

# Project Fetch

Report

Transaction Advisory Services:

Market scoping exercise to scan for target entities in the Food/Agriculture, Health, Climate Adaptation and Education Sectors in Zambia  
**Reliance Restricted**

31 May 2024 | Version 2.0



## Reliance Restricted

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Project Fetch: Market scoping review report to scan for target entities in the Food/Agriculture, Health, climate and Education Sectors in Zambia

31 May 2024

In accordance with your instructions, we have performed the work set out in our engagement agreement dated 05 February 2024 (the "Engagement Agreement"). We are pleased to present the following Report in connection with the Market scoping review report to scan for target entities in the Food/Agriculture, Health, climate and Education Sectors in Zambia.

We understand that you looking to deploy capital in these high-growth sectors of in Zambia through the EG-Economic Empowerment Fund L.P. (EG-EEF). We appreciate the opportunity to assist you with this mandate.

Janet Hwata  
Associate Partner

Purpose of our report and restrictions on its use

This report was prepared on the specific instructions of the directors of EG Capital and the sole purpose of this engagement was to carry out a landscape review for investment opportunities in Zambia within the EG Capital Investment parameters.

Farai Chizengeni  
Senior Manager

This report and its contents may not be quoted, referred to or shown to any other parties except as provided in the Engagement Agreement. We accept no responsibility or liability to any person other than EG Capital and or to such party to whom we have agreed in writing to accept a duty of care in respect of this report, and accordingly if such other persons choose to rely upon any of the contents of this report they do so at their own risk.

Claudia Muyambo  
Manager

Nature and scope of the services, deviations and limitations

The nature and scope of the services, including the basis and limitations, are detailed in the Engagement Agreement.

Tatenda Dinha  
Assistant Manager

This financial information provided has not been reviewed or audited should not be construed as investment advice and should not be used as a basis to set a transaction price. We assume no responsibility for any potential target or EG Capital to negotiate a purchase or sale at the outlined financial information.

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### **Limitations of our work**

We have reported broadly on matters, which we have noted and which appear significant to us however this market scoping exercise may not reveal matters which might be identified by a more detailed feasibility study. In addition, please note that:

- ▶ We have assumed the genuineness of all the documents used as part of our research.
- ▶ The procedures that were carried out by us were not in accordance with international standards on auditing. Had we carried out a detailed audit, other matters might come to our attention, which we would have to report.
- ▶ We did not review the projections for the proposed targets.
- ▶ The scope of work was limited to only specific sectors of the Zambia market as outlined in the engagement letter.
- ▶ Our sources are included in the appendices section 6.2.

We appreciate the opportunity to provide our services to EG Capital. Please do not hesitate to contact us if you have any questions about this engagement or if we may be of any further assistance.

Yours faithfully,

Ernst & Young Advisory Services (Private) Limited

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# 1

## Executive summary

# Executive Summary

## Basis

- This market scanning and landscape review exercise report presents a strategic compilation of target entity in search of investment across the four sectors; Food/Agriculture, Health, Education, and Climate Adaptation (“the sectors”).
- The objective of this exercise is to assist EG Capital to identify and assess promising investment opportunities in Zambia,
- Zambia, has abundant natural resources, a strategic geographic location and a rich cultural heritage and thus represents a dynamic marketplace with untapped potential for sustainable growth and impactful investment.
- This report provides an overview of the sectors’ target entities, highlighting opportunities and challenges.
- The analysis is based on local data obtained through desktop research and interviews with stakeholders in the Zambia market which included public sector entities, financial institutions and private equity players operating in Zambia, as well as the potential targets.
- The business environment in Zambia is driven by political stability, GDP growth and population growth.
- Growth and development of small and medium-sized enterprises (SMEs) are the key drivers of economic growth and development in Africa and particularly in Zambia.
- However, access to financing for growth remains a stumbling block for many enterprises in Zambia.
- Traditional lenders (such as banks and other financial institutions) tend to charge interest rates (18% to 26%, according to the findings from the interviews conducted in this exercise) that may be unsustainable for long-term growth due to risk aversion brought about by factors that are associated with the SME market which include information asymmetry.
- Private equity financing, on the other hand, presents an alternative solution to the long-term financing required by the enterprises in Zambia, particularly in the SME market.
- The Zambian private equity market is itself in a growing phase space with much potential for impact and growth capital investments in the SME sector. While PE investment may be a viable option for SME investment in Zambia, it depends on the PEs willingness to deploy capital in the sector.

## Key Challenges and opportunities

- While there may be a number of entities in the Micro and SME sector in Zambia (approximately 110,508 according to the Ministry of MSMEs in Zambia) the number of entities that match the base criteria to attract investment (such as business track record and availability of financial information), is limited to a few entities.
- Opportunities may be found with more established Private Equity/Venture Capital firms looking to exit as "investor ready businesses usually have secured funding during the lifetime of the business.
- 10% of the shortlisted targets declined to participate in the exercise. Some declined due to lack of specific information regarding the investor’s interest rate for lending and required return for equity investments, while others did not specify any reasons for declining to participate.
- 80% of the private equity players highlighted that the investment amount of USD 5 million to USD 10 million may be too large to absorb for most SME entities operating in Zambia, It was highlighted that investment amounts ranging from USD1 million to USD3 million may be more relevant for the market.
- 90% of financial institutions and 50% of the PE players identified as information hubs in this study in the market screening section declined to provide potential targets for the exercise as this was in direct conflict of interest in their core business mandates. There is however opportunity for co-investment with these parties should the investor the be willing to collaborate with these institutions.
- Information asymmetry was the major challenge in this exercise as the availability of financial information was limited to listed entities and entities willing to share high-level information during interviews. Approximately 10% of the shortlisted entities were willing to share teasers or investor pitch memoranda, while the majority highlighted that they were unwilling to share

View: This market scanning exercise identified actionable investment opportunities that align with national priorities and EG Capital's vision for social impact and financial returns within the four critical sectors of interest being, Food/Agriculture, Health, Education and Climate adaptation.

# Methodology

## Scope of work and approach

The steps outlines below outline the overview of the methodology and approach to the analysis conducted in this market screening exercise.

### 1. Secondary research

- ▶ Conducted desktop research to determine an initial list of entities as per the market study criteria.
- ▶ The Investor reviewed and refined the initial desktop search long list of entities.
- ▶ Conducted further research to add additional entities. This created the final long list which constituted 257 entities.



### 2. Screening for short listed entities

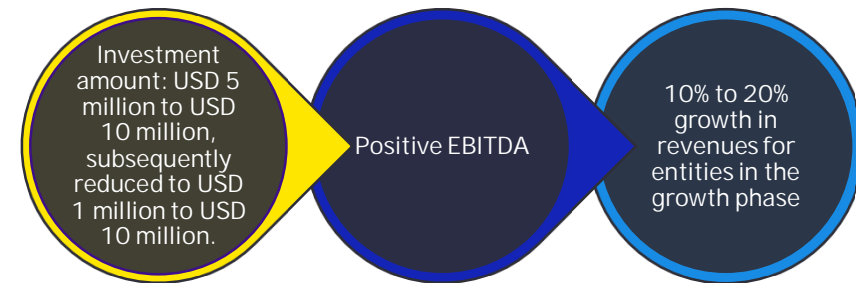
- ▶ Applied filters to the long list which screened entities so to create a short list for which potential entities were going to be contacted.



### 3. Primary research

- ▶ Shortlisted entities were contacted via email and phone calls, requesting an interview with company representatives. High level financial information was provided (where available and to the entities discretion).

The below provided a guide for the screening of potential entities as directed by the Investor



### 6. Data synthesis

- ▶ Analysed the data to determine the extent to which the entities' financial status, financing requirements, goals and strategies aligned with the investment mandate.



### 6. Develop report

- ▶ Methodology overview: Described the research process and rationale behind the chosen methodology.
- ▶ Entity profiles: Summarized the findings for each target entity, outlining their key characteristics, and financial metrics (where available)
- ▶ Alignment analysis: Assessed and reported the alignment between the entities' strategic goals and the investment mandate.
- ▶ Recommendations: Provided a recommendation list of entities that were most closely aligned with the investment criteria and highlighted the recommended actions The Investor could follow in further discussions and analysis, so to potentially increase a successful investment.

# The market screening exercise at a glance

Each of the 4 sectors high level analysis

## Food/Agriculture

- Sub-sectors: 1. Agro-processing, manufacturing, value addition 2. The verticals in foods; 3. Daily staple foods; 4. Plant-based foods and other by-products
- Presents opportunities that capitalize on Zambia's arable land and historically favourable climate, emphasizing sustainable practices and value-chain enhancements to ensure food security and export growth. However, given the recent climate changes brought about by the El Nino phenomenon Zambia's agriculture entities are looking into climate adaptation solutions to curb against any losses brought about by the droughts induced by the El Nino phenomenon.

65 long list  
14 eliminated  
51 shortlisted  
6 potential targets

## Health

- Sub-sectors: Pharmacy; pharma wholesaling; generics production; tech in health; diagnostics & services; healthcare education
- The Health sector analysis signals the demand for improved healthcare infrastructure, innovative delivery models, and pharmaceutical advancements to address the prevalent health needs and emerging trends. Health technology entities are still struggling to thrive in the Zambia economy as they require large sums initial financial outlay for their products to take off. The lack of funding has inhibited these entities to further develop their products.

90 long list  
68 eliminated  
22 shortlisted  
4 potential targets

## Climate adaptation

- Sub-sectors: enabling tech that cuts across Food, Health, and Education to improve on mitigation and adaptation targets
- Climate Adaptation, investments in resilience-building, green technologies, and adaptive practices offer pathways to mitigate climate risks, ensuring long-term sustainability for the other sectors. The Zambia climate adaptation sector is largely made up of renewable energy entities who are looking to growth the use of Solar products as an alternative of hydro-electricity.

13 long list  
8 eliminated  
5 shortlisted  
5 potential targets

## Education

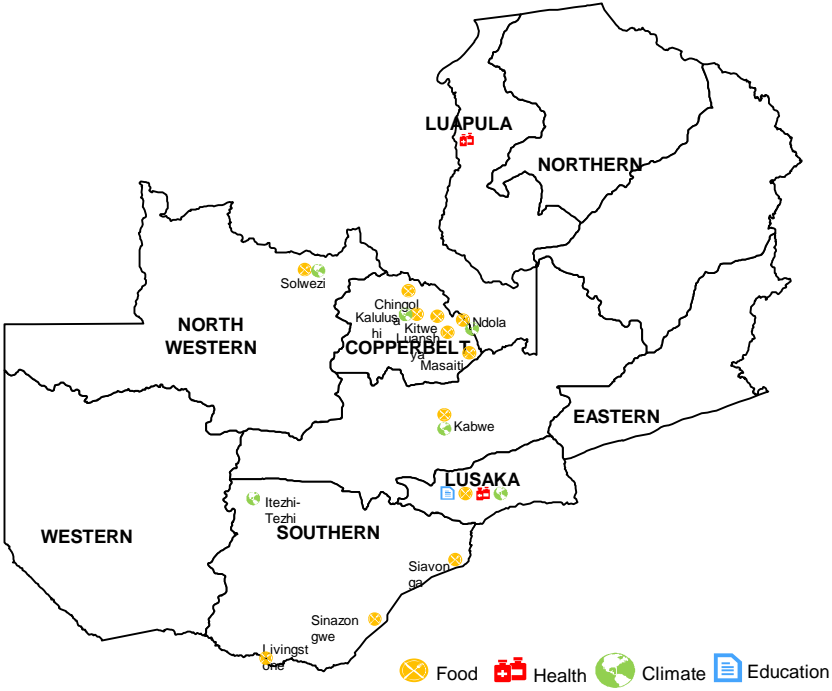
- Sub-sectors: Vocation; tertiary; ed-tech; and professional training
- In the Education sector, Zambia's youthful population is an asset that, with strategic investment, can be nurtured through technology-driven solutions and educational programs that align with the nation's workforce development goals.

89 long list  
81 eliminated  
8 shortlisted  
2 potential targets

## Total long list

257

Heat map by province based on target Head Office location



View:

The market scanning exercise identified that the entities on the target long list are largely concentrated in the Copperbelt Region, followed by Lusaka and the Southern parts of the Country.

The exercise highlighted that the food/agriculture sector has the most potential targets, while the education sector had the least potential targets.



# 2

## Introduction

# Introduction and Background

## Background

- EG Capital is an emerging fund manager investing in medium-sized and growth-oriented businesses, in East Africa and Zambia, with offices based in Kenya and Zambia.
- EG Capital is a diverse fund manager, part of the 2x Ignite First Africa Cohort contributing to the goals set out by the 2x Challenge for diversity, equity and inclusion (DEI).

### The engagement

- EG Capital is looking to deploy capital in high growth companies in the following sectors: Food, Climate, Health, and Education in East Africa and Zambia through the EG-Economic Empowerment Fund L.P. (EG-EEF).
- The Fund is a limited partnership registered under the Mauritius Limited Partnership Act 2011 in Mauritius.
- EG Capital engaged EY to carry out the role as the external and independent consultants to undertake a market scoping exercise of companies in the Food, Climate, Health and Education sectors in Zambia.
- The purpose of this assignment is to provide EG Capital with adequate information to identify investable companies that EG Capital can diligence for inclusion in EG Capital's pipeline.

### Project Objectives

- The output of the engagement is to provide EG Capital with a clearer understanding of the intended markets and to identify potential targets that fit the established investment criteria
- Understand the growth opportunities present in each sector and prioritize those that represent the highest growth opportunity.
- Enable EG Capital to develop a pipeline of entities in which they could potentially invest in the future.

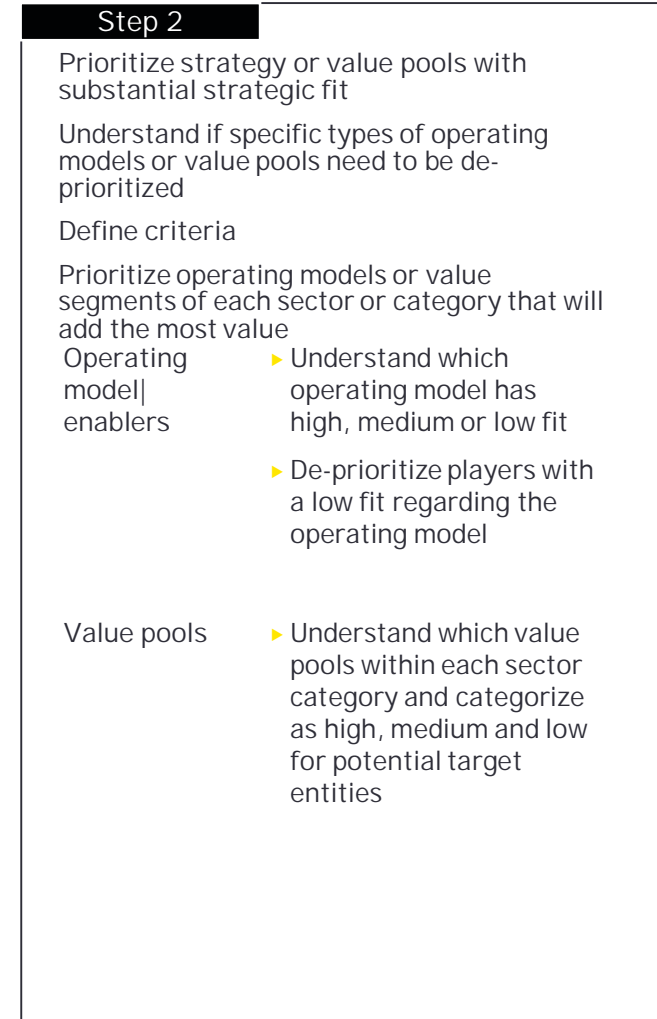
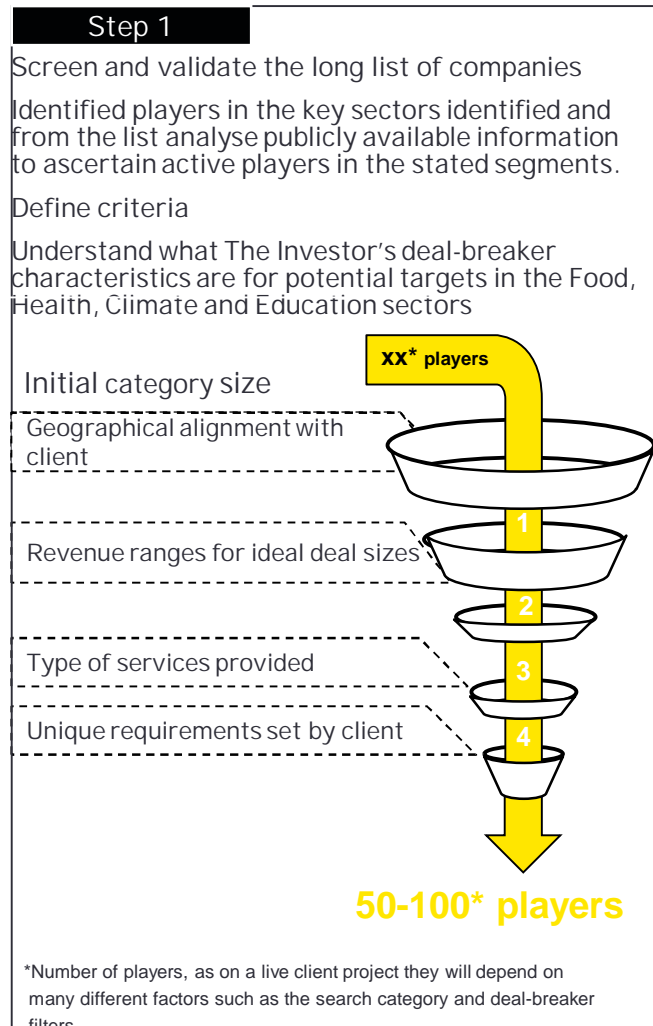
## Scope of work

- Based on the revised request for quotation, the scope of work is outlined as follows:
  - To carry out a market screening and landscape review exercise to ascertain investment opportunities in Zambia based on the following investment parameters and in the target, sectors outlined as follows:
  - Entities:
    - In search of average investments of USD5 million to USD10 million,
    - With a 10%-20% growth in revenues in the last financial year of operation, and
    - With a positive Earnings Before Interest Tax Depreciation and Amortization ("EBITDA").
  - The target sectors and sub-sectors of this study include the following:
    - Food (agro-processors, manufacturing, value addition, not primary agriculture); the verticals in Food - aquaculture value chain from fish farm, fish feed, cold chain logistics, milling, retailing, tech; daily staple foods (flour, biscuits, bread, porridge) and fortification, early-childhood nutrition, dairy (milk, yoghurt), and plant-based protein (e.g. soya milk, and other by-products))
    - Climate - enabling technology that cuts across Food, Health and Education to improve on mitigation and adaptation targets;
    - Health - pharmacy, pharma wholesaling, generics production, tech in health, diagnostics & services, healthcare education; and
    - Education - vocation, tertiary, ed-tech, and professional training.

# Methodology

## Scope of work and approach

The steps below outline the overview of the methodology and approach to the analysis conducted in this market screening exercise. The following slides describe in greater detail the methodology adopted.



# Methodology

## Secondary and primary research

### Introduction

This section outlines the research methodology deployed to carry out a market scoping exercise aimed at identifying and evaluating potential investible entities located in Zambia. The sectors of interest were in Food/Agriculture, Health, Climate and Education. The process involved a blend of secondary research using online resources and databases, followed by primary research through interviews with selected entities. The sources of information used for this exercise are outlined in appendix 6.2.

### Objectives

The objectives of this market scoping exercise were to:

- Identify potential entities that meet predefined investment criteria.
- Understand the strategic goals and growth potential of these entities.
- Assess the alignment of identified entities with the investment mandate.

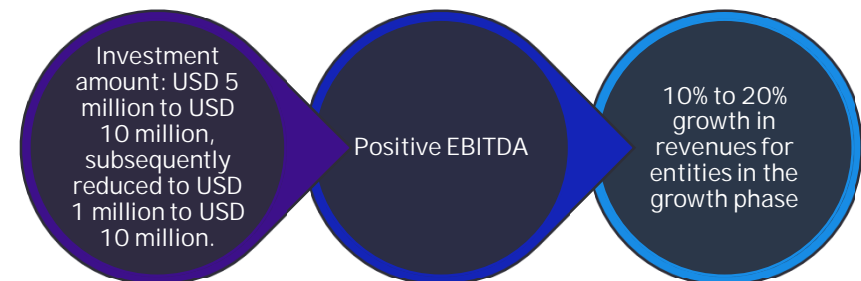
### Methodology

#### 1. Secondary Research: Identification of Entities

- **Data sources:** Utilized various databases and digital platforms to gather initial data about companies within the target market. In addition, gathered information on impact investing firms and financial institutions that could assist with high-level access to their pipeline of entities that potentially met the investment criteria.
- **Criteria definition:** Developed a set of specific, measurable criteria that potential entities must meet to be considered for further evaluation. These criteria encompassed financial metrics (where available), growth phase and absorption capacity of the required capital.
- **Screening process:** Employed search filters to isolate companies that fulfilled the established criteria, thus creating a long list of possible candidates.

#### 2. Primary Research: Interviews with entities

- **Initial contact:** Approached shortlisted entities via email and phone calls, introducing the purpose of the exercise and requesting an interview with company representatives.
- **Interview guide preparation:** Designed a structured interview guide that included open-ended questions to explore the company's history, mission, strategic objectives, market position, and outlook.
- **Consent and confidentiality:** Prior to the interview, we informed the interviewees that The Investor will remain confidential until such a time that The Investor engages in further discussions for which Non-Disclosure Agreements could be signed. We also obtained consent from participants for the use of their responses in our analysis
- **Interview execution:** Conducted structured interviews through video conferencing using Microsoft Teams and based on the availability of the entity representatives.
- **Request for financial information:** The entities provided high level financial information during the video interviews (where available and to their discretion). Teasers or pitch decks detailing the company profile and financial information was requested in follow up e-mails.
- The below provided a guide for the screening of potential entities as directed by the Investor



# Methodology

## Data analysis and reporting

### Data analysis and synthesis

- **Compilation:** Aggregated all collected data from both secondary and primary research phases into a coherent dataset.
- **Analysis:** Analysed the data to determine the extent to which the entities' goals and strategies aligned with the investment mandate.
- **Evaluation:** Identified common themes within the sectors, drawing conclusions on the investment potential and compatibility of each entity.

### Reporting - compiled a report that incorporated:

- **Methodology overview:** Described the research process and rationale behind the chosen methodology.
- **Entity profiles:** Summarized the findings from each potential target entity, outlining their key characteristics and financial metrics (where available)
- **Alignment analysis:** Assessed and reported the alignment between the entities' strategic goals and the investment mandate.
- **Recommendations:** Provided a recommendation list of entities that were most closely aligned with the investment criteria and highlighted the recommended actions The Investor could follow in further discussions and analysis, so to potentially increase a successful investment.

### Limitations

The limitations encountered during the market scoping exercise were as follows:

- **Confidentiality concerns:** Some interviewed entities were reluctant to share financial metrics due to confidentiality agreements with The Investor. Further discussions between The Investor and the identified entities may be necessary to obtain this information.
- **Data accessibility challenges:** During the secondary and primary research phases, we encountered difficulties in reaching some entities due to obsolete or inaccessible contact information. This led to unsuccessful phone calls and undeliverable e-mails.
- **Response rates:** During the primary research phase, we encountered a challenge with entities not responding to our interview requests. Additionally, among those who initially responded, some did not follow through with providing the requested data, such as pitch decks, teasers, or detailed information on the company profile, capital requirements, intended use of funds, and financial metrics. This resulted in a smaller sample size and could potentially impact the representativeness and comprehensiveness of our findings.

Entities affected by these challenges have been documented in our analysis.

# 3

## Market study overview

# Research universe – Target identification

## Desk top research:

The identification of entities was initially conducted by a desktop research search and was based on the market scoping exercise criteria in the following sectors and subsectors of interest as follows:

- ▶ Food/ Agriculture - (agro-processors, manufacturing, value addition, not primary agriculture); the verticals in Food - aquaculture value chain from fish farm, fish feed, cold chain logistics, milling, retailing, tech; daily staple foods (flour, biscuits, bread, porridge) and fortification, early-childhood nutrition, dairy (milk, yoghurt), and plant-based protein (e.g. soya milk, and other by-products);
- ▶ Climate adaptation - enabling tech that cuts across Food, Health and Education to improve on mitigation and adaptation targets;
- ▶ Health – pharmacy, pharma wholesaling, generics production, tech in health, diagnostics & services, healthcare education; and
- ▶ Education – vocation, tertiary, ed-tech, and professional training.

## Information sources analysis:

Initial research:	The following information sources were utilized for the initial desktop research: Capital IQ, Pitch-Book, EY Internal Artificial intelligence platform, EMIS, Oxford Economics, Google search and EY Growing Beyond Borders tool. The initial search yielded 257 entities for screening and shortlisting.
Paid platforms:	The market study search criteria was also applied to other research platforms that require subscriptions and the following sources were utilized: Capital IQ, Factiva, Refinitiv Workspace, Bloomberg, SNL, Pitchbook and LCD.
DFI Investment Universe	A research was carried out by analysing the Development finance institutions investments in Zambia based on the publicly available information on the institutions' websites.
PE Exits Universe	A research on the Private Equity exits in Africa based on EY internal analysis was utilized to infer on PE firms that have exited their investment entities in Zambia in 2023 or 2022.
Information Hubs	Interviewing stakeholders participating in the Zambia market which had direct or indirect contact with targets in search for growth capital.

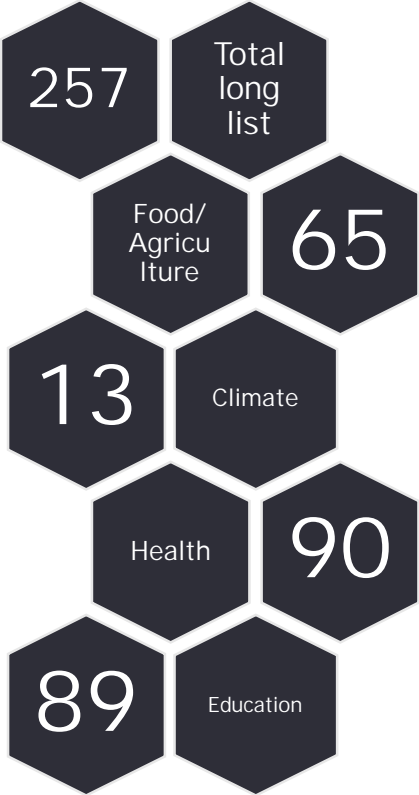
Development Finance Institutions (DFIs) Investment Universe: The following DFIs' investments were researched and analysed: BII / PIDG (UK); FMO (Dutch); Finnfund; IFU (Denmark); Swedfund /SIDA; Norfund; Proparco (France); DFC (US); BIO (Belgium); DBSA (SA); TDB; IFC; AfDB; KfW / DEG (Germany); Afrexim Bank.

Information Hubs: The following groups were highlighted as information hubs:

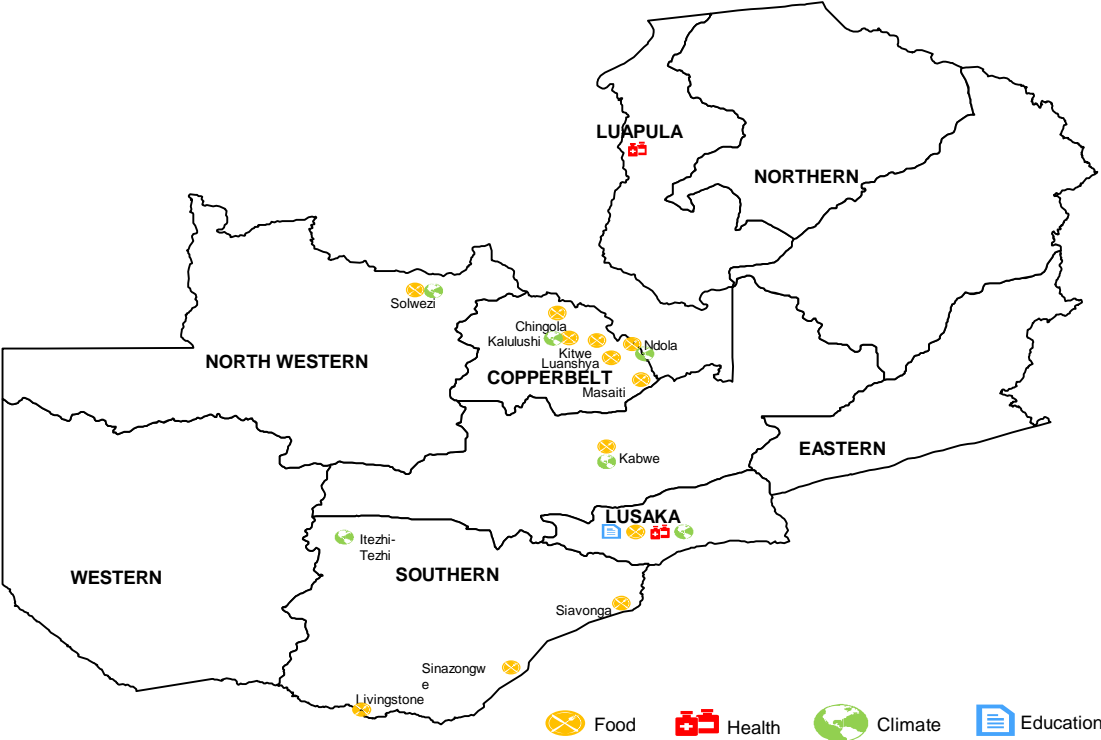
Public sector	Ministry of SME Development Zambia, Lusaka Stock Exchange, Zambia Chamber of Commerce, Zambia Development Agency.
DFIs in Zambia	USAID, World Bank, Bank of Zambia - Development Bank of Zambia, Enterprise Challenge Fund Zambia, COMESA, UN Capital Development.
Incubation hubs	EFP Africa, America Chamber of Commerce, WWF Zambia, Open Capital Zambia, National Advisory Board for Impact Investment Zambia, Impact Capital Africa, Kukula, Inside Capital, Bongo Hive (Tech) WEAC.
Financial and other Institutions	Aflife Financial Services, Zambia National Commercial Bank Plc, Stanbic Bank Zambia Limited, Standard Chartered Bank Zambia Plc Access Bank Zambia, Absa Bank Zambia, Citibank Zambia, First Capital Bank Zambia. Corpus Legal Practitioners Stockbrokers Zambia, Caravel Partners, Equity Capital Resource, Madison Assets Management Company Limited, Pangaea Securities, Frontier Markets Zambia.

# Target universe structure

## Long list break down



## Heat map by province, based on target Head Office location

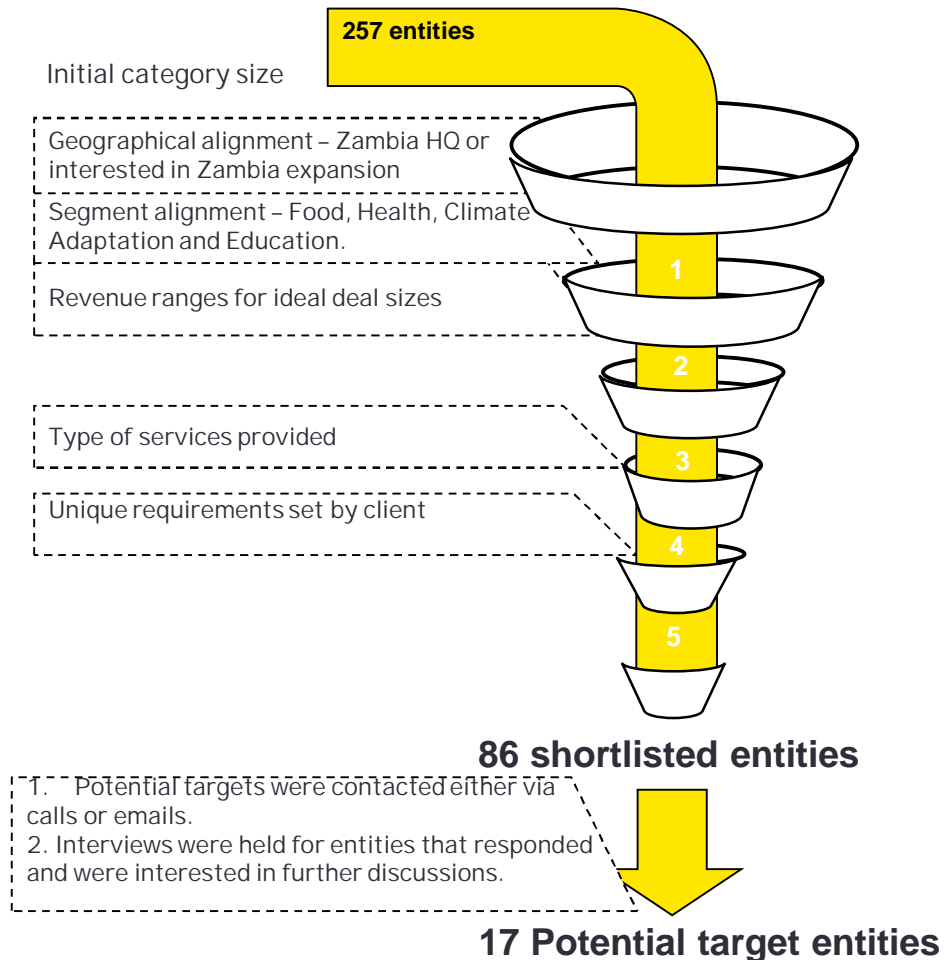


**Criteria definition:**

1. The Long list breakdown was based on The main criteria utilised in this study included the sectors and subsectors identified by EG Capital. The entities were grouped based on the main/core business activities into the 4 main sectors.
2. The long list was applied on the Zambia political map by provinces/ towns and this analysis based on the head office location and this exercise yielded that the targets are centralised in the Copperbelt region, followed by the Southern and Lusaka regions of the country



# Screening process



## Screening process:

Employed search filters and data analytics tools to isolate entities:

1. That operate in Zambia – with head offices in Zambia or are expanding their operations in Zambia with main head offices in other countries, regionally or internationally.
2. Filtered based on the sectors/ subsectors identified as the priority sectors of this exercise.
3. Where possible, the size of the entity based on provided information in the company profiles which include the years in operation, available information prior funding, prior year financial information.
4. Business profile review to ascertain the types of services offered and matching this with the sector and subsector criteria.
5. EG Capital review of the shortlisted entities during update meetings.
6. Calls and interviews with the shortlisted entities and screening out entities which are not interested in the offer.

# Summary of the total universe

The below is a summary of the number of entities obtained from various sources including duplicates. A detailed matrix is provided in a separate sheet.

Long List - Entities summary								
Sector/Sub-Sector	EY	Paid platform	Information hubs	DFI	Sub-Total	Duplicates	Total	
<b>Food</b>								
Agro-processors	21	12	2	1	36	6	30	
Verticals in food	6	4	-	2	12	4	8	
Daily staple food	6	9	3	1	19	6	13	
Plant based	4	11	-	-	15	1	14	
<b>Total</b>	<b>37</b>	<b>36</b>	<b>5</b>	<b>4</b>	<b>82</b>	<b>17</b>	<b>65</b>	
<b>Climate</b>								
Climate adaptation	-	13	1	2	16	3	13	
<b>Total</b>	<b>-</b>	<b>13</b>	<b>1</b>	<b>2</b>	<b>16</b>	<b>3</b>	<b>13</b>	
<b>Health</b>								
Pharmaceuticals	43	1	-	-	44	-	44	
Pharma wholesaling	31	-	-	-	31	-	31	
Diagnostic services	3	1	-	-	4	-	4	
Generics production	1	-	-	-	1	-	1	
Tech in health	-	2	1	-	3	-	3	
Healthcare education	7	-	-	-	7	-	7	
<b>Total</b>	<b>85</b>	<b>4</b>	<b>1</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>90</b>	
<b>Education</b>								
Ed-tech	16	6	1	-	23	1	22	
Vocational	32	-	-	-	32	-	32	
Professional training	4	-	-	-	4	-	4	
Tertiary education	30	1	-	-	31	-	31	
<b>Total</b>	<b>82</b>	<b>7</b>	<b>1</b>	<b>-</b>	<b>90</b>	<b>1</b>	<b>89</b>	
<b>Total universe</b>					<b>278</b>	<b>21</b>	<b>257</b>	

## Summary of how the short list and potential targets were derived

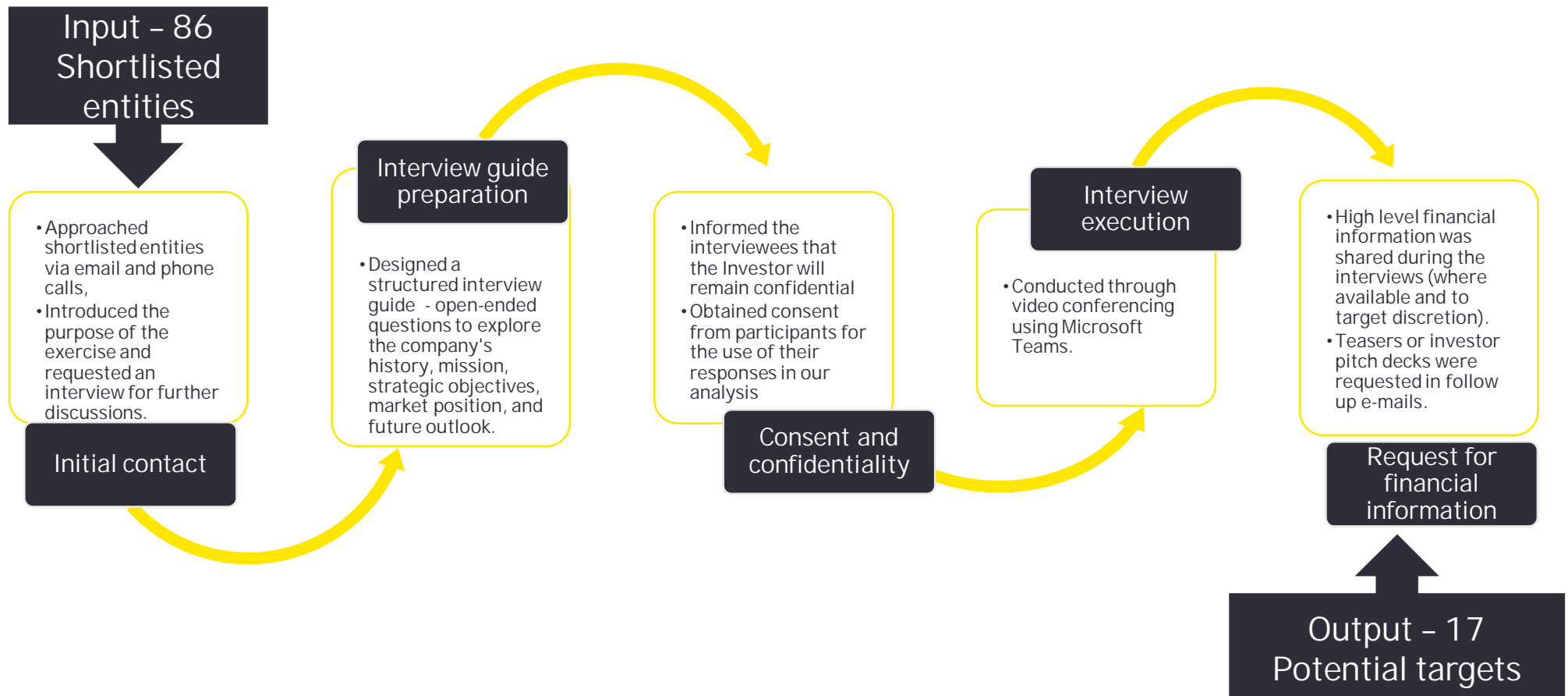
The below table illustrates how the shortlist was derived from the long list

Short List - Entities summary											
Sector/Sub-Sector	Total Long List	Eliminated			Shortlist	Further screening				Potential Targets	
		Does not meet criteria	Contact information not available	Total eliminated		Long list minus Total Eliminated	No response	Not interested	Contact unsuccessful		Under another entity
<b>Food/Agri</b>											
Agro-processors	30	-	3	3	27	20	-	1	1	5	
Verticals in food	8	-	3	3	5	4	-	1	-	-	
Daily staple food	13	-	2	2	11	5	2	3	-	1	
Plant based	14	-	6	6	8	8	-	-	-	-	
<b>Food/Agro Total</b>	<b>65</b>			<b>14</b>	<b>51</b>	<b>37</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>6</b>	
<b>Climate</b>											
Climate adaptation	13	6	2	8	5	-	-	-	-	5	
<b>Climate Total</b>	<b>13</b>			<b>8</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	
<b>Health</b>											
Pharmaceuticals	44	41	-	41	3	1	-	1	-	1	
Pharma wholesaling	31	20	-	20	11	4	-	7	-	-	
Diagnostic services	4	-	-	-	4	3	-	-	-	1	
Generics production	1	-	-	-	1	1	-	-	-	-	
Tech in health	3	-	-	-	3	0	1	-	-	2	
Healthcare education	7	7	-	7	-	-	-	-	-	-	
<b>Health Total</b>	<b>90</b>			<b>68</b>	<b>22</b>	<b>9</b>	<b>1</b>	<b>8</b>	<b>-</b>	<b>4</b>	
<b>Education</b>											
Ed-tech	22	10	4	14	8	6	-	-	-	2	
Vocational	32	32	-	32	-	-	-	-	-	-	
Professional training	4	4	-	4	-	-	-	-	-	-	
Tertiary education	31	30	1	31	-	-	-	-	-	-	
<b>Education Total</b>	<b>89</b>			<b>81</b>	<b>8</b>	<b>6</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>2</b>	
<b>Grand Total</b>	<b>257</b>				<b>86</b>					<b>17</b>	

## Interviewing criteria

Further to analysis of the business profiles of the 86 shortlisted target entities, these entities were contacted to achieve the following:

1. To ascertain interest in fundraising
2. To understand the core business of the entity
3. To understand any growth prospects/ use of funds of the fundraising
4. To understand the expected timelines to enter a deal and
5. To inquire of any financial information the entities can share for further analysis.



# 4

## Results or Findings

Sector and entity profiles	20
Food/Agriculture	22
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# 4.1

## Sector and entity profiles

# Preliminary Universe of potential targets

The below is an overview of the prospective entities that have been identified as potential targets. Following this overview, an evaluation of each company will be provided in the subsequent slides.

Potential targets			Financial Information				
Sector	Sub-sector	Entity	Interested	Provided teaser	Revenue growth	Positive EBITDA	Positive NAV
Food/Agriculture	Agro-processing and poultry	Farm Depot Zambia	X	X	-	-	-
	Agro-processing	Good Nature Agro Products Limited	X	-	-	-	-
	Agro-processing and poultry	Hybrid Poultry Farm (Z) Limited	X	-	-	-	-
	Agro-processing	Wildhive & Co. Limited	X	X	-	-	-
	Agro-processing	Zambeef Products PLC	X	X	X	X	X
	Agro-processing	Zamgoat Products Limited	X	X	X	X	X
Health	Genetics	Chemsol Scientific Limited	X	-	-	-	-
	Pharmaceutical and Distribution	mPharma Zambia	X	-	-	-	-
	Diagnostic services	UniLabs Diagnostic and Imaging Center Zambia	X	X	-	-	-
	Tech-Health	Zuri Health Limited	X	-	-	-	-
Climate Adaptation	Climate adaptation	Alpha Polyplast Limited	X	X	-	-	-
	Climate adaptation	Grips Energy GmbH	X	X	-	-	-
	Climate adaptation	Solar Village Zambia	X	-	-	-	-
	Climate adaptation	Supamoto – Emerging Cooking Solutions	X	-	-	-	-
	Climate adaptation	WidEnergy Africa Limited	X	X	-	-	-
Education	Education Technology (Ed-Tech)	Mwabu Zambia	X	-	-	-	-
	Ed-Tech	Centre 4eLearning Zambia	X	X	-	-	-

Key	
Provided	Not provided
X	-

# 4.2

## Food/Agriculture





# Food overview

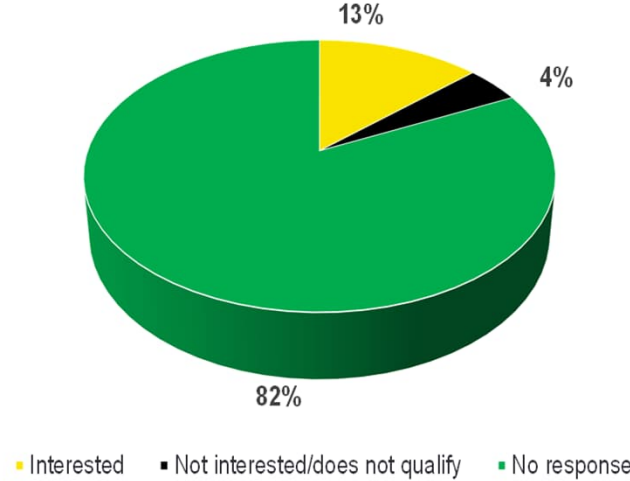
## Research overview

- ▶ The food sector includes sub-categories in agro-processing, vertical foods, daily staples and plant-based. In total, 65 entities were researched in the food sector and 51 were shortlisted and contacted during the primary research.
- ▶ The primary research yielded a total of 6 entities that were interested in engaging in further discussions with The Investor.
- ▶ It was noted that 2 entities stated that they were not interested.
- ▶ The “no response” category had 37 entities with the majority found in the agro-processing category.

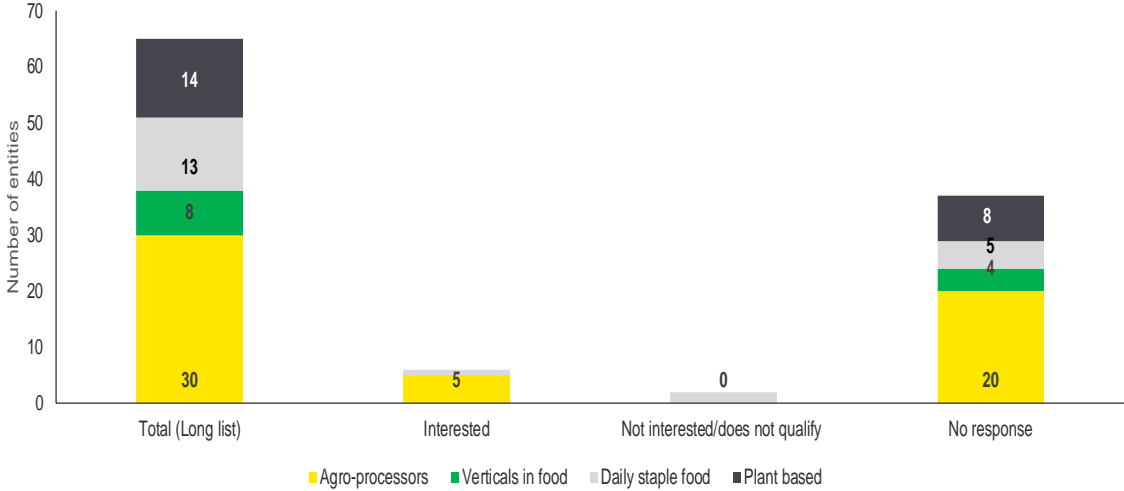
## Required Investment amount

- ▶ For the interested entities, the range of amount of investment required were between USD 1.5m to USD 23m, with an outlier of USD 40m. However, entities in this sector are willing to accept funding from different investors to make up the total.

## Entities contacted in the food sector



## Breakdown per sub-category





# Preliminary universe of potential targets

## 1. Food 1/2

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p><b>Farm Depot Zambia</b></p>	<p><b>Prefer to discuss with The Investors</b></p>	<p>▶ Farm Depot Zambia is an agro retail business registered as a private limited company in Zambia with 23 stores. Since 2008, they have been dedicated to providing quality agricultural products and services to small-scale farmers.</p> <p><a href="http://www.farmdepot.co.zm">www.farmdepot.co.zm</a></p>	N/A	<p>▶ USD4.55m</p> <p>▶ Debt/Equity or grants</p>
 <p><b>Good Nature Agro Products Limited</b></p>	<p><b>Prefer to discuss with The Investors</b></p>	<p>▶ Good Nature Agro is a company that assists small-scale farmers in Africa grow high-value legumes for premium markets.</p> <p><a href="http://www.goodnatureagro.com">www.goodnatureagro.com</a></p>	N/A	<p>▶ USD 10 - 12m in working capital, in total for year 2025</p> <p>▶ Required Investment amount could be in the USD 2m range</p>
 <p><b>Hybrid Poultry Farm (Z) Limited</b></p>	<p><b>Prefer to discuss with The Investors</b></p>	<p>▶ Hybrid Poultry Farm (Z) Limited was established in 1961, primarily as a breeding company. Since then, it has evolved to become a large, integrated poultry business, able to meet much of Zambia's demand for chicken products.</p> <p><a href="http://www.hybridpoultryfarm.com">www.hybridpoultryfarm.com</a></p>	N/A	<p>▶ USD 23m</p> <p>▶ Funding can be from different investors to make up the total required</p>
 <p><b>Wild Hive &amp; Co. Limited</b></p>	<p><b>Prefer to discuss with The Investors</b></p>	<p>▶ Wild Hive &amp; Co Limited is a company established in 2020 by a dedicated team with extensive knowledge and experience. Their focus lies in producing raw Zambian honey and beeswax</p> <p><a href="http://www.wildhiveandco.com">www.wildhiveandco.com</a></p>	N/A	<p>▶ USD 1.5m in equity and debt</p> <p>Breakdown:</p> <p>▶ Capex: USD 1.3m</p> <p>▶ Working capital: USD 0.2m</p>

# Preliminary universe of potential targets

## 1. Food 2/2

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p><b>Zambeef Products PLC</b></p>	<p>Year 2023</p> <ul style="list-style-type: none"> <li>▶ Revenue: USD325m</li> <li>▶ EBITDA: USD27,42m</li> <li>▶ Profitability: USD6,37m</li> <li>▶ Revenue growth: 12,07%</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, milk, dairy products, stock feed and flour. The Group also has one of the largest row cropping operations in Zambia, growing maize, soybeans and wheat.</li> <li>▶ <a href="http://www.zambeefplc.com">www.zambeefplc.com</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ BII (PIDG) UK USD65m investment in 2016</li> <li>▶ FMO (Dutch) USD12.5m investment in 2022 and USD5m in 2024</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD40m to assist with a shareholder exit</li> </ul>
 <p><b>Zamgoat Products Limited</b></p>	<p>Year 2023</p> <ul style="list-style-type: none"> <li>▶ Revenue: USD346,000 (USD147,000 in 2022)</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Group is principally involved in the production, processing, distribution and retailing of beef, chicken, milk, dairy products, stock feed and flour. The Group also has one of the largest row cropping operations in Zambia, growing maize, soybeans and wheat.</li> <li>▶ <a href="http://www.zamgoatgroup.com">www.zamgoatgroup.com</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Past capital raised: USD 300,000 From: Fledge, Africa Eats (equity and debt), Idea Foundry (debt), the Tony Elumelu Foundation (grant) local microfinance institutions and commercial banks(debt) and the Zambia Agribusiness and Trade Project (grant)</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD 7m - To actualize export ready processing plant</li> <li>▶ Working Capital: USD 2.3m</li> <li>▶ Capital expenditure: USD 4.7m</li> </ul>

# 4.3

## Climate

# Climate overview

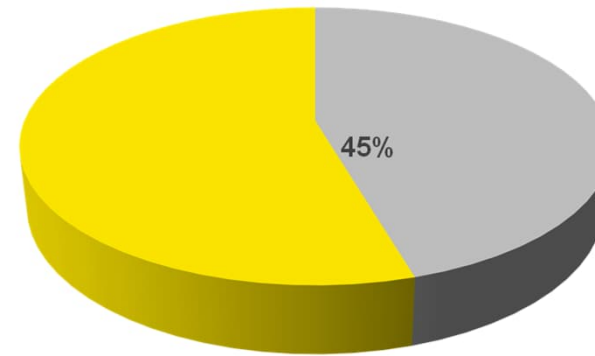
## Research overview

- ▶ In total, 13 entities were researched in the climate sector and 6 were shortlisted and contacted for the primary research.
- ▶ The primary research yielded a total of 5 entities from the contacted list who were interested in engaging in further discussions with The Investor.

## Required Investment amount

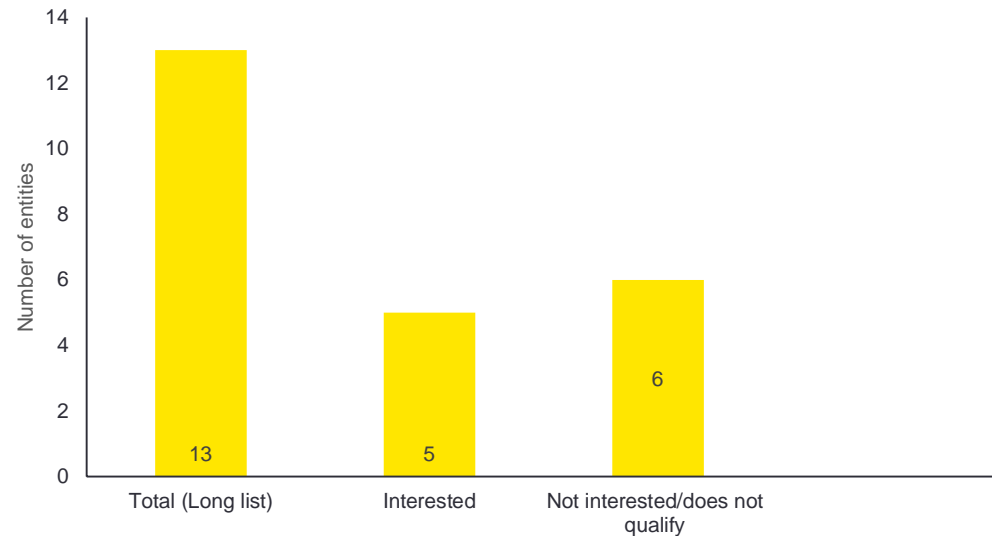
Of the interested entities, the required investment amount ranged from USD 1.6m to USD 12m.

## Entities contacted in the climate sector







■ Interested ■ Not interested/does not qualify

## Breakdown



# Preliminary universe of potential targets

## 2. Climate

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p><b>Alpha Polyplast Limited (APL)</b></p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>Alpha Polyplast Limited is a Manufacturer of polyethylene terephthalate (PET) strapping intended for applications across concrete, cotton, steel and brick manufacturing industries. The company engages in recycling polyester plastic material for commercial users in product and pallet strapping across Central and southern Africa, delivering cost-effective and environmentally stable products having stronger system strength and elasticity.</li> <li><a href="http://www.alphapolyplast.com">www.alphapolyplast.com</a></li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<p>USD 8.5m in the following structure:</p> <ul style="list-style-type: none"> <li>Plant and equipment: USD 5.4m</li> <li>Working Capital: USD 0.5m</li> <li>Debt restructuring: USD 2.6m</li> </ul>
 <p><b>Grips Energy GmbH</b></p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>Developer of renewable energy systems designed to reduce carbon dioxide (CO2) emissions. The company offers renewable and hybrid energy services by financing, building, and operating sustainable power systems and provides technology and financing expertise, enabling clients to minimize their financial, technological, and operational risks in an affordable manner.</li> <li><a href="http://www.grips-energy.com">www.grips-energy.com</a></li> </ul>	<ul style="list-style-type: none"> <li>The company raised angel funding from Econnext on an undisclosed date.</li> </ul>	<p>USD 12m in equity (target close Q2 2024). Leverage Q1 2025:</p> <ul style="list-style-type: none"> <li>USD 36m in senior debt/senior bonds</li> <li>USD 12m in junior debt/mezzanine bonds</li> </ul>
 <p><b>Solar Village Zambia</b></p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>Manufacturer of multifunctional solar-powered technology intended to improve the productivity and quality of life of African smallholder farmers. The company's solar Battery Stick powers a variety of appliances and tools, including pesticide sprayers and household goods, enabling off-grid African smallholder farmers to improve their agricultural yields and quality of life through access to clean energy.</li> <li><a href="http://www.solarvillage.no">www.solarvillage.no</a></li> </ul>	<ul style="list-style-type: none"> <li>Privately held by Smart Innovation Norway.</li> </ul>	<p>USD 2.5m in Working Capital</p>
 <p><b>Supamoto - Emerging cooking solutions</b></p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>Manufacturer of high-energy fuel pellets and stoves created to offer an environmentally friendly substitute for charcoal. The company pelletized forestry waste that is sold for use in clean cookstoves, enabling users to not only meet fundamental energy needs but also substantially reduce greenhouse gas emissions.</li> <li><a href="http://www.supamoto.co.zm">www.supamoto.co.zm</a></li> </ul>	<ul style="list-style-type: none"> <li>Received EUR 250,000 of grant funding from EEP Africa in 2019.</li> </ul>	<p>EUR2.5m matching finance.</p> <ul style="list-style-type: none"> <li>Received grant financing of EUR 2m commitment.</li> </ul>

# Preliminary universe of potential targets

## 2. Climate

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p>WidEnergy</p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>▶ Operator of a power distribution channel intended to provide a last-mile clean energy supply in Africa. The company leverages the pay-as-you-go model to deliver solar products and clean energy cook stoves, enabling households to access renewable-powered alternatives for the most necessary domestic appliances.</li> <li>▶ <a href="http://www.widenergyafrica.com">www.widenergyafrica.com</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Raised ZMW 125,000 of venture funding in a deal led by ShEquity on May 17, 2021.</li> </ul>	<ul style="list-style-type: none"> <li>▶ EUR1.6m matching finance. Received grant financing of EUR 2m commitment.</li> </ul>

# 4.4

## Health



# Health overview

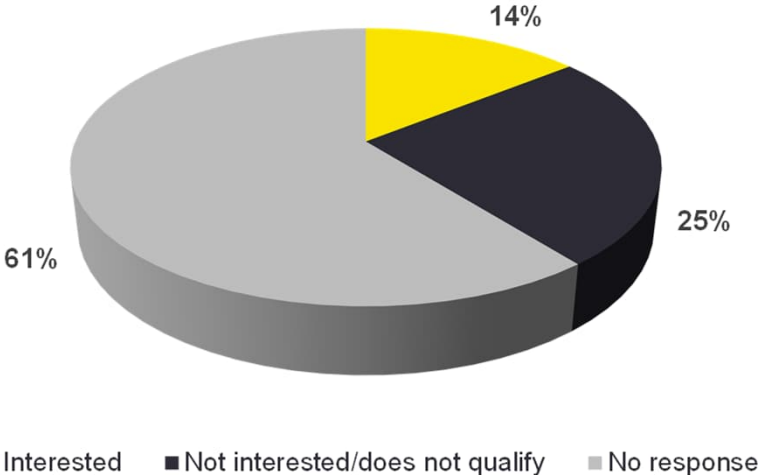
## Research overview

- ▶ The secondary research for the health sector produced a total of 90 entities which were shortlisted to 22 entities.
- ▶ The primary research generated 4 entities that wanted to engage in further discussions with The Investor.
- ▶ 9 entities did not respond, primarily from the pharma wholesaling category.

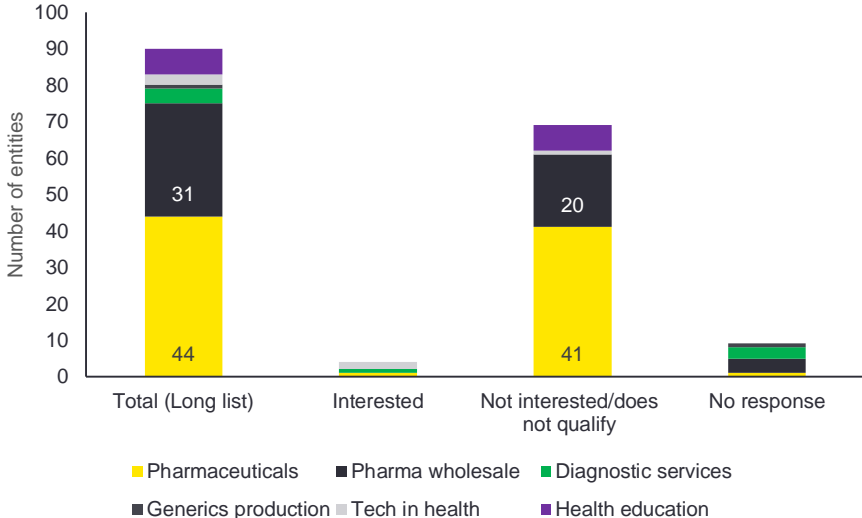
## Required Investment amount

- ▶ From the entities that were willing to share investment requirements, the range noted was from USD 1m - USD 4m.

## Entities contacted in the health sector







## Breakdown per sub-category



# Preliminary universe of potential targets

## 3. Health

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p><b>ChemSol Scientific Limited</b></p>	Prefer to discuss with the Investors	<ul style="list-style-type: none"> <li>▶ Chemsol Scientific Limited is a leading provider of quality Research and Applied Life Science Products in Zambia. They have been dedicated to offering the best quality products in life science and research solutions for over 10 years.</li> <li>▶ <a href="https://chemsolscientific.com">Chemsol (chemsolscientific.com)</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Privately held</li> </ul>	<ul style="list-style-type: none"> <li>▶ Amount to be discussed with Investor.</li> <li>▶ Initially will ask for USD 1m and increase in tranches based on financial performance.</li> </ul>
 <p>mPharma Zambia</p>	Prefer to discuss with the Investors	<ul style="list-style-type: none"> <li>▶ mPharma Zambia is an entity that focuses on improving access to medicines. The entity provides innovative financing and inventory management solutions to hospitals, pharmacies, and patients.</li> <li>▶ <a href="#">mPharma</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Privately held by mPharma Ghana Limited.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Amount to be discussed with Investor.</li> </ul>
 <p>Zuri Health</p>	Prefer to discuss with the Investors	<ul style="list-style-type: none"> <li>▶ Zuri Health is a telemedicine company that aims to provide accessible and personalized healthcare solutions. Their mission is to empower individuals to take control of their well-being.</li> <li>▶ <a href="#">Zuri Health   Sign In</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Privately held by Zuri Health Kenya Limited</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD 4m which will go to the group. 60% will go to the Zambian, Nigerian and Kenyan markets.</li> <li>▶ To discuss with Investor the actual amount for Zambia.</li> </ul>
 <p>UniLabs Zambia</p>	Prefer to discuss with the Investors	<ul style="list-style-type: none"> <li>▶ Unilabs Diagnostics and Imaging Center is a healthcare provider in Zambia, focused on providing diagnostics, imaging, and comprehensive wellness support.</li> <li>▶ <a href="https://unilabszambia.com">Unilabs – Diagnostics and Imaging Center (unilabszambia.com)</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Privately held</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD 1.5m – USD 2m</li> <li>▶ Financing is for expansion purposes</li> </ul>

# 4.5

## Education

# Education overview

## Research overview

- ▶ The secondary research for the education sector produced a total of 89 entities which were subsequently shortlisted to 22 entities.
- ▶ The primary research generated 2 entities in the ed-tech sector, that were interested in further discussions with The Investor and 13 entities did not respond.

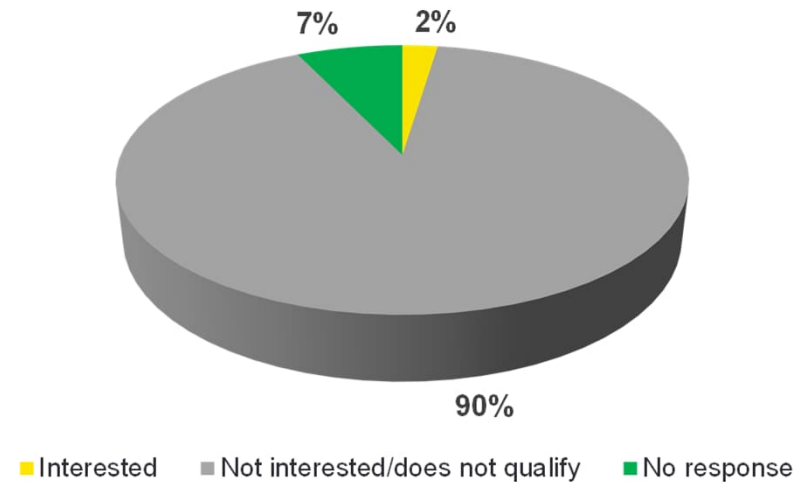
## Required Investment amount

- ▶ The study found that the range of the Required Investment amounts were between USD 1.5m to 10m.

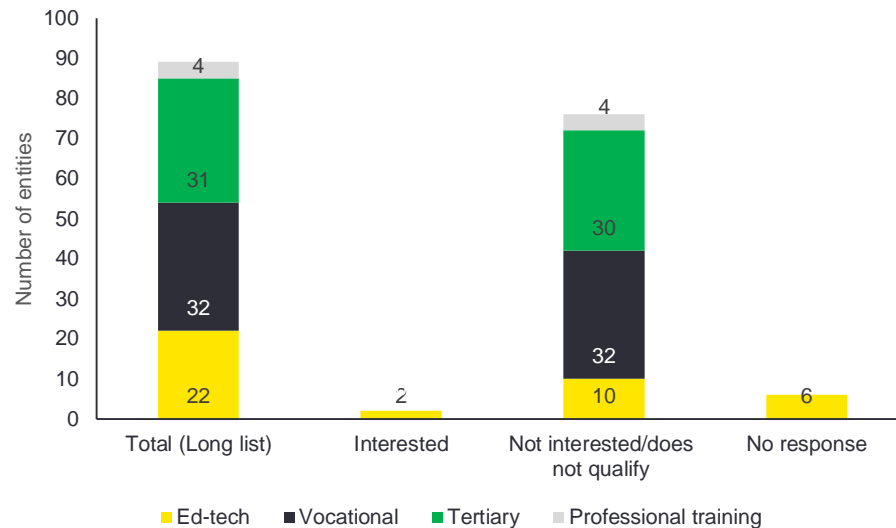
## Other insights

- ▶ It was noted that in the education sector, there was more concern with finding an Investor who was willing to invest in social impact investing.
- ▶ After the primary research phase had concluded, UNICAF reverted stating that they are willing to have further discussions around the establishment of a University Hospital in Zambia. The investment will be from both a financial perspective and a social responsibility perspective. However, due to the timing of the response and having not engaged in an additional discussion with them, this entity was not included in the “interested” category and remained in the “not interested” category.

## Entities contacted in the education sector





## Breakdown per sub-category



# Preliminary universe of potential targets

## 3. Education

Target	Financials	Business description	M&A Intelligence	Financing Required
 <p>Mwabu Zambia</p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>▶ Provider of educational tools intended to improve educational outcomes in primary schools across Africa. The company's tools include the development of curriculum-aligned teaching and learning resources, devices, and hardware as well as the training academy, enabling the African primary schools to benefit from increased access to technology.</li> <li>▶ <a href="https://mwabu.com/">https://mwabu.com/</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ The company received development capital from Mars Growth Capital on an undisclosed date. Previously, the company received \$12 million of debt financing in the form of a loan from Liquidity Group on April 21, 2021.</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD10 m</li> <li>▶ Social Impact investment</li> </ul>
 <p>Centre 4e-learning</p>	<p>Prefer to discuss with the Investors</p>	<ul style="list-style-type: none"> <li>▶ Centre4eLearning is an EdTech company based in Lusaka, Zambia which specialize in providing online education solutions from primary to Master's level. The Centre4eLearning platform aims to make education accessible, engaging, and impactful for learners and businesses.</li> <li>▶ <a href="https://c-eir.webflow.io/">https://c-eir.webflow.io/</a></li> </ul>	<ul style="list-style-type: none"> <li>▶ Privately held</li> </ul>	<ul style="list-style-type: none"> <li>▶ USD1,5m debt financing</li> </ul>

# 5

## Conclusion

Recommendations

37

Next steps

40

# 5.1

## Recommendations



## Evaluation of investment potential

The following table summarises the likelihood of having further discussions with the investors based on the sentiments from the interviews conducted, given that not all entities on the list below provided financial information for further analysis/ screening base on the financial information criteria. The Targets highlighted that financial information can be provided once Non-disclosure agreements are signed between the potential targets below and the investor.

Potential targets			Interested and likelihood to further discussions with the investor		
Sector	Sub-sector	Entity	High	Moderate	Low
Food/Agriculture	Agro-processing and poultry	Farm Depot Zambia	X		
	Agro-processing	Good Nature Agro Products Limited	X		
	Agro-processing and poultry	Hybrid Poultry Farm (Z) Limited	X		
	Agro-processing	Wildhive & Co. Limited	X		
	Agro-processing	Zambeef Products PLC	X		
	Agro-processing	Zamgoat Products Limited	X		
	Health	Genetics	Chemsol Scientific Limited	X	
Pharmaceutical and Distribution		mPharma Zambia		X	
Diagnostic services		UniLabs Diagnostic and Imaging Center Zambia	X		
Tech-Health		Zuri Health Limited	X		
Climate Adaptation	Climate adaptation	Alpha Polyplast Limited	X		
	Climate adaptation	Grips Energy GmbH		X	
	Climate adaptation	Solar Village Zambia	X		
	Climate adaptation	Supamoto - Emerging Cooking Solutions	X		
	Climate adaptation	WidEnergy Africa Limited	X		
Education	Education Technology (Ed-Tech)	Mwabu Zambia		X	
	Ed-Tech	Centre 4eLearning Zambia	X		



# Conclusion

- ▶ The objectives of this exercise is to develop a pipeline of investible entities in Zambia in the Food/Agriculture, Health, Climate Adaptation and Education sectors. Our research methodology was premised on primary research through interviews carried out with shortlisted entities operating in the sectors of interest obtained from desk top research and interviews with stakeholders in the Zambia market.
- ▶ Food – The majority of entities in this sector made up of primary agricultural entities. The 6 potential targets identified have expressed their urgent search for fundraising and are willing to have further discussions with the investors to map a way forward for investment.
- ▶ Health – There is scope in developing the infrastructure of the health system in Zambia, like many of the southern African countries, the accessibility to health facilities remains constrained. The potential targets identified are concentrated in the Copperbelt, Lusaka and Southern provinces of Zambia, posing opportunities for tech-health entities to grow with assisting communities to access health services more conveniently.
- ▶ Education – Zambia is well endowed with tertiary institutions both in the private and public sector. The notion of education technology (Ed-Tech) and online learning have been catapulted since the effects of the Covid-19 pandemic in 2019. The entities that have expressed their interest in this exercise outperformed the traditional methods of learning due to the abnormalities in the pandemic, which has slowed down since the world opened when the pandemic ended. These entities however have realised the potential of growing the ed-tech space in Zambia with collaboration with the relevant ministries in the Government of Zambia.
- ▶ Climate adaptation – while the 5 potential targets identified in this sector are keen for investment, the targets' major concerns where on the premise of the investors being well acquainted with the renewable energy funding requirements and returns structures which may be significantly different from the remaining three sectors. This has been the major bottleneck in the deals the targets have been exposed to and would be critical to agree on the onset when further deliberations are considered with these entities.
- ▶ The findings of this exercise are in line with the key impediments to the growth of impact investment in Africa, which include a limited number of investible entities due to lack of financial information for further analysis of the business, a clear track record of operational efficiency and viability due to changes in economic factors or policies as well as information asymmetry between investors and businesses and the lack of quality deal-flow.
- ▶ The entity identification search yielded a number of duplicate entities across the four sectors, highlighting that the investible entities remain few and attractive for investors for either grant, debt or equity funding. The less attractive entities, which may have the potential to grow and in need for growth financing would require developing to become investible. These entities may be attractive for social impact investors who may dedicate some technical and financial resources to grow the base of investible entities in the Zambia market, which will also feed into the growth of investment pipeline for potential investors.
- ▶ The key challenges of this study also include the lack of financial information available for further analysis, the unwillingness of participants to correspond with third party advisers and prefer direct engagement with potential investors.

# 5.2

## Next steps



## Recommendation steps pre and post funding

The following is a recommendation of the next steps to follow which will include more in-depth analysis and evaluation of the identified companies to determine their suitability.

- ▶ **Non-disclosure agreements:** Sign non-disclosure agreements with the targets to allow for further discussions and sharing of financial information.
- ▶ **Discussions with entities:** Engage with entity owners to obtain further information such as but not limited to financial information, strategic company goals, financing requirements.
- ▶ **Company profiling:** Conduct a full and comprehensive company profiling including analysing financial projections.
- ▶ **Due diligence:** Conduct thorough due diligence on each potential target to assess their financial health, operations, market position, intellectual property, legal status, and any potential risks or liabilities. This will help understand the target company better and identify any potential red flags.
- ▶ **Regulatory environment:** Understand the regulatory environment and potential barriers to entry.
- ▶ **Valuation:** Determine the valuation of each target company to understand its worth and negotiate a fair acquisition price. Consider factors such as revenue, profitability, growth potential, market position, and comparable transactions in the industry.
- ▶ **Synergy analysis:** Evaluate how well the target company's operations, products, and services align with your existing business and how the acquisition can create value through synergies. Identify potential cost savings, revenue enhancements, and strategic advantages.
- ▶ **Integration Planning:** Develop a detailed integration plan outlining how the target company will be integrated into your existing operations post-acquisition. Consider key areas such as organizational structure, systems integration, culture alignment, and employee retention.
- ▶ **Negotiation and Deal Structuring:** Begin negotiations with the target company's shareholders or management team to agree on the terms, including price, payment structure, warranties, and any conditions precedent. Work with legal and financial advisors to structure the deal in the most beneficial way.
- ▶ **Finalize Documentation:** Once terms are agreed upon, work with legal counsel to draft and finalize the necessary legal documentation, including a purchase agreement, disclosure schedules, employment agreements, and any other relevant contracts.
- ▶ **Closing and Post-Acquisition Integration:** Close the acquisition according to the agreed-upon terms and begin the process of integrating the target company into your organization. Communicate clearly with employees, customers, and other stakeholders to ensure a smooth transition.
- ▶ **Monitoring and Evaluation:** Monitor the performance of the acquired company post-acquisition and evaluate the success of the integration process. Make adjustments as needed to ensure the long-term success of the acquisition.

# 6

## Appendices

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# 6.1

## Economic overview



# Zambia Country overview

## Country Overview

- ▶ Zambia is a landlocked country in Southern Africa. It is bordered by eight countries: Tanzania to the northeast, Malawi to the east, Mozambique to the southeast, Zimbabwe to the south, Botswana and Namibia to the southwest, Angola to the west, and the Democratic Republic of the Congo to the north. The capital city is Lusaka, located in the south-central part of the country.

## Geography and Demographics:

- ▶ Zambia's diverse landscapes include the Victoria Falls, one of the largest and most famous waterfalls in the world, and the Zambezi River, which defines its border with Zimbabwe. The country's terrain is mainly high plateau, with some hills and mountains. Zambia has a tropical climate, modified by elevation.
- ▶ Zambia is endowed with a wealth of natural resources, including an assortment of mineral deposits and more than a third of the Southern African region's water supply, with resultant opportunities for tourism, agricultural development, and hydroelectricity.
- ▶ The population of Zambia is relatively young, with a median age of around 17 years. There is a variety of ethnic groups, languages, and dialects, with the Bantu-speaking people being predominant. The official language is English, which is used in business and education.

## Economy:

- ▶ Zambia's economy is highly dependent on the mining industry, particularly copper mining, which is the country's biggest export earner. The country faces fluctuating copper prices, which significantly affect its fiscal position. Besides mining, agriculture, tourism, and manufacturing also contribute to the economy.
- ▶ Zambia's economic challenges include high poverty rates, unemployment, high public debt, inflation has been a concern, and currency depreciation has posed a challenge. The government has been working on various reform programs to promote growth and stabilize the economy.

## Political and Social Environment:

- ▶ Zambia is known for its relatively peaceful transitions of power and stable political environment.

## Education and Health care:

- ▶ The education and healthcare facilities and structures may require further improvement to enhance the quality of life for Zambians. The HIV/AIDS epidemic has also been a major public health issue, although the situation has been improving due to international aid and government programs.

## Strategic Importance:

- ▶ Zambia plays a crucial role in regional dynamics as it is a member of the Southern African Development Community (SADC) and the Common Market for Eastern and Southern Africa (COMESA). Its central location makes it a potential hub for trade and investment in the region, especially if the infrastructure challenges are addressed.

## Challenges and Opportunities:

- ▶ Zambia faces various challenges, such as managing its natural resources sustainably, improving governance, and bolstering the economic sectors beyond mining. However, its strategic location, natural beauty, and untapped resources, including arable land and water resources, also present significant opportunities for development and investment.



# Zambia Economic Overview

## Economic overview

- ▶ At its final meeting of 2023, Zambia's monetary authority lifted the benchmark interest rate to 11.0%, taking the cumulative increase for the year to 200 bps.
- ▶ Persistent hard-currency liquidity pressures necessitated two adjustments to the statutory reserve ratio: an increase of 300 bps to 14.5% and another tightening of 250 bps to 17.0% in November 2023.
- ▶ These measures will support the kwacha by making it more costly to fund long dollar positions.
- ▶ A stronger kwacha will support a reduction in headline inflation to the target range of 6.0% -8.0% year on year.
- ▶ The strength of the economy's external position relies heavily on the performance of the copper sector, which accounts for more than 75% of export earnings and draws the vast majority of FDI pledges.
- ▶ If the interest rate increase significantly increases borrowing costs, it could lead to a higher risk of loan defaults by borrowers struggling to repay their loans. This can lead to increased loan losses and negatively impact the bank's profitability.
- ▶ Zambia is highly susceptible to shocks to the terms of trade due to its dependence on copper and a narrow export base.

## Risk and Opportunity indicators

Risk Indicators		Score	Continent rank
1	Ease of doing business overall rank	85.0	7th
2	Corruption Perceptions Index (0 = highly corrupt; 100 = very clean)	33.0	22nd
3	Overall Risk Score - Sibylline ASTRA (0 = no risk; 10 = extensive risk)	5.00	15th
4	Political Risk Score - Sibylline ASTRA (0 = no risk; 10 = extensive risk)	4.00	6th
5	Criminal Risk Score - Sibylline ASTRA (0 = no risk; 10 = extensive risk)	5.00	17th
6	Quality of overall infrastructure (0 = underdeveloped; 100 = extensive)	36.6	21st
7	Strength of minority investor protection index (0-50 = favorable)	30.0	8th
8	Strength of auditing and reporting standards (1= weakest; 7 = strongest)	3.56	29th
9	Debt and credit market score	61.5	13th
10	Global Cybersecurity Index score	68.9	13th

Opportunity indicators		Value	Continent rank
1	GDP (current US\$b)	27.4	19th
2	GDP growth (annual %)	5.03	13th
3	GDP growth (real GDP, compound) - forecast 5 year (2028)	4.12	16th
4	GDP per capita (current US\$)	1 335	31st
5	Population (m)	20.6	22nd
6	Mobile subscriptions per 100 people	104	19th
7	Urban population (% of total)	46.3	29th
8	Banked population (%)	23.8	19th
9	Population growth (compound) - forecast 5 year (2028)	2.67	11th
10	Literacy rate (total population %)	86.7	12th

Source: S&P Global, IMF

# 6.2

## Sources of information





# Sources of information

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