



## CONCEPT NOTE

# Needs and financing mechanisms of the Special Economic Zone (SEZ) for Battery Electric Vehicles (BEVs) in the Republic of Zambia

## 1. Context

The DRC-Africa Business Forum organized in Kinshasa in November 2021 on the theme "*Developing a value chain around the electric battery and clean energy industry*" with the support of ECA, AFC, Afreximbank, BADEA, UN Global Compact and the AfDB (ALSF)<sup>1</sup>, outlined the possibility of developing a regional battery value chain by taking advantage of the vast and complementary mineral resources of Zambia and the DRC. This event, which included, among others, a round table on the local beneficiation and the participation of national stakeholders in the electric battery value chain through innovative financial solutions, discussed the need of a more pronounced footprint of the sector in the national economies. In that regard, participants stressed the need for the Zambian and Congolese financial sectors to take a stake in the different nodes of the battery value chain, through direct investment as well as through loans to other investors.

In order to materialize the battery electric vehicle (BEV) initiative, the Zambian and Congolese governments signed an agreement in March 2023 to develop a special economic zone (SEZ) for the production of battery precursors, batteries, electric vehicles and renewable energies, in collaboration with a group of partners represented by Afreximbank and ECA. During the signing ceremony, the firm ARISE Integrated Industrial Platform (ARISE IIP) was announced as the consulting firm to carry out the pre-feasibility study in the two countries following the consideration of bids from two other consulting companies. The pre-feasibility study of the SEZs on the initiative was launched in Lubumbashi and Lusaka in May 2023. The results of the pre-feasibility study are expected by early September 2023.

The initiative is being supported at the highest level in both countries. In the DRC, to ensure the governance of this transforming and industrializing project, the President of the DRC has set up the Congolese Battery Council and appointed its leaders by presidential decree No 0314/02/2023. In Zambia, the Ministers of Commerce, Trade and Industry, Finance and National Planning and Mines and Minerals Development were specifically tasked, by the Republican President, to spearhead the initiative.

To maintain momentum on the initiative among stakeholders while the pre-feasibility study is underway, it is necessary to organize consultations with stakeholders in both countries. The consultations in Zambia will include dialogue and in-depth discussions with the private sector (financial, manufacturing, mining, energy, etc), the regulatory authorities as well as various partners in order to concretely mobilize the participation of Zambians (entrepreneurs and corporates) in the electric battery value chain whose market is expected to reach US\$8.8

<sup>1</sup> **ECA:** United Nations Economic Commission for Africa; **AFC:** Africa Finance Corporation; **Afreximbank:** African Export–Import Bank; **BADEA:** Arab Bank for Economic Development in Africa; **AfDB:** African Development Bank; **ALSF:** African Legal Support Facility.



trillion by 2025<sup>2</sup> and define the contours of the necessary ecosystem,. Similar consultations have already taken place in the DRC.

In light of the above, the ECA and Afreximbank, the technical partners with the two Governments in this initiative, in collaboration with the Ministry of Commerce, Trade and Industry, will organize a stakeholder consultative meeting on the electric battery initiative in Lusaka, Zambia.

## 2. Objectives

The main objective of the consultations to be organized under the theme "*Needs and financing mechanisms of the Special Economic Zone (SEZ) for Battery Electric Vehicles (BEVs) in the Republic of Zambia*" is to provide the Zambian private sector and entrepreneurs, the Zambian financial sector, development partners, institutional investors, negotiators, with the opportunity to discuss and identify the opportunities for the active participation on specific nodes of the battery value chain. The identification and exploitation of the various local content opportunities will help deepen the domestic footprint of the value chain in Zambia and ensure that linkages are developed and strengthened as the value chain evolves. In this manner, the developmental role of the sector will be strengthened.

2

## 3. Dates and Venue

The consultative meeting will be organized on 04-05 October 2023 in Lusaka, Zambia.

## 4. Expected participants

The consultative meeting on "*Needs and financing mechanisms of the Special Economic Zone (SEZ) for Battery Electric Vehicles (BEVs) in the Republic of Zambia*" will be attended by high-level Government officials, contractors, captains of the private sector, representatives of the Zambian financial and banking system and of the community of investors, industrialists, academics, and other stakeholders, in particular those who play a leading role in the development and financing actors in the battery, electric vehicle and renewable energy value chains.

The main participants to be invited will include:

- Zambian banks
- Specialized funds
- Zambia Development Agency
- Industrial Development Corporation
- Development banks (Africa Finance Corporation, AfreximBank, African Development Bank, World Bank, etc.)
- Chamber of Mines
- Mining companies
- Zambia Chamber of Commerce and Industry and affiliate bodies
- Insurance companies and pension funds

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<sup>2</sup> Bloomberg NEF



- Microfinance actors
- Subcontracting companies and related institutions
- Development partners
- Universities and Tertiary Institutions

## 5. Event format

In addition to individual discussions with the stakeholders the event, to be held in plenary, will include:

- consultation with institutional investors and players in the financial sector, with a view to identifying a favorable regulatory and legal framework to the BVE initiative, financing conditions for local entrepreneurs, as well as risk analysis tools
- sessions with the banking sector to discuss the outlines of the special financial vehicle to financially support the participation of Zambians in the BVE value chain.
- Discussion of opportunities along the BEV value chain; and
- A feedback session with the various stakeholders.

3

## 6. Expected results

The consultations should lead to the following results:

1. Enhanced knowledge and understanding of the objectives of the initiative and what it means for Zambia and Zambians;
2. Enhanced appreciation of the opportunities along the BEV value chain and a formal commitment of the private sector, business associations and Zambian financiers to be part of the BEV initiative through investment and other strategic positioning;
3. Commitment of the regulatory authorities, in particular those in charge of subcontracting, with a view to promoting local content in the BVE value chain in Zambia; and
4. Agreement on a roadmap to promote local content in the BVE initiative.

