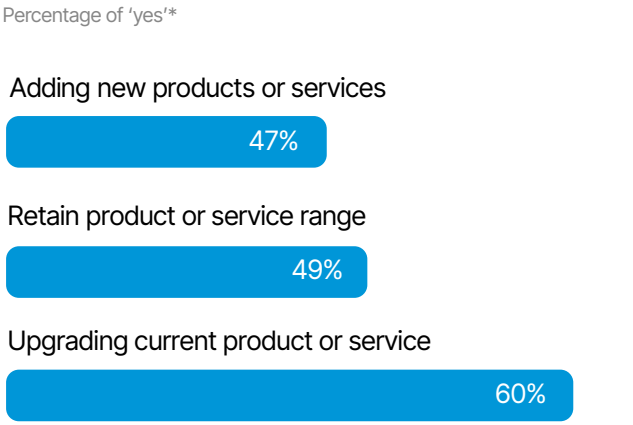
Access to raw materials also emerges as a critical strategic factor, highlighting the importance of obtaining cost-effective and high-quality inputs to maintain competitive offerings. While the pursuit of new markets remains a priority, it ranks slightly lower than cost and supply considerations, indicating that businesses are carefully balancing growth ambitions with the financial implications of expansion.

Acquiring strategic assets, while still important, is approached with more caution. This suggests businesses are weighing long-term benefits against more immediate operational needs. In addition to seeking strategic assets, several companies have expressed interest in equity partnerships with local firms. Five companies plan to divest shares to local entities, while four are actively looking to acquire shares in local firms. This mutual interest in partnerships reflects a strategic alignment between international and local businesses, presenting opportunities for collaboration, knowledge exchange and market synergies.

These insights reveal a calculated approach to business strategy, where cost management serves not only as a financial necessity but also as a strategic tool to fund and support growth initiatives. Enterprises are strategically prioritizing cost control, supply chain stability, market expansion and asset acquisition to ensure sustainable growth and market agility.

Figure 20 | Plans for products and services

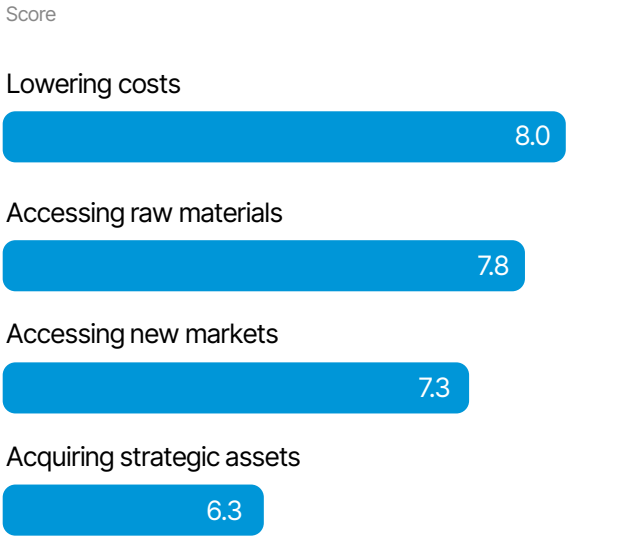
Among firms planning to expand, most aim to upgrade or diversify offerings.



* N = 70. Figure includes only firms that reported plans to expand operations. "Other" responses and missing values excluded; multiple responses allowed.

Figure 21 | Importance of business strategy drivers

Expansion-oriented firms prioritize cost reduction and input access.



* N = 70. Figure includes only firms reporting plans to expand operations. Scores reflect the mean importance rating on a 0–10 scale, where 10 = extremely important.

Factors influencing business development plans

Understanding the factors influencing business development plans may reveal the challenges and opportunities businesses encounter as they grow. This insight enables policymakers and IPAs to tailor strategies and mechanisms that foster a conducive environment for business expansion.

Respondents were therefore asked to rate 16 country-specific factors as listed in **Table 4**, investment-related, input-centric and infrastructure-linked factors by how much they influence their business development plans, on a scale from 0 (no influence) to 10 (major influence).

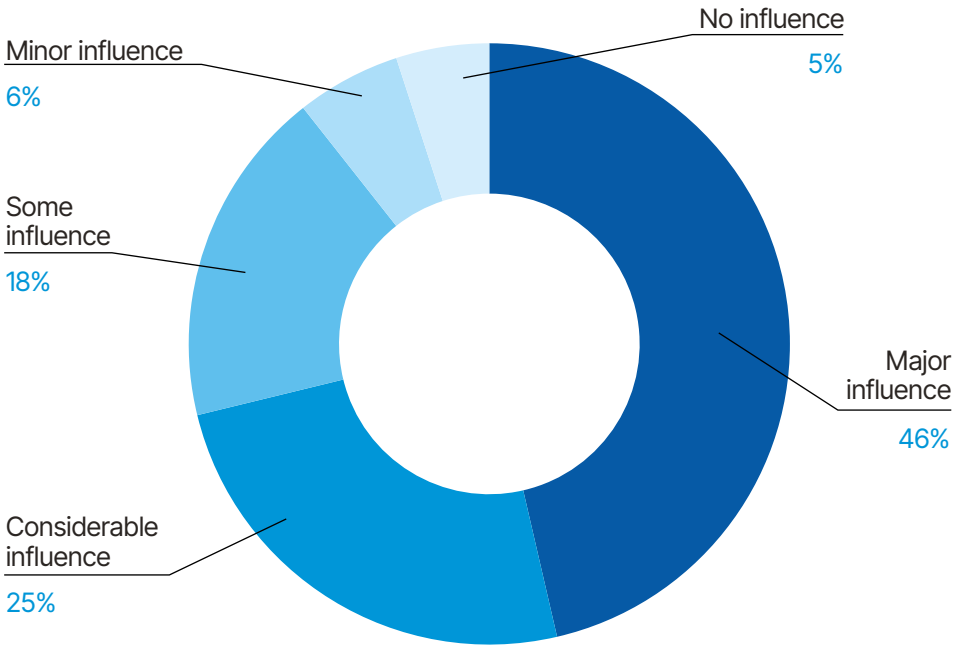
Figure 22 shows the importance of the 16 factors in shaping business decisions, with 46% of respondents seeing them as a major influence, and giving them an average importance rating of 7.55.

This data reveals the interplay between macroeconomic factors and other elements of business operations that collectively guide investment trajectories and corporate strategies. The average scores and rankings gathered from this scale also serve as a road map for policy formulation and the calibration of support mechanisms.

Figure 22 | Influence of drivers on business strategy

Nearly half of profiled firms report major influence of drivers on strategic choices.

Percentage of counts in total



N = 103. Figure reflects all enterprises surveyed. Percentages are based on total valid responses regarding overall influence of business drivers.

Table 4 shows all 16 drivers are considered at least moderately important in strategic planning, with scores above 6 on the normalized scale. Among these, economic stability (8.80) emerges as the top priority, emphasizing businesses' need for predictable conditions to plan effectively. Living standards (8.07) and rule of law (7.81) follow closely, highlighting the importance of societal well-being and strong legal frameworks in creating a conducive business environment. Interestingly, factors such as market size and potential (7.79) and transport and export infrastructure (7.62) also rank highly, reflecting businesses' focus on expansion opportunities and efficient logistics.

Although factors like investment incentives (7.53) and access to finance (7.53) are in the lower half of the distribution, they are only about 14% lower than the top-ranked factor, showing their continuing importance. Meanwhile, environmental conditions (7.44) and political stability (7.38), while moderately significant, are viewed as external factors businesses can adapt to rather than directly control. At the lower end, strategic assets (6.17) and production and commercial infrastructure (6.99) are seen as necessary but less dynamic in influencing strategies. These findings underline the multi-faceted nature of strategic decision-making, where businesses balance foundational prerequisites with high-priority drivers like economic stability and market opportunities.

The findings from the IMSS survey highlight a range of factors influencing business development plans within Zambia, with economic stability emerging as the most critical consideration for strategic planning. Drivers such as infrastructure, political stability and market potential also play significant roles, reflecting the complex interplay of macroeconomic conditions and operational challenges that businesses must navigate.

To further contextualize these insights, the Foreign Private Investment & Investor Perceptions Survey (FPI-IPS) 2023 [5], jointly conducted by the Bank of Zambia, Zambia Statistics Agency and the ZDA, offers a broader perspective on investor motivations

Table 4 | Average score of drivers on business strategy

Economic stability emerges as top-rated driver in strategic planning.

Average Score*

Key drivers	Score
Economic stability	8.80
Living standards	8.07
Rule of law	7.81
Market size and potential	7.79
Suppliers	7.68
Raw materials	7.65
Transport & export infrastructure	7.62
HR quality	7.56
Access to finance	7.53
Investment incentives	7.53
Labor cost	7.50
Environmental condition	7.44
Political stability	7.38
Communication infrastructure	7.32
Production & commercial infrastructure	6.99
Strategic assets	6.17

* Average scores reflect only firms with valid responses for each driver; missing values were excluded on a per-driver basis. N = 103. Scores are calculated on a normalized 10-point scale from 'Not important' (0.01) to 'Extremely important' (10).

and sentiments. By comparing the IMSS survey results with the findings from the FPI-IPS, we can better understand how these specific factors align with or diverge from the macro-level perceptions of foreign investors, providing a more comprehensive view of the investment landscape in Zambia.

When comparing the findings from the FPI-IPS 2023 with those of the IMSS survey, several important similarities and differences emerge. Both surveys underscore the importance of economic stability. The IMSS survey ranked it as the leading factor in strategic planning (score 8.80), while the FPI-IPS found that 87.4% of respondents viewed a stable macroeconomic environment as a key priority for continued investment. Political stability and good governance are also key drivers in both surveys. The FPI-IPS shows a higher reliance on these factors, with over 90% of respondents identifying them as major motivators, while the IMSS survey reflects these considerations with moderately high scores of 7.38 for political stability and 7.81 for the rule of law.

Infrastructure is another critical area where the surveys align, although the IMSS survey provides a more detailed breakdown, rating production and commercial infrastructure at 6.99 and transport and export infrastructure at 7.62. The FPI-IPS underscores the importance of good infrastructure overall, with 91.9% of respondents linking it to continued investment. Additionally, while both surveys acknowledge the significance of market potential, the FPI-IPS places consistent importance on it across both initial and continued investment phases.

The FPI-IPS provides a metric of investor satisfaction, revealing a slight decline in the net promoter score from 40.5% to 38.9%. This indicates a minor but notable decrease in investor confidence, a dimension not directly measured in the IMSS survey. The IMSS, however, offers a different perspective on investment enthusiasm. According to the IMSS findings, 73% of businesses continue to invest in Zambia, with 30% planning to accelerate their re-investment over the next three years. Additionally, an impressive 85% of respondents express a willingness to expand their operations, suggesting a robust intent to grow despite the challenges.

These contrasting findings underscore the importance of integrating representative investor sentiment data with firm-level perspectives. While the FPI-IPS indicates a slight decline in overall satisfaction, the IMSS reveals a strong and increasing commitment to investment and expansion among businesses. This contrast highlights the need for a nuanced, multidimensional approach to understanding investment climates; one that integrates broad macroeconomic sentiment with detailed insights into operational intentions. Together, these surveys provide a comprehensive understanding of the factors driving investment decisions in Zambia, emphasizing the importance of both maintaining macroeconomic stability and addressing specific operational factors to foster a conducive investment environment.

Examining the drivers of business development

A granular, cross-sectional analysis of these drivers reveals a more nuanced picture. Breaking down the survey results by sector, region, company size, investor origin and lifecycle stage uncovers significant heterogeneity across these dimensions, with key points summarized below. Detailed analysis is provided in Annex B.

Drivers by sector

The analysis reveals that agriculture (27) and manufacturing (36), with larger sample sizes, offer the most reliable insights. In agriculture, political stability and transport/export infrastructure are critical factors, reflecting the sector's dependence on logistical networks and stable governance for market access. Conversely, agriculture places less emphasis on market size, likely due to its global market orientation. Manufacturing, on the other hand, prioritizes market size, and raw materials, underscoring its focus on scaling operations and securing inputs to meet diverse market demands.

Smaller sample sizes in sectors like mining (9) and hotels (4) make their results less generalizable. For example, mining de-emphasizes environmental conditions, and market size, while hotels strongly emphasize strategic assets, but place less importance on labor costs. While these findings are interesting, they should be interpreted cautiously and warrant further data collection to validate sector-specific priorities.

A detailed breakdown is provided in **Table 6** of Annex C.

Drivers by region

Lusaka presents a balanced strategic focus, with businesses demonstrating moderate attention to economic and market growth. While the region faces challenges in areas such as access to finance and political stability, it remains competitive with a well-rounded approach. The Copperbelt region, on the other hand, places a clear emphasis on communication infrastructure, workforce quality and industrial efficiency, indicating a focus on enhancing productivity and supply chains. However, it places less importance on financial incentives compared to other regions.

In contrast, the Central region gives limited prioritization to communication infrastructure and environmental conditions, but political stability is viewed as an important factor for future development. The Southern region highlights a focus on sustainable practices and legal frameworks, while "other" regions pay strong attention to economic and political stability, positioning them for potential growth.

A detailed breakdown is provided in **Table 7** of Annex C.

Drivers by company size

Micro businesses prioritize stability, particularly in economic and political terms, due to their vulnerability to external shocks. They face challenges in accessing finance and operate in less favourable environments. Small businesses emphasize growth through access to finance, production infrastructure and investment incentives, showing less concern about labour costs and external logistics.

Medium-sized businesses adopt a balanced approach, focusing on scaling their market presence and improving logistical operations, while large corporations prioritize financial resources and political stability to support their extensive operations. They rely less on new investments and more on leveraging existing assets and established infrastructures.

A detailed breakdown is provided in **Table 8** of Annex C.

Drivers by investor origin

African investors focus on cost-efficient factors such as environmental conditions, workforce quality and raw materials, while government support likely offsets financial access concerns. American investors prioritize communication infrastructure, demonstrating confidence in regulatory frameworks and global connectivity. Asian investors emphasize strategic assets and investment incentives to strengthen their market positions, with

less concern for environmental conditions and labour costs.

European investors place a strong emphasis on environmental sustainability, aligning with global trends in combating climate change. Their focus on workforce quality and infrastructure reflects a long-term commitment to sustainability and operational efficiency, while supply chains and strategic assets receive lower priority, indicating well-established operations.

A detailed breakdown is provided in **Table 9** of Annex C.

Drivers by business life cycle stage

Startups (0–3 years) prioritize a stable environment for growth, focusing on political and economic stability while placing less emphasis on finance and operational costs. Early-stage companies (3–6 years) emphasize internal capabilities, such as communication infrastructure and human resource (HR) quality, paying less attention to external market factors. Growth-stage companies (6–11 years) focus on access to finance, workforce development and infrastructure to support scaling, with less attention to environmental sustainability and strategic asset management. As these companies expand, however, addressing long-term sustainability will become increasingly important.

A detailed breakdown is provided in **Table 10** of Annex C.

Key points:

Challenges and strategic interventions:

There is a predicted decline in total re-investment from ZMW 26.46 billion to ZMW 18.54 billion over two trienniums, with a significant contraction among SMEs. The average re-investment is decreasing from ZMW 0.27 billion to ZMW 0.19 billion, and the median re-investment shows a drop from ZMW 4.52 million to ZMW 3.34 million. In contrast, micro enterprises and large enterprises show some increase or stability in their re-investment activities.

Planned investments:

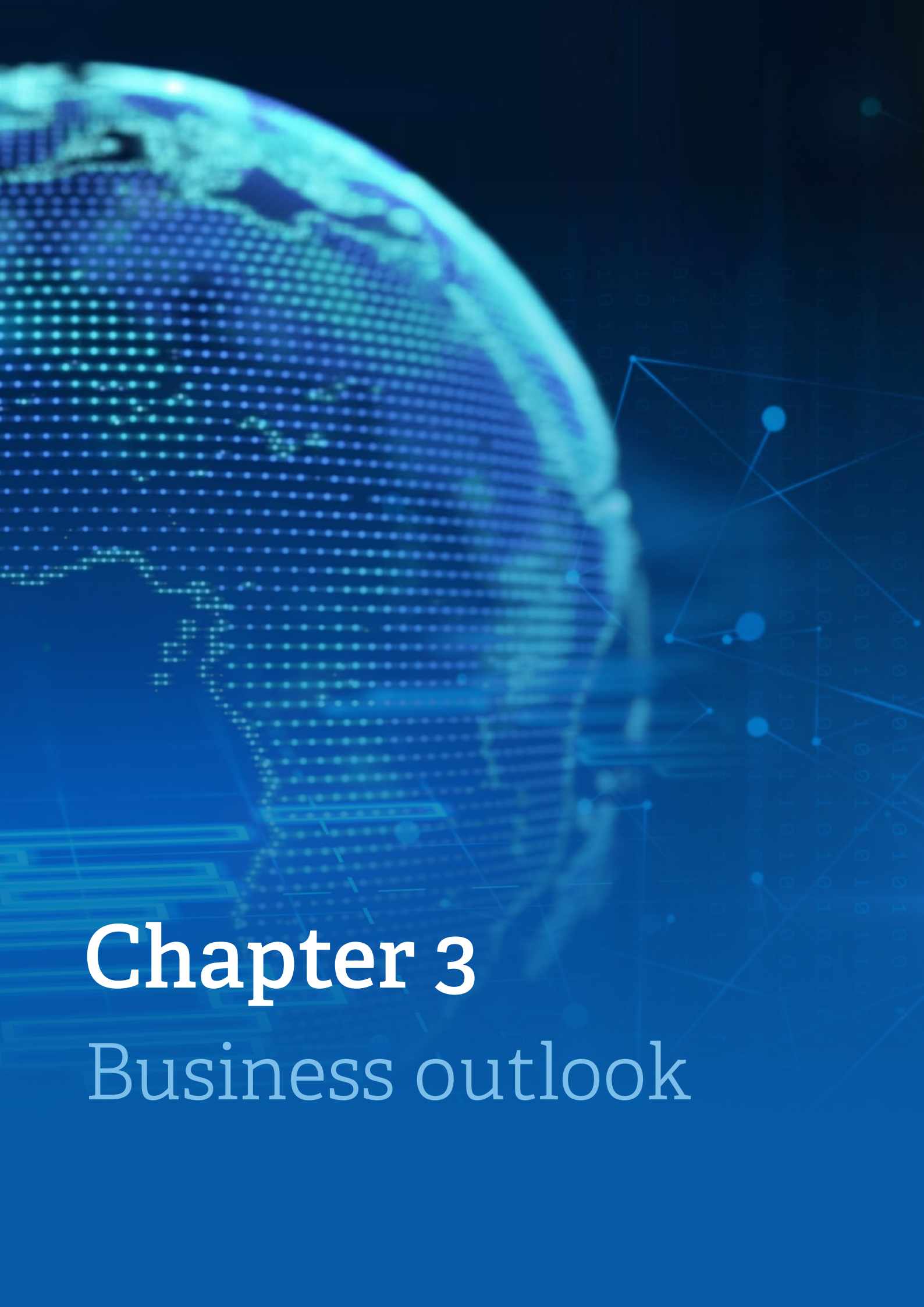
The planned re-investment in fixed assets over the next three years reflects strategic allocations aligned with current market realities and future aspirations. Machinery and equipment lead with 94% of respondents planning re-investment, indicating a strong focus on innovation and scaling operations. Land and land improvements attract 78% of positive responses, suggesting an emphasis on expansion or enhancement of physical premises. Transportation equipment is highlighted by 57% of respondents, emphasizing the importance of logistics and distribution. Additionally, 40% of businesses plan to invest in ICT equipment, underscoring the critical role of information and communication technology in maintaining competitiveness.

Business plans and objectives:

Most companies surveyed, 68%, plan to expand operations within Zambia over the next three years. This optimistic outlook is further supported by the intention of 47% of firms to introduce new products or services, and 60% aiming to upgrade current offerings. Enhancing operational efficiency is a primary objective for 92% of respondents, while compliance with regulations is a secondary concern for 49%, indicating a need for policy frameworks that ease compliance while fostering a business-friendly environment.

Influences on business development plans:

Economic stability emerges as the most influential factor in shaping business development plans, scoring 8.80. Other highly valued factors include the rule of law, living standards, and market size and potential. Sectoral and regional variations reveal different priorities, highlighting the importance of distinguishing profiles across various categories.



Chapter 3
Business outlook

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Business outlook

This chapter highlights two topics from the IMSS survey, focusing mostly on FDI companies operating in Zambia. The first question assesses selected performance indicators through percentage changes, which is used for evaluating impact and understanding the historical performance of these companies. The second question explores the business outlook by comparing past achievements and future expectations using a Likert scale format.

These indicators serve as a barometer for the organizational and economic health of a region. For businesses, they reflect internal strengths and weaknesses, revealing trends in employment, revenue and costs that are indicative of strategic performance and market competitiveness. When viewed as a whole, these features offer a means for stakeholders to analyse economic impacts and forecast potential shifts in the business environment. By monitoring and analysing these metrics, businesses can make informed decisions about operational adjustments and strategic planning.

From the perspective of policymakers, these indicators are instrumental in shaping economic policies. They provide a nuanced understanding of the economic landscape, identifying thriving sectors, areas requiring intervention and, for example, the impact of gender diversity on economic growth. These insights help in crafting policies that promote sustainable development and attract both foreign and local investment. Moreover, these indicators help in aligning national economic activities with broader regional and global objectives, such as the AfCFTA agreements and the United Nations Sustainable Development Goals (SDGs). For instance, improvements in female workforce participation can accelerate progress towards gender equality, while enhancements in local content can promote industrialization. Or, if businesses report an increase in export revenue, this suggests that the country's products are gaining traction in external markets. This positions Zambia as a potential benefactor from AfCFTA, as the trade agreement could further enhance access to markets across Africa.

Anticipating the direction of these business indicators supports future readiness. It allows both businesses and policymakers to prepare for and adjust to upcoming economic conditions and trends, fostering a proactive approach to economic management.

A clear understanding of past and potential future changes also informs the efficient allocation of resources, optimizing the impact of economic interventions by the ZDA and other entities. By pinpointing where resources are most needed and where they can be best utilized for maximum economic benefit, these organizations can improve operational efficiency and strategic effectiveness.

To assess the impact of FDI on the local economy, this group examines a number of key indicators. Surveys request data on percentage changes in workforce metrics like total employees and female permanent workers, reflecting job creation and gender inclusivity. Additional metrics include variations in sales and exports revenue, cost of imports and local content usage. These indicators help gauge how FDI influences trade dynamics, supports domestic industries and enhances economic stability.

The second question in the survey asks respondents to assess the past and predict the future trajectory of business indicators over recent and upcoming fiscal years. Specifically, respondents are invited to evaluate changes in the demand for products/services, profit margins, inventory levels and capacity utilization. Additionally, they are asked to consider the accessibility of finance, the average costs of raw materials and supplies, and the overall economic conditions in Zambia. This comprehensive evaluation helps gauge the business climate and outlook for their company's performance in these areas.

The impact outlook

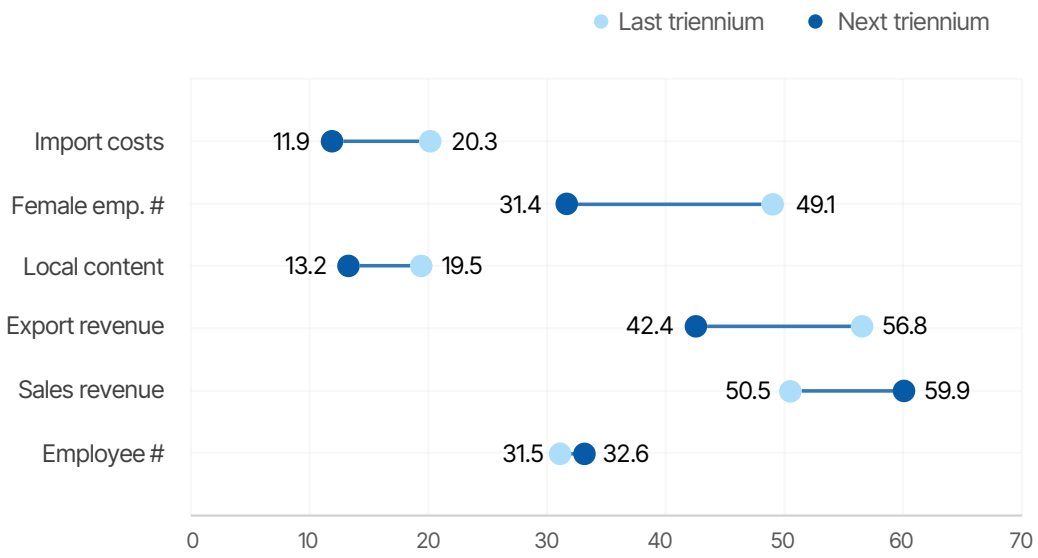
Figure 23 compares economic and business indicators, highlighting anticipated shifts over the next three years, juxtaposed against the preceding three-year averages.

The forecasted data suggests a slight acceleration in employment growth, moving from a growth rate of 31.46% to 32.60%. This trend not only indicates job creation but also highlights the critical role of HR development in sustaining economic vitality. In tandem, sales revenue is expected to surge from 50.54% to 59.87%, a reflection of business optimism potentially spurred by innovation, market expansion or escalated consumer demand. This upswing contributes to drawing investments and fostering a favourable economic environment.

Conversely, export revenue is projected to see a downturn, with growth reducing from 56.75% to 42.37%. This deceleration may hint at emerging challenges in the global market, competitiveness issues or adverse external economic influences, emphasizing the need for strategic recalibrations to boost export competitiveness and market diversification. Furthermore, the anticipated decline in the growth of local content from 19.52% to 13.21% could

Figure 23 | Comparison of impact outlook indicators over the last and next triennium

Percentages



*Values represent the average self-reported change (%) in each indicator during the last and next triennium. N = 103. Missing values excluded on a per-indicator basis.

The revenue indicator shows the largest expected gains in the next triennium.

signal a diminishing integration of domestic value in production. The observed reduction in the growth rate of local content may suggest a dual phenomenon. It indicates a potential decline in the use of domestic resources and capabilities in production, which warrants policy interventions aimed at enhancing local content and bolstering industrial development. This trend might also reflect a post-COVID normalization of supply chain connections, where global supply chains are realigning, and businesses are potentially reverting to pre-pandemic sourcing strategies.

The projected deceleration in the growth rate of female employment, down from 49.14% to 31.45%, while remaining on a positive trajectory, warrants a nuanced interpretation. The significance of this trend may vary considerably across different industries and is influenced by the respective business cycle stages and capacity utilization rates within those sectors. In industries where the labour force has reached near or full capacity, a slowdown in the growth rate might simply reflect a natural plateau rather than systemic barriers to female employment.

Lastly, the projected decrease in import cost growth, from 20.32% to 11.91% between two periods, may denote enhanced efficiency, a pivot towards local sourcing, or fluctuations in global commodity prices. This has significant implications for the trade balance and business cost structures, possibly improving overall competitiveness.

The business outlook

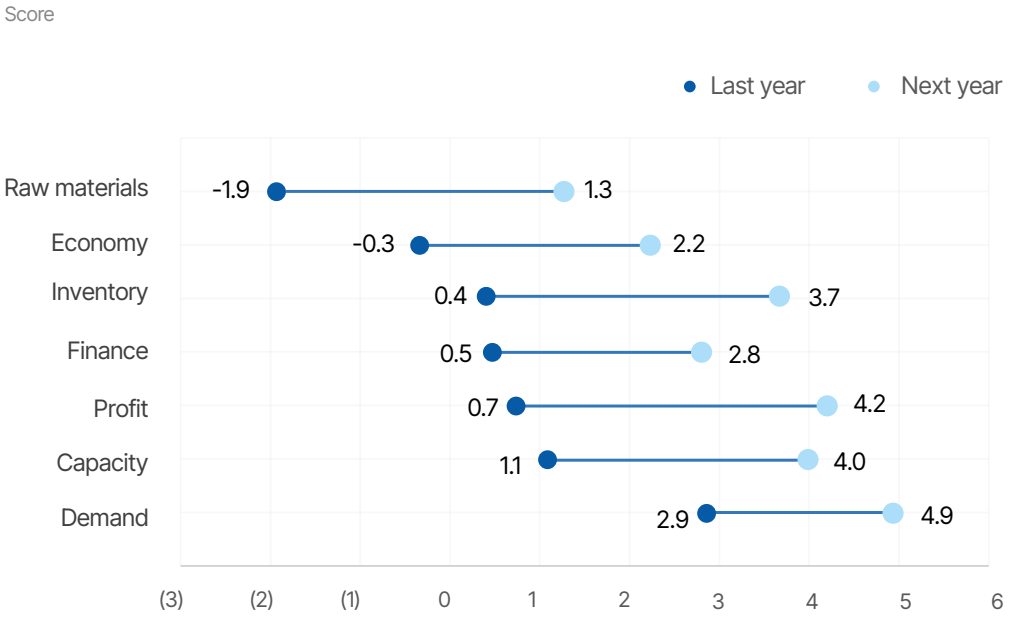
IMSS business outlook indicators offer indicative insights into Zambia's economic climate and investment potential. By assessing business indicators such as demand for products/services, profit margins, inventory levels and capacity utilization, companies can gauge the current and future trajectory of company [50] and cluster performances.

Figure 24 offers a clear picture of expected shifts in business indicators over the next year, reflecting an overall optimistic outlook. Notably, all factors show an upward trend, indicating a potential for robust business growth and economic expansion.

The data presented utilizes a 5-point Likert scale, ranging from "Significantly Worsen" to "Significantly Improve," with an additional option indicating "Remain the same", represented as 0. The scale has been normalized to a range of -10 to 10,

Figure 24 | Comparison of business outlook indicators over the last and next year

Firms report a more optimistic outlook for all indicators in the year ahead.



*Data reflect normalized Likert-scale scores (ranging from –10 to 10) based on a 5-point scale from 'Significantly Worsen' to 'Significantly Improve', with midpoint coded as 0.01. Values represent average scores for each indicator across all valid responses. N = 103. Missing values excluded on a per-indicator basis.

50 Lleshaj, L., Malaj, V., & Tushaj, A. (2014). An assessment of foreign direct investments effects in Albania. three times a year, by Mediterranean Center of Social and Educational Research. The journal publishes research papers in the fields of Mediterranean and World Culture, Sociology, 753. https://doi.org/10.5901/mjss.2014.v5n22p218

facilitating quantitative analysis. The "Remain the same" option indicates no perceived change or an absence of improvement or deterioration and has been scored as 0.01 to include it in calculations.

Starting with demand, a significant increase is expected from 2.86 to 4.94, suggesting a surge in consumer and business appetite for goods and services. This drives an increase in capacity utilization, from 1.09 to 3.99. Such an enhancement in capacity utilization is typically associated with heightened production activities, indicating that businesses are operating closer to their full potential in response to growing market demand.

Similarly, profit margins show an improvement, increasing from 0.74 to 4.20. This change can be attributed to improved management of production costs and more efficient inventory control, which help maintain healthy profit levels. Efficient inventory management is evident from the rise in inventory levels scores from 0.40 to 3.67, suggesting that companies are increasingly capable of adjusting stock to meet demand without incurring unnecessary costs. This is supported by studies [51,52,53] that confirm streamlined inventory processes enhance organizational performance and profitability.

Access to finance, which improves from 0.47 to 2.80, also reflects a more favourable lending environment. This improvement is likely a consequence of better economic conditions, which themselves are expected to rise from -0.34 to 2.23. Enhanced economic stability tends to reduce the risk perceived by financial institutions [54], increasing their willingness to lend, which supports businesses seeking to expand operations.

The observed shift in the perception of raw material costs from -1.93 to 1.27 suggests a stabilization or decrease in prices, which can directly lower the costs of goods sold, improving profit margins. In Zambia, copper mining is significant, with fluctuations in raw material prices having a considerable impact on operational costs and, consequently, market

51 Ogbo, A. I., & Ukpere, W. I. (2014). The impact of effective inventory control management on organisational performance: A study of 7up bottling company Nile Mile Enugu, Nigeria. Mediterranean Journal of Social Sciences, 5(10), 109-118. https://doi.org/10.5901/mjss.2014.v5n10p109

52 Musau, E. G., Namusonge, G., Makokha, E. N., & Ngeno, J. (2017). The effect of inventory management on organizational performance among textile manufacturing firms in Kenya. International Journal of Academic Research in Business and Social Sciences, 7(11), 1032-1046. https://doi.org/10.6007/ijarbss/v7-i11/3543

53 Gołaś, Z. (2020). Does inventory management improve profitability? Empirical evidence from Polish manufacturing industries. European Research Studies, 23(2), 939-961. https://doi.org/10.35808/ersj/1908

54 Phan, D. H. B., Iyke, B. N., Sharma, S. S., & Affandi, Y. (2021). Economic policy uncertainty and financial stability – Is there a relation?. Economic Modelling, 94, 1018-1029. https://doi.org/10.1016/j.econmod.2020.02.042

Key points:

Anticipated shifts in impact metrics:

Forecasts indicate a stable increase in employment growth, signalling job creation and the importance of HR development. Sales revenue is expected to surge from about 50% to nearly 60%, reflecting business optimism driven by innovation, market expansion or increased consumer demand. However, export revenue growth is projected to decrease from over 55% to just over 40%, highlighting challenges in global market competitiveness. The decline in local content growth from around 20% to about 13% suggests a reduced use of domestic resources in production.

Business outlook indicators:

The business outlook indicators show an optimistic trend. Demand for products/services is expected to rise significantly, driving higher capacity utilization and production activities. Profit margins are projected to improve due to better management of production costs and efficient inventory control. Access to finance is expected to improve, reflecting a more favourable lending environment due to better economic conditions. Stabilization or decrease in raw material costs is also anticipated, directly lowering the costs of goods sold and improving profit margins.

competitiveness [55]. This dynamic emphasizes the importance of strategic responses such as diversification and efficiency improvements in mitigating risks associated with raw material price volatility. For example, the 2024 KPMG report advises companies globally to enhance their supply chain resilience by shifting from Just-In-Time to Just-In-Case systems, holding extra inventory and engaging with multiple suppliers, which could help manage these cost fluctuations more effectively [56]. These strategies could allow companies not only to maintain competitive pricing but also to re-invest savings into their operations, potentially increasing their market share and operational capacity. These are supported with improved inventory levels (+3.3) and capacity adjustment (+2.9) in the current sample.

These intuitive examples highlight interlinked economic scenarios that can be explored through a variety of outlook factors and the inclusion of variables such as company profiles, impact outlook and re-investment behaviour of companies, which can be examined in comparative analysis. Nevertheless, the examples provided reveal a dynamic economic landscape where improvements in areas like economic conditions or raw material costs may positively influence other sectors, enhancing demand and profit margins. For stakeholders, these indicators provide a strategic road map. ZDA focuses on attracting investments to thriving sectors, policymakers can implement measures to maintain economic momentum, and investors can identify lucrative opportunities in emerging sectors, all guided by these interconnected economic indicators.

55 Chirwa, T. G., & Odhiambo, N. M. (2015). The dynamics of the real sector growth in Zambia: key macroeconomic drivers and challenges. Global Journal of Emerging Market Economies, 7(3), 217-235.

56 KPMG. (2024). The supply chain trends shaking up 2023. KPMG. https://kpmg.com/xx/en/home/insights/2022/12/the-supply-chain-trends-shaking-up-2023.html.


CONTRACT

Chapter 4

Investment support services

Chapter 4
Investment support services

Investment support services play a significant role throughout the investment life cycle, assisting investors in navigating the complexities of starting, maintaining and expanding their operations in Zambia. These services span from the early stages of attracting investors through to the investment retention and expansion.

At the outset, investment support services concentrate on facilitation, assisting potential investors in understanding the market environment, and efficiently navigating regulatory landscapes, and establishing operations. As investments mature, the focus shifts to aftercare, aimed at sustaining and enhancing the investor's experience. This ongoing support addresses operational challenges, encourages re-investment and fosters expansion, thereby contributing to the local economy.

Facilitation and aftercare also contribute to the investment lifecycle by streamlining processes and offering continuous support. These efforts aid in attracting and retaining investments, which supports sustainable economic growth.

Investment Facilitation centres on providing targeted assistance to secure and expedite investment projects. This includes assisting both prospective and existing investors navigate regulatory environments, obtain necessary permits and overcome administrative hurdles during the initial phases of their investment. Such facilitation is instrumental in transforming potential leads into actual investments by simplifying processes and reducing both the transaction costs and time associated with setting up operations.

Aftercare Services are designed to retain and expand existing investments by engaging proactively with current investors to meet their ongoing needs and facilitate potential re-investment or expansion. Specific aftercare activities might include regular follow-up meetings, addressing operational issues and offering guidance through policy changes. The aim is to ensure that investors remain committed to their location and consider further investments, such as expanding their operations or diversifying their investment portfolios.

These two services, facilitation and aftercare, are most effective when functioning as a continuum rather than as isolated processes. A cohesive approach ensures a seamless transition from initiating an investment to expanding it.

A data-driven approach, leveraging feedback and surveys, enables the continuous improvement of facilitation and aftercare services, ensuring that strategies remain aligned with investor needs. Data from surveys such as EPM and IMSS, along with insights from regular and occasional inquiries from investors received by ZDA, contribute to understanding the investor community. This information helps in developing investment services that are responsive and strategically aligned with investor expectations.

Survey data, which includes details on company profiles, sector involvement, size, origin, and structural characteristics, provides valuable insights into the business landscape. This enables the agency to segment the investor community and tailor aftercare services to the specific needs of different businesses. Such a targeted approach maximizes the impact on investor satisfaction and retention.

In-depth data on a company's investment activities, such as re-investment patterns, types of fixed asset investments, and plans for business and equity partnerships, offers critical insights. This information allows ZDA to anticipate the future needs and preferences of investors, facilitating proactive support that aligns with investors' growth strategies. Understanding these elements also aids in risk management, ensuring that timely interventions can mitigate potential disinvestment. In addition, gathering data on a company's business outlook regarding employment, sales, exports, costs and local content provides a forward-looking perspective on their operational expectations. Insights into market demand growth, profit trends, inventory

management, capacity utilization, access to finance and overall economic conditions offer a comprehensive view of the challenges and opportunities investors may face. Therefore, investment support services should proactively address these future conditions, enhancing the overall effectiveness of their programmes.

By systematically collecting and analysing data, ZDA can tailor their facilitation and aftercare services with precision, fostering a supportive business environment that enhances investor satisfaction, encourages re-investment and ultimately contributes to robust local economic growth. This data-driven approach helps in developing a proactive and impactful aftercare strategy that supports sustainable investment.

Services provided by ZDA

As a statutory body under the Ministry of Commerce, Trade and Industry, ZDA's mission is to promote and facilitate investment, trade and enterprise development throughout the country. By nurturing domestic and foreign direct investment, and fostering partnerships between local and international investors, ZDA is committed to turning Zambia into a dynamic hub for economic activity.

ZDA employs a range of strategies to enhance Zambia's visibility as an investment destination. This includes extensive participation in international business events, investment-related trade shows and proactive campaigns across various media platforms to advertise Zambia's competitive sectors like mining, agriculture, manufacturing, tourism and energy. These efforts are aimed at building a positive image and communicating the benefits of investing in Zambia, attracting both new and established investors to consider expansion and diversification within the country.

ZDA provides invaluable resources to investors, offering detailed guides on regulatory procedures, sector-specific opportunities and general investment climate data. This information is critical during the initial stages of investment, helping to reduce uncertainties and facilitating informed decision-making for potential investors. The agency ensures that this data is not only accessible but tailored to fit the unique questions and needs of investors, fostering a clearer understanding of what Zambia offers.

Support Services contribute to ZDA's efforts, helping investors navigate the complexities of the investment process. From facilitating the acquisition of necessary permits and licences to coordinating land purchases and connecting investors with relevant governmental bodies, ZDA's

comprehensive support simplifies the procedural aspects of investing in Zambia. Additionally, the agency provides ongoing support through business clinics and development services aimed at enhancing the competitiveness of Micro, Small, and Medium Enterprises (MSMEs), ensuring their integration and success in the local and global markets.

Finally, ZDA's role in Advocacy Services involves actively engaging with policymakers to enhance the overall investment ecosystem in Zambia. By identifying and addressing the challenges faced by investors, ZDA works towards implementing reforms that facilitate easier, more profitable investment operations. This advocacy not only supports existing investments but also improves the business environment, making Zambia an even more attractive destination for future investments. These coordinated efforts by ZDA help protect emerging industries and promote sustainable economic diversification and growth across the country.

Direct inquiries from investors

In the survey, one question directly addresses urgent investor concerns: "Is there anything urgent that an aftercare/account officer from IPA should help this company?" This question enables ZDA to respond to pressing issues, such as navigating regulatory frameworks, resolving administrative delays or overcoming specific operational challenges. By addressing these needs, the ZDA can remove obstacles that may otherwise hinder business operations, ensuring smoother processes for investors.

Figure 25 | Word cloud generated from investor inquiries

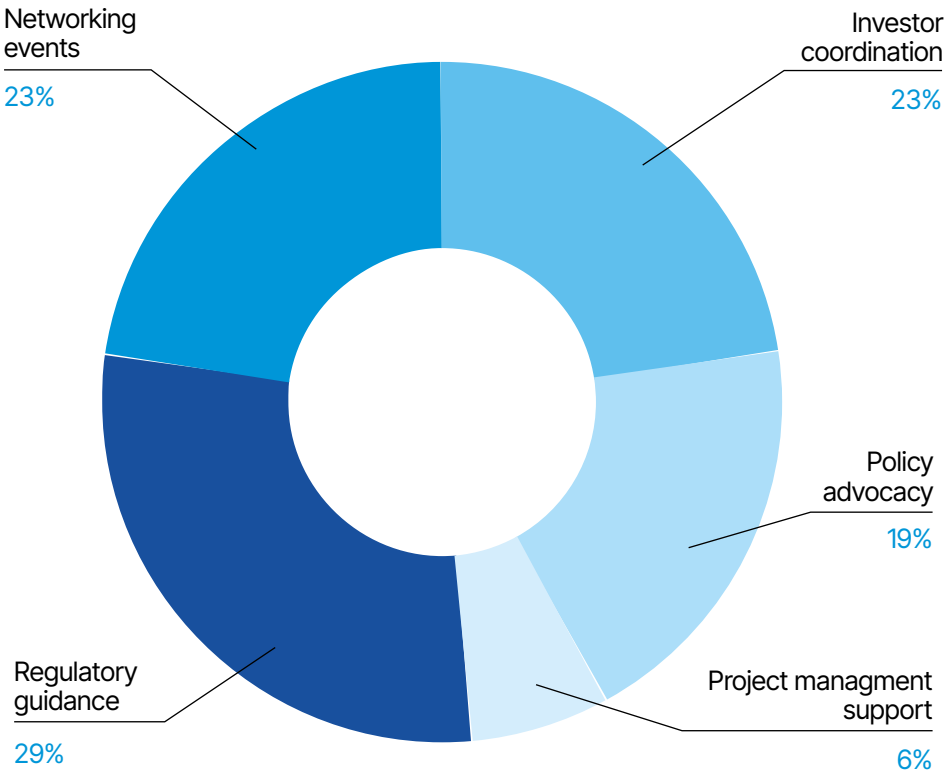
Illustrative word cloud generated from 31 direct investor inquiries (N = 103). Figure reflects only firms that submitted assistance requests; not all profiled firms reported needs. Firms could mention multiple topics. Word size corresponds to frequency of mention.

Company support, investment, and incentives feature prominently in assistance requests submitted.

Regulatory guidance, investor coordination, and networking events emerge as top assistance needs.

Figure 26 | Investor's assistance needs from the Agency

Percentage



Based on 31 firms that reported assistance needs (N = 103). Figure reflects only firms with valid responses; multiple types of assistance could be mentioned.

Once these immediate concerns are resolved, the ZDA can shift its focus towards more strategic engagement with the investor. This approach allows ZDA to explore areas such as long-term growth, strategic objectives and potential collaborations, fostering stronger partnerships. Insights from other sections of the survey also help guide discussions on broader goals and areas for constructive engagement.

Whether investors require assistance with regulatory clarity, site selection or understanding local market dynamics, each inquiry presents an opportunity for ZDA to refine its service offerings. Addressing both immediate and strategic needs allows the ZDA to streamline processes, enhance the investor experience and leverage survey data to facilitate proactive, forward-looking interactions.

By responding to these direct inquiries, ZDA not only strengthens its relationships with investors but also demonstrates a commitment to personalized service and open communication. This tailored approach helps attract new investments while supporting the retention and expansion of existing ones, contributing to long-term economic growth.

A word cloud generated from the 31 direct inquiries of 103 investors visually highlights their primary concerns and interests. Significant themes include administrative and financial matters, such as "tax exemptions" and "licences," as well as broader needs like "information," "linkages," and "business development." These findings offer valuable insights into the focal points of investor needs, helping ZDA to prioritize its services.

By categorizing these inquiries into specific areas, such as regulatory assistance, operational support and financial incentives, ZDA can organize and optimize its aftercare services as illustrated in **Figure 26**. This structured approach ensures that resources are effectively allocated, addressing each investor's specific concerns in a timely and focused manner.

Site Visit Support (Site Support), 0: Service under this category would involve ZDA scheduling and conducting visits to investment sites to assess current operations and discuss future expansion plans directly with investors. The ZDA teams actively reach out to companies both through on-site visits and online methods. Given the comprehensive nature of this outreach, Site Visit Support has been extended to a broader group of 103 companies. This extensive engagement is distinct from the 31 direct inquiries, and is therefore scored as zero.

Investor Coordination, 7: This includes regular interactions with investors through meetings, updates and communications to ensure that investors feel supported and their ongoing business needs are met. Some examples are meeting facilitation, management briefings, feedback response, investment readiness preparations and proactive communication request.

Networking Events, 7: ZDA can organize and facilitate networking forums and business mixers that allow investors to connect with local suppliers, service providers and other businesses, fostering synergies and potential partnerships. These include export market linkages, access to funding, local business integration, foreign market expansion and business collaboration opportunities from the sample.

Regulatory Guidance, 9: Offering detailed information and assistance on navigating the regulatory environment, including help with compliance, understanding changes in legislation and securing necessary permits and licences. Investors requested similar assistance on legal compliance

assistance, permit and licence facilitation, regulatory updates, policy interpretation and compliance strategy development under this category.

Project Management Support, 2: Providing comprehensive support for both ongoing operations and new projects. This could include helping with project planning, overcoming operational challenges and ensuring projects stay on track. Potential investor readiness and new investment support were listed by the respondents.

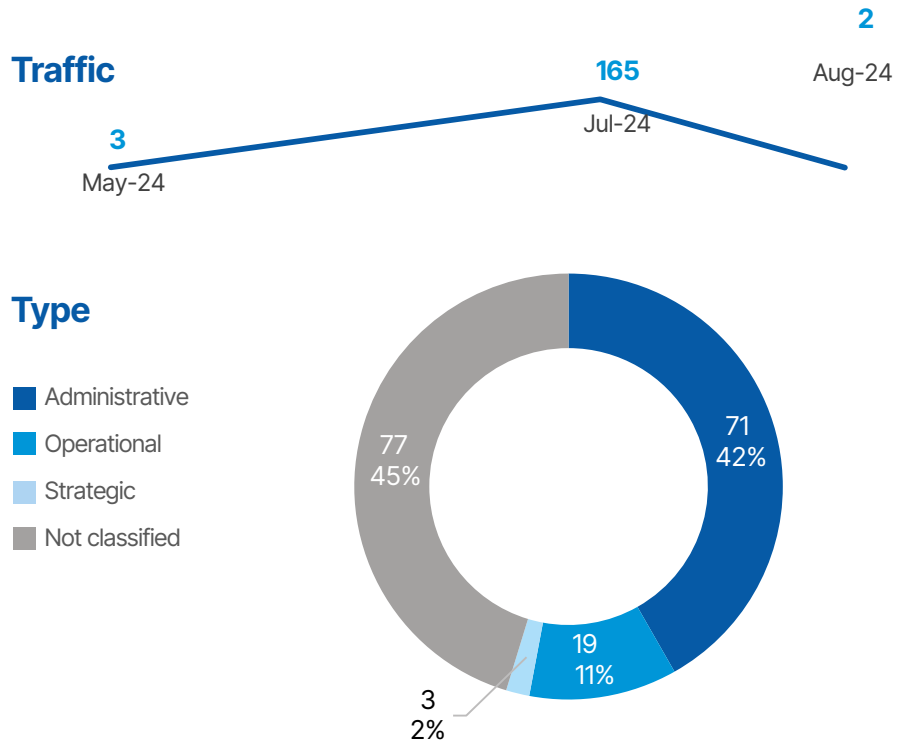
Grievance Handling, 0: Acting as a liaison to resolve issues between investors and government agencies or local entities, ensuring that grievances are addressed promptly to maintain a positive investment climate.

Policy Advocacy, 6: This involves engaging with investors to gather insights on the investment climate and advocating for policy improvements, including at the level of Ministries, Departments and Agencies (MDAs). These efforts respond to administrative, operational and strategic needs identified through investor feedback and help improve the overall business environment.

Together with the cases from the IMSS and EPM data collection, ZDA managed 170 investor inquiries, reflecting both strengths and areas for improvement in its newly introduced Investment Relationship Management (IRM) component, a core function of the Digital Investment Promotion System (DIPS). This component streamlines communication with investors, while also helping ZDA track engagement and optimize its processes for future improvements. Of these, 41.76% were administrative inquiries, covering tax, incentives, and licence renewals **(Figure 27)**. However, 45.29% of inquiries remained unclassified, signalling a need for further data categorization and process optimization. ZDA resolved 80 inquiries, predominantly those of low complexity, highlighting its capability to handle routine issues but underscoring opportunities for improvement in addressing more complex cases.

Figure 27 | Inquiry types, status, and traffic in DIPS-IRM

Number and percentages



*Data reflect 170 inquiries logged in the DIPS-IRM system between May and August 2024. "Administrative" includes general facilitation, documentation, and permits. "Strategic" includes investment planning or expansion-related queries. "Not classified" refers to entries without a designated type. DIPS-IRM is a digital platform used by ZDA to manage investor relations and support.

Administrative support dominates investment inquiries, with limited engagement on strategic issues.

Operational inquiries, (11.18% of the total), often focus on efficiency and logistics, while strategic inquiries were notably lower (1.76%). Although these categories represent only 12.94% of total recorded inquiries, they touch on essential aspects of business operations and long-term planning. Notably, ZDA handled 17 high-complexity cases, demonstrating its capacity to manage diverse challenges.

The surge in inquiries during July 2024, with 165 cases, highlights fluctuating demand patterns driven by data entry from surveys and other sources, which ZDA must manage more efficiently. This surge presents an opportunity for the agency to strengthen its capacity to handle both routine case management and high-demand periods. Implementing regular data entry processes and enhancing case handling systems will enable ZDA to respond more effectively, ensuring timely resolution of inquiries and improved service delivery.

ZDA has successfully resolved low-complexity inquiries, but it should now focus on enhancing support for operational and strategic inquiries to ensure long-term business success. Proactive investor engagement, particularly through customized aftercare services, will not only help investors overcome operational obstacles but also guide them in strategic planning for business expansion.

In parallel with these efforts, ZDA's digital enhancements through real-time inquiry tracking and EPM are key to further improvements. By refining data collection and inquiry classification, the agency can allocate resources more effectively and provide tailored support. Strengthening these systems will ultimately foster stronger investor relationships, contributing to sustainable investment flows and a more competitive business environment.

Key points:

Role of survey data:

Surveys like EPM and IMSS provide critical data that helps in understanding the investor community. This data supports the creation of tailored investment services that align with investor needs. Using insights from these surveys, agencies can develop strategies that are both responsive and strategically aligned with the specific requirements of investors, enhancing the overall investment environment.

Investor segmentation and targeted services:

Survey data on company profiles, including contact information, sector involvement and structural details, allows the agency to effectively segment the investor community. This segmentation enables the provision of targeted aftercare services, ensuring that support is relevant and maximizes the impact on investor satisfaction and retention. Tailored services address the unique needs of different businesses, fostering a more supportive and engaging investment climate.

Anticipating investor needs:

Insights into investment activities, such as re-investment tendencies and business strategies, help anticipate future investor needs and preferences. Proactive support based on this data aligns with investors' growth plans and aids in risk assessment and management. By understanding these elements, agencies can offer timely interventions to facilitate continuous investment and mitigate potential disinvestment.

Operational outlook and challenges:

Data on company outlook regarding employment, sales, exports and other factors provides a forward-looking perspective on operational expectations and economic projections. Understanding investor challenges and opportunities allows agencies to craft responsive support programmes. This proactive approach enhances the overall effectiveness of investment support services, ensuring they address both current and future business conditions.

Data-driven strategy:

The strategic collection and analysis of survey data enable the development of effective facilitation and aftercare services. A data-driven approach fosters a supportive business environment that enhances investor satisfaction, encourages re-investment and contributes to robust local economic growth. This method ensures that investment services remain relevant and effective in retaining and expanding investments.

Direct inquiries from investors:

Survey data gathered from direct inquiries helps pinpoint investor concerns, expectations and requirements. Each inquiry presents an opportunity to refine service offerings. By identifying common themes and challenges faced by investors, agencies can proactively address these issues, streamline processes and enhance the investor experience. This tailored approach supports the retention and expansion of existing investments, contributing to sustainable economic growth.

Service segmentation:

ZDA organizes investor inquiries into categories such as site support, investor coordination, networking events, regulatory guidance, project management support, grievance handling and policy advocacy. This classification ensures focused and effective responses to investor needs. By segmenting services, ZDA can tailor its resources and efforts to address specific investor requirements, enhancing overall service delivery and investor satisfaction.

Chapter 5

Trends by key dimensions

Chapter 5
Trends by key dimensions

Investment trends shape the economic landscape, influencing employment and income across various business profiles. In developing countries, where internal resources are often underutilized and the economy may be vulnerable to the instability of foreign investments, re-investment by existing companies becomes a pivotal driver of economic growth [57].

When companies channel profits into business expansion rather than distributing them as dividends, they can enhance productivity and drive innovation. Mechanisms such as accelerated depreciation support plant modernization and expansion, thereby sustaining these companies' growth trajectories [58]. Re-investment fosters business growth, driving increases in output, employment and export capabilities. Companies that strategically re-invest their retained earnings are better positioned to expand operations, innovate and capture larger market shares. The impact of re-investment varies significantly based on the firm's profile, including its size, location, business life cycle and sector. Larger firms often have more resources to allocate towards growth initiatives, while smaller firms may rely heavily on retained earnings due to limited access to external financing [59].

A slowdown in investment growth, characterized by a reduction in the rate at which businesses allocate capital towards new projects, equipment or expansions, can lead to slower economic growth, reduced job creation and lower overall productivity. Several factors contribute to this deceleration at the company level, including elevated levels of debt, falling export prices, high real interest rates, and information and incentive problems in capital markets.

The location of a firm can influence its growth potential, with regional economic conditions, infrastructure and access to markets being key factors.

57 Adegboye, F. B., Osabohien, R., Olokoyo, F. O., Matthew, O., & Adediran, O. (2020). Institutional quality, foreign direct investment and economic development in sub-Saharan Africa. Humanities and social sciences communications, 7(1), 1-9. https://doi.org/10.1057/S41599-020-0529-X.

58 Polzin, L., Wolf, C. A., & Black, J. R. (2018). Accelerated tax depreciation and farm investment: evidence from Michigan. Agricultural Finance Review, 78(3), 364-375. https://doi.org/10.1108/afr-05-2017-0038

59 Bates, J., & Henderson, S. J. (1967). The Determinants of Corporate Saving in Small Private Companies in Britain, 1954-56. Journal of the Royal Statistical Society: Series A (General), 130(2), 207-224.

For instance, firms situated in economically vibrant regions may benefit from better infrastructure and market access, facilitating growth and expansion [60]. The stage of a firm in its business life cycle also significantly influences its re-investment strategies, risk-taking behaviour and performance outcomes [61], as well as its investment decisions, financing activities, and dividend payout policy [62]. While newer firms tend to prioritize growth and market penetration, mature firms focus on sustaining competitive advantages and optimizing operational efficiency.

Sector-specific factors also shape re-investment decisions, with industries experiencing rapid technological advancements or high market demand incentivizing more aggressive re-investment policies [63]. The importance of location is underscored by the need for firms to be near resources, labour and consumers, which can significantly affect operational costs and market responsiveness. A firm's business outlook, influenced by its financial health, market conditions and strategic goals, determines its re-investment capacity and priorities [64].

Various influences on re-investment shape growth strategies that enhance a firm's output, employment and export potential. This chapter presents an in-depth review of data collected through the IMSS, offering insight into the specific challenges and opportunities experienced by the profiled firms in Zambia. By understanding elements such as market potential, regulatory conditions, structural differences and investors' perceptions, IPAs can tailor their support to boost business growth effectively, thereby enhancing economic development.

60 Florence, P. S. (1959). Size of Company and Other Factors in Dividend Policy. Journal of the Royal Statistical Society. Series A (General), 122(1), 77-98.

61 Habib, A., & Hasan, M. M. (2017). Firm life cycle, corporate risk-taking and investor sentiment. Accounting & Finance, 57(2), 465-497. https://doi.org/10.1111/acfi.12141.

62 Wang, Z., Akbar, M., & Akbar, A. (2020). The interplay between working capital management and a firm's financial performance across the corporate life cycle. Sustainability, 12(4), 1661. https://doi.org/10.3390/su12041661.

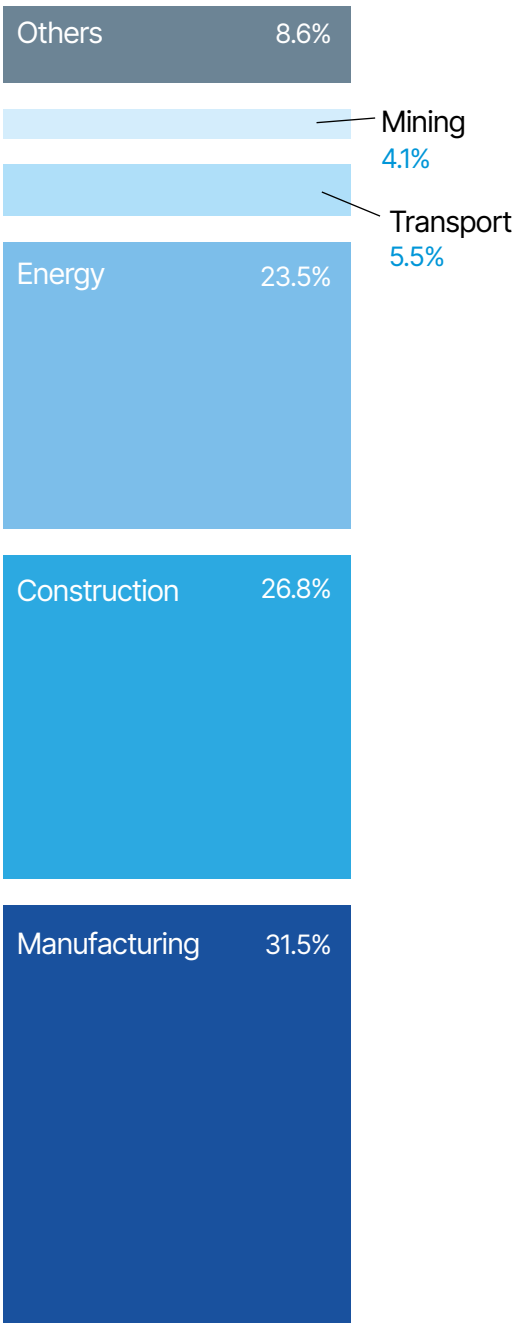
63 Mahakud, J. (2005). Corporate retained earnings in India: trends and determinants. The ICFAI Journal of Applied Finance, 11(4), 59-72.

64 Gupta, S.M. (1989), "Corporate retained earnings behaviour," Yojana, 33(18), 28–32.

Figure 28 | The distribution of investment pledges by sector from 2020 to 2022

Manufacturing, construction, and energy account for 81% of total pledged investment.

Percentages



Data source: Bank of Zambia. Total pledged investment amounts to USD 16.02 billion between 2020 and 2022. "Other" includes all remaining sectors not listed individually.

Trends in investment, employment and income

Investment trends in Zambia from 2020 to 2022 have shown significant fluctuations, reflecting both global economic challenges and local economic dynamics. According to the Bank of Zambia, the investment pledges in US dollars for these years are as follows: $5,823.00 million in 2020, $3,311.70 million in 2021, and $6,883.50 million in 2022. These figures highlight a volatile investment landscape influenced by various factors, including the COVID-19 pandemic's impact in 2020 and 2021, and subsequent recovery efforts leading to a substantial rebound in 2022. Additionally, the distribution of investment pledges by sector from 2020 to 2022 in **Figure 28** shows that 81% of the $16.02 billion investment pledges were concentrated in three sectors: Manufacturing (31.5%), Construction (26.8%), and Energy (23.5%).

The IMSS and EPM survey results provide indicative insights into re-investment patterns among profiled enterprises in Zambia. The reported re-investment for the last three years was ZMW 26.46 billion, with a projection of ZMW 18.54 billion for the next three years. Although these figures cannot be directly compared with the Bank of Zambia data due to a significant difference in coverage (approximately 1:11), exchange rates and inflation, they offer valuable information on re-investment trends. This indicates a 30% reduction in re-investment among the companies that participated in the survey when considered at current prices.

The next set of analyses offers a detailed examination of re-investment, additional employment and output growth across various business segments, focusing on metrics such

as life cycle, company size, sector and region. Re-investment data was directly provided by respondents for both the past and upcoming triennial periods, while additional employment and output were calculated using total employment and sales figures, based on the changes reported for each period.

As reported in **Figure 29**, for example, the total additional re-investment amounted to ZMW 26.46 billion in the last triennium and is expected to contract by 30% to ZMW 18.54 billion in the next triennium. Despite this overall contraction, it is important to focus on both relative and absolute changes across different segments. The vertical axis in the graphs represents business segments, while the horizontal axis shows percentage shares, allowing for comparisons of each segment's contribution to overall re-investment, employment and output over time under respective sections.

The percentages next to each segment indicate the absolute change between the two periods, showing additional re-investment, employment and output generated. A key consideration is the distinction between changes in share and overall growth. A decrease in a segment's share does not imply a decline in its absolute growth but may reflect that other segments are expanding faster (there are also minor segments which were not selected for the graph). Conversely, an increase in share indicates faster relative growth. For example, large companies (300+ employees) are projected to increase their

re-investment share from 61.41% to 88.17%, even as total re-investment declines, highlighting that large firms are absorbing a growing portion of the overall investment pool.

Examining these figures tracks structural changes in the economy, especially when the analysis includes a larger and more representative sample. This approach identifies which segments are accelerating or decelerating, and clarifying the magnitude of growth within different categories. This comprehensive analysis captures the evolving dynamics of re-investment, employment and output across the economy.

Re-investment trends

Figure 29 illustrates the shift in re-investment trends across different business segments, regions and sectors between the past and next triennial periods. The table on the right of the figure denotes an increase (green) or decrease (red) in re-investment rates. The analysis highlights the distribution of re-investment across categories such as business life cycle, company size and sector, showing where future capital is being concentrated and how these patterns are changing over time.

Figure 29 | Comparison of re-investment shares of last and next triennial periods by regions, sectors, and company size (by employment)

Copperbelt firms and large employers dominate re-investment across both periods.

Percentages

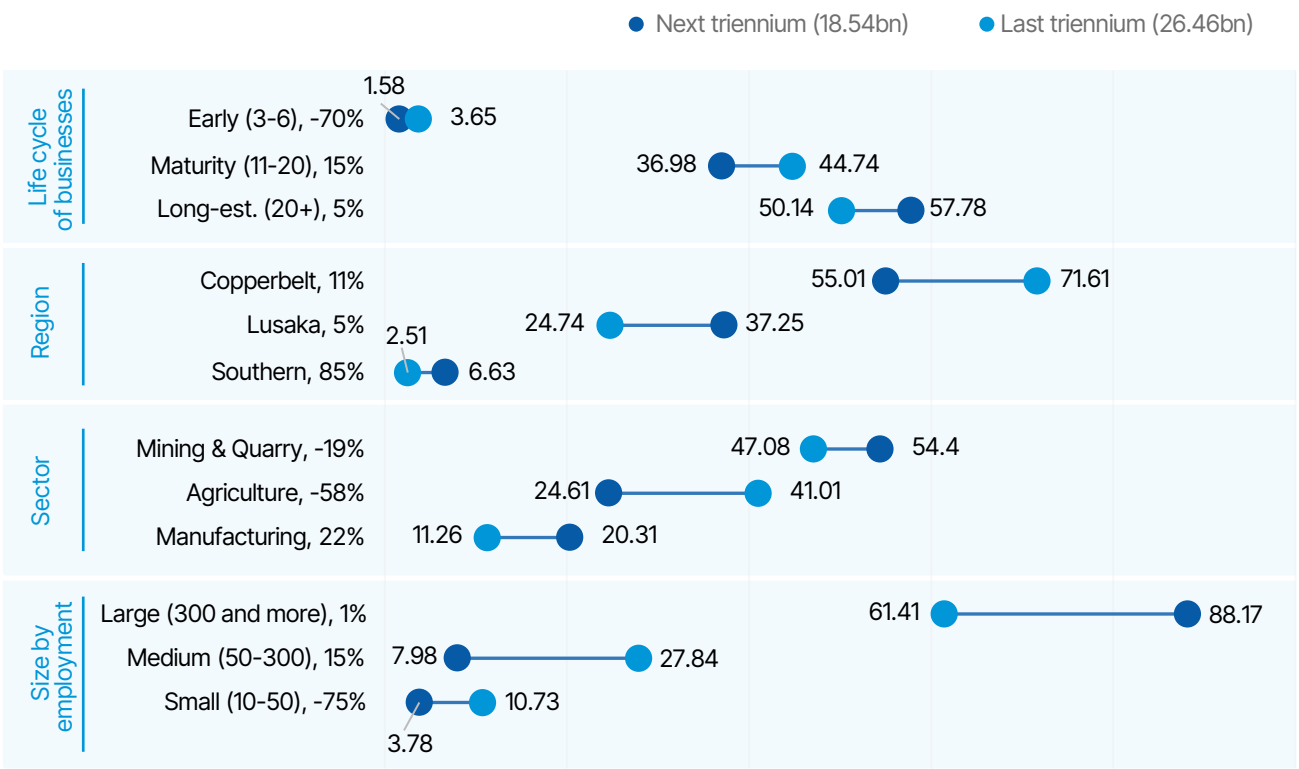


Figure reflects only firms that reported re-investment values for both past and expected future periods. Groupings by lifecycle, region, sector, and employment size are limited to major subcategories for simplicity; shares may not sum to exactly 100% within each group. Values shown represent each subgroup's share of total re-investment volume in the last (ZMW 26.46 billion) and next (ZMW 18.54 billion) triennia. Percent change labels refer to average firm-level change in reported re-investment amounts between the two periods.

Long-established businesses are expected to drive a larger share of re-investment, while smaller and earlier-stage firms will see declines. Early-stage and small businesses show especially sharp declines (70% and 75%) in re-investment between two periods. This trend indicates that newer and small companies may face constraints in maintaining their re-investment levels.

Regionally, Lusaka and the Southern region expect growth in re-investment, while the Copperbelt region will see a decline.

Lusaka forecasts a modest rise of 5%, but this is from a starting point of relatively high levels of re-investment (24.74%), whereas the Southern region, with relatively low levels of re-investment in both periods, expects a very substantial increase (85%). The expected decline in re-investment in the Copperbelt suggests a geographical reallocation of re-investment.

From a sectoral point of view, only manufacturing is poised for growth in re-investment. Mining and quarrying sector expects a decline of 19% in re-investment rates, whereas re-investment in agriculture is projected to decline very sharply (58%). However, the mining and quarrying sector's share of total re-investment for the next period is expected to increase due to the steep decline in re-investment expectations for agriculture.

The re-investment expectations of firms suggest that larger enterprises may continue to play a dominant role in Zambia's investment landscape. These firms anticipate a substantial increase in their already high share of total re-investment, while small and medium-sized enterprises expect notable reductions in their proportion of total re-investments compared to the previous period. Larger enterprises are therefore expected to dominate future re-investment among profiled enterprises.

Overall, the projected re-investment trends highlight a concentration of capital among large businesses and specific sectors. As economies of scale become more influential, larger businesses appear better positioned to re-invest and expand, while smaller firms and traditional sectors like agriculture may struggle to retain capital. This concentration of resources could have implications for broader economic diversification and inclusive growth.

Employment trends

Figure 30 highlights the evolving landscape of new employment generation across different business segments, regions, and sectors during the last triennium (3.4k new jobs) and the upcoming triennium (4.5k new jobs), representing an approximate 32% increase in total additional employment. Disaggregating by life cycle stage, company size and sector, we can identify the specific drivers of job creation.

Large companies (300+ employees) continue to dominate new employment figures, showing a 70% increase in employment generation, while medium-sized companies (50–300 employees) expect a sharp decline of 60%.

From a sectoral perspective, agriculture is expected to experience a significant increase in employment generation (60%), with mining also set to grow by 40%. On the other hand, the share of job creation associated with manufacturing is expected to slow, although it still anticipates a slight decline from 52.4% to 48.6% – this 20% decrease in new jobs is modest compared to other sectors.

Regionally, Lusaka is set to remain a significant hub, increasing employment by 40%. The Copperbelt region will see a moderate 50% growth, with its employment share rising from 13.7% to 15.4%. Meanwhile, the Eastern region is projected to experience the highest relative growth in employment, with a substantial 140% increase in new jobs, underscoring its emerging importance in the national employment landscape.

Mature businesses (11–20 years) are projected to exhibit significant employment growth (80%) while early-stage companies (3–6 years) are expected to see a decline of 20%.

Figure 30 | Comparison of new employment shares of last and next triennial periods by regions, sectors, and company size (by employment)

Large, mature, Lusaka-region, mining and manufacturing sector companies predominantly drive new employment for current and upcoming triennial periods.

Percentages

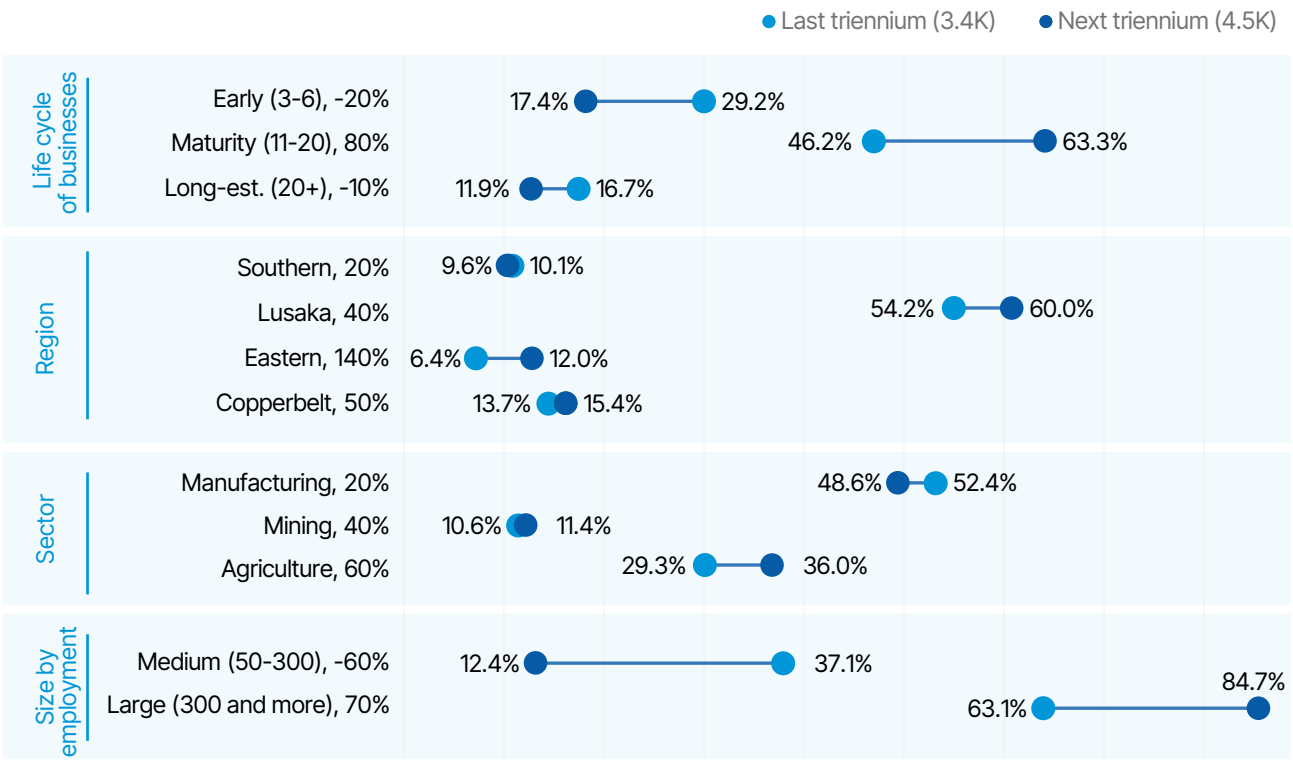


Figure reflects only firms that reported new employment creation for both past and expected future triennial periods. Groupings by lifecycle, region, sector, and employment size are limited to major subcategories for simplicity; shares may not sum to exactly 100% within each group. Values represent each subgroup's share of total new jobs created in the last (3,400 jobs) and next (4,500 jobs) triennia. Percent change labels indicate average firm-level change in reported job creation between the two periods.

Overall, Lusaka, large companies (300+ employees), and mature businesses (11–20 years) are emerging as the primary engines of new employment. Lusaka's substantial employment shares underscore its centrality as the region for job creation, while large companies continue to drive significant employment growth, benefiting from economies of scale and market access. Mature businesses, on the other hand, are sustaining and expanding employment, cementing their role in the economy. However, the decline in employment among medium-sized and early-stage companies, along with slowing growth in manufacturing, signals the need for targeted support. Promoting expansion in high-performing sectors like agriculture and mining, while stabilizing challenges in areas like manufacturing, will be essential for balanced economic development and sustained employment growth.

Output trends

Certain segments of the economy are driving output growth across all companies. For example, the overall growth rate of sales is projected to increase by 9 percentage points, rising from 50.55% in the last triennium to 59.55% in the next. To assess the broader economic impact, these changes were calculated at the company level and aggregated to represent the total additional output generated across all businesses during the respective periods. By converting these figures into percentage shares, the analysis reveals which business segments are experiencing acceleration or deceleration in growth.

In absolute terms, the total additional output generated across all companies is expected to increase by 83%, indicating that increased sales are only part of the story.

Figure 31 provides the percentage shares of additional output generated across various sub-groups categorized by size, sector, region and

business lifecycle over the past three years and projections for the next three years.

It shows that large companies (300+ employees) continue to be a major force in driving additional output, while medium-sized companies (50–300 employees) are projected to see a slight reduction in their share, although they showed a growth of 52% in absolute terms.

No sectors seem to be significant drivers of output growth or decline, with each exhibiting relatively modest improvements over time; their shares will therefore remain fairly stable.

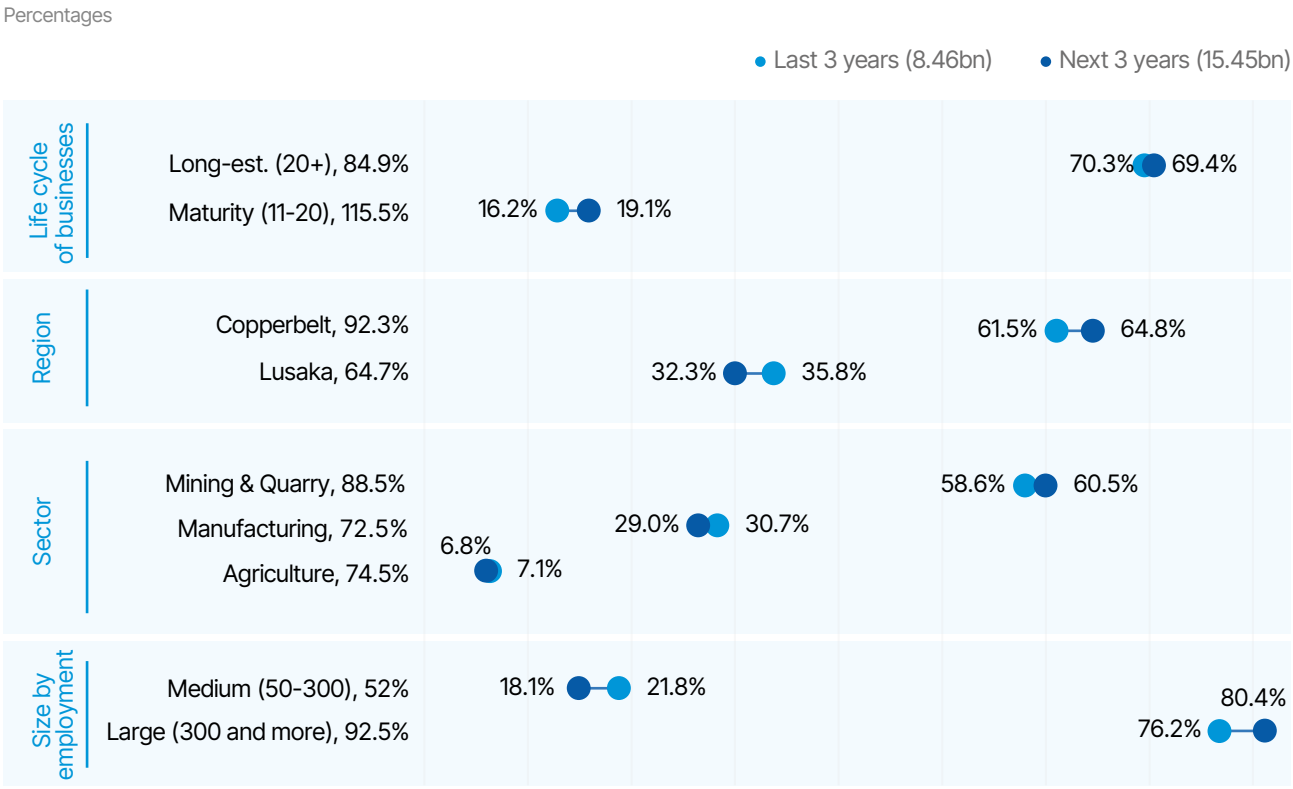
Among profiled firms, those in Lusaka are projected to see a slight decline in additional output, while those in the Copperbelt region show robust growth. This may indicate a slight redistribution of economic activity.

Less surprisingly, mature businesses (11–20 years) and long-established businesses (20+ years) among profiled firms are both expected to increase their share of output, highlighting their sustained prominence for the Zambian economy.

Monitoring re-investment, employment and output provides valuable insights, but their dynamics differ. Output is relatively stable, driven by capital and operational efficiency, while re-investment and employment are more volatile, reflecting short-term adjustments to market conditions and demand. Output often lags behind

Figure 31 | Comparison of additional output generated from last and next triennial periods by selected business profile categories

Output shares remain relatively stable across regions, sectors, and firm types over time.



Dumbbell bars reflect the share of total additional output reported by profiled firms for the last (ZMW 8.46 billion) and next (ZMW 15.45 billion) triennial periods. Values represent each group's share of total additional output in the respective periods. Percentage labels indicate the change in each group's contribution between periods. One outlier was excluded. Figure reflects only firms with valid output and group classification data; missing values excluded.

re-investment and employment, as it reflects the results of earlier decisions, particularly in capital-intensive sectors where changes occur incrementally.

Employment trends reveal sectors and regions with increasing labour demand, highlighting areas where job creation is robust or where skill development is needed. Fluctuations in re-investment signal business confidence and indicate where companies are allocating capital for expansion or scaling back. By analysing these shifts, agencies and policymakers can proactively identify emerging opportunities, tailor support to specific sectors or regions, and design targeted policies that promote job growth and sustainable economic development.

Trends in export revenue, import costs and local content

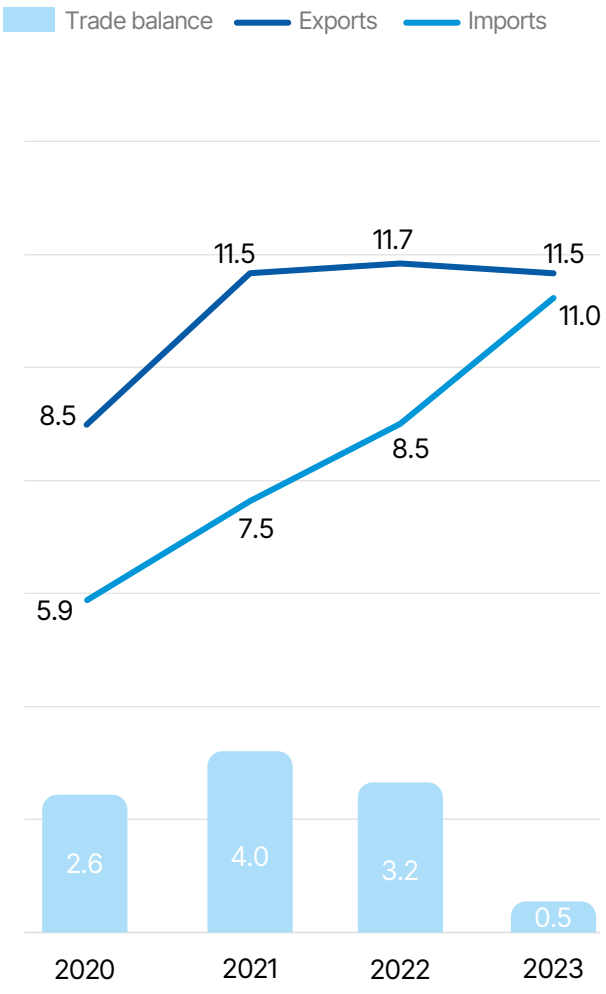
Zambia's trade performance from 2020 to 2023 showcases notable shifts in both exports and imports, setting the stage for a detailed analysis of firm-level dynamics. Updated data from the World Bank indicates that Zambia consistently maintained a trade surplus during this period, although fluctuations were observed [65]. In 2020, Zambia's exports totalled $8.47 billion, while imports reached $5.89 billion, leading to a trade surplus of $2.58 billion. This surplus rose to $4.03 billion in 2021 due to a significant increase in exports to $11.54 billion as shown in **Figure 32**. By 2023, the surplus had narrowed to $0.47 billion, as export growth slowed while imports continued to rise.

Local content helps in understanding Zambia's trade and economic strategies. It refers to using

Figure 32 | Zambia's foreign trade performance 2020–2023

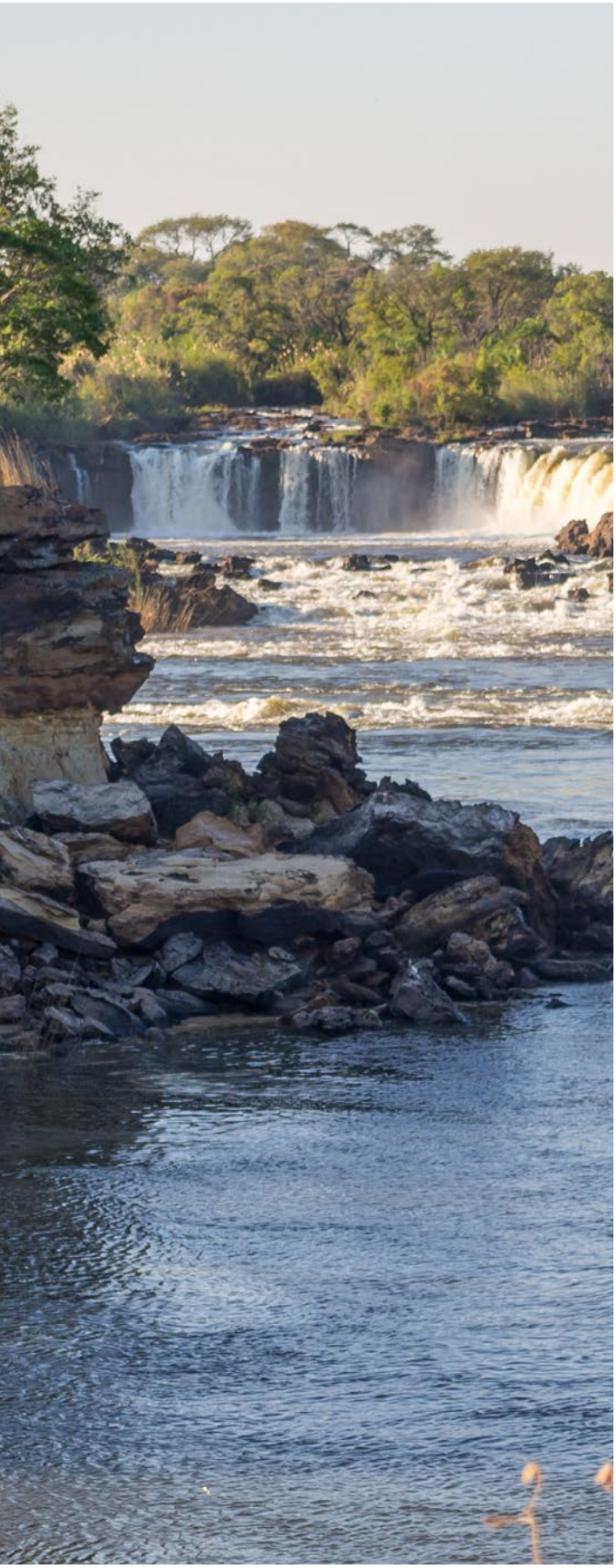
Zambia's trade surplus narrows significantly as imports rise faster than exports.

US$ billion, current prices



Trade balance figures reflect the difference between total exports and imports for each year. Source: World Bank (2024).

65 World Bank. (2024), Zambia - World Bank data. The World Bank. https://data.worldbank.org/country/zambia?view=chart. Accessed September 3, 2024.



domestic resources, businesses and labour in a country's supply chain. Zambia's National Local Content Strategy (2018–2022) [66], promoted the use of at least 35% local inputs across industries, but there have been challenges, particularly in sectors like mining, where adoption has been limited. This raises the importance of evaluating how local content impacts firm-level operations and overall economic outcomes.

Zambia's shrinking trade surplus suggests some risks for the country's external trade position. In 2022, exports had reached $11.72 billion but fell slightly to $11.48 billion in 2023, potentially due to changes in global markets or domestic production issues. Meanwhile, imports rose steadily, from $5.89 billion in 2020 to $11.01 billion in 2023, driven by greater demand for foreign goods and higher input costs. These broader trade shifts give context for understanding firm-level data, especially how companies handle export growth, import dependence and their financial conditions.

While national trade data provides a broad overview, the impact on specific sectors can vary widely. By using income generated from output as a measure, the analysis captures the economic impact more accurately. Because only percentage changes are available, the focus is on selecting the sectors that best represent total output, rather than estimating exact figures for exports, imports and local content.

For example, the manufacturing sector accounts for 43% of the total income in the sample and is expected to contribute 29% of the additional income over the next three years. This connection between output and export levels suggests that higher production often leads to greater export capacity. By focusing on income from output, the analysis offers a clearer understanding of how changes in production affect overall economic results.

66 Ministry of Commerce, Trade and Industry. (2018). National local content strategy 2018–2022. Republic of Zambia. https://www.mcti.gov.zm/wp-content/uploads/2024/01/National-Local-Content-Strategy.pdf

This approach ensures that the analysis represents a significant portion of the economy, covering 89.4% of the activities. Outliers were excluded to maintain an accurate picture, with smaller subgroups removed from the sample to avoid skewing the results.

Looking at specific business subgroups offers useful insights into trade patterns, investment opportunities and regional economic trends. The analysis tracks changes in export revenue, import costs and local content use over the past three years, while also projecting these for the next three years. These findings show varying performances across sectors and provide a fuller view of how businesses contribute to economic growth and income-generation.

Export

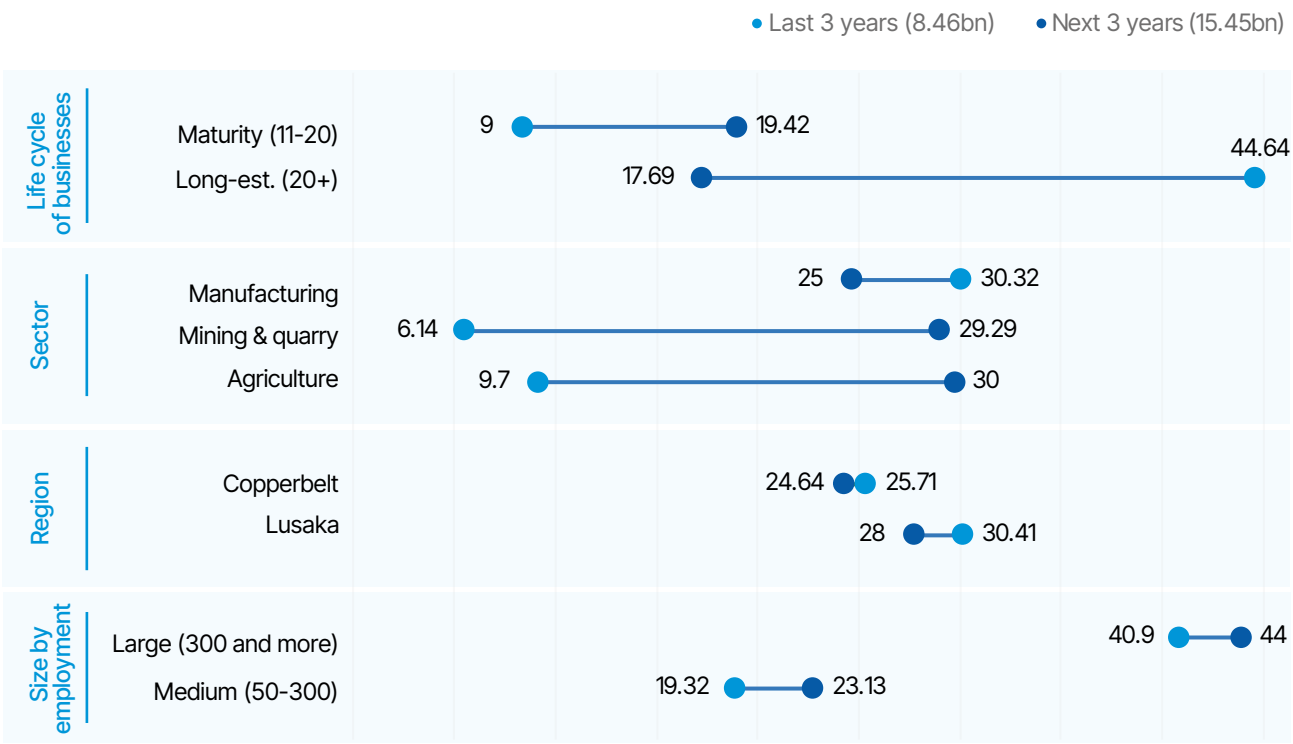
Zambia's export sector has shown notable shifts between 2020 and 2023, reflecting changes in global demand, commodity prices and the country's production capacity. In 2020, Zambia's merchandise exports amounted to approximately $7.92 billion, growing significantly to $11.66 billion by 2022 before declining to $9.65 billion in 2023. A large proportion of these exports comes from the ores and metals sector, which made up over 71% of merchandise exports in 2023, highlighting the country's reliance on copper and other mineral resources as drivers of export revenue.

While ores and metals dominate Zambia's export basket, there has been a gradual diversification. Manufactured goods exports increased from 10.17% in 2020 to 12.85% in 2023, showing progress in value-added sectors. Food exports also grew during this period, rising from 7.49% in 2020 to 10.61% in 2023, suggesting that the agricultural sector is expanding its contribution to foreign exchange earnings. However, Zambia remains dependent on a few export commodities, which exposes the economy to fluctuations in global prices and demand for these raw materials.

Although Zambia's medium and high-tech exports as a percentage of manufactured exports increased from 21.43% in 2020 to 28.80% in 2021 [66], most of Zambia's manufactured exports still fall below the medium-high-tech category. This suggests that much of Zambia's manufacturing activity is concentrated in low-tech and low-value-added sectors, which limits the country's ability to fully capitalize on global value chains that favour higher technology products. The decline in high-technology exports, from 1.36% to 0.86%, further reinforces this trend and shows that advanced high-tech goods remain a very small part of Zambia's export portfolio.

Figure 33 | Average change in export revenue from last and next triennial periods by selected business profile categories

Export growth is projected to accelerate across most business groups, except for long-established and manufacturing firms, which anticipate slower expansion.



Values reflect the average percentage change in export revenue by group for the last three years and the next three years, based on firm-reported growth estimates. No reference export values were collected; total output amounts (ZMW 8.46bn for last 3 years, ZMW 15.45bn for next 3 years) were used as a proxy baseline to associate export growth. Figure reflects only firms with valid export responses and defined business profile groups; missing values excluded.

Examining how macroeconomic trends manifest at the firm level offers additional context on Zambia's export sector. Among profiled enterprises, long-established businesses (20+ years) show a notable decrease in their share of reported export values, declining from 44.64% to 17.69%, a drop of 26.95 percentage points. This sharp reduction may signal underlying challenges but could also serve as an early warning for potential market shifts. In contrast, mature businesses (11–20 years) demonstrate growth, with export values rising from 9% to 19.42%, suggesting opportunities for mid-stage enterprises.

Zambia's export composition has been gradually diversifying. Ores and metals, while still dominant, declined in share from 78.8% in 2020 to 71.4% in 2023, offset by growth in manufactured exports (10.17% to 12.85%) and food exports (7.49% to 10.61%). These macro trends align with firm-level data: agriculture is projected to grow significantly, with firm-level exports increasing by 20.3 percentage points, while mining remains a strong contributor. Manufacturing, though still important, is expected to decline slightly, with its share of firm-level exports falling from 30.32% to 25%, indicating potential sectoral challenges.

Regionally, Lusaka and the Copperbelt show minor declines in export shares, falling by 2.41 and 1.07 percentage points, respectively. By enterprise size, medium-sized businesses are expected to

increase export values by 3.81 percentage points, while large enterprises are projected to grow steadily, reinforcing their role as key export contributors.

These findings emphasize the nuanced interplay of firm size, sector and region in Zambia's evolving export landscape, underscoring areas for deeper investigation and potential policy intervention.

Cost of imports

Zambia's import dynamics have seen significant shifts from 2020 to 2023, reflecting changes in domestic demand, input costs and economic conditions. The value of merchandise imports increased from $5.29 billion in 2020 to $9.32 billion in 2023, signalling a growing reliance on foreign goods to meet both consumer and industrial needs. Concurrently, imports of goods and services rose from $5.89 billion in 2020 to $11.01 billion by 2023, accounting for 39.11% of GDP in 2023, up from 32.49% in 2020. This substantial increase in imports highlights Zambia's growing integration into the global market, but also suggests potential vulnerabilities, particularly in terms of trade imbalances and foreign exchange pressures. For example, an imbalance between import growth and fluctuating export levels highlights potential pressures on Zambia's trade balance. In 2020, the country maintained a trade surplus, with exports exceeding imports by $2.63 billion. However, by 2023, the trade surplus had significantly reduced to just $0.33 billion, indicating that rising import costs and falling exports are narrowing Zambia's trade buffer.

Within Zambia's import composition, sectors have shown fluctuations. Food imports decreased slightly, from 8.71% of total merchandise imports in 2020 to 6.86% in 2023, indicating a potential shift towards greater self-sufficiency or reduced reliance on external food supplies. However, agricultural raw materials imports rose, peaking at 1.20% in 2022, before falling slightly in 2023, suggesting a continued need for imported inputs to support the local agriculture sector. The proportion of ores and metals imports fluctuated, rising from 3.88% in 2020 to 9.56% in 2022, then dropping to 5.66% in 2023.

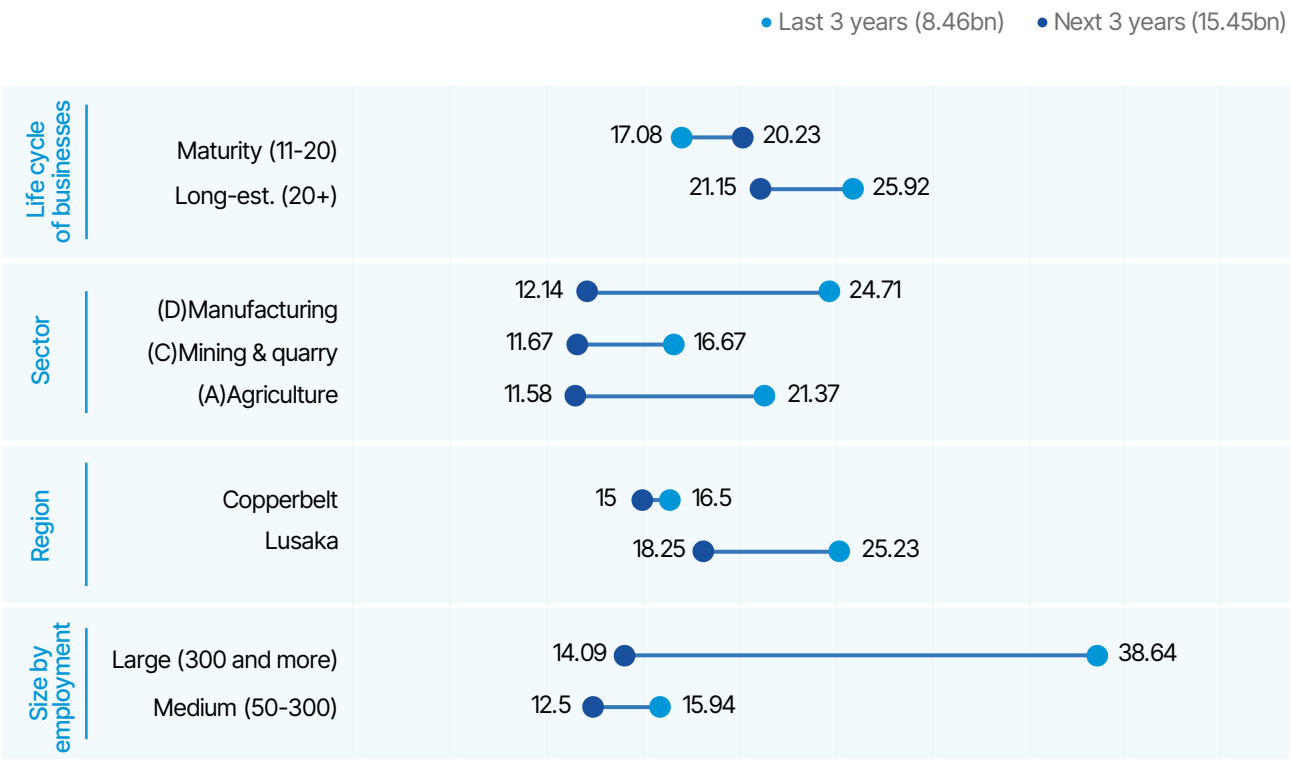
While export trends illustrate varying directions across different categories, the changes in import costs further reflect the evolving economic landscape. Analysing how these costs are shifting provides insight into the broader impacts on operational efficiencies and competitive positioning for businesses.

Figure 34 illustrates that import costs are projected to decline significantly across most categories, with large enterprises seeing the steepest reduction of 24.55 percentage points, from 38.64% to 14.09%. The agriculture sector follows with a drop of 9.79 percentage points, from 21.37% to 11.58%. Lusaka stands out regionally, with import costs expected to decrease by

Figure 34 | Change in import costs between consecutive triennial periods by selected business profile categories

Significant declines in import costs across selected business profile dimensions.

Percentages



6.98 percentage points, from 25.23% to 18.25%. Mining and manufacturing sectors are also set for notable reductions, with costs falling by 5 and 12.57 percentage points, respectively.

In contrast, medium-sized enterprises are expected to see a more modest decline of 3.44 percentage points, while long-established businesses (20+ years) may experience a 4.77 percentage point drop in costs. The Copperbelt region is forecasted to see the smallest reduction, with a decline of 1.5 percentage points. Notably, mature businesses (11–20 years) are an exception to the overall downward trend, as their import costs are expected to rise by 3.15 percentage points. While these trends point to greater cost efficiencies in several categories, the disparities, particularly for mature businesses and the Copperbelt, require further analysis to address underlying challenges.

Local content

Local content in Zambia broadly aims to increase the involvement of Zambian citizens and businesses in key economic sectors by emphasizing the use of local labour, goods, services and ownership. It also focuses on fostering technology transfer and skills

development. However, the absence of a precise, legally binding definition creates ambiguity, complicating the implementation of these policies across sectors. This lack of clarity affects businesses' ability to fully comply with local content requirements, highlighting the need for a standardized approach to effectively guide both policymakers and investors.

Historically, Zambia's local content policies trace back to the post-independence era, primarily driven by import substitution industrialization (ISI) strategies. These policies were aimed at reducing reliance on copper exports and fostering the development of domestic industries. Over time, these strategies have evolved, with the focus shifting towards promoting stronger linkages between foreign investments and the domestic economy. Although this evolution has brought improvements, the effective implementation of local content remains slow, especially in industries like mining, where local procurement and resource utilization are still limited [67].

To address the ongoing challenges, the Zambian government introduced the National Local Content Strategy (2018–2022). This strategy mandates that 35% of inputs and products used in the production of goods and services across the economy must be locally sourced. The aim is to enhance local participation by ensuring that a significant portion of the value chain benefits Zambian businesses.

However, sectors that fall below this threshold are given a two-year grace period to meet the target, while new companies are required to comply immediately. This flexibility indicates that the 35% target is not yet uniformly enforced, with implementation varying across sectors depending on their capacity to meet the requirement.

Despite the clear goals set by the National Local Content Strategy, several challenges have hindered its effective implementation. One of the main barriers is the lack of enforcement mechanisms, which allows some sectors to delay or avoid meeting the local content targets. Additionally, Zambia faces a shortage of skilled labour and inadequate technological capabilities among local firms, making it difficult for these businesses to compete with foreign counterparts or meet the required standards for local sourcing. This results in a delicate balancing act between attracting foreign investment and ensuring meaningful local participation in industries.

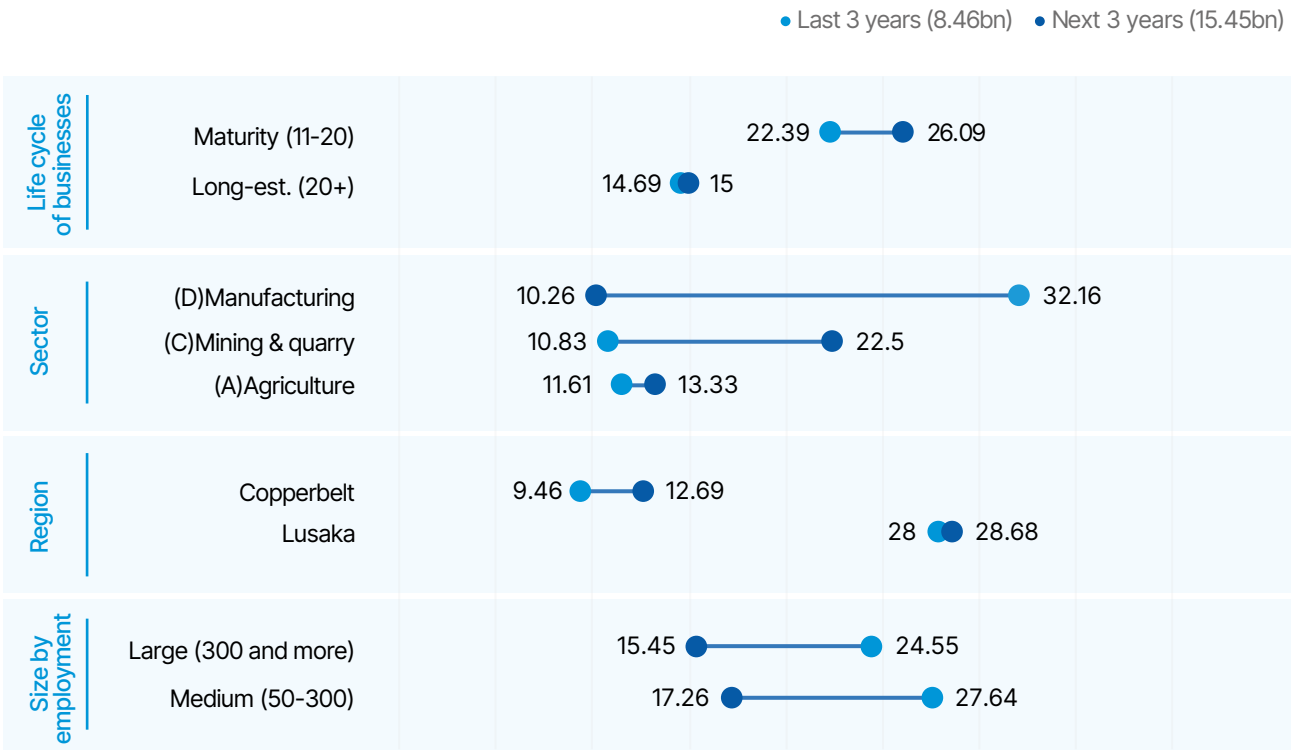
In this context, firm-level data provides valuable insights into how businesses are navigating these challenges. The data reflects how different types of businesses, depending on their size, maturity, and industry, are adjusting their local sourcing strategies. As businesses recover from the disruptions of the COVID-19 pandemic and respond to global shifts in supply chain dynamics,

67 Bowa, M., Pinifolo, J., & Soobramanien, T. Y. (2023). Local content policy as a tool for fostering structural transformation in Zambia. International Journal of Economics, Commerce and Management, 11(12).

Figure 35 | Change in local content between consecutive triennial periods by selected business profile categories

Mature businesses and the mining sector lead local content growth, while larger enterprises and the manufacturing sector experience slower growth.

Percentages



many are re-evaluating their procurement choices, weighing the benefits of local sourcing against lower import costs.

Figure 35 indicates that mature businesses and the mining sector are leading in local content growth, with mature firms increasing from 22.39% to 26.09%, and the mining sector rising significantly from 10.83% to 22.5%. In contrast, long-established businesses show minimal growth (14.69% to 15%), while the manufacturing sector faces a sharp decline in local content, dropping from 32.16% to 10.26%. Regionally, Lusaka and the Copperbelt are experiencing modest increases, with Lusaka rising slightly from 28% to 28.68% and Copperbelt from 9.46% to 12.69%. By enterprise size, both large and medium businesses are projected to reduce local content usage, with large enterprises decreasing from 24.55% to 15.45% and medium enterprises from 27.64% to 17.26%. These trends suggest that while certain sectors and regions are making gains in local content integration, challenges remain for larger enterprises and manufacturing firms.

In general, the trends are mixed, with both positive and negative developments in local content. For mature businesses and sectors like mining, the outlook is positive – they are increasing their reliance on local resources, which can enhance local supply chains and support domestic economies. However, the decline in

local content in the manufacturing sector and among larger enterprises signals a negative shift.

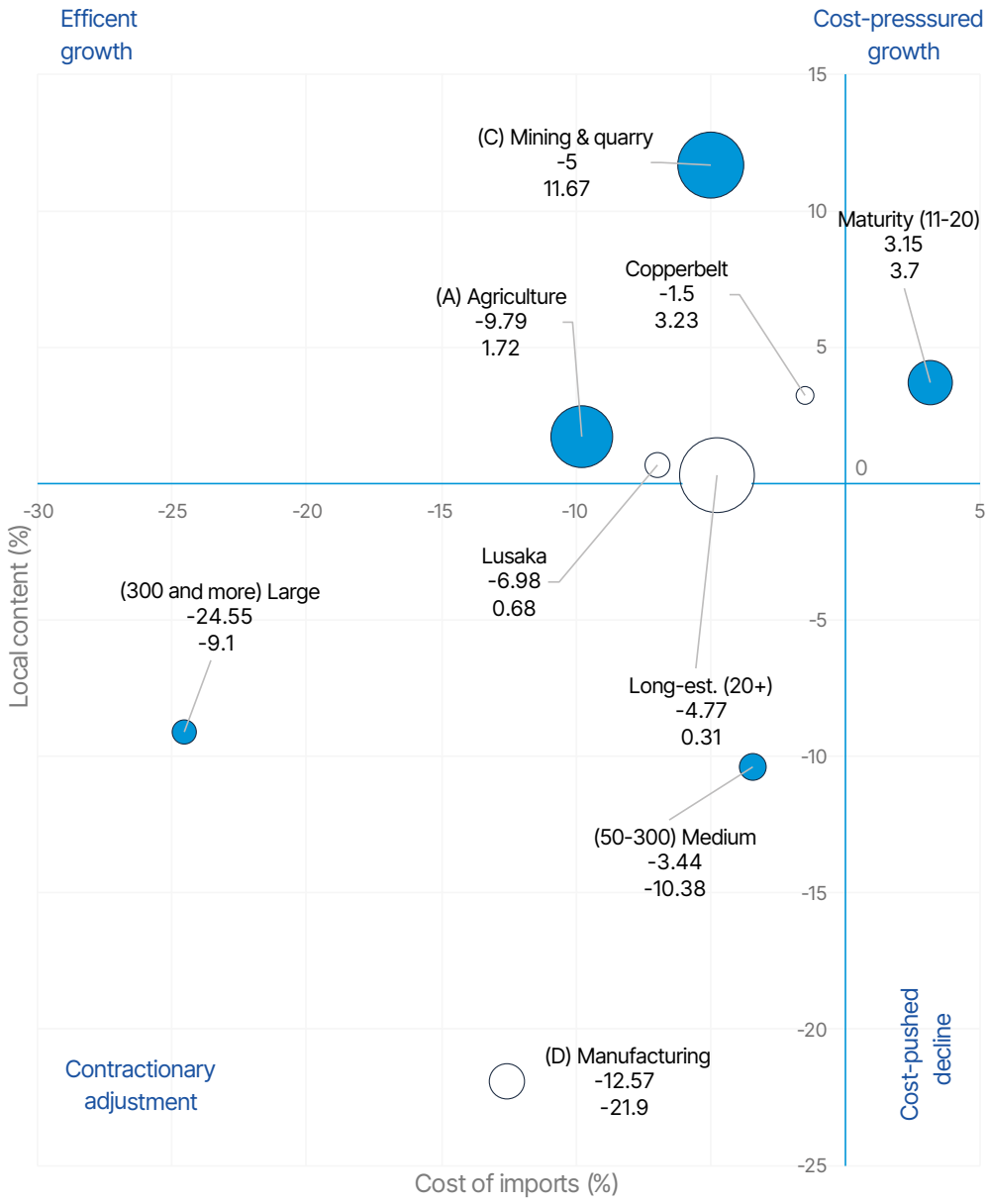
Comparative look at foreign trade and local content

As companies continue to integrate local content into their operations, it is important to examine how this trend interacts with broader economic factors, such as import costs and export growth. Understanding these dynamics can provide a more comprehensive view of the competitive landscape in Zambia. **Figure 36** examines the changes in import costs, local content and export percentages between the last and next triennial periods across various business dimensions. The chart visualizes these changes, where negative values indicate that a decelerated growth rate is expected, and positive values indicate an acceleration in growth compared to the previous three years. The x-axis represents the percentage change in import costs, while the y-axis represents the percentage change in local content. The size of the bubbles indicates the magnitude of the export growth rate, with green bubbles signifying acceleration and white circles indicating deceleration. The subcategories highlighted in **Figure 36** account for the largest share of the

Figure 36 | Changes in import costs, local content and export percentages between the last and next triennial periods by selected business profile categories

Mining and agriculture sector firms show efficient growth, while long-established and manufacturing enterprises face contractionary pressures.

Percentages



Bubble size reflects the relative magnitude of export change for each group. Dark bubbles indicate export growth acceleration; white bubbles reflect deceleration. Axes represent percentage change in cost of imports (x-axis) and local content share (y-axis) between the last and next three-year periods. Based on firm-reported projections; no monetary values collected. Figure includes only firms with valid group profiles and complete responses on all three indicators; missing values excluded.

growth observed among the profiled investors in total output, investment, and employment. Therefore, they provide a refined representation of the selected metrics, and changes in these categories have a substantial impact on the contribution to the local economy. However, this interpretation is provided with the understanding that there are limitations regarding the sample's representativeness.

The agriculture sector is projected to achieve the most significant improvements, with lower import costs, higher local content and substantial export growth. Similarly, the mining and quarrying sector is expected to benefit from reduced import costs, large increases in local content and strong export growth, indicating robust overall performance.

Large enterprises are likely to see substantial reductions in import costs, reflecting improved efficiency or trade conditions. Despite slower growth in local content usage, they are expected to maintain export growth. Medium-sized enterprises may experience moderate reductions in import costs and local content but show export growth, suggesting improved export capacity and competitiveness. In Lusaka, businesses are forecasted to see decreased import costs and a slight rise in local content, but export growth rates are expected to decline, highlighting potential challenges in export activities despite cost efficiencies. In contrast, the Copperbelt is projected to achieve a slight reduction in import costs and a notable increase in local content, although export growth is also expected to decline slightly. The manufacturing sector faces notable difficulties, with reductions in import costs and local content leading to slower export growth and reduced output. Long-established businesses are expected to lower import costs and increase local content slightly, but their export growth rates are projected to decline significantly, suggesting market or operational challenges. Mature businesses, meanwhile, are likely to encounter higher import costs but appear to be re-investing heavily relative to their sales.

In **Figure 36**, the quadrant-wise breakdown highlights key areas of growth and challenge among profiled enterprises, with agriculture, mining and larger enterprises performing strongly, while manufacturing and long-established businesses face more pronounced hurdles. Regional and sectoral differences among respondents further illustrate the diversity of economic trajectories within Zambia.

The four quadrants outlined in the analysis offer a strategic framework for assessing how local content and import costs interact within the economy. This can be useful for support institutions to devise targeted strategies to address wider economic challenges.

In the "Cost-Pressured Expansion" quadrant, both local content and import costs are accelerating. This reflects a scenario where domestic production is increasing, but this growth is accompanied by rising cost pressures from imports.

The “Efficient Growth” quadrant is characterized by an acceleration in local content while the cost of imports decelerates. This represents a favourable situation where domestic production is expanding and reducing dependence on costly imports.

In the “Contractionary Adjustment” quadrant, both local content and import costs are decelerating. This indicates either an overall economic contraction or a strategic shift towards more cost-effective production and sourcing.

Finally, the “Cost-Push Decline” quadrant presents a very challenging scenario, where local content is decelerating while the cost of imports is accelerating. This suggests a situation where domestic production is slowing down, possibly due to economic downturns or external shocks, while rising import costs further exacerbate economic challenges. This quadrant may also reflect an increasing dependency on imports due to an inability to sustain local production, combined with rising global prices. No companies were found in this quadrant, likely due to strategic adaptation or market exit, as businesses facing these pressures either left the market or adjusted their operations to improve efficiency and manage costs.

With significant re-investment and rising export growth, mature businesses in Zambia counterbalance the challenges faced by long-established firms. Despite overall reductions in import costs, outcomes vary across sectors and regions.

On impact trends

The previous sections provided a detailed analysis of the economic trends within the sample across various enterprise sizes, regions, sectors and phases of business maturity. A combined view of these projections reveals some patterns that shape the economic landscape.

Table 5 summarizes earlier figures for further interpretation, providing a comprehensive view of changes across various categories by highlighting accelerated and decelerated growth in various metrics.

Profiled large enterprises account for 76.2% of the total sales change observed in the IMSS data, reflecting their dominant role among surveyed firms. They are poised for moderate sales growth, substantial investments and increased employment, supported by reduced import costs. Their strategy of balancing operational efficiency with long-term re-investment reflects confidence in future market opportunities despite current deceleration in local content growth. Mining follows as a dominant force, contributing 15% to GDP and 71% to exports, with significant growth projected in output, exports, local content and re-investment. However, its capital-intensive nature limits employment growth, tempering its broader socioeconomic impact. Manufacturing – accounting for 9% of GDP – faces slower growth across sales, exports and employment, but shows recovery potential through re-investment, indicating efforts to regain competitiveness. Agriculture, while contributing only 3% to GDP, plays a critical role in rural livelihoods, employing 24% of the workforce. Despite slower sales and re-investment growth, its labour-intensive nature ensures its continued importance in job creation, supported by lower import costs. Finally, long-established businesses, representing 69.4% of

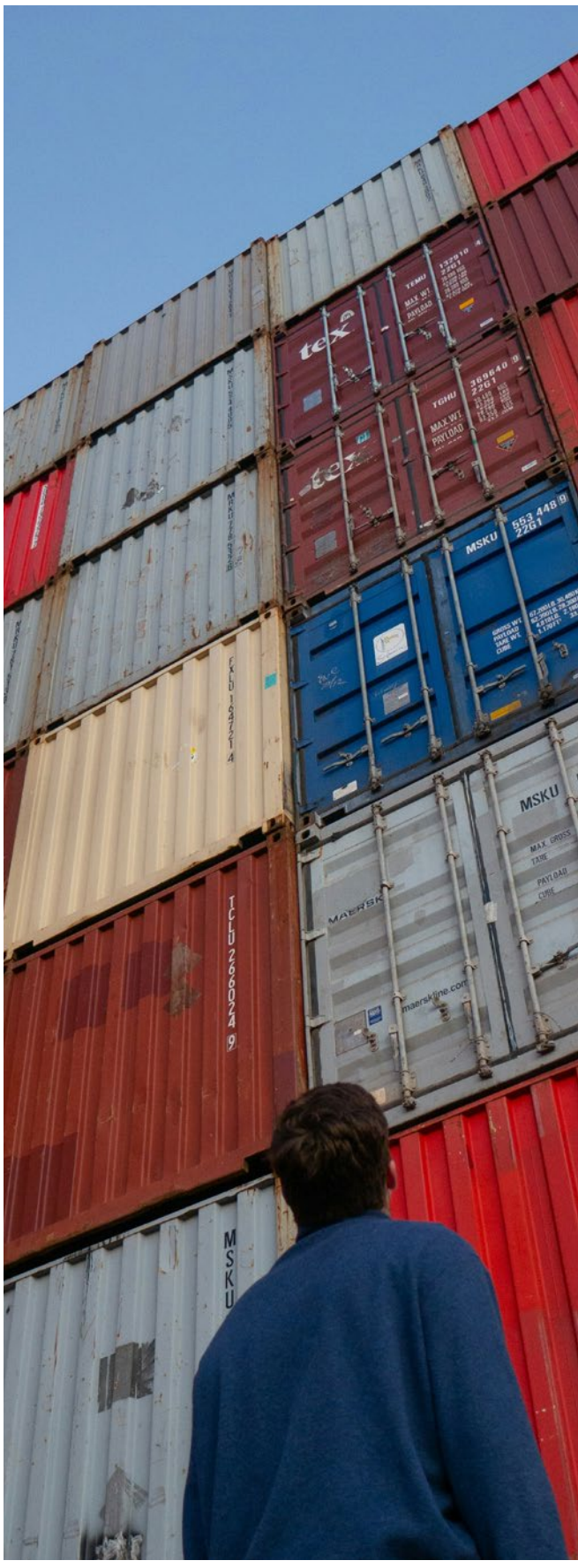


Table 5 | Summary of changes in sales, investment, employment, export, import costs and local content across various categories within the EPM-IMSS sample

Mining and Lusaka-based firms show robust growth, while long-established and manufacturing enterprises experience broad-based deceleration.

Percentage, Growth trends

Category	Sub-category	% of total change in sales	Sales*	Additional investment*	Additional employment*	Export†	Cost of imports†	Local content†
Size by employment	Large (300 and more)	76.2%	+	+++	+++	+	---	--
	Medium (50-300)	21.8%	-	---	---	+	-	---
Sector	Agriculture	7.1%	-	---	++	+++	--	+
	Manufacturing	30.7%	-	++	-	--	---	---
	Mining & quarry	58.6%	+	++	+	+++	--	+++
Region	Lusaka	35.8%	-	+++	++	-	--	+
	Copperbelt	61.5%	+	---	+	-	-	+
Business life cycle	Maturity stage (11-20)	16.2%	+	--	+++	+++	+	+
	Long-established (20+)	69.4%	+	++	-	---	-	+

*Change of share of sub-category in total group: For example, large and medium businesses constitute 98% of the total sales increase. The share of large businesses is projected to increase by 0-5% (+), while the share of medium businesses is projected to decrease (-).

† Share of each sub-category in total sales change is shown in the second column.
Results reflect percentage change only. Based on valid responses from firms with complete indicator data.

The growth rate symbols (-,+): 0 to |5%| is noted as (-) or (+); >5% or <–5% is noted as (--) or (++); >10% or <–10% is noted as (---) or (+++).

the additional output, show slight sales and investment growth but face reductions in employment and export growth.

Despite the limitations in scope and sample size, this pilot survey provides early and valuable insights into Zambia's economic trends, sector performance and business dynamics. It validates initial assumptions, highlights areas of concern and opportunity, and serves as a foundation for larger studies or policy actions. Even at this preliminary stage, the survey findings help refine strategic decisions and guide future research and planning.

Comparative investment trends and outlook metrics

The impact metrics reveal notable differences across categories; however, caution is necessary when interpreting these results. Companies in all groups have engaged in substantial re-investment over the past three years, which has contributed to their overall growth. Although some metrics show slowed growth, this reflects strategic shifts rather than a downturn. On balance, the metrics remain positive, indicating continued potential for growth and stability. While growth rates have decreased for certain indicators, all metrics still reflect a positive outlook, suggesting long-term growth and stability. Despite the differences in expectations across categories, overall performance remains promising, particularly in sub-categories that account for most economic contributions from the sampled companies.

This trend is further illustrated by the companies' regrouping based on their re-investment strategies. While all firms continue to re-invest, some are accelerating their growth rate, while others are slowing down for the upcoming triennium compared to the previous one.

Analysing investment trends among the sampled companies reveals a clear distinction between those increasing investments and those scaling back. As shown in **Figure 16**, 29 companies plan to invest more in the upcoming triennium compared to the last, while 39 companies are reducing their re-investment rates, though they are still investing.

Although the decelerated investment group has reduced its overall contribution by nearly 50%, it has pledged a significant $504.8 million, surpassing the $377.4 million committed by the accelerated group. This demonstrates that even with slower growth, the decelerated group continues to play an influential role in the broader investment landscape.

Key points:

Re-investment trends:

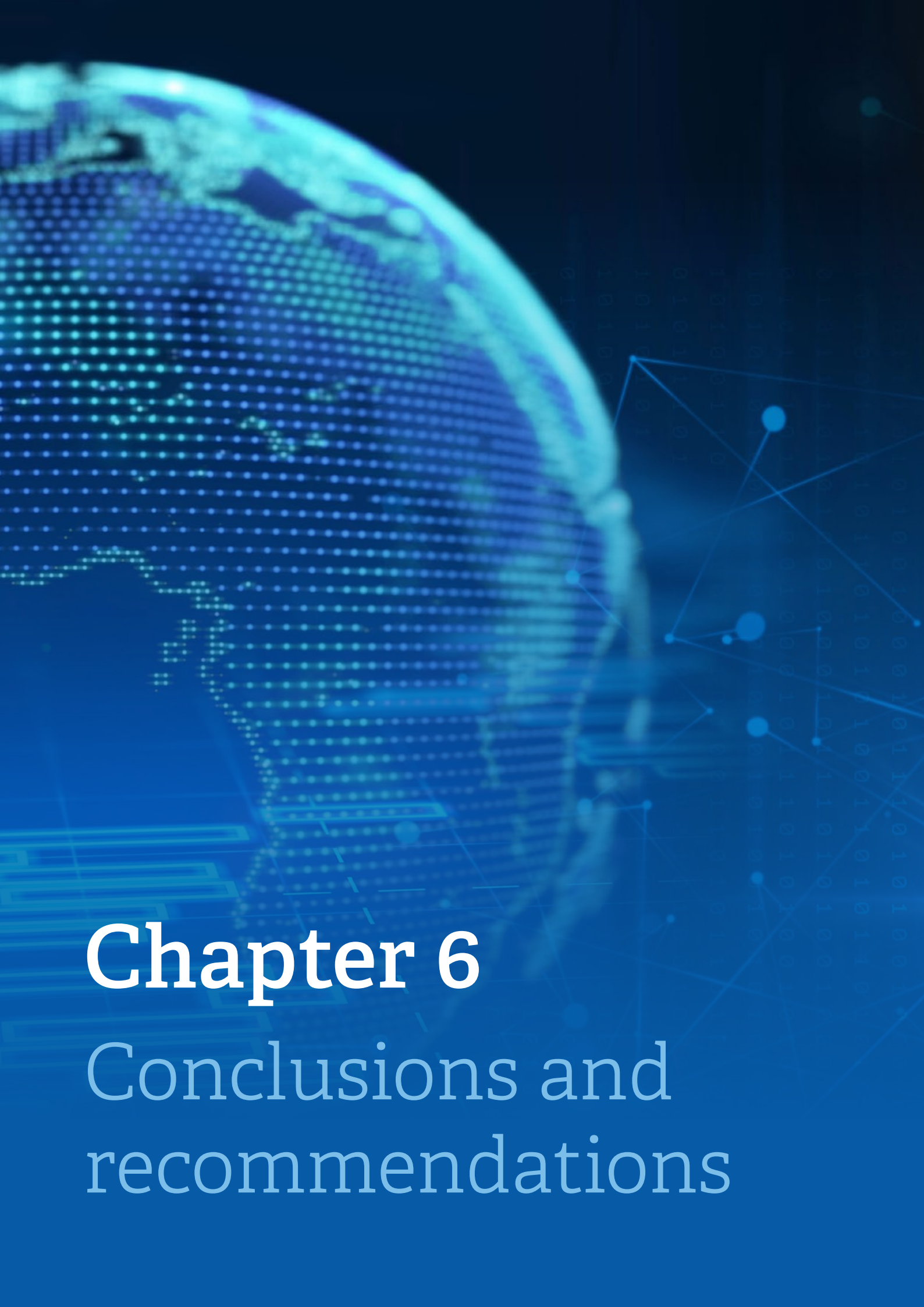
Larger companies' propensity to re-invest, particularly within the mining sector, contrasts sharply with the declining re-investment rates observed in early-stage and medium-sized businesses as well as the agriculture sector.

Impact on employment and income:

Larger companies and mature businesses form the backbone of employment and economic output, with Lusaka serving as one of the employment hubs, while the mining sector continues to drive economic growth despite minor setbacks in manufacturing.

Export revenue, import costs and local content:

Export growth in mature businesses and sectors like agriculture and mining stands in stark contrast to the manufacturing sector's struggles, with decreasing import costs enhancing competitiveness, especially for large businesses and the mining sector.



Chapter 6
Conclusions and recommendations

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The UNIDO ACP (Africa, Caribbean and Pacific) Business Friendly Programme Meso-level pillar supports the ZDA in strengthening its capacity to promote investment and align its economic development activities with national development vision and priorities. This chapter aims to present, the main conclusions drawn from the IMSS. Linking these observations with other insights emanating from the joint UNIDO and ZDA work undertaken under the Meso-level pillar, the aim of this chapter is to present a list of recommendations on how the main outcomes to date can be further developed to strengthen ZDA's investment promotion strategies, investor relations, and monitoring and evaluation systems.

Recommendations serve to offer insights into how ZDA can build on the progress made through the programme's focus on investment intelligence and data-driven decision-making. The survey results underline important areas for improvement, including data integration, key performance indicator (KPI) monitoring, and strategic investor engagement, which remain critical for ZDA's continued work in supporting both institutional goals and national development plans. By addressing these findings, ZDA can also enhance its role in investment facilitation, helping to improve Zambia's investment climate and economic performance. The observations also identify opportunities for refining sector-specific strategies and investor aftercare services, enabling ZDA to better align its efforts with national priorities and contribute to Zambia's economic development vision.

Main results from the survey

The following sections present key observations drawn from the survey report and programme implementation, highlighting critical aspects of business environment, investment retention, sector-specific trends and institutional set-up. These observations are closely linked to the broader objectives of fostering sustainable economic growth and improving

investment conditions. By examining business outlook, segment-specific behaviours and investment support needs, the report seeks to offer a clear understanding of the current landscape, while also identifying emerging challenges.

The overlapping categories of business outlook, investment retention, business segment behaviours and investment support are not only deliberate but necessary, as these areas are deeply interconnected and mutually reinforcing. Observing and analysing these topics offers a more comprehensive understanding of the dynamics shaping Zambia's investment environment. These categories reflect the reality that business growth, investment strategies, and investor needs are closely interlinked, influencing each other across sectors, company sizes and regions. By organizing observations around these key themes, the report emphasizes the integrated nature of the challenges and opportunities faced by businesses in Zambia.

Business outlook

Positive indicators: Results from the Survey present an optimistic business outlook, supported by key metrics. 68% of companies plan to expand operations over the next three years, with none intending to downsize or relocate. Innovation is a priority, with 47% aiming to introduce new products and 60% planning to upgrade existing offerings. 92% of businesses prioritize enhancing operational efficiency, reflecting a strategic focus on cost management. Despite a projected decline in overall re-investment value, large and micro-enterprises show stability, with the manufacturing sector's re-investment share expected to grow from 11.26% to 20.31% and mining from 47.08% to 54.4%. Positive outlook indicators include a rise in demand and profit margins, alongside improved access to finance.

Emerging challenges: Results outline several emerging challenges impacting businesses. A key concern is the projected deceleration in total re-investment from ZMW 26.46 billion to ZMW 18.54 billion, particularly among SMEs, which could signal reduced domestic investor confidence. Sectoral shifts show the manufacturing sector facing slower growth in sales, exports and employment, despite an expected rise in re-investment. Export performance remains uneven, with manufacturing expected to see a decline in revenue growth, while agriculture and mining show more positive trends. Challenges in adopting local content persist, due to weak enforcement and capacity limitations in local firms. Regional disparities are evident, with Lusaka attracting the bulk of investment, leaving other

regions with limited economic development due to infrastructure gaps and higher operating costs.

Segment-specific outlook: Survey results provide a detailed differentiation of business segments, highlighting variations in outlook, strategic plans and performance across sectors, company sizes and regions. For example, it indicates potential "jobless growth", where productivity gains in mature and early-stage businesses do not translate into employment growth, posing risks to social stability and job creation efforts. Manufacturing and agriculture, vital for economic diversification, suggest declines in re-investment, sales and exports, signalling structural challenges, while the mining sector remains resilient but heightens dependency risks. Regionally, Lusaka continues to dominate investment, but the Copperbelt's rising output offers hope for a more balanced economy, though infrastructure and investment gaps in other regions may exacerbate disparities if not addressed. These trends suggest the need for targeted interventions to ensure inclusive, sustainable growth across the territory.

Investment retention

Determinants: The report highlights an expected 30% deceleration in re-investment, with SMEs facing the largest reductions, while manufacturing shows slowing growth despite increasing re-investment, and mining and quarrying continue to attract significant investment. Regional disparities persist, with Lusaka and Copperbelt receiving the most attention, while other regions struggle to attract investment. Economic stability is rated the most critical factor for investment retention, with an average score of 8.8 out of 10 among businesses, reflecting its importance in long-term investment decisions. Similarly, 7.5 out of 10 firms emphasize the need for access to skilled labour, reinforcing that a well-trained workforce is vital for driving productivity and growth. Innovation remains a key priority, with 60% of companies planning to invest in R&D to upgrade their products and services, demonstrating a focus on maintaining competitiveness. Additionally, 61% of investors are prioritizing strategic assets, such as machinery and equipment, signalling a shift towards tangible investments that enhance operational efficiency. However, investment in intangible assets, like research and patents, is still low at 14%, presenting a clear opportunity for companies to expand their innovation potential.

Investor concerns: Investors frequently raise concerns about tax exemptions, securing licences and navigating regulatory frameworks, which account for 41.76% of inquiries. While these procedural issues need resolution, they should not dominate ZDA's focus, as addressing them alone will not drive long-term growth. Instead, ZDA should prioritize operational and strategic aftercare to facilitate business expansions and re-investments. This involves tackling more productive areas like improving infrastructure, addressing skills shortages and helping investors build local partnerships to strengthen value chains. By providing strategic support in areas such as workforce development, raw material access and long-term planning, ZDA can effectively foster business expansion, innovation and competitiveness in Zambia. The goal is to remove growth barriers and create a supportive environment for re-investment, ensuring sustained investor confidence in the Zambian market.

Understanding business segment behaviours

Re-investment trends: Larger and more established businesses, particularly in mining and manufacturing, are driving re-investment due to their capital strength and market stability, positioning them for growth. Lusaka continues to attract the majority of re-investment, highlighting regional disparities as other areas lag. Mature businesses are key re-investment and employment drivers, leveraging stable outputs and efficient operations after overcoming early challenges. However, there are mixed trends in local content and export growth, with sectors like mining increasing local content usage while manufacturing experiences declines and struggles with global competitiveness.

Output disparities: Large enterprises and mature businesses are the primary drivers of output growth, benefiting from past investments in capital and

operational efficiency. Despite re-investment declines, sectors like mining and quarrying continue to increase their output share, supported by global demand and efficient operations. While Lusaka remains a dominant economic hub, regions like Copperbelt are projected to expand their output share, reflecting shifting regional dynamics driven by infrastructure development. The report also notes that output trends often lag investment decisions, with current output increases stemming from earlier re-investments.

Employment positions: Large companies are the main drivers of job creation, with their share of new employment projected to rise from 63.1% to 84.7% between trienniums, reflecting their operational scale and resilience. Agriculture is also set for significant employment growth, increasing its share from 29.3% to 36.0%, supported by food security needs and government backing, while manufacturing faces slower growth due to challenges like competition and limited finance. Although Lusaka remains a key employment hub, other regions are emerging as job creators, driven by infrastructure and resource access. Mature businesses are expected to expand hiring, with their employment share rising from 46.2% to 63.3%, as they leverage their established market positions.

Export performance: Mature businesses and sectors like agriculture and mining show positive export growth, capitalizing on global market opportunities and Zambia's resource wealth, aiding in export diversification. In contrast, long-established businesses face a decline in export growth. Lusaka and Copperbelt, traditionally strong in exports, are expected to see slight declines. Import cost growth is slowing across most segments, reflecting operational efficiencies and increased local sourcing. However, trends in local content integration are mixed, with mature businesses increasing usage, while manufacturing and large enterprises see declines due to cost and supply chain issues.

Local content integration: The integration of local content in Zambia varies across business segments, with some progress and notable challenges. While the goal, referring to the *National Local Content Strategy 2018-2022*, is to reach 35% local content across industries, the actual uptake differs by business life cycle, sector and size. Mature businesses show an increase in local content, while for manufacturing this is expected to decline sharply, from 32.16% to 10.26%. Agriculture and mining are seeing positive trends, with mining projected to rise from 10.83% to 22.5%. Regionally, Lusaka and the Copperbelt show slight growth, with the latter benefiting from mining activities. However, medium and large enterprises are expected to reduce their local content use, signalling a need for more tailored support to address challenges faced in adopting broader local sourcing practices among enterprises.

Investment support

Immediate concerns: Investors in Zambia predominantly raise concerns about administrative and financial support, including issues related to tax exemptions, licences, access to information and business development support, highlighting the need for efficient regulatory processes. The ZDA addresses these through a broad range of services such as regulatory guidance, networking opportunities, project management and policy advocacy. The implementation of the digital solutions for aftercare has potential to enhance service delivery, allowing for real-time tracking of inquiries and data-driven decision-making. Additionally, the ZDA effectively resolves routine inquiries, showcasing proficiency in handling low-complexity investor concerns.

Service segmentation: Results from the Survey highlight the importance of segmented investment support services, recognizing that businesses have varying needs based on size, sector, development stage and location. The ZDA's commitment to tailoring support reflects an understanding that a "one-size-fits-all" approach is inadequate. By leveraging regular data on investors aspirations and issues regarding to their investment, the ZDA can identify distinct needs and offer more targeted assistance. The agency categorizes investor inquiries into areas like regulatory guidance, networking events, and project management support, ensuring more efficient resource allocation. Additionally, the ZDA tailors services based on a company's life cycle stage, offering mentorship to startups or expansion support to mature firms.

These findings underscore the importance of understanding the foundational obstacles to investment and ensuring that investment support services, particularly aftercare, are equipped to adapt to shifting trends. By focusing on these long-term patterns, rather than isolated incidents, the solutions can remain flexible and data-driven, addressing evolving dimensions while still tackling core issues.

Key challenges

The results from this pilot survey highlight recurring themes that are likely to re-emerge in future surveys and data-collection efforts, even though specific metrics or dimensions of these challenges may evolve over time. While certain issues have been identified in this pilot, it is even more critical to recognize the broader, systemic barriers that require sustained attention and strategic responses. These findings underscore the importance of understanding the obstacles to investment retention, thereby ensuring that investment support services, particularly aftercare, are equipped to adapt to shifting trends.

Structural changes

While the pilot survey shows resilience in certain sectors, it also points to long-term structural challenges, including limited value chain integration and the use of outdated technologies. These challenges are not restricted to any one sector, and unless targeted interventions are introduced, they are likely to persist across industries.

The pilot survey reveals varying trends across different business segments, highlighting the importance of monitoring segment behaviour from a structural change perspective. This monitoring is crucial as it tracks disparities in key metrics like re-investment, output and employment across sectors and regions, while also identifying shifts in export performance and local content integration among different business types. It highlights the evolving roles of mature businesses, large enterprises and specific sectors like mining and agriculture, as well as assessing the impact of regional dynamics and infrastructure development on economic activities. By closely observing these behaviours, policymakers and stakeholders can better guide targeted interventions and policies to support positive structural changes across industries, ensuring a more balanced and sustainable economic development.

Local content and integration

Efforts to increase local content integration have consistently faced obstacles, such as capacity gaps and weak linkages between foreign and domestic firms. The survey's findings underscore the need for policies

that go beyond basic enforcement, placing greater emphasis on capacity-building and the facilitation of partnerships. These local content challenges are systemic and will require ongoing attention, particularly through data-driven adjustments to policies. Identifying trends in local content participation will help ensure that national strategies are implemented more effectively, supporting deeper integration of local businesses into global value chains.

Investment retention and maximizing local benefits

The balance between attracting FDI and ensuring that it contributes meaningfully to local economic development remains a critical challenge. The pilot survey reinforces the importance of FDI in creating jobs, facilitating skills transfer and fostering business linkages. Moving forward, it will be crucial to continually assess the effectiveness of foreign investments in integrating into the local economy.

Resources and capacity gaps

Institutions like the ZDA often struggle to provide effective investment support and aftercare due to resource constraints. This challenge is unlikely to disappear without a concerted effort to build institutional capacity, improve strategic focus, stakeholder coordination, improve data-collection processes and enhance digital infrastructure. Addressing these internal gaps will require regular assessment and targeted capacity-building initiatives, which are essential for sustaining effective investment support services.

Recommendations

Drawing on the survey results and indications therefrom, it is worthwhile to place these in the broader context of the UNIDO advisory support provided to ZDA during the ACP Business Friendly programme implementation. Such support placed emphasis on process improvement, especially in terms of IMSS.

Recommendations presented hereunder are therefore based on results of the survey as well as emphasis on the identified needs and initial actions undertaken to strengthen ZDAs investment facilitation and retention support.

It is to be emphasized that ZDA faces several resource-related challenges, as outlined in its strategic documents and further observed during project implementation. Financial constraints and reliance on external funding, combined with inadequate staffing and skills gaps in critical areas like data analytics, limit the agency's capacity to fully execute its investment facilitation and promotion mandate, more specifically when it comes to the gathering and utilizing FDI intelligence [68]. Throughout project implementation, UNIDO has provided extensive capacity-building support [69] with the aim to reduce the skill gaps in digital systems and data utilization, which have affected the effective use of data beyond reporting and monitoring and evaluation (M&E) functions, limiting ZDA's ability to leverage data for strategic decision-making. Strengthening KPI monitoring mechanisms would improve strategic alignment and enhance ZDA's ability to track performance against targets, ensuring the agency remains focused on its long-term goals. To address these gaps, UNIDO, through the ACP Business Friendly programme, has provided dedicated technical assistance with digital tools.

While some of the recommendations overlap with existing strategic documents, repeating them here is still valuable, especially since the agency has already been implementing some of them [70]. Restating these recommendations reinforces their significance, ensures strategic alignment and helps track progress. The successful execution of these recommendations would not only strengthen the agency's capacity by improving internal resources, expertise and processes but also ensure more effective implementation of the prioritized areas, as guided by the survey findings and the agency's mandate. This alignment guarantees that the agency's efforts are focused on addressing the most pressing needs, leading to more impactful and measurable outcomes.

68 In turn, outdated tools and infrastructure, such as information and communication technology (ICT) systems and office resources, have been identified as weaknesses, impacting operational efficiency.

69 As part of the data collection and analysis, 48 technical meetings and trainings have been conducted since the project's inception, with 132 staff members participating, 74 (56%) of whom were women. Additionally, under the investment promotion strategy development in 2024, 11 sessions were held, reaching 48 participants, half of whom were women. These efforts represent a significant step towards enhancing ZDA's digital capacity, equipping staff with the necessary skills to improve data utilization, strengthen KPI tracking, and enhance overall operational efficiency.

70 Resource allocation and capacity-building align with Zambia's development priorities and the SDGs. Prioritizing sectors like agriculture, mining, and tourism supports the 8NDP's focus on economic transformation and job creation; while targeting SDG goals such as infrastructure development (SDG 9) and decent work (SDG 8) ensures sustainable growth. Strengthening decentralization requires funding for local governments and capacity-building to improve grass roots decision-making. Governance and coordination recommendations align with Vision 2030 and SDG 16 by promoting transparency, accountability, and strong institutions. Effective coordination supports SDG goals like poverty reduction (SDG 1) and economic growth (SDG 8). Additionally, digitalization improves governance, competitiveness, and public service delivery, enhancing transparency (SDG 16) and innovation (SDG 9) as Zambia works towards becoming a middle-income nation.

Recommendation 1:

Strengthen investment support and aftercare services to enhance investor retention and foster sustainable growth

ZDA should continue to strengthen its aftercare services and leverage digital tools to boost investor retention and promote sustainable growth. By adopting a lifecycle approach, ZDA can provide continuous, tailored support from initial inquiry to re-investment or expansion fulfilling its role as the primary investment facilitation entity in the country. Specialized aftercare units, organized by sector, region or company size, would go a long way to offer targeted assistance to meet diverse investor needs.

ZDA should adopt a lifecycle approach to investment support, moving from a transactional model to a long-term partnership with investors. Tailored services should be provided from initial inquiry through expansion or re-investment, with specialized aftercare programmes for businesses at various growth stages. Establish dedicated aftercare units, structured by sector, region or company size, should be formed with the aim to deliver targeted investor support. ZDA should proactively address investor challenges by monitoring industry trends and conducting regular surveys (e.g., IMSS and EPM) to understand investor needs and engage with financial institutions to provide solutions.

To foster sustainable growth, aftercare services should focus on deepening local economic integration, encouraging re-investment and connecting investors with local suppliers and businesses. Local content creation and partnerships can be supported through matchmaking events. Digital tools, through online portals and regular digital communication, should be leveraged to enhance aftercare delivery. Effective investor communication and feedback mechanisms should be used, including hotlines, feedback forms and forums. Regular data analysis and industry trend monitoring will enable ZDA to tailor support to investor needs and local opportunities. By tracking key metrics, ZDA can continuously improve aftercare services and ensure that investments contribute to long-term economic development. In its role as facilitator, ZDA must work closely with other service providers and stakeholders to streamline processes and reduce bureaucratic hurdles, ensuring efficient service delivery across the investment lifecycle.

Recommendation 2:

Prioritize and accelerate digital transformation efforts to improve operational efficiency, service delivery and data-driven decision-making

ZDA should prioritize digital transformation to enhance operational efficiency, service delivery and data-driven decision-making. Such process would serve to support the effective implementation of a re-calibrated organizational mandate, enabling real-time monitoring of local content, sectoral shifts and regional disparities, all while ensuring alignment with national development goals. Streamlined operations and improved investor relations will make Zambia more attractive for investment, while digital tools will help ZDA focus on high-impact sectors and regional development.

A Digital Transformation Road Map for ZDA should outline clear goals and strategies. Such road map should include specific tools such as a customer relationship management (CRM) system for managing investor interactions and project tracking, as well as online portals for investment registration, permits and incentives. These systems will enhance transparency, streamline processes and ensure data-driven policy decisions.

To maintain sustainable data flows, ZDA must invest in systems that gather and analyse data from various sources like IMSS and EPM surveys. Such data would go a long way to continue to support strategic planning and ensure that stakeholder efforts are aligned with national objectives. Cybersecurity is essential to protect sensitive data, with robust data protection policies and regular security audits safeguarding the integrity of ZDA's operations.

Most crucially, building a digital-savvy workforce is critical, ZDA should train staff in data analysis, cybersecurity and digital tools to fully leverage the benefits of the transformation. Additionally, using business use cases will help ZDA make strategic decisions and address regional disparities, ensuring that resources are allocated effectively to support the refined mandate.

Recommendation 3:

Strengthen ZDAs role in Zambia's existing and emerging Inter-Agency Coordination and delivery mechanisms

ZDA's role in existing and emerging inter-agency coordination and delivery mechanisms, such as the Public Private Dialogue Forum (PPDF) and the Presidential Delivery Unit (PDU) should be enhanced and strengthened. ZDA plays a potential central role that influences and drives policy action and implementation across different stakeholders and tenable to investment mobilization. While ZDA may not be the sole solution provider for all the challenges leading to investment imbalances, the agency has the ability to act as a facilitator and implementor in aligning the efforts of government, the private sector and local stakeholders.

ZDA's role to drive a revamped 'whole of government' approach towards more and better investment facilitation in the country, starts with establishing a clear mandate and objectives for the coordination mechanism, aligning it with the national strategic objectives. Investment mobilization remains crucial to the delivery of the nine (9) priority areas identified by the PDU and under pin the objectives of the eighth National Development Plan. Through this collaborative and coordinated approach, ZDA will not only drive investment promotion more effectively but also ensure that all strategies are cohesive, data-driven and fully aligned with national and global objectives, advancing Zambia's long-term goals for sustainable economic development, poverty reduction and inclusive growth.

In this context, further collaborating with international institutions is crucial for addressing thematic issues that contribute to national development objectives because these organizations bring valuable expertise, funding and best practices that can enhance domestic capacity. International institutions also provide access to specialized knowledge, technical assistance and innovative solutions tailored to address complex challenges such as infrastructure development, sustainable agriculture or industrial growth, of large-scale projects. Furthermore, international partnerships ensure alignment with global standards and practices, improving Zambia's competitiveness in attracting and retaining foreign investment. Collaboration fosters knowledge transfer, capacity-building and policy development, equipping local institutions to manage programmes more effectively. This cooperation also strengthens Zambia's ability to achieve its long-term national development goals, such as poverty reduction, inclusive growth and sustainable economic development, by integrating regional and global initiatives into national strategies.

Recommendation 4:

Review and strengthen ZDA's mandate and advocate for increased budget allocation

ZDA should refine its mandate to align with national development plans (e.g., 8NDP), streamline activities, prioritize high-impact sectors and strengthen collaboration with key ministries and agencies. This will form the basis for advocating increased budget allocation, emphasizing the importance of investment facilitation throughout the entire investment life cycle, with a focus on creation, business linkages, trade facilitation and FDI retention.

To this end, ZDA should conduct a comprehensive review of its mandate under the ZDA Act No. 17 of 2022 and ITBD Act No. 18 of 2022, ensuring alignment with national strategies and benchmarking against similar agencies. This review should identify overlaps and synergies with government bodies, like the Ministry of Finance, to improve coordination. By focusing on sectors such as manufacturing, value addition, mining and tourism, ZDA can better support national economic goals. Formal cooperation with ministries and development partners through Memorandums of Understanding (MoUs) or joint task forces will enhance collaboration and avoid duplication of efforts.

Mandate recalibration should prioritize investment facilitation support with main focus on strengthened aftercare services and stakeholder alignment must be achieved to ensure coordinated efforts. With this refined mandate, ZDA can craft a targeted value proposition for investors, highlighting Zambia's strengths in priority sectors. A well-designed communication strategy, incorporating workshops, digital platforms and regular stakeholder updates, will help keep all parties informed and aligned with ZDA's new direction, fostering institutional coordination and boosting investor confidence.

To secure increased funding, ZDA should create a business case based on comprehensive economic impact analyses, utilizing input-output modelling and global benchmarking. This case should identify funding gaps, justify resource needs, and highlight the economic benefits of specific programmes like investor aftercare and digital transformation. A multi-year financial plan, aligned with ZDA's strategic objectives, supported by performance indicators and reporting mechanisms, will ensure accountability in fund usage.

ZDA must proactively engage with key government decision makers to present this case for increased funding through targeted communications, workshops and seminars. This approach will underscore the strategic importance of ZDA's activities and the need for enhanced budgetary support. Additionally, ZDA should continue implementing recommendation emanating from the ACP Business Friendly programme with the aim to maintain progress in investment facilitation and capacity-building efforts.

Final comments

Investment support and aftercare are critical for Zambia's long-term economic development and growth, inextricably linked and aligned with national goals of economic transformation delivering meaningful change to citizens. These services encapsulate the essential elements of investment facilitation in its true definition based on accompanying investment through the different stages of the investment cycle. By fostering investor retention and re-investment, these services contribute to sustainable development, enhance competitiveness and help build domestic value chains. They also support Zambia's regional development objectives under the 8NDP, which seek to reduce inequality and promote inclusive growth across the country.

The observations in this report reflect the findings from the IMSS surveys as well as the ongoing implementation of the ACP Business Friendly programme. The identified challenges extend beyond the scope of any single organization, including the ZDA and point to structural issues that demand long-term solutions. These observations are meant to trigger a holistic discussion aimed to overcome broad-based systemic issues that require collective action, coordinated resource allocation, and carefully designed policies across multiple stakeholders, including ZDA.

Additionally, the findings from this pilot survey highlight recurring themes that are likely to emerge in future surveys and data-collection efforts, even as specific metrics or dimensions evolve. While some issues have been identified here, they are symptomatic of broader systemic barriers that will require sustained attention and strategic, coordinated responses. To effectively address these challenges, Zambia must focus on continuous data flow, quality data sources and strategically crafted policies that can be adapted over time as new insights emerge.

Addressing these issues requires a focus on the root causes that hinder sustainable development, rather than implement short-term fixes. For instance, ZDA's progress in investment support services and aftercare achieved as a result of the ACP Business-Friendly Initiative, shows that steps towards data-driven strategies have already been taken, inter alia, through the updating of the business directory, the implementation of the IMSS survey and the real-time collection of investor queries strengthening ZDA's investment relationship management. Further progress needs to be facilitated and encouraged. Comprehensive, multi-stakeholder approach, involving government ministries, the private sector and international partners, will be crucial for ensuring long-term structural reforms that align with Zambia's national objectives. As the country's investment landscape evolves, policies and strategies must remain adaptive and responsive, informed by reliable empirical evidence and grounded in a thorough understanding of these challenges. By integrating these approaches and maintaining a long-term vision, Zambia can build an investment environment that is not only more competitive but also more inclusive and sustainable.

Annexes

Annex A
IMSS QUESTIONNAIRE:

1. Company name and address.
2. Contact details of the company.
3. Is the business located in an industrial park?
4. Year the enterprise began operations in the country.
5. Operational status during the last fiscal year.
6. Industries generating revenue and their percentage contributions.
7. Primary and secondary business activities and their revenue shares.
8. Last completed fiscal year (month and year).
9. Business size details:
   - **a.** Total number of employees (FTE).
   - **b.** Annual sales income.
   - **c.** Value of fixed assets.
10. Are there contractual workers provided by employment agencies? If yes, how many (FTE)?
11. Does the company export at least 10% of its products or services?
12. Business size in terms of land area, floor area, and rooms/seats.
13. Type of legal organization.
14. Is the business a holding company, local headquarters of a foreign company, or neither? If holding or HQ, list subsidiaries and associated companies.
15. Is the business part of a holding or group? If yes, provide details of the holding company.
16. Does the company maintain HR and financial records at this location?
17. Percentage of foreign ownership in the company.

18. Changes in foreign ownership share in the last five years (if applicable).
19. Number of foreign and domestic direct investors.
20. Foreign parent details: country, type, ownership share, and name (if a company).
21. Investments in fixed assets in the past and planned for the next three years.
22. Planned fixed asset investments for the next three years.
23. Objectives of planned investments.
24. Business plans for the next three years.
25. Equity partnership plans with local firms (buying/selling shares).
26. Importance of motivations for planned business strategy.
27. Plans for products and services over the next three years.
28. Influence of country-specific factors on business plans.
29. Influence of investment-specific factors on business plans.
30. Influence of input-specific factors on business plans.
31. Influence of infrastructure-specific factors on business plans.
32. Percentage changes in key business indicators (last three years and next three years).
33. Past and future changes in key business indicators.
34. Interaction with IPA aftercare/account officers: problems handled and effectiveness.
35. Urgent assistance needed from IPA aftercare/account officers.

Annex B

Annex Table 1 | Provincial GDP by production at current prices in Zambia, 2022

Industry	Central	Copperbelt	Eastern	Luapula	Lusaka	Muchinga	Northern	N/Western	Southern	Western	Total
Agriculture, forestry and fishing	2,766.0	3,153.7	1,671.9	1,132.7	1,484.8	656.1	1,285.3	567.0	2,013.8	552.0	15,283.3
Mining and quarrying	4,036.0	36,055.5	1,123.5	957.0	1,357.0	936.3	251.9	21,311.7	2,117.9	142.8	68,289.6
Manufacturing	671.0	7,203.7	37.4	302.4	27,202.2	0.0	76.1	14.6	3,910.3	81.4	39,499.1
Electricity generation	462.4	0.0	0.0	25.6	0.6	0.3	29.3	0.0	7,299.4	0.6	7,818.2
Water supply; sewerage	72.7	918.1	33.7	23.0	560.6	22.2	45.0	34.1	117.4	44.8	1,871.5
Construction	7,101.4	16,588.8	795.4	909.0	21,815.5	1,818.0	2,386.1	1,647.5	2,556.5	1,306.7	56,811.1
Wholesale and retail trade	9,244.9	23,827.0	5,909.1	2,478.0	30,498.6	2,668.6	3,621.7	5,337.3	8,959.0	2,859.2	95,308.1
Transportation and storage	3,893.9	13,000.9	3,351.1	1,318.0	25,789.8	887.5	1,202.2	1,745.5	3,477.1	811.6	55,477.7
Accommodation and food service	105.1	222.3	176.6	12.4	1,819.2	6.6	4.7	15.0	206.5	2.7	2,570.9
Information and communication	1,407.2	2,762.0	1,234.6	747.7	4,318.0	700.1	558.3	874.8	1,812.0	600.0	15,014.8
Financial and insurance activities	1,393.6	5,140.5	668.8	482.1	20,889.1	401.2	565.7	1,055.2	1,229.1	458.3	32,283.8
Real estate activities	1,377.6	2,111.2	1,637.2	1,009.1	2,719.3	891.8	1,215.3	753.7	1,699.0	838.7	14,252.9
Professional, scientific	585.10	708.61	360.59	179.35	1,266.45	179.85	256.51	196.51	510.16	188.41	4,430.5
Administrative and support	176.6	798.5	55.2	73.6	1,953.9	44.2	147.2	121.4	239.2	69.9	3,679.6
Public administration and defence	2,292.7	544.3	997.0	469.4	18,164.0	324.5	507.6	498.7	674.9	572.6	25,045.7
Education	1,714.9	2,336.2	1,396.3	1,116.2	1,438.3	904.7	1,087.1	1,119.3	1,708.0	1,170.2	13,991.1
Human health and social work	781.2	1,490.9	728.6	607.9	2,096.0	404.7	620.7	528.8	1,112.5	630.3	9,001.6
Art, entertainment and recreation	88.4	226.6	34.3	0.0	511.8	13.3	12.2	78.5	121.6	19.9	1,105.5
Other service	208.6	319.8	248.0	152.8	411.9	135.1	184.1	114.2	257.3	127.0	2,158.7
Total for the economy	38,379.2	117,408.7	20,459.2	11,996.2	164,296.9	10,995.1	14,057.0	36,013.7	40,021.6	10,477.2	463,893.8
Taxes less subsidies on products	2,916.8	7,517.6	1,864.4	781.8	9,622.6	842.0	1,142.7	1,684.0	2,826.6	902.1	30,070.5
Gross domestic product (GDP) at market prices	41,296.1	124,926.3	22,323.6	12,778.1	173,919.5	11,837.1	15,199.7	37,697.7	42,848.2	11,379.3	493,964.3

Source: Zambia Statistics Agency. Figures are in millions of Zambian Kwacha (ZMW), current prices for 2022. Industry groups follow national classification standards.

Annex C
Drivers of business development

Survey respondents assigned a score from 1–10 to indicate the importance of individual drivers on their business development plans. The averages were reported in the main report. The tables in this annex show how individual scores deviate from the average along several dimensions: sector, region, company size, investor origin and business lifecycle stage.

Red cells in the table indicate that the driver is less influential, relative to the average, in that dimension, while green indicates that the driver is more influential. The intensity of the colour indicates the degree of variance from the average.

Table 6 | Drivers by sector – deviation from mean score

	Agric.	Mining	Manuf.	Constr.	Hotels	Other	Mean score
Access to finance	0.28	-0.66	-0.11	0.97	2.47	-0.28	7.53
Communication infrastr.	0.28	-0.93	-0.05	-0.32	0.18	0.41	7.32
Economic stability	0.27	-0.05	-0.25	0.20	-0.67	0.07	8.80
Environmental conditions	0.79	-1.50	-0.25	-0.56	1.31	0.31	7.44
HR quality	0.52	-0.06	0.01	-0.56	-0.68	-0.97	7.56
Labor cost	0.29	0.31	0.07	-0.50	-1.87	-0.91	7.50
Investment incentives	-0.34	-0.66	0.42	0.97	2.47	-0.53	7.53
Living standards	-0.13	-0.21	0.12	-0.07	0.06	0.12	8.07
Market size and potential	-0.70	-1.54	0.52	0.71	0.96	0.85	7.79
Political stability	1.58	0.44	-1.05	-0.38	0.12	-0.56	7.38
Production & commercial infrastr.	-0.33	-0.88	0.51	1.01	-0.74	-0.40	6.99
Raw materials	0.05	0.16	0.64	0.35	-2.65	-2.42	7.65
Rule of law	0.00	-0.31	0.08	0.19	-0.31	-0.08	7.81
Strategic assets	0.08	-0.55	0.08	0.83	2.16	-0.42	6.17
Suppliers	0.02	0.76	-0.25	0.82	-1.43	-0.18	7.68
Transport & export infrastr.	0.84	-1.79	-0.12	-0.62	-0.12	0.11	7.62
Average	0.22	-0.49	0.02	0.20	-0.01	-0.45	7.55
n	27	9	36	5	4	7	
Min.	-0.70	-1.79	-1.05	-0.62	-2.65	-2.42	
Max.	1.58	0.76	0.64	1.01	2.47	0.85	

*N may vary by sector and indicator depending on classification and valid responses.

Table 7 | Drivers by region – deviation from mean score

Deviation score and summary statistics

	Lusaka	Copperbelt	Central	Southern	Other	Mean score
Access to finance	-0.58	0.59	-0.03	0.15	-0.03	7.53
Communication infrastr.	0.03	0.65	-1.74	0.01	2.68	7.32
Economic stability	0.27	0.42	-0.84	-0.23	1.20	8.80
Environmental conditions	0.06	0.23	-1.75	0.96	-1.19	7.44
HR quality	-0.35	0.68	-0.83	0.27	2.44	7.56
Labor cost	-0.07	0.74	-0.77	-0.17	1.25	7.50
Investment incentives	0.04	-0.19	-0.45	0.33	-0.03	7.53
Living standards	0.32	0.06	-1.40	0.50	0.68	8.07
Market size and potential	0.47	0.03	-1.53	0.07	2.21	7.79
Political stability	-0.56	0.12	0.58	0.13	2.62	7.38
Production & commercial infrastr.	0.14	0.97	-1.61	-0.49	1.76	6.99
Raw materials	0.07	0.29	-0.15	-0.65	2.35	7.65
Rule of law	0.07	0.62	-1.90	0.94	2.19	7.81
Strategic assets	0.27	0.55	-1.85	0.26	-1.17	6.17
Suppliers	0.04	0.85	-0.56	-0.84	2.32	7.68
Transport & export infrastr.	-0.05	0.50	-1.27	-0.12	2.38	7.62
Total Avg	0.0	0.5	-1.0	0.1	1.4	7.55
n	36	17	14	15	6	
Min.	(0.58)	(0.19)	(1.90)	(0.84)		
Max.	0.47	0.97	0.58	0.96		

*The deviation is calculated by comparing the selected region's mean score with the overall mean score. Other includes Western, North-Western, and Eastern regions.

N may vary by sector and indicator depending on classification and valid responses.

Table 8 | Drivers by company size – deviation from mean score

Deviation score and summary statistics

	Micro (1-10)	Small (10-50)	Medium (50-300)	Large (300 +)	Mean score
Access to finance	-2.53	0.47	-0.47	1.57	7.53
Communication infrastr.	0.18	-0.37	0.23	-0.32	7.32
Economic stability	1.20	-0.27	-0.19	0.67	8.80
Environmental conditions	-2.44	0.80	-0.17	0.06	7.44
HR quality	-0.89	0.08	-0.16	0.61	7.56
Labor cost	-0.83	-0.28	0.05	0.33	7.50
Investment incentives	-0.03	0.59	-0.79	1.80	7.53
Living standards	1.10	0.27	-0.06	-0.37	8.07
Market size and potential	0.55	-0.14	0.11	-0.28	7.79
Political stability	0.96	-1.05	-0.04	1.12	7.38
Production & commercial infrastr.	-1.16	0.64	-0.12	-0.16	6.99
Raw materials	-0.15	0.41	-0.30	0.52	7.65
Rule of law	-0.31	-0.31	0.13	0.02	7.81
Strategic assets	0.70	0.49	-0.52	0.97	6.17
Suppliers	0.66	0.10	-0.07	-0.01	7.68
Transport & export infrastr.	-0.12	-1.37	0.25	0.88	7.62
Average	-0.20	0.00	-0.13	0.46	7.55
n	4	18	51	15	
Min.	-2.53	-1.37	-0.79	-0.37	
Max.	1.20	0.80	0.25	1.80	

*The deviation is calculated by comparing the selected firm size's mean score with the overall mean score.

N may vary by sector and indicator depending on classification and valid responses.

Table 9 | Drivers by investor origin – deviation from mean score

Deviation score and summary statistics

	Africa	Americas	Asia	Europe	Mean score
Access to finance	-0.42	-0.39	0.27	0.52	7.53
Communication infrastr.	-0.12	1.61	-0.47	0.68	7.32
Economic stability	-0.01	0.49	0.05	-0.46	8.80
Environmental conditions	0.79	1.31	-1.67	1.17	7.44
HR quality	0.41	0.65	-0.72	0.69	7.56
Labor cost	0.62	0.36	-0.58	-0.25	7.50
Investment incentives	-0.27	-0.03	0.34	-0.59	7.53
Living standards	-0.32	1.10	0.06	0.37	8.07
Market size and potential	-0.20	0.79	0.10	-0.56	7.79
Political stability	0.21	0.12	-0.25	-0.43	7.38
Production & commercial infrastr.	-0.18	0.15	0.04	0.51	6.99
Raw materials	0.48	0.92	-0.56	-0.40	7.65
Rule of law	-0.15	1.47	0.15	-0.31	7.81
Strategic assets	-0.11	-0.81	0.53	-1.17	6.17
Suppliers	0.45	0.54	-0.26	-0.68	7.68
Transport & export infrastr.	0.33	0.24	-0.40	-0.62	7.62
Average	0.09	0.52	-0.22	-0.10	7.55
n	34	7	30	11	
Min.	(0.42)	(0.81)	(1.67)	(1.17)	
Max.	0.79	1.61	0.53	1.17	

*The deviation is calculated by comparing the selected region's mean score with the overall mean score. Mean includes Oceania score.

N may vary by sector and indicator depending on classification and valid responses.

Table 10 | Drivers by business lifecycle stage – deviation from mean score

Deviation score and summary statistics

	Startup (0-3yrs)	Early (3-6yrs)	Growth (6-11yrs)	Maturity (11-20yrs)	Long-est. (20+ yrs)	Mean score
Access to finance	-0.94	-0.03	1.22	0.19	-0.86	7.53
Communication infrastr.	-1.32	0.68	0.65	0.32	-0.82	7.32
Economic stability	0.37	-1.80	0.20	0.06	0.04	8.80
Environmental conditions	0.06	-1.43	-0.77	0.35	0.42	7.44
HR quality	-0.56	0.94	1.35	-0.19	-0.89	7.56
Labor cost	-1.50	-1.00	1.41	-0.13	0.17	7.50
Investment incentives	-0.48	-0.66	0.75	0.26	-0.86	7.53
Living standards	0.68	-1.07	0.86	-0.04	-0.73	8.07
Market size and potential	0.65	-2.28	0.34	-0.14	0.38	7.79
Political stability	0.96	-1.87	0.44	0.20	-0.87	7.38
Production & commercial infrastr.	-1.74	0.01	1.24	-0.17	0.17	6.99
Raw materials	-0.65	-0.15	1.26	-0.60	0.69	7.65
Rule of law	0.52	-1.81	0.47	-0.03	-0.15	7.81
Strategic assets	-0.13	-0.54	-0.28	0.59	-0.84	6.17
Suppliers	-0.68	-0.18	0.92	0.02	-0.51	7.68
Transport & export infrastr.	-0.37	1.38	0.66	-0.46	0.21	7.62
Average	-0.40	-0.60	0.68	0.01	-0.28	7.55
n	12	5	17	39	15	
Min.	-1.74	-2.28	-0.77	-0.60	-0.89	
Max.	0.96	1.38	1.41	0.59	0.69	

*N may vary by sector and indicator depending on classification and valid responses.

For any queries, please contact investmentportal@unido.org
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