ZAMBIA IMPACT INVESTMENT MARKET
SIZING STUDY 2025

Abridged Version: Market Landscape, Key Findings, and Strategic Outlook

NABII ZAMBIA | GSG NATIONAL PARTNER | From the People of Japan

I. EXECUTIVE SUMMARY

Zambia's impact investment ecosystem has entered a period of rapid growth and increasing sophistication. Between 2021 and mid-2025, Zambia attracted approximately USD 1.4 billion across 128 impact transactions, bringing the estimated total market value to USD 1.9 billion. This growth has been driven primarily by Development Finance Institutions (DFIs), international climate finance, and, more recently, Zambian pension funds enabled by regulatory reform.

However, the ecosystem remains structurally imbalanced. Capital is heavily concentrated in growth-stage and infrastructure deals, while early-stage enterprises remain underfunded. Zambia's "missing middle" (USD 25,000–5 million ticket sizes) remains under served by both commercial banks and large DFIs.

Key constraints include:

01. Currency and macroeconomic volatility.

02. Weak pipeline quality and investment readiness.

03. Limited early-stage risk capital.

04. Underdeveloped exit markets.

05. Heavy reliance on donor-funded support structures.

Despite these challenges, investor sentiment is cautiously optimistic. Strong opportunities exist in energy, agriculture, fintech, and climate-related sectors, and Zambia is increasingly viewed as a regional impact investment hub.

II. ACKNOWLEDGEMENTS

1.1. About NABII Zambia

The National Advisory Board for Impact Investment Zambia was established in 2019 as a non-profit organisation with the mandate of advancing the growth and effectiveness of impact investing in Zambia. NABIIZ serves as the national platform for coordinating stakeholders in the impact ecosystem and represents Zambia within the GSG Impact, positioning the country within an international network of peer NABs and global impact investors.

NABIIZ's mission is to mobilise stakeholders and resources to support the creation of a private sector-driven "impact economy", through the identification of domestic opportunities for change and innovation that contribute to achieving the Sustainable Development Goals (SDGs). NABIIZ's vision is a prosperous Zambia driven by inclusive green growth and sustainable development.

Within the Zambian ecosystem, NABIIZ plays a dual role: first, as a convener and knowledge broker, providing evidence-based insights and coordination across government, private capital providers, and development partners; and second, as an ecosystem catalyst, promoting the integration of social and environmental impact measurement across investment practices and policy-making. By anchoring Zambia within the GSG network, NABIIZ ensures that Zambian stakeholders are connected to global best practices and innovations in mobilising capital for sustainable development.

1.2. About GSG Impact

GSG Impact builds impact economies. We do this by working to embed social and environmental impact at the heart of every political, investment, business and consumption decision. We connect global leaders, governments, investors, regulators and social innovators, so that together we can build the infrastructure and incentives for social and environmental impact to be central to all decision making. GSG Impact is the cornerstone of the wider GSG Impact Partnership - a global network of 43 National Partners representing 48 countries: more than half in emerging markets.

1.3. About the Ministry of Foreign Affairs Japan

The Ministry of Foreign Affairs is an executive department of the Government of Japan, and is responsible for the country's foreign policy and international relations.

1.4. About Kukula Capital

Kukula Capital is a Zambian-based independent investment and advisory firm established in 2009 in Lusaka. The firm specializes in impact investing through a tripartite model: Direct Investments, Corporate Advisory, and Asset Management. Kukula is licensed by the Securities and Exchange Commission of Zambia (SEC). Kukula offers financial advisory and portfolio management, in addition to consulting services, to a broad range of local SMEs with high-growth and impact orientation. The firm's mission-driven strategy is grounded in sustainable, financially attractive investments, reflecting its belief that responsible companies deliver superior returns.

Kukula has previously operated several proprietary funds, including Kukula Fund I and the Kukula Seed Fund, which targeted the investment gap for early-stage and "missing middle" SMEs in Zambia. The team is supported by industry professionals across investment, compliance, and operations.

1.5. Contributing Authors

- Simunza Muyangana, Peter Chintu and Audrey Hamayanda (GSG National Partner Zambia)
- GSG Impact
- Henning Olweus, Olaf Alexander Styrmoe & Darryl Higgins (Kukula Capita

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IV. ACRONYMS

Acronym	Full Form
4IP	4P Group (Market Size Survey)
AATIF	African Agriculture Trade and Investment Fund
AfDB	African Development Bank
AGG	Africa Go Green Fund
AI	Artificial Intelligence
ALCB	African Lion Capital Bank
AMCIL	Africa Mortgage & Civil Infrastructure Limited
AUM	Assets Under Management
AVCA	African Private Equity and Venture Capital Association
BDSP	Business Development Support Provider
BDS	Business Development Services
BII	British International Investment
BoZ	Bank of Zambia
CAGR	Compound Annual Growth Rate
CCPC	Competition and Consumer Protection Commission
CEC	Copperbelt Energy Corporation
CEO	Chief Executive Officer
CEEC	Citizens Economic Empowerment Commission
CDFI	Community Development Financial Institution
CFO	Chief Financial Officer
CGT	Capital Gains Tax
CTO	Chief Technology Officer
DCF	Discounted Cash Flow
DD	Due Diligence
DDM	Dividend Discount Model
DFIs	Development Finance Institutions
DFC	U.S. International Development Finance Corporation
EAVCA	East Africa Venture Capital Association
EAIF	Emerging Africa Infrastructure Fund

Acronym	Full Form
EBI	Equity Bank Investment
EIB	European Investment Bank
EMEx	Equity Market Exchange
EMEA	Europe, Middle East and Africa
EPF	European Financing Partners
ESG	Environmental, Social and Governance
EU	European Union
FDI	Foreign Direct Investment
FinDev	Finance for Development
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
FSD	Financial Sector Deepening
FX	Foreign Exchange
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gas
GIIN	Global Impact Investing Network
GIP	Growth Investment Partners
GSG	Global Steering Group
HIPSO	Harmonized Indicators for Private Sector Operations
HNWI	High Net Worth Individuals
ICCF	Interact Climate Change Facility
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPO	Initial Public Offering
IRIS	Impact Reporting and Investment Standards
DFC	U.S. International Development Finance Corporation
EAVCA	East Africa Venture Capital Association
EAIF	Emerging Africa Infrastructure Fund

IV. ACRONYMS

Acronym	Full Form
IRIS+	Impact Reporting and Investment Standards Plus
IRR	Internal Rate of Return
KPI	Key Performance Indicator
KYC	Know Your Customer
LLP	Limited Liability Partnership
LuSE	Lusaka Stock Exchange
M&A	Mergers and Acquisitions
MFI	Micro Financial Institution
MIS	Management Information System
MoF	Ministry of Finance
MSMEs	Micro, Small & Medium Enterprises
MW / MWh	Megawatts / Megawatt Hours
NAB	National Advisory Board
NABIIZ	National Advisory Board for Impact Investment Zambia
NA	North America
NAP	National Agriculture Policy
NAPSA	National Pension Scheme Authority
NAV	Net Asset Value
NDP	National Development Plan
NGO	Non-Governmental Organization
NTBC	National Technology Business Center
OPIC	Overseas Private Investment Corporation
PACRA	Patents and Companies Registration Agency
PE	Private Equity
PEA	Private Equity Association
PIA	Pensions and Insurance Authority
PPP	Public-Private Partnership
Q1/Q2/Q3/Q4	First/Second/Third/Fourth Quarter
SAFF	Sustainable Agriculture Financing Facility

Acronym	Full Form
SADC	Southern African Development Community
SDG(s)	Sustainable Development Goal(s)
SEC	Securities and Exchange Commission
SGB	Small and Growing Business
SGBs	Small and Growing Businesses
SI	Statutory Instrument
SME	Small and Medium Enterprise
SSA	Sub-Saharan Africa
SSTP	Small Scale Trade Programme
SSBCI	State Small Business Credit Initiative
STEM	Science, Technology, Engineering and Mathematics
TA	Technical Assistance
TEVET	Technical Education, Vocational and Entrepreneurship Training
TVET	Technical and Vocational Education and Training
TFC	Trade Finance Company
ToR	Terms of Reference
TT	Technical Training
UK	United Kingdom
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
USD	United States Dollar
VC	Venture Capital
WASH	Water, Sanitation and Hygiene
WCTF	Workers Compensation Trust Fund
WHT	Withholding Tax
ZANACO	Zambia National Commercial Bank
ZDA	Zambia Development Agency
ZCCM-IH	Zambia Consolidated Copper Mines Investment Holdings
ZMW	Zambian Kwacha

V. FOREWORD

1.6. National Advisory Board for Impact Investment Zambia

It is with great conviction and excitement that we present the Zambia Impact Investment Market Sizing Study 2025. This study isn't just a report; it's a powerful validation of Zambia's rapidly accelerating position as a leading destination for mission-driven capital, setting a decisive and actionable agenda for the Zambia National Advisory Board for Impact Investment (NABII) as we pursue our vision of a prosperous nation driven by inclusive green growth and sustainable development.

The momentum is undeniable. Between 2021 and the second quarter of 2025, Zambia attracted an estimated USD 1.4 billion in impact investments across 128 transactions, bringing the total estimated market value to an impressive USD 1.9 billion. This surge has been anchored by Development Finance Institutions (DFIs) and significantly amplified by robust international climate finance flows, primarily targeting key sectors like energy, renewables, and climate technology. Critically, domestic institutional investors, particularly pension funds, deployed USD 246 million following essential policy reforms that expanded their allocation limits to alternative assets.

Navigating the Pivotal Juncture

However, the market stands at a pivotal juncture, characterised by both growth and existing challenges. The study clearly highlights structural constraints that could restrict inclusive and sustainable growth for our start-ups and businesses. These notably include the limited flow of early-stage equity capital for small and growing businesses and the impact of Zambia's high country risk premium and currency volatility on investor appetite. Addressing these constraints is absolutely essential to consolidate our gains and attract the long-term, patient capital that delivers both financial returns and social impact.

A Roadmap for Collective Action

The findings of this study provide a powerful evidence base for NABII's ongoing work in mobilising capital, strengthening enterprises, and shaping a more enabling environment for impact investing. Our ambition is to unlock greater participation from local investors through improved fund structures and well-designed risk-sharing mechanisms. This includes the Small Business Growth Initiative (SBGI) Debt Sleeve, developed

Mr. Simunza Muyangana
Board Chairperson

in collaboration with the Bank of Zambia (BoZ) and supported by GSG Impact and other partners. We are also focused on advocacy for policy incentives that actively encourage private investment in early-stage enterprises.

Furthermore, the report underscores the vital role of our ecosystem partners, the business development service providers, in supporting your investment readiness. To maximise their impact, there is an urgent need to strengthen their financial sustainability and align their services more closely with the practical needs of different types of investors.

NABII remains committed to deepening collaboration across the entire ecosystem of government, investors, intermediaries, and enterprises to ensure that impact capital drives inclusive outcomes. By combining robust data with practical insights, this study provides a clear roadmap to bridge Zambia's missing middle, foster enterprise resilience, and firmly embed impact as a central driver of national development.

This report is more than a reflection of progress; it is a call to collective action. We invite all stakeholders, including government, investors, development partners, and ecosystem enablers, to collaborate with us in realising Zambia's full potential as a thriving impact economy that delivers measurable results for our people and our planet.

Mr. Simunza Muyangana
Board Chairperson, NABII Zambia

1.7. GSG Impact

Zambia's 2025 Impact Investment Market Sizing Study comes as countries everywhere are facing a simple truth: capital is available, but economic systems are not directing it to where it is needed most. With sovereign debt pressures rising globally and public budgets under strain everywhere, Zambia shows what becomes possible when policy choices create the market incentives and transparent data required to align private capital with public goals.

This report captures the scale of that progress: US$1.4 billion has been deployed in impact investments in four years. This has been driven by policy reform, increased institutional participation (led by pension funds), and strong advances in financing climate solutions, clean energy, and digital financial services such as mobile money and fintech start-ups. These shifts are part of a wider global movement: governments are seeking value for money, sustainability focused investors are demanding clarity on impact, and companies are increasingly integrating impact into how they operate and create value.

We also see important indicators of where the ecosystem must go next. Early-stage equity remains scarce, capital continues to cluster around a narrow group of sectors and investors, and the finance gap for impact start-ups still limits their ability to scale.

This is where policy matters. Around the world, we see that when governments set the right enabling structures and incentives, such as clear taxonomies, disclosure standards, and guidance on investor duties, capital starts to flow toward national priorities. Zambia's reforms, particularly in pension allocations and the growing use of blended finance structures, show how domestic innovations can both unlock local capital, and attract international participation.

These are steps towards an impact economy: an economy where impact is at the heart of political, investment, business and consumer decision-making.

GSG Impact's National Partner, NABII Zambia, has been central to this progress. NABII has strengthened the evidence base, expanded stakeholder coordination, and staked Zambia's place within a global community working toward greater accountability, transparency, and economic resilience.

Ms. Elizabeth Boggs Davidsen
GSG Impact CEO

GSG Impact is committed to supporting Zambia in this journey, drawing from global lessons and helping build the frameworks, tools, and vehicles that reward what works. With continued collaboration and smart policy, this momentum can deliver long-term impact.

Elizabeth Boggs Davidsen

Ms. Elizabeth Boggs Davidsen
GSG Impact CEO

1. INTRODUCTION

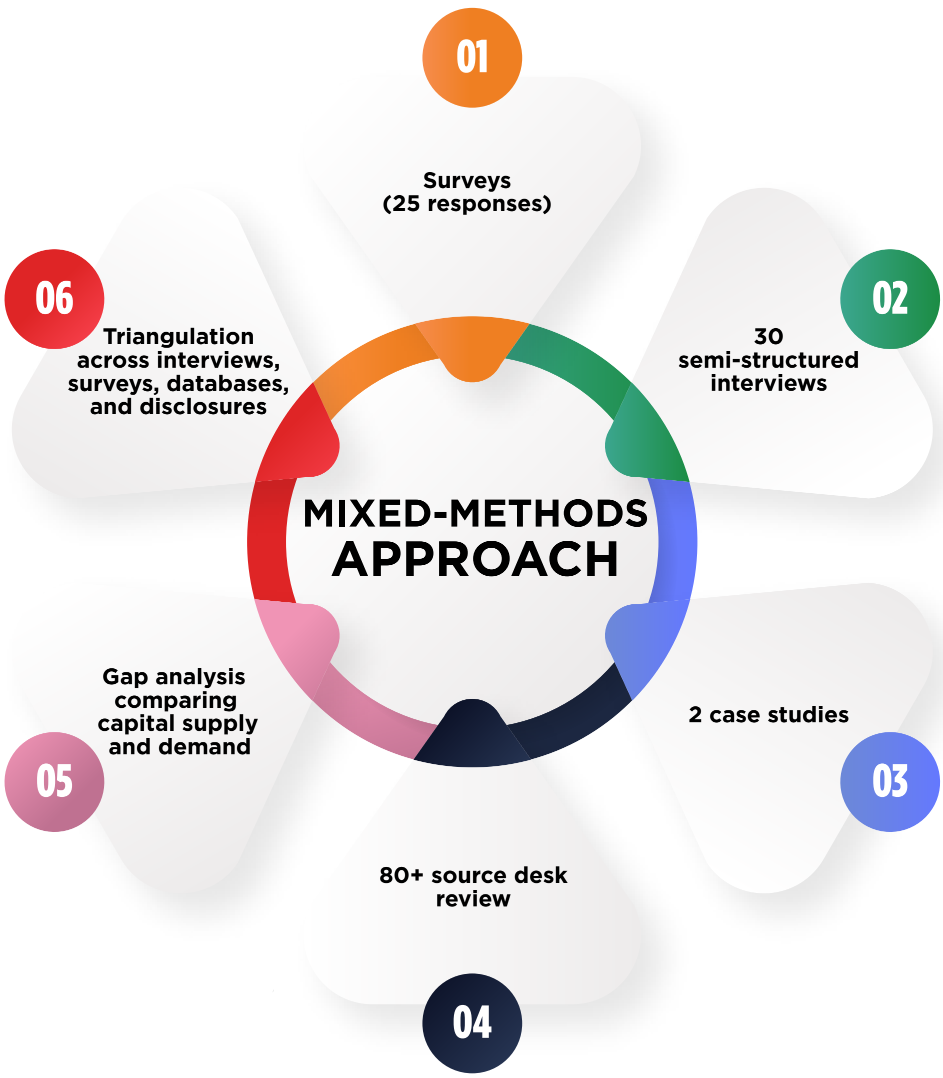
Impact investing, defined as investments made to generate measurable social and environmental impact alongside financial returns, has gained momentum globally. Zambia is emerging as a frontier market for such capital, supported by natural resource wealth, a young population, and reform-oriented policy signals.

This report synthesizes key findings on:

- **Market size and trends**
- **Investor landscape**
- **Sectoral flows**
- **Business development support (BDS) ecosystem**
- **Policy and regulatory environment**
- **Key constraints and opportunities**
- **Strategic recommendations**

2. METHODOLOGY OVERVIEW

The study underpinning these findings used a mixed-methods approach.



This approach ensured both quantitative rigour and qualitative insight.

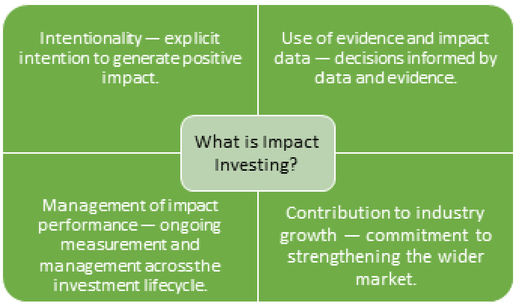
3. MARKET SIZE & GROWTH TRENDS

3.1. Market Scale

Zambia's impact investment market has reached a meaningful scale in a relatively short period. An estimated USD 1.41 billion invested between 2021 and 2025 reflects a sharp acceleration compared to earlier periods, signalling that Zambia is moving from a nascent to a more established impact market. This capital has been deployed across 128 transactions, indicating not just a few large deals but a growing pipeline of investable opportunities across sectors and instruments.

The presence of 87 unique investors shows increasing market diversity and international interest. While DFIs still anchor the market, the mix now includes private equity, venture capital, pension funds, and specialized impact funds, suggesting a gradual broadening of the investor base.

A 4-year CAGR of 76% in annual flows highlights how quickly capital deployment has grown. Such a high growth rate is uncommon and reflects both rising investor confidence and a global push toward impact, climate, and ESG-aligned investments. However, this rapid growth also raises questions about sustainability if macroeconomic or currency risks intensify.



3.2. Momentum Drivers

Several reinforcing factors have driven this expansion:

3.2.1. Climate finance flows

Global climate capital has increasingly targeted Zambia due to its renewable energy potential and climate-vulnerable sectors like agriculture. International climate funds and DFIs view Zambia as a viable destination for mitigation and adaptation investments, especially in energy and food systems.

3.2.2. Renewable energy investments

Energy access gaps and power stability challenges have made renewable energy a priority sector. Large-scale solar, hydro, and climate-tech projects attract sizable tickets, which partly explains the rising average deal sizes.

3.2.3. Infrastructure financing

Infrastructure, particularly in energy and productive sectors, has absorbed significant DFI capital. These projects often align well with impact mandates because they deliver broad economic and social benefits alongside financial returns.

3.2.4. Pension fund regulatory reforms

Regulatory changes allowing pension funds to allocate up to 15% to private equity and venture capital have started to unlock domestic institutional capital. The entry of local pension funds is especially important for long-term market stability and local currency investing.

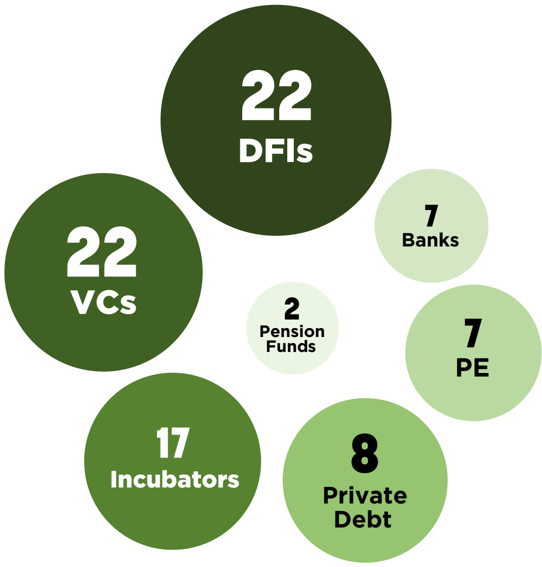
3.2.5. Blended finance structures

Blended finance, using concessional or catalytic capital to de-risk private investment, has made more projects bankable. Guarantees, first-loss capital, and technical assistance facilities help crowd in private investors who might otherwise avoid frontier markets.

4. INVESTOR LANDSCAPE

4.1. Investor Typology

Zambia's impact ecosystem includes 87 active investors spanning multiple categories, which reflects growing market visibility and diversification. However, the market remains highly concentrated in a few investor types.



Development Finance Institutions (DFIs) are the clear anchors of the ecosystem. They provide patient, often concessional capital and typically target large, growth-stage or infrastructure-related projects. Their strong presence helps crowd in other investors by lowering perceived country and project risk. DFIs alone account for USD 695.3 million, or 49.4% of total disclosed capital, underscoring how central they are to market stability and deal flow.

Pension funds are an emerging force. While still limited in number, their participation is important because they bring long-term domestic capital and can invest in local currency.

Private equity (PE) investors tend to deploy larger ticket sizes into more mature businesses, especially in consumer, manufacturing, and climate-related sectors. Their activity signals confidence in Zambia's scalable enterprises.

Venture capital (VC) remains fragmented and relatively small in volume. VC investors mostly support early-stage and innovation-driven firms, but overall ticket sizes are modest compared to PE and DFI deals.

Private debt funds and banks play a narrower role, often focusing on energy and established sectors where collateral and cash flows are clearer.

Incubators mainly support pipeline development rather than deploying large capital volumes, but they are important for nurturing future investable businesses.

Overall, the typology shows a market that is functional at the growth stage but still shallow at the early stage.

4.2. Geographic Sources

Zambia's impact capital is predominantly international:

- Europe: 47.9%
- Africa: 38.2%
- North America: 13.8%

This distribution highlights Zambia's strong ties to European DFIs and impact funds, as well as regional African investors (particularly South African institutions). However, it also shows a heavy reliance on foreign capital, which can expose the ecosystem to global risk sentiment, exchange rate volatility, and shifting international priorities. A deeper domestic investor base would improve resilience and reduce dependence on external cycles.

4.3. Domestic Institutional Investors

Domestic institutional participation is growing but still concentrated. Zambian pension funds have deployed about USD 246.4 million, supported by regulations that allow up to 15% allocation to private equity and venture capital.

This reform is significant because pension funds control large pools of long-term capital. Even small percentage increases in allocation could unlock substantial funding for local enterprises and funds.

As governance capacity, track records, and suitable fund structures improve, domestic institutions could become a key driver of scale and local currency investing, helping stabilize the ecosystem.

ZAMBIA'S IMPACT INVESTORS: OVERVIEW

86 Investors

Total impact investors
(2021-2025)

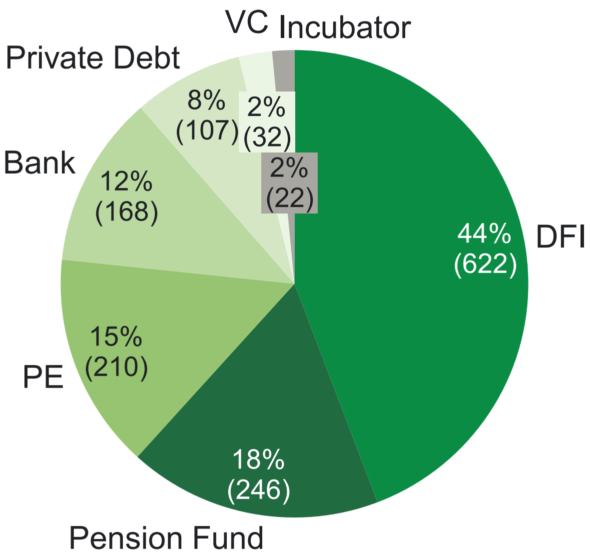
1.41 USD bn

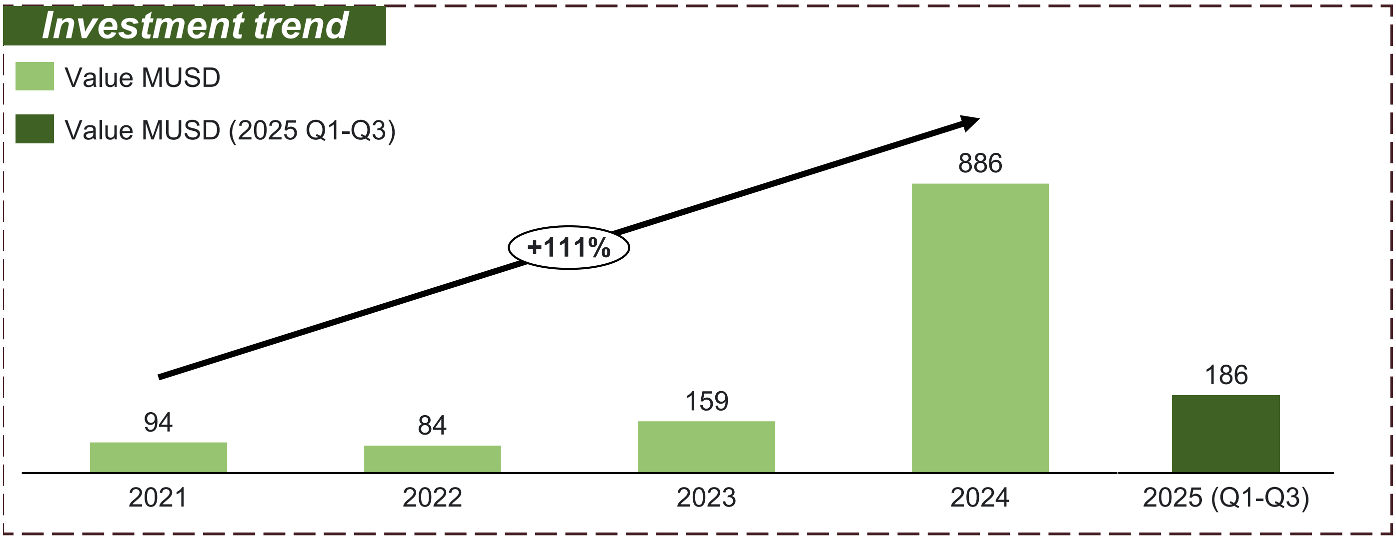
Total market size
(2021-2025)

128 Deals

Total deal count
(2021-2025)

DFI Backbone	Development finance drives majority of capital flows
2024 Explosion	Nearly tripled annual investment with infrastructure-heavy deals
Pension Fund Power	Zambian pension funds (NAPSA) emerging as major force
High Concentration Risk	Market heavily dependent on few large investors and deals





5. SECTORAL ALLOCATION

Zambia's impact capital is concentrated in a few priority sectors that combine strong development impact with clearer revenue models and scale potential.

5.1. Top Sectors

Energy & Renewable Power – USD 602M

Energy is the largest recipient of impact capital, reflecting Zambia's power supply gaps and strong renewable resource base (solar, hydro, mini-grids). These investments are attractive because they deliver measurable social and climate impact while often benefiting from long-term off-take agreements and policy support. Large ticket infrastructure deals in this sector also raise overall market volumes.

Financial Services & Fintech – USD 289M

Financial inclusion remains a major driver. Capital flows into fintech, micro-finance, and digital financial services that expand access to credit, payments, and savings. These models are scalable and technology-enabled, making them attractive for both impact and commercial investors. The sector also supports SME growth indirectly by improving access to finance.

Agriculture & Food Systems – USD 164M

Agriculture is central to livelihoods and employment in Zambia, so it naturally aligns with impact mandates. Investments target value chains, agribusiness, irrigation, and food processing. While impactful, agriculture carries climate and price risks, which sometimes constrain larger flows despite strong development relevance.

5.2. Emerging Sectors

Education

Investor interest is rising in private education models, edtech, and skills development, especially those linked to employability and youth outcomes.

ICT & Telecom

Digital infrastructure and connectivity solutions are gaining attention as Zambia's digital economy expands. These investments often enable innovation across other sectors like fintech and education.

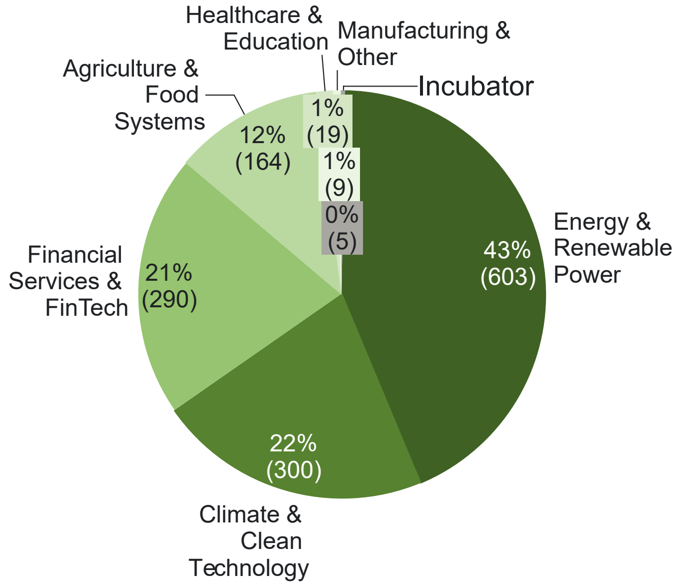
Climate Tech

Beyond energy, climate-smart agriculture, adaptation technologies, and green solutions are attracting early-stage impact capital as global climate finance priorities expand.

Overall Interpretation

Energy and agriculture stand out because they clearly deliver both high impact and commercial viability, a combination many investors seek. Meanwhile, emerging sectors reflect Zambia's gradual economic diversification and digital transition. If pipeline quality improves, these newer areas could absorb a larger share of future impact flows.

Chart 5-1: Sectoral split of investees (% of transaction volume)



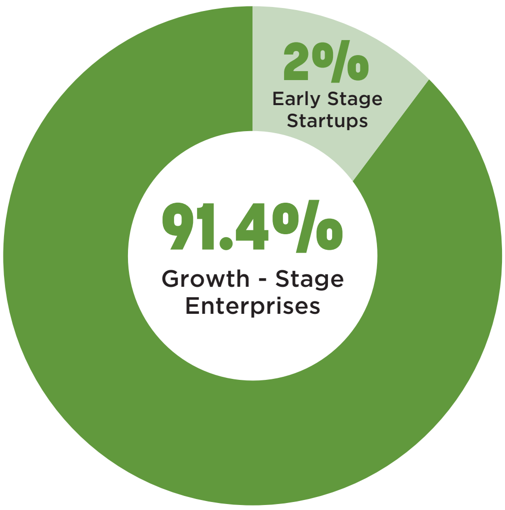
6. STAGE ALLOCATION & THE MISSING MIDDLE

6.1. Growth-Stage Bias

Zambia's impact market shows a strong preference for more mature businesses. About 91.4% of total capital flows to growth-stage enterprises, where business models, revenues, and governance structures are already established. Investors perceive these firms as lower risk and more capable of absorbing larger ticket sizes, especially in sectors like energy, agriculture, and infrastructure.

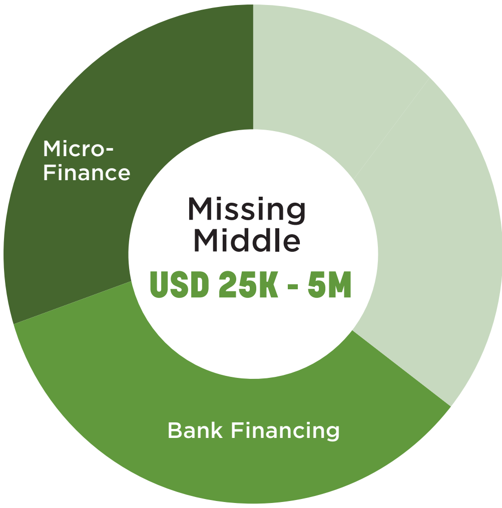
By contrast, early-stage enterprises receive only about 2% of total capital, even though they account for a meaningful number of transactions (34 deals). This indicates that early-stage deals are happening, but at very small ticket sizes. Many start-ups struggle to move beyond pilot or seed phases due to limited risk-tolerant capital and insufficient investment readiness.

In practical terms, this growth-stage bias means Zambia's ecosystem is better at scaling proven businesses than nurturing new ones.



6.2. The Missing Middle Gap

The "missing middle" refers to enterprises seeking between USD 25,000 and USD 5 million, a segment that falls between micro-finance and large-scale DFI or bank financing. These businesses are often too big for micro-loans but too small or risky for commercial banks and large funds.



As a result, many viable SMEs face financing constraints right when they need capital to expand, hire, and formalize operations. This gap slows job creation and reduces the pipeline of future growth-stage investees. Addressing it typically requires tailored instruments such as blended finance, guarantees, revenue-based financing, and strong technical assistance.

Why It Matters

Together, the growth-stage bias and missing middle gap represent one of the ecosystem's biggest structural challenges. Without more early- and mid-stage capital, the pipeline of scalable, investment-ready enterprises remains thin. Over time, this can limit both impact and financial returns across the market.

7. DEAL FLOW & INVESTMENT BEHAVIOUR

7.1. Sourcing

Deal sourcing in Zambia's impact ecosystem is still largely relationship-driven. Around 80% of investors rely primarily on personal and professional networks to identify opportunities. This includes referrals from co-investors, ecosystem intermediaries, and existing portfolio companies.

Formal sourcing channels, such as open applications, investment platforms, or structured pipelines from incubators, are generally viewed as weaker. Many investors report that enterprises coming through formal channels often lack investment readiness or robust financial documentation. As a result, networks serve as a form of informal due diligence and risk filtering.

This reliance on networks, however, can limit market inclusivity and visibility for new or rural enterprises that are outside major ecosystem circles.

7.2. Returns

Impact investors in Zambia show a wide range of return expectations, with IRR targets ranging from 0% to 25% and an average around 8.6%.

This spread reflects differing mandates:

- DFIs and catalytic capital providers may accept lower returns in exchange for social or environmental impact.
- Commercial impact funds and PE investors often target double-digit returns to compensate for country and currency risk.

Overall, return expectations in Zambia tend to be moderate compared to purely commercial frontier markets, reflecting the blended impact–financial objectives of many investors.

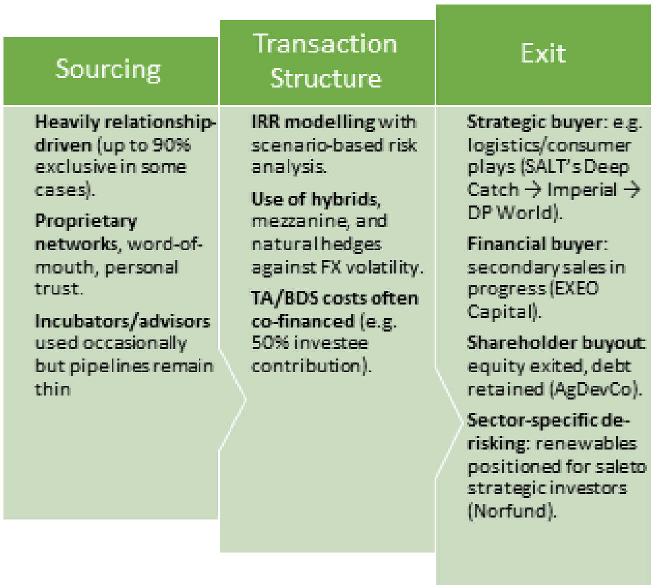
7.3. Exits

Exits remain one of the weakest points in the ecosystem. Only 4 out of 19 surveyed investors reported successful exits.

Limited exit activity is linked to:

- Shallow capital markets
- Few strategic buyers
- Currency and macroeconomic risks
- Long investment holding periods

Because exits are uncertain, many investors structure deals with longer time horizons or focus on revenue-generating sectors with predictable cash flows. However, without stronger exit pathways, capital recycling and market maturation may remain slow.



8. BUSINESS DEVELOPMENT SUPPORT (BDS) ECOSYSTEM

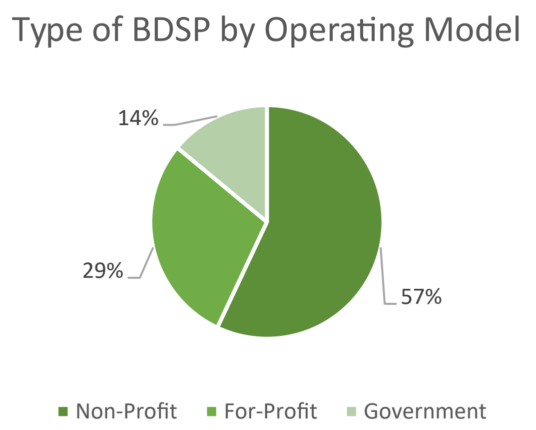
8.1. Landscape

Zambia's BDS ecosystem has grown into a meaningful support layer for small and growing businesses (SGBs). With 29 active BDSPs supporting about 2,276 SGBs annually, the ecosystem plays a critical role in pipeline development and enterprise formalization.

Many BDSPs focus on early-stage and SME segments that are not yet investment-ready, helping entrepreneurs strengthen business models, financial management, and governance. However, demand for support still exceeds supply, especially outside major urban centres.

8.2. Provider Types

The BDS landscape is dominated by non-profit providers (57%), followed by for-profit firms (29%) and government-linked providers (14%).



This distribution shows that much of Zambia's enterprise support ecosystem is still donor- or grant-funded, which can be helpful for affordability but raises sustainability concerns. For-profit BDSPs are growing but often serve more mature or better-resourced firms that can pay for services. Government programs play a smaller but important role in broad-based entrepreneurship promotion.

8.3. Service Gaps

BDSPs are relatively strong in:

- Training and capacity-building
- Mentorship and advisory support
- Investor matchmaking and pitch preparation

These services help businesses reach basic readiness for funding.

However, gaps remain in:

- Technical and sector-specific training (e.g., agronomy, manufacturing processes, climate adaptation)
- Market intelligence and data services
- Soft skills and management coaching
- These gaps can limit enterprise competitiveness and scalability, particularly for firms targeting export or specialized markets.

8.4. Gender Inclusion

Gender inclusion stands out as a comparative strength. About 46% of SGBs supported by BDSPs are women-led, which is significantly above the global benchmark of 20–30%.

This reflects intentional gender-lens programming by many providers and strong participation by women entrepreneurs. Continued focus here could position Zambia as a regional leader in gender-smart enterprise support.

9. POLICY & REGULATORY ENVIRONMENT

9.1. Positive Reforms

Zambia has taken several policy steps that are gradually improving the enabling environment for impact investment.

The decision to allow pension funds to allocate up to 15% to private equity and venture capital is especially significant. It opens the door for domestic institutional capital to participate in impact funds and long-term investments, which can reduce reliance on foreign capital and support local currency financing.

The introduction of private fund guidelines has helped clarify fund formation and oversight, giving investors more confidence in governance and compliance standards. This is an important foundation for attracting professional fund managers and cross-border capital.

Meanwhile, crowd funding regulations under development signal recognition of alternative finance models. Once operational, these could expand access to early-stage capital for SMEs and start-ups that struggle to secure traditional financing.

9.2. Constraints

Despite progress, regulatory and operational bottlenecks remain. Investors often cite bureaucratic delays in approvals and processes, which can slow deal execution and increase transaction costs.

Unclear or evolving licensing rules in some financial segments create uncertainty for new funds or innovative financing models.

Limited staffing and technical capacity among some regulatory bodies can also affect the speed and consistency of oversight.

Additionally, high collateral requirements by commercial banks restrict SME access to credit, reinforcing the financing gap for smaller enterprises.

9.3. Government as Market Builder

Beyond regulation, the government is playing a market-building role. Credit guarantee schemes help de-risk lending to SMEs by sharing default risk with financial institutions, encouraging more lending to productive sectors.

Publicly supported incubation and entrepreneurship programs contribute to pipeline development and business formalization.

Efforts toward green bond framework harmonization align Zambia with global sustainable finance standards and could unlock more climate and environmental capital flows.

Overall interpretation: Zambia's policy direction is broadly supportive, but implementation efficiency and regulatory clarity will be key to sustaining investor confidence and scaling the ecosystem.

10. KEY CONSTRAINTS

Constraints	Description
FX volatility (top risk)	Foreign exchange volatility is consistently cited as the leading risk for impact investors in Zambia. Currency depreciation can erode returns, complicate debt servicing, and create uncertainty in financial planning, especially for investors deploying hard currency into local-currency revenue businesses. This risk often pushes investors toward export-oriented or FX-earning sectors.
Weak financial records	Many SMEs and early-stage firms lack reliable financial statements, audited accounts, or strong bookkeeping practices. This makes due diligence harder and increases perceived risk. As a result, otherwise viable businesses may struggle to attract investment.
Pipeline quality gaps	While there is no shortage of entrepreneurs, fewer enterprises meet investors' standards for governance, scalability, and clear revenue models. This "quality gap" limits deal flow and contributes to the growth-stage bias seen in the market.
Limited exits	Exit opportunities remain scarce due to shallow capital markets, a small pool of strategic buyers, and long holding periods. Without predictable exits, investors may be cautious about deploying capital or may require longer investment horizons.
Donor dependency in BDS	A large share of business development support is grant-funded. While this improves access for entrepreneurs, it raises sustainability concerns if donor priorities shift. It can also distort pricing signals for advisory services.
Concentration risk among a few investors	A significant share of capital comes from a relatively small group of DFIs and large funds. This concentration means that changes in a few institutions' strategies or risk appetite could materially affect overall capital flows into Zambia.

11. OPPORTUNITIES

11.1. Early-stage capital formation

There is strong potential to grow seed and early-stage funding through angel networks, accelerators, and dedicated early-stage funds. Filling this gap would strengthen the pipeline of future growth-stage investees and help address the "missing middle." Catalytic capital and technical assistance can play an important role here.

11.2. Domestic capital mobilization

Unlocking more local institutional capital,especially from pension funds, insurance firms, and high-net-worth individuals, could deepen the market and reduce reliance on foreign flows. Domestic capital is often more patient and better suited to local currency investing, improving ecosystem resilience.

11.3. Climate and green finance

Zambia is well-positioned to attract climate finance given its renewable energy potential and climate-vulnerable sectors like agriculture and water. Opportunities include solar, climate-smart agriculture, adaptation solutions, and carbon-related projects. Global climate commitments and green finance mandates are likely to sustain demand in this area.

11.4. Mining value chains

Beyond large-scale mining, there is opportunity in suppliers, local processing, logistics, and services linked to Zambia's mining sector. Impact investors are increasingly exploring how mining-adjacent businesses can drive local value addition and job creation.

11.5. Digital and fintech innovation

Rising mobile and internet penetration creates space for fintech, e-commerce, and digital services. These models can scale quickly and support inclusion in finance, education, and health, making them attractive for impact investors.

11.6. Blended finance vehicles

Blended structures that combine concessional and commercial capital can de-risk investments in priority sectors like agriculture, energy, and SMEs. Guarantees, first-loss tranches, and TA facilities can crowd in private investors who might otherwise stay on the sidelines.

11.7. Local currency instruments

Local currency funds, guarantees, or hedging facilities could reduce FX risk for both investors and enterprises. Expanding such instruments would make impact investments more viable for domestically oriented businesses and SMEs.

Overall takeaway: Zambia's opportunity set is strongest where development impact and commercial logic align, particularly in climate, digital finance, and local value chains. With the right instruments and policy support, these areas could drive the next phase of ecosystem growth.

12. STRATEGIC RECOMMENDATIONS

12.1. For Government

Strengthen FX Stability: Currency volatility and a high country risk premium (22%) remain the top risks for capital deployment. Stabilizing the Kwacha is essential to lower the cost of formal hedging, which currently deters long-term, patient capital.

Provide Tax Incentives for Impact Funds: While no Capital Gains Tax (CGT) exists for listed equities and some relief is available for green bonds, additional incentives are needed for high-risk sectors. These could attract investors into underserved areas that lack sufficient commercial appeal.

Simplify Licensing Frameworks: Reducing process frictions, such as halving merger notification review times and lowering high registration/issuance costs, will encourage more impact-oriented instruments.

Support Local Currency Financing: Developing more accessible local currency tools and hedging mechanisms will ease capital constraints for SMEs, who often struggle with hard-currency debt.

12.2. For Investors

Develop Local Partnerships: Over 80% of investors highlight that deal flow is relationship-driven. Building strong local networks is critical for proprietary sourcing and navigating the market effectively.

Expand Blended Finance Tools: Given macroeconomic instability, investors should use blended finance vehicles, like the 50% SME credit guarantee scheme, to de-risk private participation and bridge the gap between "impact-first" and commercial objectives.

Support Pipeline-Building: Investors need to engage earlier in the enterprise lifecycle to address the "missing middle". This includes aligning with Business Development Service Providers (BDSPs) to ensure entrepreneurs are investment-ready.

12.3. For Business Development Service Providers (BDSPs)

Reduce Donor Reliance: Currently, 73% of BDSPs are donor-dependent, making them vulnerable to shifts in funding. Developing more resilient, revenue-generating operating models is vital for long-term sustainability.

Offer Specialized Services: Most current offerings are generic (business training and mentoring). BDSPs must pivot toward specialized technical training and market intelligence to help SMEs scale.

Improve Financial Literacy Programs: 100% of surveyed investors cited weak financial records as a major due diligence bottleneck. Strengthening record-keeping and governance support is the top priority for improving investment readiness.

12.4. For Ecosystem Builders

Strengthen Data Sharing: Improving transparency, specifically around the utilization of credit guarantees and market data, will help de-risk the ecosystem for new entrants.

Formalize Investor Feedback Loops: Hubs should move toward smaller, late-stage cohorts (10–15 participants) to balance donor pressures with the high-quality standards required by investors.

Expand Rural Support Infrastructure: Two-thirds of BDSPs are currently clustered in Lusaka. Expanding support into rural areas is essential, as 70% of Zambians work in agriculture, where many growth opportunities reside.

13. FUTURE OUTLOOK

Zambia's impact investment ecosystem is defined by a shift from a "niche" market to a rapidly accelarating destination for mission-driven capital.

13.1. A Pivotal Juncture for Growth

- **The USD 2 Billion Threshold:** After attracting USD 1.4 billion between 2021 and mid-2025, the total market value has reached approximately over USD 1.9 billion.
- **Momentum vs. Fragility:** While 2024 saw a "transformative" surge of USD 885.6 million in investments, the market remains fragile due to its heavy reliance on a few "mega-deals" and international climate finance flows.
- **The Five-Year Growth Target:** If the current momentum is sustained and structural gaps, particularly the "missing middle", are bridged, Zambia is positioned to potentially double its impact allocations within the next five years.

13.2. Essential Structural Reforms

To unlock inclusive growth, the ecosystem must address several "at-a-crossroads" challenges:

- **Mobilizing Local Institutional Capital:** Building on the success of NAPSA (which deployed over USD 200 million in 2024), further reforms are needed to encourage other local pension funds to utilize their expanded 15% allocation limit for alternative assets.
- **Legislative Modernization:** A critical upcoming priority is the creation of a Limited Liability Partnership (LLP) legal framework to make Zambia a competitive destination for fund domiciliation.
- **Bridging the "Valley of Death":** Currently, 91.4% of capital flows to growth-stage companies, while early-stage innovation receives less than 2% of total value. Future success depends on developing specialized seed funds and angel networks to support start-ups.

13.3. Potential as a Regional Impact Hub

Zambia's strategic positioning allows it to become a hub for specific high-impact sectors:

- **Climate & Energy Leader:** With USD 603 million already deployed in energy and renewables, Zambia is becoming a regional proof-of-concept for green bonds and independent power producer (IPP) models.
- **Agriculture & Food Systems:** As a sector employing over half the population but contributing minimally to GDP, agriculture is viewed as the primary frontier for productivity-led impact, focusing on irrigation and value addition.
- **Fintech & Financial Inclusion:** Attracting USD 290 million, the fintech sector is scaling rapidly, driven by digital financial services like mobile money and SME-oriented tech.

13.4. Success Metrics for 2030

The report identifies clear indicators that will signal market maturity by the end of the decade:

- **Increased SME Listing:** A shift of SMEs from private funding to the Lusaka Stock Exchange (LuSE).
- **Diversified Products:** A broader uptake of innovative instruments, including crowdfunding and social funds.
- **Reduced Risk Premiums:** A lowering of the currently high 22% country risk premium through improved macroeconomic stability and FX management.

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