REPUBLIC OF ZAMBIA

MINISTRY OF COMMERCE, TRADE, AND INDUSTRY

ZAMBIA DIAGNOSTIC TRADE INTEGRATION STUDY UPDATE (DTISU) 2023

"UNLOCKING BARRIERS TO TRADE TO ENHANCE SOCIO ECONOMIC TRANSFORMATION FOR IMPROVED LIVELIHOODS"

REPUBLIC OF ZAMBIA

Enhanced Integrated Framework

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EXECUTIVE SUMMARY AND MAIN REPORT

“UNLOCKING BARRIERS TO TRADE TO ENHANCE SOCIO ECONOMIC TRANSFORMATION FOR IM-PROVED LIVELIHOODS”

MAY, 2023

FOREWORD

On 2nd September, 2022 the **8th National Development Plan (8NDP)** for the period 2022 to 2026 was launched, building on previous national development plans to providing a pathway to sustainable development and attainment of the 2030 Vision, which is "**To Become a Prosperous Middle-Income Nation by 2030**". The 8NDP identifies Economic Transformation and Job Creation as a cornerstone for Social-economic transformation for improved livelihoods and it is important to highlight the fact that trade related policies play a pivotal role in economic transformation and job creation.

It is, therefore, incumbent on the Ministry to reassess developments that impact on trade-related policies, in view of the recent domestic and international developments as well as emerging issues that occurred since the 2014 Diagnostic Trade Integration Study (DTIS) Update. The DTIS is one of the tools that the Ministry has engaged in assessing this development, with a view to addressing them. The Diagnostic Trade Integration Study (DTIS) was last updated in 2014. For that reason, 2023 DTIS Update has been developed at the backdrop of the novel COVID-19 Pandemic which disrupted global supply chains and economic activities, and emerging issues such as e-Commerce, Climate Change and the pending graduation of Zambia from Least Developed Country (LDC) status.

The DTISU provides an analytical framework within which Government would implement trade-related policies that contribute towards actualising set priorities in the 8NDP to promote buoyant private sector growth in priority sectors of agriculture, manufacturing, tourism and mining as well as prioritisation of micro-small and medium enterprises (MSMEs). The DTISU, therefore, includes thematic areas on digital trade and e-Commerce which has taken centre stage following the advent of the COVID 19 pandemic, trade facilitation, trade financing, the impact of climate change on trade-related policies and vice versa, national agenda on regional integration following Zambia's ratification of the African Continental Free Trade Area (AfCFTA), implication of Zambia's Graduation from the Least Developed Countries (LDC) Group and participation of women, youth and persons with disabilities in trade related activities.

It is, therefore, delighting to note that the DTISU Report has provided the necessary evidence- based analysis, by identifying trade-related priorities and constraints, as well as providing recommendations on key action areas that will contribute towards unlocking constraints to the country's trade opportunities and development of trade-related measures and strategies that are complementary to achieving priorities set in the 8NDP.

Hon. Chipoka Mulenga, MP
MINISTER OF COMMERCE, TRADE AND INDUSTRY

ACKNOWLEDGEMENT

The Government of the Republic of Zambia is grateful to the Enhanced Integrated Framework (EIF) Programme for providing financial and technical support in the development of the Diagnostic Trade Integration Study (DTIS) Update.

The Government further wishes to thank the team of consultants that drafted the Diagnostic Trade Integration Study (DTIS) Update. This 2013 DTIS Update has been prepared by a team of local consultants led by Dr Dale Mudenda as the Technical Coordinator. The core members of the team were William Mayaka (**Implementation of the 2014 Action Matrix**), Humphrey Fandamu (Macroeconomic Environment), James Mulenga (**Trade Performance and Business Enabling Environment**), Manchishi Shimkunku (Services Sectors), Dr Chonzi Mulenga (Regional Integration), Wilson Mazimba (**Trade Facilitation**), Mwanda Phiri (**Trade Institutions and Consultation Processes**), Caesar Cheelo (COVID 19), Ms Pilila Chongo (Climate Change), Emmanuel Mwanakatwe (e-Commerce), Wisdom Kaleng'a (Women and Youth) Dr Edna Litana (LDC Graduation) and Dr Dale Mudenda (Trade Finance).

The analysis in the report benefited greatly from very helpful comments and feedback on the draft chapters provided by EIF Executive Secretariat, World Trade Organisation and World Bank.

It is encouraging to note that this is the first DTIS to be developed by a team of Zambian consultants following the 2005 and 2014 DTIS, which is a positive sign that the country will be able to sustainably undertake future studies of similar nature. In the same vein, we wish to thank the EIF National Steering Committee, EIF National Implementation Unit and the technical team from the Ministry that provided oversight in the development of the DTISU.

The DTISU is a product of wider consultations from all provinces of Zambia, cooperating partners, private sector organisations, civil society and state agencies. We are, therefore, duty-bound to thank all those that participated in the consultation process and provided their invaluable input.

As we acknowledge the input from various stakeholders, we wish to seize this opportunity to invite relevant stakeholders to join hands with the Ministry in implementing the key action areas identified in the DTISU.

Lillian Saili Bwalya
Permanent Secretary
Trade and Commerce

John A. Mulongoti
Permanent Secretary
Investment and Industrialisation

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

MESSAGE FROM EIF EXECUTIVE DIRECTOR

Diagnostic Trade Integration Studies (**DTISs**) are a crucial component of the EIF Strategic Plan 2019-2022 of assisting the least developed countries (**LDCs**) in developing their evidence-based policies and regulatory frameworks for trade and investment. This DTIS Update (**DTISU**) 2023 for Zambia adds to a list of 51 DTISUs that have so far been supported by the EIF across various LDCs.

This timely new DTISU is justified by the developments affecting trade in Zambia since the previous DTISU in 2014, such as the challenges of regional and global integration to maximize the country's benefits from overlapping membership in various regional groupings, namely the Southern Africa Development Community (**SADC**); the Common Market for Eastern and Southern Africa (**COMESA**); the Tripartite that brings together SADC, COMESA Free Trade Agreements and the East African Community; and the African Continental Free Trade Area (**AfCFTA**). Other issues well covered in the analysis include the country's advancing LDC graduation agenda, the impact of, and recovery from COVID-19, and the need for a focus on the effects of climate change on trade in Zambia. The DTISU analysis is also consistent with the 2022 2026 Eight National Development Plan, the National Trade Policy and the National Export Strategy.

I am particularly pleased to note several recommendations specific to climate change mitigation and diversification of exports. This DTISU also provides actionable recommendations for developing trade finance, e-Commerce and tourism. There are clear recommendations to develop standards and quality infrastructure, as well as ways to increase market access opportunities through the implementation of various preferential trade agreements, including the AfCFTA. There are also important recommendations regarding trade opportunities and challenges for women and youth. In this regard, the Government and cooperating partners need to leverage each other's strengths to foster robust trade-oriented skills development for women and youth, both within and beyond the school or education system.

I am pleased to note that this DTISU has been developed through effective coordination and a consultative and participatory process, with a view to country ownership, effectiveness, and sustainability. In this regard, I would like to express my appreciation to the Government of Zambia's EIF National Implementation Unit at the Ministry of Commerce, Trade and Industry for their commendable efforts and exemplary partnership leading to the successful completion of this DTISU.

I would also like to commend the Ministry of Commerce, Trade and Industry for its leadership in developing this home-grown DTISU. Zambia now joins the league of EIF Countries that have completed DTISUs solely through national expertise.

Where possible, the EIF stands ready to continue strengthening the partnership to support Zambia in the implementation of the DTISU priorities and on its path to an improved and inclusive trade environment for sustainable development and resilience.

Dr Ratnakar Adhikari
Executive Director
Executive Secretariat for the EIF

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ACRONYMS

AEZ	Agro Ecological Zone
AfCFTA	African Continental Free Trade Area
AFDB	African Development Bank
AFOLU	Agriculture, Forestry and Other Land Uses
AGOA	African Growth and Opportunity Act
AR	Assessment Report
ADSL	Asymmetric Digital Subscriber Line
API	Applications Programme Interface
BDO	Binder Dijker Otte: an international network of public accounting and tax
BAZ	Bankers Association of Zambia
BOZ	Bank of Zambia
CCFU	Climate Change Facilitation Unit
CPs	Cooperating Partners
CAZ	Communications Authority of Zambia
CDM	Clean Development Mechanism
CBU	Copperbelt University
CDM	Clean Development Mechanism
CMIP5/6	Coupled Model Inter-comparison Projects
CO2	Carbon Dioxide
COMESA	Common Market for Eastern and Southern Africa
COP	Conference of Parties
COVID-19	Coronavirus Disease 2019
CSA	Climate Smart Agriculture
CSO	Central Statistics Office
CSO	Civil Society Organisations
EGA	Environmental Goods Agreement
FAO	Food Agriculture Organisation
GCM	Global Circulation Models
GCRI	Global Conflict Risk Index
GDP	Gross Domestic Product
Gg CO2eq.	Gigagrams (Gg) carbon dioxide
GHG	Greenhouse Gases
GRZ	Government of the Republic of Zambia
GSP	Generalized System of Preferences
HIV/ AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
IIED	International Institute for Environment and Development
IPCC	Inter-governmental panel on Climate Change
ITCZ	Intertropical Convergence Zone

LDC	Least Development Countries
LULUCF	Land Use, Land Use Change and Forestry
MFL	Ministry of Fisheries and Livestock
MGEE	Ministry of Green Economy and Environment
MLNREP	Ministry of Lands, Natural Resources and Environmental Protection
MOA	Ministry of Agriculture
MOD	Ministry of Defence
MOF	Ministry of Finance
MtCO2	Million tons of carbon dioxide equivalent
MTENR	Ministry of Tourism Environment and Natural Resources
NAPA	National Adaptation Programme of Action on Climate Change
NAPSA	National Pension's Scheme Authority
NCCRS	National Climate Change Response Strategy
NDC	Nationally Determined Contributions
NDPs	National Development Plan
NGO	Non-Governmental Organisation
NPCC	National Policy on Climate Change
OECD	Organisation for Economic Cooperation and Development
QoE	Quality of Experience
PFM	Public Financial Management
PKI	Public Key Infrastructure
PaaS	Platform as a Service
7NDP	Seventh National Development Plan
SaaS	Software as a Service
PTC	Post and Telecommunications Corporation
SADC	Southern Africa Development Cooperation
SDGs	Sustainable Development Goals
SI	Statutory Instrument
SZI	Smart Zambia Institute
SNC	Second National Communication
tCO2	Total Carbon dioxide content
TNC	Third National Communication
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNEP	United Nations Environmental Program
UNFCCC	United Nations Framework Convention on Climate Change
USSD	Unstructured Supplementary Service D
VAT	Value Added Tax
WTO	World Trade Organisation

ZECH	Zambia Electronic Clearing House
ZDA	Zambia Development Agency
ZMD	Zambia Meteorological Department
ZABS	Zambia Bureau of Standards
ZAMPOST	Zambia Postal Services
ZAMTEL	Zambia Telecommunications Company Limited
ZCCM	Zambia Consolidated Copper Mines
ZCSA	Zambia Compulsory Standards Agency

EXECUTIVE SUMMARY

1. Introduction

The Zambian government commissioned a review of the 2014 DTIS, considering domestic and international developments since its formulation. These include the 8NDP, growing emphasis on private sector growth, value chain promotion, and small business support, as well as changes in macroeconomic conditions and trade agreements like the AfCFTA. The study assesses progress in the 2014 Action Matrix and provides insights for policies to enhance the country's competitiveness in the midst of climate change, digital innovations and Zambia's pending LDC graduation. The report presents prioritized recommendations in the DTISU 2023 Action Matrix, focusing on trade facilitation, export diversification in goods and services, and adapting to factors like the COVID-19 pandemic, climate change, digitalisation and e-Commerce.

2. Progress in the implementation of the 2014 Action Matrix

Zambia made some progress in implementing the 2014 DTIS Action Matrix, but challenges persist.

Trade Facilitation: Zambia improved its approach to corridor development and logistics, developing policies like the National Transport Policy and implementing some one-stop border posts. However, slow and poorly maintained rail and road networks hinder trade facilitation.

Coordination and Border Agencies: Coordination structures among border agencies have been established, but other programs and actions are still pending. Automation is limited, single window systems are underutilized, and infrastructure issues persist, causing delays.

Informal Cross-Border Trade: Informal cross-border trade has seen success due to the Simplified Trade Regime (STR) with COMESA Member States.

Non-Tariff Barriers (NTBs): Non-tariff barriers hinder Zambia's regional trade participation due to regulatory unpredictability and lack of transparency. A portal for reporting NTBs has been established, but challenges remain in perception and bureaucratic resolution.

Trade Licensing and Certification: Efforts to streamline trade licensing and certification processes are ongoing, but challenges like high fees and limited accessibility persist, hindering competitiveness.

Regulatory and Institutional Environment: The regulatory and institutional environment has improved with the creation and strengthening of agencies, but human resource and equipment limitations persist.

Monitoring and Evaluation: As was noted in the assessment of the implementation of both the 2005 DTIU Action Matrix and 2014 DTISU Action Matrix, formal evaluation of the DTIS was lacking due to the absence of a coordinating body and monitoring system. It was noted then, and has been noted in the 2014 DTISU that successful implementation of the Action Matrix requires regular monitoring. A Results Framework that is owned by the local stakeholders and a DTIS Coordinating Body, constituted by various stakeholders drawn from the public and private sectors , civil society organisation and academia, could support adequate implementation of the new Action Matrix. Such a results-oriented framework would need to (i) align the results with the objectives of the DTIS and clearly distinguish between inputs, outputs and outcomes; (ii) build further buy-in for results and the actions from key local players; and (iii) establish clear lines of communication among stakeholders, including communicating results.

Recommendation: In order to track progress in the DTISU Action Matrix implementation, the following recommendations are made:

i. Incorporate DTIS Action Matrix monitoring and resource mobilisation into NTFC functions
ii. Establish a DTIS M&E System with a Results Framework
iii. Undertake capacity building in M&E.

3. Zambia's Macroeconomic Environment since 2014: Challenges and Implications

Since the 2014 DTIS update, Zambia's macroeconomic environment has undergone significant changes, resulting in both positive and negative outcomes. The country faced deteriorating economic conditions over the past eight years, a trend intensified by the COVID-19 pandemic in 2020. Economic growth plummeted to -2.8 percent in 2020 due to pandemic-related factors. Additionally, Zambia transitioned from debt sustainability to an unsustainable position, causing it to be reclassified as a lower-income nation by the World Bank in 2021. These shifts have adversely affected investment, trade, and poverty reduction efforts. This chapter evaluates Zambia's macroeconomic landscape since 2014, analysing its influence on trade, poverty reduction, and the pursuit of sustainable development goals (SDGs), while also spotlighting challenges and potential remedies.

Economic Performance and Impact of COVID-19: Zambia's economy displayed weak performance between 2014 and 2021, exacerbated by the COVID-19 outbreak. Over this period, average real growth stood at 2.6 percent, with a sharp contraction of -2.8 percent in 2020 and a marginal recovery to 3.6 percent in 2021. Sectors such as construction, information technology, communication, and manufacturing contributed to modest growth, while agriculture and energy lagged due to drought conditions. The pandemic and government borrowing crowded out private investment, hampering genuine economic growth.

Monetary Developments and Inflation: From 2014 to 2021, Zambia faced rising and elevated inflation, increasing from 7.8 percent in 2014 to 22 percent in 2021. Factors behind this surge included electricity rationing due to erratic rainfall, currency depreciation, and inflation in both food and non-food categories. High interest payments on debt elevated inflation further by influencing the exchange rate. Monetary policy aimed to curb inflation and stabilise it within the 6-8 percent target range.

Fiscal Policy and Budget Deficits: Zambia's fiscal policy exhibited expansionary traits, with government spending consistently outpacing revenue, leading to significant budget deficits. Fiscal deficits escalated from 6.6 percent of GDP in 2014 to 14.3 percent in 2020, subsiding slightly to 9 percent in 2021. These deficits were propelled by increased spending on various fronts, including capital projects, social infrastructure, public sector wages, and debt interest payments. Financing predominantly relied on external and domestic debt, culminating in Zambia defaulting on Eurobond interest payments in 2020, which subsequently reduced external financing options.

External Sector Imbalances and Exchange Rates: External imbalances marked Zambia's economy during most of the period, with the current account in deficit between 2014 and 2018. The deficits were fuelled by debt interest payments, reduced earnings from non-traditional exports, high crude oil prices, and declining copper prices. However, a shift occurred in 2019, and surpluses emerged in 2020 and 2021 due to import compression and increased copper exports. The Kwacha faced substantial depreciation against major currencies, with a nominal drop of 228.5 percent between 2014 and 2021. Limited foreign exchange sources, volatile copper prices, and external debt pressures accounted for sustained depreciation. Despite this, Zambia's exports retained competitiveness due to real Kwacha depreciation.

Population Dynamics and Labour Force: Zambia's population growth remained relatively high, averaging a 3.1 percent annual increase from 2014 to 2021. Reductions in mortality rates contributed to this growth, creating a predominantly young population with a substantial working-age segment. However, despite the availability of a relatively inexpensive labour force, inadequacies in skills hindered investment and global competitiveness.

Policy Impacts on Investment, Trade, and Poverty: Government policies, particularly fiscal policies, had varying effects on critical areas. High fiscal deficits led to increased external debt, currency depreciation, and heightened business costs, diminishing the competitiveness of Zambian firms globally. Domestic debt crowded out private investment across key sectors, while reduced social sector spending and the high debt burden possibly exacerbated poverty, which stood at 61 percent in 2021, jeopardizing SDG achievement.

Economic Outlook and Challenges: Zambia's economic prospects appear optimistic as debt concerns are addressed and commodity prices rise. Nevertheless, deep-seated challenges persist, such as the lack of economic diversification, rendering the country susceptible to external shocks. Despite ongoing debt restructuring efforts, the high debt levels remain a vulnerability that could disrupt macroeconomic stability and hinder economic diversification.

Recommendations: Zambia's macroeconomic journey since 2014 has been marked by both setbacks and opportunities. While economic growth faced hurdles compounded by the pandemic and debt unsustainability, positive developments emerged in specific sectors. To address the macroeconomic challenges and seize opportunities, it is recommended that government puts in polices that are crucial for achieving sustained growth, reducing poverty, and advancing towards sustainable development goals as follows:

i. Diversify the economy through implementation of transparent, predictable, consistent, effective and sustainable tax policy to boost investor confidence in key priority sectors and broaden tax base as well as improving revenue collection.
ii. Enhanced tax system payments through digitalisation.
iii. Broaden tax base by taxing the informal sector.

4. Assessment of Zambia's Trade Policies and Performance

Trade Concentration and Fluctuations: Zambia's trade landscape centred heavily on copper exports and a limited number of destinations, exhibiting minimal growth. The period from 2014 to 2021 saw fluctuating exports and imports, leading to diverse trade balances. While trade was negative between 2014 and 2019, it transitioned to positive thereafter. Export values did not grow as fast as before the 2014 DTI period. The export performance was hindered by factors such as copper price declines, electricity shortages, climate change impacts, and the COVID-19 pandemic. Zambia's export remained concentrated among few destinations. The products top ten exports focused on primary products like copper, along with a few manufactured items such as food and beverages. A significant portion of Zambia's exports, over 80 percent, were absorbed by its top five destinations. Imports, on the other hand, mainly consisted of secondary manufactured capital and consumer products.

Moderate Growth in Services Trade: Zambia's trade in services experienced gradual expansion. Notably, service exports concentrated in travel, transport, telecommunications, and computer and information services. Conversely, major service imports were related to transport, travel, and other business services.

Challenges in Non-Traditional Exports: Despite progress, Zambia's non-traditional exports encountered numerous barriers in target markets. These challenges encompassed non-tariff measures like customs and administrative entry procedures, technical barriers, SPS measures, import fees, licensing restrictions, and related issues. Additional hindrances stemmed from poor coordination among border agencies, excessive rules of origin, burdensome technical regulations, and insufficient knowledge of import-export procedures.

Export Survival Rates and Varied Durations: Zambia's export relationships exhibited a notable termination rate, with only 30.5 percent of every 100 export connections enduring into the second year. North America displayed the lowest second-year survival rate, with just around 17 percent of products persisting. East Asia demonstrated relatively higher survival rates of approximately 30 percent. Product survival duration differed within Zambia, with footwear exports typically failing to extend beyond the first year.

The Role of Export Promotion: Export promotion activities have significantly fostered export growth in Zambia. These initiatives not only enhanced export outcomes on firms' export performance but also elevated value-added contributions, employment rates, and productivity levels. Export promotion activities in various countries have stimulated firms to initiate exports, venture into new markets, and augment export values in existing markets.

Recommendations for Export Enhancement: Based on the study's findings, recommendations for stimulating export growth, diversification, and value addition include:

i. Prioritising bilateral trade engagements to resolve non-tariff barriers with trading partners.
ii. Increasing support to SMEs with capacity building in standards and quality.
iii. Enhancing access to market information through various channels including digital platforms.

5. Trade in Services

The services sector holds a pivotal role in Zambia's economy, contributing significantly to GDP and employment opportunities. It annually contributed around 56 percent to the country's Gross Domestic Product between 2014 and 2021, surpassing other vital sectors such as mining, agriculture, and manufacturing. Despite this prominence, the sector's growth rate averaged a modest 1.45 percent during the same period. Notably, this growth rate trailed behind manufacturing and mining, as well as the overall economic growth rate.

The services sector's international trade performance remained lacklustre in recent years. Over the period from 2014 to 2021, Zambia grappled with a persistent services trade deficit, averaging about US$620 million annually. The importation of transport services contributed significantly to this deficit, constituting a substantial portion of the country's service imports. Specifically, transport service imports averaged approximately US$780 million annually during this time frame. Zambia's notable service exports focused primarily on travel (tourism).

Tourism Services: Despite incremental growth in international tourist arrivals, Zambia's share of international tourists in the region remained relatively low. Various challenges tied to wildlife management and concentration of tourism activities in the southern circuit hindered the country's competitiveness. Limited promotion and marketing efforts targeting the northern circuit led to an uneven distribution of tourism activities. Consequently, international tourists regarded Zambia as an extension destination rather than a primary one. Moreover, the need for diversification and improved support infrastructure further hampered the sector's development. The lack of diversified tourism products has impacted on the average length of stay for international tourists which currently stands at three nights compared to a country like South Africa whose average length of stay for international tourists stands at eleven nights. Importantly, the high cost of imports and limited financial access posed obstacles to the competitiveness of Zambia's tourism sector. Financial challenges, along with the lack of digitization and innovation adoption, contributed to a scarcity of information concerning accommodation and general tourism insights.

Recommendations: Based on the analysis of the tourism services, this study makes the following sector specific recommendations:

i. Develop a comprehensive tourism specific infrastructure strategy that embeds Public Private Partnerships (PPP), in line with the Tourism Master Plan
ii. Promote other tourism sites and sponsor tourism-related fairs and events.

Financial Services: Zambia witnessed progress in financial inclusion, with rates rising from 52 percent in 2015 to 69 percent in 2020. However, Zambia's economic environment hindered access to financial services, particularly for the unbanked population. Persistent high lending rates, driven partly by increased government borrowing, negatively impacted private sector engagement. These elevated rates constrained productive capacity, job creation, and overall development. Additionally, lack of competition, especially in banking, due to dominance by a few foreign providers posed challenges.

Moreover, the lack of formal employment contributed to the financial sector's underperformance. Regulatory constraints and the need for capacity building in regulatory and supervisory functions added to the sector's challenges.

Recommendations: Arising from the analysis of the financial services, it is recommended that the following measures be undertaken:

i. Design more diversified financial services that address high cost of borrowing
ii. Provide sector-specific credit lines for export-oriented businesses.
iii. Promote local investment and FDI in the financial sector to improve competitiveness and build capacity for exports.
iv. Promote the use of local insurance and re-insurance services in line with regional and multilateral commitments.

Transport Services: While road infrastructure development projects aimed to enhance transport systems in Zambia, financial constraints and the COVID-19 pandemic impacted progress. Despite these hurdles, road sector rehabilitation and reconstruction efforts continued. However, Zambian trucking firms faced challenges competing against regional competitors due to high diesel costs and limited contracts. Comparative analysis revealed room for improvement, as Zambia ranked 64th out of 141 countries in road connectivity and 101st in road infrastructure quality. Furthermore, sub-sectors in transport services face more challenges considering that much of the focus of these investments have been centred on road transport systems, neglecting the water, air freight, and rail systems. For instance, there have been no recent developments in dry ports resulting in continued traffic congestion at the ports and bays.

In the aviation sector, there has been a drop in cargo movements which has coincided with Zambia's decline in export of horticulture and floriculture products. The aviation sector experienced cargo decline and faced challenges such as high operational costs specifically regarding the price of Jet A1 fuel and other aviation-related fees and taxes such as landing fees and ground handling. Further, Zambia's Bilateral Air Service Agreements (BASAs) with several countries could have a negative impact on development of its aviation industry. The indiscriminate issuance of 5th freedom rights to other airlines implies that local airlines must compete with these airlines on regional routes.

Zambia's railway sector grappled with numerous challenges, leading to decreased traffic over time. The Global Competitiveness Report ranked Zambia 84th out of 141 countries in terms of railroad density. Moreover, the efficiency of train services placed Zambia at 93rd out of 141 countries. The railway sector's market share in cargo transportation was limited, highlighting infrastructure gaps. Failure to implement Statutory Instrument No. 7 of 2018 and No. 98 of 2020 which compels business to transport 30 percent cargo by rail has exacerbated the challenges facing the sector.

Recommendations: Based on the analysis of the transport services, the following are the recommended actions:

i. Develop an intermodal transport system that brings together road, rail, water, dry ports and air transport in line with the transport master plan
ii. Improve vessel turnaround time, provide navigation aids, provide training to personnel, build intermodal linkages such as railways at sea ports and improve the quality of transport vessels such as trains and waterway vessels.
iii. Develop inland dry ports
iv. Enforce implementation of SI No. 7 of 2018 to give the much-needed business to the rail sector

Distribution Services: In recent years, Zambia has seen the proliferation of supermarket value chains, albeit the participation of local processing firms in the supermarket value chains is constrained by a number of factors. These challenges include supermarkets' restrictive procurement strategies, stringent supply contract conditions, and the vertical integration of supermarkets with other foreign firms, which pose either strategic or exclusionary barriers to entry. Furthermore, access to adequate finance for investment in equipment and other assets is another challenge faced by firms. For instance, investment in machinery is one of the factors likely to influence domestic firms' participation in supermarket value chains.

Recommendations: Arising from the analysis of the distribution services, it is recommended that the following measures be undertaken:

i. Develop a strategy to promote participation of Zambians firms in local and regional distribution services including retail services.
ii. Promote stocking of locally produced goods in local and regional distribution

6. Prospects and Challenges of Regional Trade Agreements: Zambia's Perspective

Zambia's active involvement in RTAs reflects the nation's commitment to economic growth and development. Zambia participates in multiple regional trade agreements, including the Southern Africa Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Tripartite Agreement (SADC, COMESA, and EAC), and the African Continental Free Trade Area (AfCFTA) at the regional level. The country also benefits from non-reciprocal duty-free access under agreements like the Everything but Arms (EBA) and the African Growth and Opportunity Act (AGOA) to the European Union and the United States markets, respectively. While challenges persist, collaborative efforts, investments in infrastructure, and policy reforms offer avenues for progress. By optimising its geographic position and strategic partnerships, Zambia can transform into a thriving regional hub, boosting trade, employment, and prosperity.

Intra-Africa Trade Challenges: Despite the proliferation of regional and preferential trade agreements in Africa, intra-block trade remains limited. For example, intra-block exports accounted for only 8 percent in COMESA, 18 percent in SADC, and 14.5 percent in EAC in 2021. Challenges attributed to Africa's low intra-trade performance include varying trade regimes, restrictive customs procedures, administrative barriers, and limited productive capacity. Insufficient trade-related infrastructure, trade finance, and market information, along with inadequate factor market integration, contribute to the dilemma.

Zambia's Trade Patterns within RTAs: Zambia increasingly engages in trade within RTAs, with significant volumes in SADC and COMESA. Notably, trade with partners like South Africa, the Democratic Republic of Congo (DRC), Mauritius, and Zimbabwe has grown, with South Africa, DRC, Zimbabwe, and Malawi emerging as major export destinations. Zambia's imports primarily come from South Africa, DRC, Mauritius, and Tanzania.

Challenges and Opportunities: Challenges stemming from Zambia's RTA membership include limited productive capacity, inadequate infrastructure, cumbersome border procedures, and lack of information on FTAs and markets. Non-Tariff Measures (NTMs), competition from cheaper imports, high business costs, trade imbalances, and implementation issues pose additional hindrances. However, membership also offers opportunities such as access to larger markets, technology transfer, improved quality products, infrastructure development, and employment opportunities.

Benefits of Regional Infrastructure: Regional infrastructure offers several advantages, including creating competitive markets, enhancing trade, and expanding consumer bases. As regional integration boosts African producers' competitiveness and widens consumer access, intra- and inter-regional trade is poised to rise. Additionally, regional infrastructure maximises sector synergies, fostering economic growth.

Infrastructure Challenges and Development in Zambia: Zambia's transport network aligns with its economic geography, with key east, north and south routes and limited west connections. While road networks provide broad coverage and support goods movement; waterways, bridges, ICT, and energy sectors facilitate international trade. Despite these advantages, infrastructure development remains a major challenge, hindering growth and diversification. Zambia urgently requires increased power generation, rail network expansion, and road rehabilitation to open up the country and seize market opportunities in the region.

Financing and Collaborative Efforts: Zambia faces fiscal constraints due to ongoing reforms and debt negotiations, impacting new infrastructure investment. Regional integration offers avenues for cost-sharing, demonstrated by projects like the Kazungula Bridge and one-stop border posts. However, challenges persist, with long border queues and inadequate rail, dry port, and storage facilities hindering smooth trade flows.

Regulatory Measures and Standards: Regulatory measures and standards present barriers to trade. Challenges include information gaps, ineffective monitoring, excessive export procedures, and outdated trade policies. Reforms are essential to streamline administrative and regulatory processes, accompanied by substantial investments in physical infrastructure.

Integrated Transport Infrastructure and Economic Transformation: Integrated transport infrastructure is vital for seamless goods and passenger transportation to drive Zambia's evolution into a regional transport hub. Investment in corridors, partnerships with regional Organisations, and innovative funding approaches like fuel levies and tolls have been employed to support transport development. However, a focus on road transport has overshadowed other sectors like water, air freight, and rail systems.

Zambia's central location, combined with infrastructure investment and regional collaboration, positions it as a transport and logistics hub. While land linked, Zambia's strategic geographic positioning and transport policies enable access to multiple import and export trade routes, targeted development of key trade corridors can enhance efficiency, reduce costs, and facilitate trade within SADC.

Recommendations: Based on the above discussion, the study makes the following four priority recommendations:

i. Ensure regional enforcement of harmonised quality standards in RTAs
ii. Provide Business Development Services including product quality standards
iii. Rationalisation of costs of compliance to streamlining export and import requirement by reducing the number of documents

7. Unlocking Zambia's Trade Potential through Improved Trade Facilitation

Opportunities and Challenges of Zambia's Landlocked Position: Zambia's landlocked status offers a chance to bolster non-traditional exports and establish itself as a regional transport hub. However, this position also affects its ability to effectively participate in regional and global trade because it exerts pressure on the quality of its trade and logistics environment. The increasing use of non-tariff barriers by trading partners further affects export competitiveness. To address these issues, Zambia has implemented various trade facilitation initiatives to transition into a land-linked economy, including trade facilitation committees, streamlined procedures, and infrastructure improvements.
Implementation of WTO Trade Facilitation Agreement (TFA): Zambia is a signatory to the WTO Trade Facilitation Agreement (TFA) and has established a National Committee on trade facilitation as per Article 23.2 of the TFA. This committee aids domestic coordination and TFA implementation. Subcommittees are responsible for essential trade facilitation aspects such as goods, services, transport, logistics, Single Window, E-portal, time release studies, and Customs Clearing and Freight Forwarding Agents Licensing Framework modernization.

Progress and Challenges in Trade Facilitation: Zambia has made strides in reducing business costs during the implementation of the 2014 Diagnostic Trade Integration Study (DTIS). Achievements include the establishment of the Electronic Trade Portal in 2020 to provide updated trade-related information. The government has also addressed information and operational constraints through inquiry points and One Stop Border Posts at One Stop Border Posts that include Nakonde/ Tunduma (with Tanzania), Kazungula (with Botswana) and Mwami/Mchinji (with Malawi). Some core trade corridors have been earmarked for development. Customs procedures have been streamlined, and the Authorised Economic Operators system rewards compliant clients. A single window for documentation submission has been implemented, along with investments in border infrastructure and trade corridors. Some Border agencies carry out Joint Inspections to avoid duplication and the Multi-Agency Risk Management framework is being implemented on ASYCUDAWorld.

Remaining Challenges and the Path Forward: Despite accomplishments, Zambia faces competitiveness challenges due to lagging trade facilitation indicators and performance metrics, such as information availability, automation and procedures, compared to other landlocked African countries like Rwanda. The ease of doing business in Zambia ranks low, indicating an unfriendly regulatory environment. Incomplete trade facilitation and lack of automation at border posts hinder smooth operations. The full implementation of the WTO TFA and refraining from imposing new non-tariff barriers (NTBs) can enhance Zambia's trade potential, ensuring compliance and fostering better regional relationships eliminating congestion at border points due to delays in clearance.

Recommendations: In order to gain from unlocking Zambia's Trade Potential through Improved Trade Facilitation, the following recommendations should be implemented:

i. Introduction of stiff penalties to deter traders from appearing at the border without being pre-cleared
ii. Finalise Strategic Plan for corridor development and the accompanying policy reforms.

8. Enhancing Business and Investment Environment in Zambia

Policy and Regulations for local and foreign investments: Recognizing the pivotal role private investment plays in economic growth, employment, and poverty reduction, Zambia has been diligently improving its business enabling environment (BEE). To attract more FDI and foster domestic investment, the government has adapted policies and investment support institutions relating to backbone services, land tenure, tax regime, investment procedures, incentives, labour regulations, skills, and the institutional framework for investment facilitation.

Factors Driving FDI in Zambia: Between 2014 and 2022, Zambia maintained an open policy toward FDI with no investment barriers. The nation boasts attributes like abundant natural resources, political stability, favourable legal frameworks, strategic location, market access, improving business conditions, robust capital markets, and investment incentives that contribute to its attractiveness as an investment destination in Africa.

FDI Trends: FDI inflows in Zambia between 2014 and 2021 experienced volatility and a downward trend. Factors such as high operational costs, commodity price fluctuations, currency depreciation, weather conditions, election uncertainties, and Covid-19 impacts contributed to this trend. While foreign direct investment stock initially grew from 2014 to 2017, recent years have seen a slight decline, with the mining sector dominating the FDI liability stock. Notably, the manufacturing sector received the highest FDI inflows.

Infrastructure Backbone Services: Essential services like finance, transport, electricity, and ICT are catalysts for investment. High interest rates limited financial product diversity, and inadequate collateral hinder investment, particularly for micro, small, and medium enterprises. Transport, a crucial factor in investment decisions, faces challenges in Zambia. Despite diverse modes of transportation, the country's transport index lags behind regional counterparts, negatively impacting investment.

Energy and Land Tenure Concerns: Reliable energy sources are pivotal for investment. Zambia's demand for electricity has outstripped generation capacity, causing power shortages that disrupt production and increase costs. Inadequate ICT infrastructure and digital platforms also hinder investment. Land tenure, particularly customary land ownership, raises concerns about transparency and security. Insecurity tied to customary land discourages investment, impacting both indigenous and foreign investors.

Improving Business Environment: Zambia's ease of doing business score increased from 58.4 in 2015 to 66.9 in 2020. This is attributed to positive changes in insolvency resolution, contract enforcement, access to credit, tax payment facilitation, and export-import processes. However, challenges such as costly construction permits and elevated business registration fees persist, along with administrative complexities and regulatory unpredictability.

Labour Regulations and Skills Gap: Despite Zambia's relatively flexible labour regulations compared to other African nations providing advantages, these are undermined by complexities surrounding separation from employment. Strict labour laws surrounding layoffs could deter investment by making workforce adjustments challenging. The country's workforce lacks essential skills in manufacturing, ICT, and technical vocations, with gender disparities persisting. Availability of local skills is essential for attracting FDI.

Export Finance and Institutional Framework: Export credit access poses challenges for Zambian exporters. While financing options such as export credit guarantees and low-interest loans exist, lack of awareness hinders their effectiveness. Over the years, Zambia's institutional and legal frameworks for investment have evolved through reforms. The Zambia Development Agency (ZDA) Act and the Investment, Trade, and Enterprise (ITED) Act of 2022 streamlined functions, aiming at creating an environment conducive to investment, trade, and enterprise development.

Challenges in Institutional Framework: Despite notable improvements, challenges exist within the institutional framework. These challenges hinder the effective discharge of mandates, thereby impeding the investment promotion process. The ZDA and other investment facilitating agencies have highly centralised structures. These, coupled with low staffing levels, inadequate funding, poor coordination between agencies, and limited collaboration with government institutions slow the progress ZDA could have made. This results in multiplicity of licenses to start and operate business and poor service delivery. The journey to enhancing Zambia's investment environment and attracting FDI requires continuous efforts to streamline regulations, strengthen infrastructure, address energy deficiencies, ensure land tenure security, and foster collaboration among regulatory agencies.

Recommendations: To resolve these challenges, it is recommended that government and other stakeholders institute the following measures:

i. Decentralise ZDA and other BDS services to provinces and districts
ii. Automate all services through the government portal
iii. Establish RSC in the remaining provinces.
iv. Fully implement the Single Licensing Systems.

9. Trade Institutions and Economic Transformation

In general, Zambia's trade institutions and dialogue mechanisms possess potential to bolster trade and investment. However, addressing current weaknesses and threats like limited resources, corruption, and regional competition is essential to seizing opportunities such as diversification, deeper regional integration, and tapping into emerging sectors.

Trade Institutions and Public-Private Dialogue: In Zambia, various mechanisms have been established over the years to promote trade and investment, and more recently, the Public-Private Dialogue Forum (PPDF) was initiated with support from the International Finance Corporation. The PPDF aims to facilitate participatory engagement between the public and private sectors to accelerate Zambia's socio-economic development, focusing on trade and investment opportunities. However, the effectiveness of dialogue structures varies, with challenges such as inadequate inclusion of micro and small businesses and limited capacity in some ministries hindering optimal collaboration.

Assessing Institutional Quality in Zambia: While the country performs relatively well in terms of political stability and absence of violence, it lags behind in perceived institutional quality, especially in controlling corruption, ensuring government effectiveness, and regulatory quality. Corruption and inefficiencies can raise transaction costs, reduce investor confidence, and hinder trade growth. Effective institutions are crucial for promoting competitiveness, transparency, and trust. Nevertheless, inter-Ministerial Coordination stands out as a success in Zambia's trade dialogue, aligning policies with national goals. Inter-Governmental Coordination needs strengthening for better alignment between central, provincial, and local governments on trade policies.

Impact Assessment of Trade Institutions on Key Development Outcomes: Trade institutions face criticism for their perceived ineffectiveness in appraising trade policies' socio-economic outcomes such as job creation, exports, and industrialization. Weakness in the impact analysis capacity, coupled with inadequate feedback and monitoring and evaluating systems to measure policy impacts contribute to ineffective policy execution.

On the other hand, Zambia's trade institutions demonstrate varying degrees of effectiveness across different areas. While they have been successful in securing export markets and addressing technical barriers to trade, challenges persist in protecting infant industries and providing comprehensive trade support services. Coordination between institutions and responsiveness to the private sector's needs also require improvement. The digitization of services and reduction of trade costs, particularly related to customs procedures and border fees, have been significant achievements, driven by institutions like the Zambia Revenue Authority (ZRA) and the Zambia Bureau of Standards (ZABS).

Towards Inclusive Trade Development: Zambia's trade institutions have made strides in securing export markets, simplifying procedures, and addressing technical barriers. However, challenges remain in protecting infant industries, providing comprehensive support services, and accurately reflecting private sector needs. To leverage trade as a catalyst for economic growth, Zambia must continue to strengthen its trade institutions and enhance dialogue mechanisms to effectively shape policies, foster innovation, and create a conducive environment for sustainable trade expansion. This must be accompanied with the requisite budget allocation on trade-related activities, such as aid for trade programmes, market research, trade promotion, and business development services.

Enhancing Coordination for Effective Trade Development: Efficient dialogue and consultative processes are vital to fostering coordination among central, provincial, and local governments in shaping trade-related policies and programmes in Zambia. Presently, channels like the Provincial Development Coordinating Committee (PDCC) and District Development Coordinating Committee (DDCC) prioritise non-trade issues, this calls for reorientation to include trade-related issues on the agenda.

Private Sector Engagement for Inclusive Decision-Making: Efforts to involve the private sector in trade-related decision-making have progressed, with various dialogue platforms engaging businesses, civil society, academia, and more. Nevertheless, participation from marginalised groups like women, youth, cross-border traders, and SMEs remains limited. Of particular concern is the limited engagement of firms and groups that are not tied to influential business associations and those in rural areas.

Cooperation with International Partners: Zambia's trade institutions collaborate with international partners to ensure coherence, shared objectives, and effective trade policies. Joint initiatives encompass capacity building, technical assistance, research, policy development, and advocacy. Such partnerships strengthen Zambia's voice in regional and international forums and promote unified approaches. To avoid duplication, dialogue and consultations with partners are coordinated under structures like the National Trade Facilitation Committee (NTFC) Technical Committee.

Cooperation with CSOs and Research Institutions: Civil Society Organisations (CSOs) and research institutions have significant influence and interest in trade. CSOs advocate for marginalised groups, ensure transparency, and champion social justice. They empower communities, conduct research to assess trade impacts, mobilise public opinion and pressure governments for action. Meanwhile, research institutions conduct studies, provide insights, aid policy improvement, and contribute to capacity building in trade.

Legislative Involvement in Trade Decision-Making: While engagement with the National Assembly is a key aspect of trade negotiations and policy enactment, challenges remain. Regular briefings, reporting, and independent analyses on trade matters occur, but timely and accurate information availability to Members of Parliament needs improvement, noting that discrepancies between political agendas and trade institution goals can hinder effective dialogue.

Recommendations: From the foregoing, the following interventions are recommended for action:

i. Increase financing to enhance capacity to provide trade-related services and digital services such as market research, trade promotion, and business development services.
ii. Mobilise cooperating partners to increase support for trade-related activities
iii. Create dialogue structures at provincial and district levels to enhance effective consultations and awareness on trade-related issues, such as the benefits of trade liberalisation and the risks of protectionism

iv. Establish M&E system and provide feedback on actions taken arising from stakeholder consultations
v. Establish inclusive and transparent consultative structure to ensure that the needs and concerns of all stakeholders including the SMEs, farmers and traders in rural areas are considered in trade-related activities decisions.

10. Covid-19-Related Trade Effects and Opportunities

In March 2020, the world, Zambia included, experienced the onset of the Coronavirus Disease (COVID-19) pandemic. Zambia's economy experienced contraction due to the pandemic, with winners and losers across sectors. Macroeconomic indicators like exchange rates and inflation showed mixed stability. Investments were impacted, and trade faced both positive and negative shocks. COVID-19 guidelines restricted movement, resulted in school closures, workplace closures, internal movement restrictions, international travel controls, and other. Zambia applied a range of policy measures, including health guidelines and protocols, business support and trade facilitation arrangements, in a bid to sustain economic activity.

Measures to mitigate the COVID-19 Pandemic: The Government instituted the following measures in response to COVID-19.

a. Set up an Epidemic Preparedness Fund under the Ministry of Health amounting to K57 million.
b. Cabinet approved a COVID-19 Contingency and Response Plan (CCRP) with a budget of K659 million under the Disaster Management and Mitigation Unit; and
c. The Government has started mobilizing funds through the budget and engagement with various local and international stakeholders. Moreover, to support the easing of liquidity in the face of the adverse effects of COVID-19, the government...
d. Government committed to the following towards providing tax relief to businesses:
    - Suspending excise duty on ethanol for use in alcohol-based sanitisers and other medical-related commodities.
    - Removing provisions of SI 90 relating to the claim of VAT on imported spare parts, lubricants, and stationery to ease pressure on companies.
    - Suspending export duties on the export of concentrates in the mining sector to ease pressure on the sector; and
    - Suspending export duty on precious metals and crocodile skin.

Financial Sector Support: In the financial sector, the Bank of Zambia undertook a number of measures to encourage the use of digital financial services, aiming at preventing the spread of COVD-19 by minimizing person-to-person contact in conducting financial transactions, decongesting banks and reducing the use of cash. The measures included the following (MOF, 2020):

a. Waived charges for person-to-person electronic money transfers of up to K150.
b. Revised upwards transactions and balance limits for individuals, small-scale farmers and enterprises. The limits by agents were revised upwards to give agents more float to deal with transactions in order to decongest banks;

c. Removed the transaction and balance limits on agents and corporate wallets; and
d. Reduced the processing fees for Real Time Gross Settlement System.

Financial stability and building resilience in the financial sector: In April 2020, the Bank of Zambia established a K10 billion (or US$ 538.2 million) stimulus package called the Targeted Medium Term, aimed at supporting financial stability and building resilience in the financial sector. The TMTRF had attracted applications from 15 banks and 19 Non-Bank Financial Institutions (NBFIs), with a total of 61 applications (26 by banks and 35 by NBFIs) worth a total value of K12.9 billion (K9.4 billion by banks and K3.5 billion by NBFIs). Out of the applications, 77.4 percent were approved over the TMTRF period, worth a total value of K9.99 billion and K9.96 billion had been disbursed, implying that 99.6 percent of the stimulus package was utilised.

In June 2020, Zambia's Cabinet approved the issuance of an K8 billion COVID-19 bond, as an additional and wider economic stimulus package extended to a broader cross-section of sectors and entities that had been adversely affected by the pandemic. The bond was issued through the Bank of Zambia on 26th June, with an initial amount of K2,671 billion. The issuance period of the COVID-19 bond was later extended by 6 months, presumably due to generally low appetite for the bond during the first issuance period. Nevertheless, it is imperative that the Government should put in place measures to enhance post-COVID-19 medium-term private sector financial stabilization and development mechanisms (similar to TMTRF), to foster private sector recovery trade competitiveness, growth and build resilience.

Impact of the COVID-19 Pandemic on Macroeconomic Aggregates: The impact of COVID-19 on real GDP growth in 2020 is abundantly clear and strikingly different from other global crises in that it adversely affected all world economies with the Zambian economy contracting by 2.8, following good performance, better than the average performance of Sub-Saharan Africa and the world over the period 2000-2021.

The sectoral breakdown of Zambia's GDP revealed winners and losers. Sectors like agriculture, forestry & fisheries, transport and storage, information & communication, finance & insurance, and mining & quarrying experienced positive growth rates, while the arts, entertainment & recreation, accommodation & food, education, wholesale & retail trade, and public administration & defence sectors contracted significantly. Given the importance of both Arts, entertainment & recreation and accommodation & food for the tourism industry as well as for youth employment, it will be important to explore the options for establishing special post-COVID-19 economic recovery facilities for tourism and the youth, women and PWDs. This calls for research and studies on targeting post-COVID-19 mechanisms and facilities towards tourism, small-scale cross border trade, youths, women and PWD.

The depreciation of Zambia's local currency, the Kwacha, was notable at the onset of the pandemic. However, the currency mostly remained stable, except for fluctuations during the Presidential and Parliamentary elections in 2021. Inflation rates had already been on the rise prior to COVID-19, with the pandemic exacerbating food inflation pressures, leading to price instability in 2021.

COVID-19's effects on trade: The effect of COVID 19 on trade was evident across various dimensions. Goods imports experienced a significant negative shock, dropping by 26 percent in 2020, whereas non-traditional exports (NTEs) saw a positive shock, increasing by 38 percent in 2021. Services trade faced challenges, with exports, imports, and travel services all registering adverse shocks. Revealed Comparative Advantage (RCA) analysis showed deterioration in RCA for some products and improvements for others.

In terms of the services trade experience during COVID-19, overall services exports, travel services exports, overall services imports, transportation services imports and travel services imports registered significant adverse shocks of varying extents. Given the interrelationship between human mobility and services trade, it was to be expected that the COVID-19 pandemic, which prompted stringent movement restriction as a matter of public policy, would impose significant adverse shocks on this form of trade. Pre-emptive strategies, measures and mechanisms that support the continuation of (safe and secure) human mobility during crises is, therefore, important for sustaining services export and import trade.

Recommendation: From the foregoing, the following policy, regulatory, institutional and structural measures for mitigating any lingering adverse COVID-19-related trade effects and for harnessing COVID-19-related trade opportunities are proposed:

i. Enhance post-COVID-19 medium-term private sector financial stabilization and development mechanisms (similar to TMTRF), to foster private sector recovery, build resilience, trade competitiveness and growth.
ii. Institute pre-emptive strategies, policy measures and mechanisms for ensuring the continuation of safe and secure human mobility during health and other crises, towards sustaining export and import trade in services.
iii. Undertake research and studies to determine the feasibility of targeting post-COVID-19 mechanisms and facilities towards tourism, small-scale cross-border trade, youths, women, etc. as priority sectors/areas.

11. The Effects of Climate Change on Trade

Zambia's climate change impact assessment underscores the complex interactions between trade, climate, and policy. With the pursuit of a green economy facing both challenges and promises, vulnerabilities and opportunities are evident. Balancing economic development with environmental preservation remains a delicate task, necessitating concerted efforts and collaboration.

Trade and Climate Change Context: Zambia established the Ministry of Green Economy and Environment (MGEE) to champion a green economy agenda. The country also created institutional structures to fulfil her UNFCCC commitments. These arrangements are outlined in the National Policy on Climate Change (2016) through an inter-ministerial coordination framework. Zambia ratified the United Nations Framework Convention on Climate Change (UNFCCC) in May 1993, while its National Adaptation Programme of Action on Climate Change (NAPA) was formulated in September, 2007. Key legislative measures, such as the Environmental Management Act of 2011, showcase Zambia's commitment. A National Climate Change Response Strategy (NCCRS) was produced in 2010, and a National Policy on Climate Change (NPCC) followed in 2016. Integrating climate change concerns into policies and strategies is integral to Zambia's pursuit of a low-carbon, climate-resilient development path in line with Vision 2030. However, climate considerations are insufficiently integrated into trade and industry policies, impeding national climate objectives.

Country Climate Structure: Zambia's Agro-Ecological Zones (AEZs) are categorised by varying rainfall, temperatures, and soil types. AEZ I, spanning the Southern and Western Provinces, is drought-prone with a short, hot growing season. AEZ IIa and IIb, covering much of the east, central, and west regions, exhibit high agricultural potential. AEZ IIa has slightly higher rainfall, while AEZ IIb experiences lower precipitation. AEZ III, in the northern regions, has a longer growing season and higher rainfall. Projections anticipate rising temperatures and heavier rainfall events. Zambia emits about 388 million tons of CO2 equivalent annually, pledging to cut emissions by either 25 percent or 47 percent by 2030.

Impacts of Climate Change on Economy and Trade: Zambia's reliance on natural resources, particularly agriculture, forestry, and mining, makes it vulnerable to climate change's adverse effects Ranked 41st out of 182 countries for climate vulnerability. Extreme weather events disrupt productivity, costs and supply chains, eroding comparative advantages. Climate hazards, with their cascading impacts, can complicate the situation. A rise in temperature by 1°C could reduce developing countries' exports by 2.0-5.7 percentage points. Investment in climate mitigation, amounting to 1.4 percent of GDP, could significantly lower emissions and boost resilience. Zambia, known for agricultural exports, faces shifts in its competitive advantage due to climate change.

Trade Impact Categories: Climate change's multidimensional impacts on trade activities encompass:

a. Loss of crops and low productivity, affecting trading opportunities and food supplies.
b. Inundation leading to livestock losses, reduced economic activities, and increased imports.
c. Forest degradation and wildfires affecting resources and trade infrastructure.
d. Soil erosion and land use changes impacting agriculture and carbon sinks.
e. Pasture loss and low livestock production, intensifying human-animal conflicts.
f. Increased pests and diseases affecting livestock and crop production.
g. Diminished market access due to infrastructure damage.
h. Water scarcity affecting production and energy supply.
i. Reduced energy generation due to low water levels.

Opportunities for a Green Economy: Zambia's transformation agenda hinges on sustainable development pathways. The 8NDP prioritises green growth, environment protection, climate mitigation, and disaster risk reduction. Zambia aims to mobilise resources from diverse sectors for climate adaptation and mitigation, promoting a low-carbon green economy. Select tariff reductions on environmental goods are steps toward promoting sustainability. In the 2022 National budget, for example, customs duty on solar streetlights and solar charge control units was reduced from to 0 percent from 15 percent and 25 percent respectively. However, the tariff structure still favours emission-intensive industries as there are no low emission industries incentives or direct high tariffs for high emission industries for trade. Ground-level evidence of green growth exists across sectors, with emphasis on AFOLU and energy categories. Projected growth in the global demand for environmental goods and services creates a market opportunity.

Constraints to Green Economy: Zambia's commitment to domestic and international environmental obligations is evident, but challenges persist due to financial constraints, technical expertise gaps, political choices, and policy harmonisation issues. Incentives for green production are limited, and high import duties hinder green technology adoption. Inadequate information and awareness further impede progress. Regulatory capacity for green standards and quality control remains weak.

International environmental laws could impose trade limitations on Zambia. Limited tax waivers and incentives for green products, along with high equipment costs, hinder green production's accessibility. Participation in WTO negotiations on environmental goods and services remains low for LDCs. The lack of knowledge among the stakeholders, including traditional leadership and communities hinders adaption to climate change, environmental goods and green economy knowledge. This is compounded by limited research in this area by local advocacy and research institutions. The National Trade Policy and Industrial Policy have an indication of climate change and refer to Conference of Parties COP21, UNFCCC, UNEP and 7NDP but do not comprehensively provide for a green economy action plan or programmes.

Recommendations: Government is keen to invest in ambitious mitigation actions by promoting low carbon sustainable consumption and production to reduce greenhouse gas emissions and meet the emission reduction targets set out in the NDCs as is indicative in the following recommendations:

i. Build climate change capacity and green economy programmes and initiatives for relevant stakeholders and traditional leadership.
ii. Support research and institutional development for technology development of environmental goods and climate change
iii. Lower import tariff and nontariff barriers and liberalisation of environmental goods and services.
iv. Addressing NTMs affecting environmental goods requires examining technical regulations and conformity assessment procedures.
v. Formulate green standards and certification.
vi. Develop mutual recognition of accreditation systems and bilateral agreements.
vii. Incorporate trade policy aspects of the circular economy include definitions and classification of end-of-life-products: interplay between trade and waste. Trade facilitation for reverse supply chains, circular economy for goods that support decarbonization and remanufacturing.

12. Trade Opportunities and Challenges for Women, Youth, and PWDs

Addressing trade challenges and seizing opportunities for women, youth, and PWDs is pivotal for Zambia's economic development and its contribution to global and regional trade goals. By tackling these issues and promoting inclusive trade policies, Zambia can harness the potential of these demographic groups, fostering a more equitable and prosperous future.

Gender and Youth Participation: Zambia's female population is not only larger but also makes up 48 percent of the labour force, owning about 36 percent and 42 percent of small businesses and micro-enterprises, respectively. Despite their substantial presence, women in business are confronted by challenges, notably limited access to finances. Youth, who also constitute a significant portion of the labour force, face obstacles such as inadequate education, skills development, entrepreneurship opportunities, and decent employment prospects. This disproportionately affects female youth, exacerbating gender disparities in trade and investment promotion. The neglect of PWDs in trade discussions is an issue of growing global concern as around 15 percent of the world's population live with disabilities, and 80 percent reside in developing countries. Trade liberalisation can enhance employment and business opportunities for all, including PWDs.

Major Challenges: Trade challenges common to women, youth, and PWDs revolve around deficiencies in education, skills, capacity, and financing. These include limited educational and training opportunities, despite being the majority of the population. Women and the youth are faced with the limited education and training opportunities, which if availed would over time empower them to effectively get involved in trade. A lack of knowledge and skills hampers the utilisation of trade initiatives, resulting in risky trade practices. Sexual exploitation and abuse, particularly affecting female youth, breed resentment and discourage cross-border trade. Inadequate investment and operational capital further hinder trade development, with many unaware of available capital schemes

Further, Low-quality products and poor export standards hinder exports, particularly in agriculture and textiles. Inadequate production volumes and aggregation limit the exploitation of emerging markets. Perceived harsh cross-border trade conditions, including bribes, discourage SMEs, increasing costs and reducing profits. This is aggravated by the lack of information and knowledge on trade issues and opportunities therein. The lack of information is also a reflection of inadequate dialogue structures that involve women, youth and PWDs to ensure that their specific needs are taken into account, and that policies are implemented and monitored.

Failure to implement well intended policies has contributed to the marginalisation of youth and women. Existing strategies and policies, if implemented, are well-intentioned on promoting women, youth and PWDs in trade. For example, expediting implementation of sector-specific strategies, such as the Zambia – Zimbabwe MoU, a Common Agricultural Industrial Park (CAIP), would unlock the constraints to women and youth's participation in both primary agriculture and agro-processing sectors.

PWDs face additional challenges unique to them, including societal neglect, cultural beliefs perpetuating stigma, and unconducive infrastructure, hindering their participation in international trade.

Major Opportunities: Despite the challenges, several trade opportunities exist.

a. Political Will and Institutional Change: The establishment of the Ministry of Small and Medium Enterprise Development demonstrates political will and institutional change to foster a favourable environment for women and youth to participate in trade-led growth, considering that the majority of SMEs are women owned.

b. Development Partners' Efforts: Various development projects aim to increase the participation of women and youth-led businesses in trade.
c. Population Dynamics: The youth, comprising a substantial portion of the population, present opportunities both in terms of supply and demand of labour.
d. Livestock and Fisheries: The high demand for livestock and fisheries products, coupled with population growth, offers prospects for domestic trade and export development.
e. Geographical Location: Zambia's land-linked position makes it advantageous for livestock, poultry, and fisheries exports, particularly to neighbouring countries like the Democratic Republic of Congo and Tanzania.
f. Digital Trade: Advances in technology, including e-Commerce, provide limitless opportunities for entrepreneurs, reducing dependence on physical trading and improving profitability.
g. Digitalization of Customs Clearing Procedures: Digital Customs platforms simplify border crossing, making the pre-declaration process efficient and cost-effective. This presents opportunities for protection from sexual abuse as it reduces physical interactions.

Recommendations: For Zambia to benefit from the vast trade opportunities whilst addressing the challenges women, youth and people with disabilities face, the following could be considered:

i. Expedite the implementation of key national trade policy-related strategies, such as the National AfCFTA Implementation Strategy and the Zambia-Zimbabwe MoU on a Common Agricultural Industrial Park (CAIP), which are well-intentioned on promoting women, youth and PWDs in trade.
ii. Establish an inclusive DTISU women, youth and PWDs specific technical group to spearhead implementation of the action matrix
iii. Incentivise financial institutions to offer low interest products for women, youth and PWD-owned enterprises
iv. Introduce tailor-made training in technical and vocational skills and business development, for PWDs using resources from the skills development fund
v. Train selected Customs Officers and other border Officials in PWD skills
vi. Provide PWDs-friendly infrastructure in border facilities by enforcing provision of Disability Act.
vii. Create partnerships among PWD-focused training institutions, like the Zambia Institute of Special Education (ZAMISE), to develop trade-related skills and knowledge among PWDs.

13. Effect of LDC Graduation on Trade Development

Zambia's LDC Graduation Criteria and Timeline: Zambia met the criteria for graduation from the Least Developed Country (LDC) status for the first time in 2021 through an assessment of its income per capita, human assets, and ability to adapt to economic and environmental shocks. The country recorded a Gross National Income (GNI) Per Capita of US$ 1,411 (the minimum for graduation is US$ 1,222), Human Assets Index score of 67.1 (whilst the minimum for graduation is 66) and Economic Vulnerability Index of 41.7 (against minimum criteria of 32 or below). If Zambia exceeds the graduation thresholds again at the next Triennial Review of the Committee for Development Policy (CDP) in 2024, the nation will be recommended for graduation from the LDC group by 2027.

Market Access and External Assistance Post-Graduation: As an LDC, Zambia benefits from market access preferences specific to LDCs, which might be lost upon graduation. Zambia will continue accessing certain external assistance, but certain forms of aid may be impacted. Market access preferences under trade arrangements and regional agreements could provide alternative benefits. Zambia's membership to regional blocs like COMESA and SADC, as well as the recent ratification of the AfCFTA, could contribute to mitigating the loss of preferences. Zambia's potential graduating status will not negatively affect the country's health and education sectors. This is because related credit sources in these sectors such as the World Bank and African Development Bank do not consider the development status of a country as a precondition for extension of support.

Trade Prospects and Aid for Trade (AfT): Zambia will remain eligible for preferences under the US African Growth Opportunity Act (AGOA), GSP+ scheme options, alternative non-reciprocal preferences under negotiated preferential trade arrangements or reciprocal preferences under regional trade agreements (RTAs). Agreements such as Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC) and the African Continental Free Trade Area (AfCFTA), among others have special trade arrangements for enhanced market access that are not dependent on LDC status. In terms of aid for trade (AfT), Zambia is unlikely to be negatively impacted as the key providers, including the World Bank and available South–South partners such as the African Development Bank do not offer AfT assistance based on the development status of a country. Moreover, if graduation occurs, Zambia will continue to relate with some key development partners and be eligible for selected flexibilities for graduating countries, including transitory support under the Enhanced Integrated Framework (EIF).

Challenges and COVID-19 Impact on Graduation: The COVID-19 pandemic, debt situation and a decline in copper prices have arguably eroded gains in socio-economic conditions over the years, raising concerns about the country's ability to sustain its progress towards graduation. As such, it is essential to learn from the experiences and strategies employed by recent graduates such as Vanuatu, in addition to sharing information with countries, like Cambodia, that are also targeted for graduation in 2027.

Future Strategies and Post-Graduation Support: Crucially, Zambia needs to develop a LDC Graduation Strategy to ensure a smooth transition and mobilise resources to support export diversification, infrastructure development, human capital enhancement, and financial inclusion after graduation. Collaborative efforts with cooperating partners will be crucial to ensure that adequate resources are mobilised to sustain development beyond the LDC status. Support aimed at achieving export diversification, infrastructure development, human capital development and financial inclusion for sustained development post-graduation will be essential.

Recommendations: The following actions are recommended:

i. Develop LDC Graduation Strategy, learning from LDC graduates such as Vanuatu.
ii. Mobilise domestic and external resources to support export diversification and competitiveness and investment in infrastructure development, human capital development and financial inclusion for sustained post – graduation development.

14. Impact of Digitalisation and e-Commerce

Zambia's digital journey holds great promise for the nation's economic growth and development. However, challenges such as inadequate infrastructure, policy gaps, and limited digital literacy must be addressed through collaborative efforts between the government, private sector, and civil society. By strategically navigating these challenges, Zambia can effectively harness the power of digitalisation and e-Commerce to drive its development agenda forward.

National ICT Infrastructure and Accessibility: One of the major hurdles Zambia faces is the poor quality of Internet services. Dominated by three major Mobile Network Operators (MNOs) - MTN, AIRTEL, and ZAMTEL - the Internet landscape suffers from intermittent and unreliable service, particularly in rural areas. To bridge this gap, it is imperative to expand network access, encourage collaboration through co-location strategies, promote roaming agreements, and strengthen critical infrastructure such as communication towers and fibre connectivity. Addressing the intermittent power supply is equally important. This could be done by improving the management of the national power grid and incorporating renewable energy sources.

National ICT and e-Commerce Policies, Legislation, and Regulation: Zambia's policy and regulatory framework supporting ICT governance need substantial improvement. Existing policies and legislation, including the ICT Policy, ICT Act, Electronic Government Act, Data Protection Act, Electronic Communications and Transactions Act, and Cyber-security and Cyber-crimes Act, fall short in supporting e-Commerce. Strengthening these laws and developing a dedicated e-Commerce is crucial to effective regulation and enforcement in Zambia's growing digital economy and protection of consumers from fraud.

Updating the outdated 2006 national ICT policy to it align with regional protocols, like the African Continental Free Trade Area Digital Trade Protocol, is vital to promoting regional e-Commerce growth and harmonisation. Additionally, updating the outdated Postal Services Act and implementing the National Postal Policy are essential to the modernisation of postal services and facilitating e-Commerce. However, the absence of a universal postal access fund jeopardises postal services in underserved areas. Implementing a national addressing system can enhance mail sorting, while introducing virtual addresses linked to mobile devices could improve tracking and flexibility.

E-Government and ICT Innovations: Zambia's e-Government programme has achieved notable milestones, with the integration of public institution information portals into the Government Bus. This has streamlined ICT service delivery across Ministries, Provinces, Districts and State Agencies (MPSAs). Over 280 e-services across various sectors have been made available, leading to cost savings and improved service delivery. However, the slow integration of software applications in government and apparent communication gaps between regulatory bodies and trade facilitation agencies like the Zambia Development Agency (ZDA) hinder efficient business registration and compliance.

Government E-Procurement (E-GP) and Trade Facilitation: The establishment of the E-GP system aims at enhancing supply chains for government entities. This system encompasses e-tendering, e-registration, and e-contract management, with plans for full migration by December 2023. The e-GP system faces challenges in utilisation. Trained procurement entities underuse the system due to a lack of ownership. Implementing a rewards system, providing suitable computer equipment, reliable Internet access, and enforcing e-procurement laws can address this issue. Supplier reluctance to submit bids through the e-GP system due to adoption issues and lack of knowledge requires enhanced awareness campaigns.

ICT Uptake in Trade Logistics and Facilitation: Initiatives like the Electronic Trade Portal and the Zambia Electronic Single Window (ZESW) platform demonstrate Zambia's progress in digital trade logistics. These initiatives have facilitated trade by simplifying licensing, permitting, and certification processes, including cross-border traders.

Trade logistics face obstacles due to poor physical addressing systems, long distances, toll fees, and non-tariff barriers that increase logistics costs. This is compounded by lack of coordination and integration of business information flow between and across ICT regulatory authorities with trade facilitating institutions such as the Zambia Development Agency (ZDA).

Digital Skills Innovations and Entrepreneurship: The high costs of procuring ICT equipment remain a challenge. To alleviate this, the government should consider waiving duties and reducing taxes on imported ICT equipment. Additionally, updating higher education ICT curricula to align with industry needs can foster industry-ready innovation. Addressing the limited digital literacy through multi-stakeholder efforts, including private sector and civil society, is crucial.

Limited resources for software development infrastructure hinder innovation. Creating a conducive environment with necessary resources is essential. The lack of advanced technology infrastructure like 5G for emerging technologies poses a challenge. Improving technology infrastructure is crucial for fostering innovation.

Adoption of Digitally Enabled Payment Instruments: Reforms such as the National Payment Systems Act of 2017 and the establishment of the Zambia Electronic Clearing House (ZECH) have modernised payment systems, fostering financial inclusion and reducing transaction costs.

However, harmonizing pricing between mobile money and banking platforms is essential for fairness. Implementing a digital biometric identity system and a centralised digital E-KYC database can enhance authentication and fraud prevention.

Promoting Effective Digital Communication and Software Adoption: Inefficiencies in digital communication within the public sector pose challenges, with a significant number of employees relying on personal email services for government-related communication. Transitioning to an official government email service can enhance data security and streamline communication processes. Additionally, the prevalence of pirated software, particularly Microsoft underscores the importance of adopting open-source software. This approach not only reduces costs but also encourages the wider use of software applications.

Zambia's Digital Economy Score: Zambia has witnessed significant advancements in information and communication technologies (ICTs), which have driven the growth of its digital economy and led to the development of an ambitious e-Government programme. However, despite the progress made, there remain several challenges that need concerted efforts to ensure efficiency and value delivery from ICTs, and consequently raise the country's digital economy score. Zambia's overall digital economy score stands at 45 percent, indicating that the country is in the transition from start up to expansion. While digital infrastructure has advanced, expansion is needed, particularly in rural areas. Basic digital skills are present, but financial and digital literacy need improvement. Enhancing digital inclusiveness for women, youth, and MSMEs is crucial.

Recommendations: Based on the above, it is recommended that the following actions be implemented:

i. Develop and expedite the implementation of the national e-Commerce policy and strategy to guide and protect consumers in the digital space, and provide for its enactment.
ii. Strengthen regulation on online transactions and e-Commerce.
iii. Update the national ICT policy to reflect contemporary ICT issues, concepts and principles on emerging technologies and align it to the African Continental Free Trade Area Digital Trade Protocol meant to facilitate regional e-Commerce.
iv. Enact the National Postal Policy as provided for in the National Postal Policy (2020).
v. Harmonise regulatory functions across regulatory agencies involved in digital economy
vi. Strengthen collaborative framework among regulators in order to address issues of duplication of roles in the digital economy.

15. Trade Finance and Promotion in Zambia

Trade finance and promotion in Zambia present both challenges and opportunities. Despite a variety of trade finance products, MSMEs face difficulties due to collateral constraints and process complexities. With improved financial education, innovative solutions, and collaborative efforts, Zambia can enhance trade finance access, promoting economic growth and export diversification.

Trade Promotion Support

Zambia has employed multiple export promotion strategies to broaden its export base. Focus areas include incentives for established exporters and support for MSMEs transitioning into exporting. State agencies such as ZDA, CEEC, and credit guarantees schemes implement these initiatives, aiding citizens-owned MSMEs marginalised by formal finance systems. Services offered range from credit empowerment to market linkages.

Challenges in State Initiatives

While state agencies provide support, MSMEs find these efforts insufficient to meet their capacity and financial needs for export competitiveness. Collateral requirements, lack of collateral and lengthy loan processes impede progress. While collateral conditions have been eased to enable borrowers to secure loans using movable and immovable assets such as accounts receivable and equipment, contrary to commercial banks which require only cash and land/property collateral; these initiatives remain centralised, limiting their reach beyond urban centres.

Trade Finance and Financial Inclusion

Zambia's financial system, including mobile banking, has grown, with a significant difference between urban and rural areas. However, challenges persist due to economic shocks, pandemic effects, and external debt. Financial inclusion stands at around 40 percent, with SMEs facing difficulties in accessing trade-related loans.

Variety of Trade Finance Products

Zambia's major banks offer a range of trade finance products, including letters of credit, documentary collection, and pre-shipment finance. Innovative solutions, like supply chain finance, are emerging. Access is often hindered by stringent requirements, risk perception, and collateral constraints.

Opportunities for Expansion

Expanding trade finance could be achieved by developing SME-friendly solutions like factoring and credit insurance. Factoring, while available, needs promotion and regulatory framework enhancement. Challenges in supply and demand need addressing, including credit risk assessment and financial education. A promising avenue for expanding the supply of trade finance is to develop factoring and other forms of "SME-friendly" forms of trade finance (credit insurance) such as that advertised by the African Import Export Bank (Afrexim Bank).

Capacity Building and Access to Information

Promoting trade finance knowledge requires capacity-building for banks and businesses. Partnerships with established foreign banks and international institutions could aid in knowledge transfer and skill development, while discussions between various stakeholders (local and foreign banks, producers' associations, Ministry of Commerce, Ministry of Finance and the Central Bank) could aid development of low-risk finance instruments. Additionally, it is important that information reaches the intended beneficiary.

Recommendations: For trade finance to effectively contribute to export growth, the following actions are recommended:

i. Promote financial education between banks and SMEs on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products, based on ICC publicly available documentation.
ii. Develop and disseminate information leaflet on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products.
iii. Establish consultative platform, bringing together local and foreign banks, producers associations, the Ministry of Commerce, Ministry of Finance and the Central Bank to develop low-risk finance instruments, in the context of trade finance facilitation programmes

iv. Conduct SME-focused trade finance training workshops, bringing together firms and banks, and examining together concrete SME-friendly trade finance products which could be promoted locally, including those not requiring extra-collateral with support from WTO and IFC
v. Promote Afreximbank model law for receivable financing /factoring
vi. Introduce measures to enable banks to abandon the double collateral requirements (land and merchandise).

11. Conclusion

The review of the 2014 Diagnostic Trade Integration Study Update (DTISU) was undertaken in response to evolving global and domestic developments. From 2014 to 2021, the economy was characterised by slow growth, rising inflation, debt distress, GDP per capita decline, and a shift to low-income status. Non-traditional exports declined, but demand for them in the region could aid diversification.

Zambia has the chance to diversify exports due to strong demand for non-traditional exports (NTEs) and ongoing liberalization. Despite the services sector's significant contribution to GDP and formal employment, it lags in export diversification. Services exports fluctuated, with a trade deficit, and major imports are in transport, distribution, and finance. Despite open services trade, FDI decreased due to macroeconomic instability, inconsistent policies, labour shortage, and weak infrastructure. Zambia's landlocked nature hampers global participation. Trade policy involves various stakeholders, with efforts in environmental commitments and digital tech adoption.

To enhance diversification, policies should integrate, reduce costs, remove trade barriers, and promote green products. Emphasising infrastructure, capacity development, and trade facilitation are crucial, along with harnessing digital tools and pursuing regulatory reforms, as outlined in the 2023 Action Matrix.

The key actions presented in the 2023 Action Matrix are based on a number of broad policy options. These include the need to reinforce and prioritise the pillars dealing with key trade corridors and regional infrastructure as well as the trade facilitation and non-tariff barriers; climate change; the need to harness digital and e-Commerce as well as ICT has become a critical input in productivity improvements that is essential for diversification and trade facilitation process. There are also pointers to pursue regulatory reforms that remain fragmented and tailored towards individual trade facilitation agencies.

16. DTISU 2023 Action Matrix for Improved Trade Environment

The DTISU 2023 Action Matrix for Improved Trade Environment builds on the earlier DTIS 2005 Action Matrix and the DTISU 2014 Action Matrix. Some of the actions that were recommended then are still valid today and are under implementation, considering the changing economic environment. For example, the need to diversify the tradeable goods and services and enhancing the role of the private sector in Zambia's economic development process is still paramount today as it was in 2005. Similarly, the prioritisation in the DTISU 2014 of logistics and trade facilitation and enhancing export competitiveness and diversification through the promotion of services such as exports and intermediate inputs are still valid today.

The 2023 Action Matrix is a result of an extensive consultative process, involving all key stakeholders that include government agencies, private sector players, civil society organisations (CSOs), academia and cooperating partners. This Action Matrix responds to thirty-eight constraints hindering improved trade environment identified on the basis of the DTIS analysis and the stakeholders' consultations. The main focus of the Action Matrix is on the issues that increase trade costs and hamper trade performances and the impact of emerging issues of climate change, digitalisation and e-Commerce, and Zambia's pending LDC graduation.

As a result, just like in the 2014 Action Matrix, several recommendations from the DTIS chapters have not been included in the Action Matrix in order to keep it focused on clear and manageable priorities. The detailed analysis in the main report identifies detailed constraints with recommended actions. These are constraints and recommendations that are being implemented under other macro and sector policy frameworks and some are also cutting across all facets of socio-economic development including trade. This, by no means, implies that these actions or recommendations have no bearing on trade, but are excluded from the Action Matrix to avoid duplication and to keep the Matrix manageable.

2023 DTISU ACTION MATRIX FOR IMPROVED TRADE ENVIRONMENT

Table 0 1: DTISU 2023 Action Matrix

Priority: ST = short-term; **MT** = medium-term; **LT** = long-term; Difficulty: **L** = low; **M** = medium; **H** = high; Payoff: **G**=great; **M** = medium; **S**=small

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1.0.DTISU Action Matrix Implementation						
1. Lack of an effective M&E system and responsible unit	Ad hoc approach to M&E across implementing agencies	Failure to comprehensively track progress	• Incorporate DTIS Action Matrix monitoring and resource mobilisation into NTFC functions • Establish a DTIS M&E System with a Results Framework • Capacity Building in M&E	MCTI and MoFNP Donor Facilitator	• DTIS Action matrix monitoring and resource mobilisation incorporated into NTFC functions • M&E framework developed • Staff Trained in M&E	MT/ M/ G
2.0 Macroeconomic Policy						
2. Low government revenue due to lack of economic and export diversification	National Development Plans and sector policies (e.g. Trade, Export Strategy, Industrial, Agriculture etc.)	• Economy remains undiversified • Low tax revenue • High tax burden on a few	• Implement transparent, predictable, consistent, effective and sustainable tax policy to boost investor confidence in key priority sectors • Fully migrate investment and related procedures to online processing and payment systems	MCTI/ZDA/ZRA/ MOFNP	• Increase in NTEs revenue • Increase in investments in key priority sectors • All investments procedure migrated to digital platforms	MT/ M/ G
3.0 Zambia's trade performance						
3. Non-tariff barriers to trade and inability to comply with international standards	International and regional treaties and conventions on NTBs and standards	• Unfair trade due to non-compliance with international rules • Contributions to exports by SMEs is low	• Build capacity to negotiate in national trade agencies • Conduct bilateral trade engagements to resolve non-tariff barriers with trading partners • Increase support to SMEs with capacity building in standards and quality	MCTI/ZDA	• Reduced number of NTBs reported • Increase in exports by SMEs	ST/M/ G

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4. Limited access to market information	• ZDA provides information on market access and undertakes trade promotion activities • Zambia Trade Information Portal	l Most SMEs not aware of these sources of information	• Enhance access to market information through various channels, including digital platforms	MCTI/MSMED/ ZDA	• Increased Number of SMEs using various channels such as digital platforms to access information • Number of promotional activities targeting SMEs	ST/M/ G
4.0 Trade in services						
4.1 Tourism Services						
5. Inadequate tourism and related infrastructure and lack of appropriate skills in the sector	Tourism Master Plan	l Numerous strategies and regulatory modernization efforts remain incomplete or not implemented	• Develop a comprehensive tourism specific infrastructure strategy in line with the Tourism Master Plan (including Public Private Partnerships (PPP), • Develop a comprehensive training programmes for tourism skills development	MoT, Ministry of Infrastructure, ZTA and ZITHS	• Tourism infrastructure strategy developed • Increased infrastructure in the tourism sector • Training programmes developed • Number of graduates • No of graduates employed in tourism sector establishments	MT/LT/ H/ G
6. Limited diversification of Zambia's tourism destinations and services	Tourism Master Plan / Northern Circuit Promotion of transboundary tourism using single visa such as the KAZA visa under SADC	l Slow implementation of strategies and plans to open up new areas resulting in overdependence on traditional tourism destinations and products	Promote other tourism sites and sponsor tourism-related fairs and events.	Ministry of Tourism and MCTI	Increase in the number of tourists visiting other sites	MT/LT/ H/ G
4.2 Financial Services						
7. High cost of financial services and inadequate domestic regulations	Banking Act, BOZ, Market oriented supply of finances	• Limited tailor-made credit lines • Limited local reinsurance services • Dominance of Foreign Financial Institutions characterised by imperfect competition	• Design more diversified financial services that address high cost of borrowing • Provide sector specific credit lines for export-oriented businesses. • Promote local investment and FDI in the financial sector to improve competitiveness and build capacity for exports • Promote the use of local insurance and re-insurance services	MCTI, MoFNP, PIA	• Reduced cost of financial services • Increased number of local players in the financial sector • Increased number of local insurance and re-insurance service providers	MT/LT/ H/ G

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4.3 Transport services						
8. Limited transport networks and poor logistics	• OSBP and road infrastructure development using PPP model • Transport Master Plan	• Poor state of strategic infrastructure challenges • Concentration on roads limits impeding on economic opportunities in rail / water transport	• Develop an intermodal transport system that brings together road, rail, water, dry ports and air transport to transform Zambia into a regional transport hub	MCTI, MoFNP, MIHUD, MoTL	Intermodal transport system positioning Zambia as a regional transport hub developed	MT/LT/ H/ G
9. Poor Transport Infrastructure.g. Rail and Maritime/ inland waterways	• SI regulating that 30% of cargo to be moved by railway • Procurement of dredging equipment and water vessels in Maritime transport	• Inefficient rail system as rail infrastructure system not developed and modernized • Insufficient water transport infrastructure	• Improve vessel turnaround time, provide navigation aids, provide training to personnel, build intermodal linkages such as railways at sea ports • Upgrade and improve the quality of transport vessels such as trains and waterway vessels • Develop inland dry ports • Enforce implementation of SI No. 7 of 2018 to give the much needed business to the rail sector	MCTI, MoTL, MIHUD	• Number of Dry ports built • Number of Harbours developed • Number of state-of-the-art Trains and Waterway vessels bought • Increase in the amount of Cargo being transported by rail	MT/LT/ H/ G
4.4 Distribution Services						
10. Limited participation of Zambian- owned firms in distribution and retail services and low stocks of locally produced goods	• Market oriented with ad hoc interventions in some product lines • Local Content Policy	• Lack of comprehensive and consistent policy framework to support local firms	• Develop a Strategy to promote participation of Zambian-owned firms in local and regional distribution services including retail services • Promote stocking of locally produced goods in local and regional distribution services (wholesale and retail services)	MCTI / ZABS /	• Strategy to promote participation of Zambian owned firms in local and regional distribution services developed • Increased number of Zambian owned firms participating in local and regional distribution services • Increased access of Zambian products in supermarkets in wholesale and retail abroad	MT/LT/ H/ G

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5.0 Opportunities and Challenges to Regional Integration						
11. Poor enforcement of Non-Tariff Measures and the high cost of compliance to obtain certification	Regional trade Agreements	• Uncoordinated enforcement of standards in RTAs • Increased cost of doing business due to high cost of compliance	• Ensure enforcement of Harmonised quality standards in RTAs	MCTI,	• Harmonised regulatory requirements on quality standards • Business Development services provided • Costs of compliance reduced Reduced Number of documents required	MT/LT/ H/ G MT/LT/ H/ G
			• Provide Business Development Services including product quality standards	ZABS,Z		
			• Rationalise costs of compliance	ZCSA, MoH, MoA, MFL		
12. Too many documents required when exporting in RTAs	• Regional trade Protocols • National processes for exporting products	• Time consuming processes when exporting products	• Streamline export requirement by reducing the number of documents	ZRA , MCTI, MoA, MoT		
6.0: Trade and Investment Facilitations						
13. Lack of a strategic plan for corridor development	• Draft strategic plan for corridor development	• Corridor based approach with poor strategic assessment for the country still persists • There is a risk that some links in areas with clear potential for exportable production will be neglected and receive low priority • Uncoordinated infrastructure investments	• l Finalise Strategic Plan for corridor development and the accompanying policy reforms	MoTL MCTI/	Corridor strategy finalised and implementation plan developed	ST/ LT/H/ G

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14. Inadequate penalties to compel pre-clearance of commercial goods	• Only pre-registration within 7 days is being implemented	• Lack of pre-clearance knowledge by traders • Congestion at border points due to delays in clearance • Trade Logistics in Zambia are not sufficient to stimulate and enhance trade	• l Government to introduce stiff penalties for not adhering to mandatory preclearance • l Develop and implement a Trade Logistics Strategy to support trade development in the country	MCTI/MOF/OGAs	Pre-clearance rate for commercial good increased to 95%	MT/ LT/M/ G
15. Lack of a strategic Trade Logistics Development Strategy	Ad hoc arrangements			MCTI/MoTL	Trade Logistics Strategy and its implementation plan developed by 2024	ST/ LT/H/ G
16. Poor coordination among border agencies still persists	• Customs designated as lead agency in charge and with overall authority at the border posts but needs to fully exercise this authority to improve border Agency coordination and management of the borders • Border Management and Trade Facilitation Act	• OSBP benefits are not fully realized	• Enact legislation for ZRA to be lead agency responsible for border coordination and management • Finalise Border Management and Trade Facilitation Act under review • Reduce the number of agencies operating at the border in line with internal best practice • Ensure full connectivity of all border Agencies to Zambia Electronic Single Window, Single Payment Point and the Customs system • Allocate financial resources to undertake continuous capacity building	MCTI/MOF/OGAs	• Traffic flow at border posts improved • Border Management and Trade Facilitation Act reviewed to give ZRA authority as lead agency and reduce number of border agencies	MT/ LT/M/ G
17. Inefficient interfaces with neighbouring states	• l OSBP bilateral agreements	• Limited data sharing with neighbours especially on transit cargo, necessitating re-entry of the same information on both sides of the border	• Proactive engagement with partner countries on effective implementation of OSBP • Improve data sharing by linking the systems across borders • Promote system alignment with neighbouring countries systems • Facilitate procedural reforms and electronic pay systems	MCTI/MOF/OGAs	Number of neighbouring counties with electronic data sharing platforms with Zambia	ST/MT/ LT/M/ G

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7.0 Business Enabling Environment and institutional Framework for Investment						
18. Multiplicity of licences to start and operate business, highly centralised business service providers and inadequate staffing levels at OSS.	l ZDA Act, Business Regulatory Act,	• Business and regulatory services inaccessible by most people in outlying areas due to high cost of accessing services • Centralised business development provision • Four RSCs established in Lusaka, Livingstone, Kitwe and Chipata • Partial services provided as the existing OSS are not manned by enough officers	• Fully implement the Single Licensing Systems • Streamline the single licensing system across various sectors • Decentralise ZDA and other BDS services to provinces and districts • Establish RSC in the remaining provinces • Automate all services through the government portal • Establish one stop shops in provinces and engage enough staff	MCTI/BRRA/ZDA Local Authorities Local Authorities	• Single Licensing System functional Number of districts with ZDA/ and other BDS providers representations • Services automated through the government portal • Number of new RSC established reviews • One stop shops established in all provinces with adequate staffing levels	ST/MT/ LT/M/ G ST/MT/ LT/M/ G
19. Uncoordinated licensing procedures and processes, as well as duplication of licenses	• Business Regulatory Act of 2014 • Ad hoc regulatory reviews to refine individual agency mandate	• Ineffective decision-making, lack of collabouration, and accountability • Cumbersome registration and licensing procedures involving too many agencies • Multiplicity of licences to start and operate business • Business environment is too costly and not business friendly	• Establish a coordinated framework for regulatory reviews to streamline registration and licensing procedures	MCTI/ BRRA OGAs	• Streamlined registration and licensing procedures	MT/ LT/M/ G

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8.0 Trade Institutions and Consultation Processes						
20. Inadequate financing on trade-related activities, such as aid for trade programmes, market research, trade promotion, and business development services	• l Budget • Cooperating partners	• l Interventions limited both in scope and size	• Increase budget allocation on trade-related activities, such as aid for trade programmes, market research, trade promotion, and business development services • Mobilise cooperating partners to increase support for trade-related activities	MCTI/MFNP	• Increase in budget allocation for trade-related activities • Increase in resources mobilised from cooperating partners	ST/MT/ LT/M/ G
21. Lack of effective consultations and feedback , and SMEs not sufficiently involved in trade-related activities and consultative structures and processes	• l Adhoc stakeholder engagement / workshops • l Electronic and print media • l Field visits • Provincial and District Development Committees,	• Limited knowledge among stakeholders especially in the provinces and districts on the importance of trade and investment in promoting economic growth and development • Lack of feedback on actions taken on stakeholders proposals • Issues affecting SMEs not adequately addressed	• Create dialogue structures at provincial and district to enhance effective consultations and awareness on trade-related issues, such as the benefits of trade liberalisation and the risks of protectionism • Provide feedback on actions taken arising from stakeholder consultations • Create structures to embrace SMEs, and those in rural areas, in trade-related activities and consultative structures and processes	MCTI/MFNP MCTI / MSMED	• Consultative structures and processes created at provincial and district levels embracing SMEs, participation particularly SMEs and those in rural areas • Increased public awareness of trade related issues • Feedback provided to stakeholders	MT/ LT/M/ G ST/MT/ LT/M/ G

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9.0 COVID-19-Related Trade Effects and Opportunities in Zambia						
22. Lack of empirical evidence to inform and support policy actions	• National COVID 19 Pandemic Response Strategy • Adhoc Policy interventions e.g. BOZ Credit Line	• Limited and ad hoc responses to exogenous shocks	• Enhance post-COVID-19 medium-term private sector financial stabilization and development mechanisms (similar to TMTRF), to foster private sector recovery, trade competitiveness, growth and build resilience • Institute pre-emptive strategies, policy measures and mechanisms for ensuring the continuation of safe and secure human mobility during health and other crises, towards sustaining export and import trade in services • Undertake research and studies to determine the feasibility of targeting post-COVID-19 mechanisms and facilities towards tourism, small-scale cross border trade, youths, women, PWDs etc. as priority sectors/areas	MCTI/ZAMSTATS Think tanks and Academia, MCTI, MHAIS, MoH Disaster Management and Mitigation Unit (DMMU)	• Enhanced post COVID-19 medium private sector financial stabilization and development mechanisms • Pre-emptive strategies, policy measures and mechanisms established • Number of research studies undertaken	ST/MT/ LT/M/ G
10.0 Climate Change, Green Economy and Trade Enabling Environment						
23. Limited climate change and green economy knowledge	l The Technical Barriers to Trade (TBT) Agreement	• Capacity Development • Technology barriers for production and use of goods • Lack of prioritisation of investment opportunities in green economy	• Build climate change capacity and green economy programmes and initiatives for relevant stakeholders and traditional leadership • Support research and institutional development for technology development of environmental goods and climate change • Identify investment priorities and undertake promotional activities that support environmental goods production, standards and certification	MGEE MCTI MOA MFL Research institutions	• Number of capacity building and awareness programmes • Number of promotional activities to encourage environmental goods production • Number of cleaner technologies developed	ST/L/G

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24. High tariff and non-tariff barriers (including standards and certification)on environmental goods and services	• l WTO and RTA rules and trade negotiations, • l ZABS importation standards, • l Standards and Quality Assurance programme	• Environmental goods and service trade not liberalised • Green standards and certification is non existent	• Lower import tariff and non-tariff barriers and liberalisation of environmental goods and services • Examine technical regulations and conformity assessment procedures to address NTMs affecting environmental goods • Formulate green standards and certification • Develop mutual recognition of accreditation systems through regional, multilateral and bilateral agreements • Establish consultative framework involving the private sector and other non-state actors in climate change and green issues	MGEE MCTI Zambia Revenue Authority (ZRA) Various public economic sectors, CSOs, NGOs, private sector	• Lower tariffs and non-tariff barriers on environmental goods and services • Liberalisation of environmental goods trade • Revised technical regulations and conformity assessment procedures • Green standards and certification formulated • Implementation of international standards for green products • ·Increase in the number of private sector and other actors in Climate change and green issues	LT/H/G LT/H/G
25. Limited access to funding for NDCs and green trade	• International green aid for trade and economic activities • WTO (Aid for Trade)	• Conditions given to green funds limits access	• Lobby and negotiate foe easing of conditionalities to improve access to green funds to meet NDCs	MGEE And other line ministries	• Amount of funds mobilised • Number projects supported	ST/M/G
26. Lack of Private sector funding and investments in green businesses	• Private funds and capital	• Lack of incentives to promote private sector funding	• Encourage private sector to invest in green production lines with carbon credits	MGEE	• Reduction of the number of bureaucratic steps and processes	MT/H/G
		• Limited green private investment funding and bureaucratic procedures	• Provide incentives for low emission industries and transition from high emission technologies	Private sector, CSOs, NGOs	• Green investments and technology incentives	
				MCTI	• Number of green investment proposals	

IDENTIFIED CONSTRAINT	CURRENT APPROACH TO DEAL WITH CONSTRAINT	LIMITATIONS TO CURRENT APPROACH	IMPROVEMENT / NEW ACTION PROPOSED	RESPONSIBLE AGENCY	MONITORING INDICATORS	PRIORITY (TIME FRAME)/ DIFFICULTY /PAYOFF
27. Environmental goods	• WTO environmental goods and services List, Trade and industry policies	• Lack of strategies to promote competitive of environmental goods using sustainable consumption and production measures	• Design strategies for competitive environmental goods using sustainable consumption and production measures • Ensure proactive participation in the WTO TESSED negotiations to advocate for sustainable trade related measures • Promote uptake of environmental goods and technology by imposing high tariff	MGEE MCTI Various public economic sectors, CSOs, NGOs, private sector	• Environmental goods and services list communicate to stakeholders • Number of meetings participated in the environmental negotiations at WTO • Strategies and plans for a green economy designed • Increased number of environmental goods and services traded in local, regional and international markets	LT/H/G
11.0 Opportunities and Challenges for Women Youths and Vulnerable Groups						
28. Lukewarm approach to implementation of strategies to promote trade targeting women, youth and PWDs	• National Youth policy • National Gender Policy • National PWD Policy • National Trade Policy, National Export Strategy and the National AfCFTA Implementation Strategy	• Policy and strategies not implemented • Ineffective results monitoring mechanism to impact gender- youth and PWDs- mainstreaming	• Expedite the implementation of key national trade policy-related strategies, such as the National AfCFTA Implementation Strategy and the Zambia-Zimbabwe MoU on a Common Agricultural Industrial Park (CAIP), which are well-intentioned on promoting women, youth and PWDs in trade • Establish an inclusive DTISU women, youth and PWDs specific technical group to spearhead implementation of the action matrix • Incentivise financial institutions to offer favourable conditions on financial products for targeting women, youth and PWD owned enterprises	MCTI; MoFNP MoA; MoL ZDA; MoSMED Private Sector; CPs	• Number of key national trade policy-related strategies supporting women, youth and vulnerable persons, implemented • DTISU women, youth and PWDs specific technical group established • Number of financial institutions offering favourable conditions on financial products to women, youth and PWDs entrepreneurs	MT/LT/H/G

IDENTIFIED CONSTRAINT	CURRENT APPROACH TO DEAL WITH CONSTRAINT	LIMITATIONS TO CURRENT APPROACH	IMPROVEMENT / NEW ACTION PROPOSED	RESPONSIBLE AGENCY	MONITORING INDICATORS	PRIORITY (TIME FRAME)/ DIFFICULTY /PAYOFF
29. Lack of technical and business skills among women, youth and PWDs and lack of specialised personnel and PWDs-friendly infrastructure to support the PWDs, at the border	• Employment Act • Disability Act • TEVETA Act • ZDA Act	• Women, youth and PWDs concentrated in low skill occupations and enterprises such as vending • PWDs not able to access facilities thus limiting them from benefitting from services and opportunities	• Create partnerships among PWD-focused training institutions, like the Zambia Institute of Special Education (ZAMISE), to develop trade-related skills and knowledge among PWDs • Introduce tailor-made training in technical and vocational skills and business development, for women, youth and PWDs using resources from the Skills Development Fund • Train selected Customs Officers and other border Officials in PWD skills • Provide PWDs-friendly infrastructure in border facilities by enforcing provision of Disability Act	MCTI; MCDSW; ZAPID; ZAMISE; MIHUD, ZRA UNZA/CBU/MU; CPs; TEVETA	• No of border agency staff with skills to support the PWDs • Number of border facilities with PWDs-friendly infrastructure • Number of training institutions offering PWD-focused trade related skills and knowledge • Number of training institutions offering technical and business skills to women, youth and PWDs	ST/MT/H/G
30. PWDs inadequately included or excluded from trade promotion activities	• Disability Act • Trade Policy • ZDA Act	• PWDs not able to benefit from opportunities	• Include PWDs on trade promotion activities and ensure information and resources are made available to PWDs for their participation	MCTI; s; ZDA, MCDSS	• No of PWDs included in trade promotion activities	ST/MT/H/G
12.0 Effects of Possible LDC Graduation and Trade Development						
31. Lack of LDC Graduation Strategy	• 8NDP • Medium-Term macroeconomic Framework	• No strategy to prepare the country for LDC Graduation	• Develop LDC Graduation Strategy, learning from LDC graduates such as Vanuatu and countries set for graduation like Cambodia	MoFNP, Infrastructure, Education, MCTI, Health, Private Sector, Civil Society, Academia	LDC Graduation Strategy	MT/LT/H/G
32. Resource Mobilisation	• Foreign Aid Strategy • National Budget • 8NDP	• Insufficient domestic and foreign resources mobilised	• Mobilize domestic and external resources to support export diversification and competitiveness and investment in infrastructure development, human capital development and financial inclusion for sustained post-graduation development.	MoFNP	Increase in resources to support LDC graduation	MT/LT/H/G

IDENTIFIED CONSTRAINT	CURRENT APPROACH TO DEAL WITH CONSTRAINT	LIMITATIONS TO CURRENT APPROACH	IMPROVEMENT / NEW ACTION PROPOSED	RESPONSIBLE AGENCY	MONITORING INDICATORS	PRIORITY (TIME FRAME)/ DIFFICULTY /PAYOFF
13.0 Digitalisation and e-Commerce						
33. Inadequate and outdated policies to support digitalisation and e-Commerce	• National ICT Policy • National Postal Policy	• The lack of an enabling policy and legislative environment has stifled growth of the digital economy	• Develop and expedite the implementation of the national e-Commerce policy and strategy to, among others, guide and protect suppliers / consumers in the digital space, and provide for its enactment • Strengthen regulation on online transactions and e-Commerce • Update the national ICT policy to reflect contemporary ICT issues, concepts and principles on emerging technologies and align it to the African Continental Free Trade Area Digital Trade Protocol meant to facilitate regional e-Commerce • Enact the National Postal Policy as provided for in the National Postal Policy (2020)	MOTS ZICTA SZI	• e-Commerce policy developed and implemented • National ICT Policy updated • National Postal Policy enacted	MT/LT/H/G
34. Weak and fragmented regulatory regime in ITC and e-Commerce	• l ZICTA, IBA, BOZ, Data Protection Act, Cyber Security and Cybercrimes Act, and Electronic Communications and Transaction Act,	• The lack of a coordinated regulatory framework has stifled growth of the digital economy	• Harmonise regulatory functions across regulatory agencies involved in digital economy • Strengthen collabourative framework among regulators in order to address issues of duplication of roles in the digital economy	MST MoJ Parliament	Harmonised functions for regulatory bodies	MT/LT/H/G

IDENTIFIED CONSTRAINT	CURRENT APPROACH TO DEAL WITH CONSTRAINT	LIMITATIONS TO CURRENT APPROACH	IMPROVEMENT / NEW ACTION PROPOSED	RESPONSIBLE AGENCY	MONITORING INDICATORS	PRIORITY (TIME FRAME)/ DIFFICULTY /PAYOFF
35. Not all E-government functions are online	• l Smart Zambia Master Plan and Act	• Inefficiencies and corruption in accessing some government services	• Expedite migration and integration of software applications across government institutions • Strengthen integration of business information flows across regulatory bodies with key trade facilitating agencies • Improve ICT infrastructure by lowering taxes on equipment • Revise ICT school curriculum and enhance digital education and sensitization	Ministry of Technology & Science SZI BOZ Ministry of Education ZICTA CSOs	• Automation and integration of all government business processes completed. • Business information flows across regulatory bodies with key trade facilitating integrated • Improved ICT infrastructure • Revised ICT curriculum implemented and digital education and sensitisation increased	MT/LT/H/G
36. Costs and security of using digital payments	• l ZICTA Act ICT Policy l Cyber Security Act • Electronic Government Act • l Smart Zambia e-Government Master plan • National Payment systems, ZECH, Data Protection Act, Electronic Communications and, Transaction Act	• Low uptake of digital solutions • Discriminatory and abusive pricing across mobile money and banking platform in the digital ecosystem • Identity fraud due to lack of integrated registration system • Inadequate and uncoordinated cyber detection and response mechanism • Disruptions in financial transactions and value exchange across value chains	• Introduce flat fees for all digital transactions across mobile money and banking platform in the digital ecosystem g • Accelerate implementation of the Integrated National Registration Information System (INRIS) to ease identity and authentication • Enhance system protection mechanisms against cyber-attacks • Ensure stable connectivity between the Zambia electronic clearing house (ZECH) and MNOs	Ministry of Technology & Science MT/LT/H/G MCTI BOZ ZICTA SZI PPPs MNOs	• Enhanced system protection mechanisms against cyber-attacks enhanced • Pricing regime across players in the Mobile Money ecosystem harmonized • Integrated National Registration Information System (INRIS) fully implemented • Centralized Digital E-KYC Data base implemented • Network connectivity between the ECH and MNOs improved	MT/LT/H/G MT/LT/H/G

IDENTIFIED CONSTRAINT	CURRENT APPROACH TO DEAL WITH CONSTRAINT	LIMITATIONS TO CURRENT APPROACH	IMPROVEMENT / NEW ACTION PROPOSED	RESPONSIBLE AGENCY	MONITORING INDICATORS	PRIORITY (TIME FRAME)/ DIFFICULTY /PAYOFF
14. Trade Finance and Promotion						
37. Inadequate information on trade finance instruments and availability	• BOZ Act, Banking and Financial services legislation, • Liberalised market-based financial market	• Opportunities presented by trade financing do not trickle down to traders especially MSMEs	• Promote financial education between banks and SMEs on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products, based on ICC publicly available documentation • Develop and disseminate information leaflet on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products. • Establish consultative platform, bringing together local and foreign banks, producers associations, the Ministry of Commerce, Ministry of Finance and the Central Bank to develop low-risk finance instruments, in the context of trade finance facilitation programmes	MCTI, ZDA, BoZ MoFNP CPs (WB, WTO etc.)	• Number of financial education programmes implemented across the country • Information leaflet developed and disseminated • Consultative platform established	MT/LT/H/G
38. High cost of trade finance	• BOZ Act, Banking and Financial services legislation, market based and adhoc approaches to financing trade	• High cost of borrowing contributing to high cost of production	• Conduct SME-focused trade finance training workshop, bringing together firms and banks, and examining together concrete SME-friendly trade finance products which could be promoted locally, including those not requiring extra-collateral with support from WTO and IFC • Promote Afreximbank model law for receivable financing / factoring • Introduce measures to enable banks to abandon the double collateral requirements (land and merchandise)	MCTI, BoZ,	• Cost of trade finance reduced • Double collateral requirements disbanded	MT/LT/H/G

CHAPTER 1: INTRODUCTION

1.1. Background

This is the third Zambia Diagnostic Trade Integration Study (DTIS) following the 2005 study. It updates the 2014 study and comes at a time when several shocks such as climate change, Coronavirus 2019 (COVID-19), increasing domination of information and communications technology (ICTs) in the global trade arena and regional value chains. During the same period, Zambia has entrenched itself in regional trade arrangements. This development has come with its opportunities and challenges. It is anticipated that this study will serve as a critical element in Zambia's trade policy agenda as it pursues its long-term vision of becoming a middle-income country by 2030.

The 2023 DTIS update seeks to achieve a few objectives which include a) taking stock of the progress in the implementation of the 2014 DTIS Action Matrix recommendations b) deepen the analysis of Zambia's trade performance in terms of export diversification, trade in services, trade facilitation and logistics, and potential graduation to a middle-income country and c) revise the Action Matrix to incorporate emerging issues as needed. To achieve these goals, the study documents the key policy changes and highlights the opportunities and challenges that emerge for the country in terms of fostering the government's long-term commitment to diversify and strengthen the country's export base, trade the country out of poverty and improve job creation. It is envisaged that the findings will inform the development of an up-to-date trade integration strategy and policies that can contribute to the attainment of its development goals consistent with the Eight National Development Plan (8NDP).

The report was generated through a consultative process that included workshops and interviews with stakeholders at provincial and national levels, an extensive review of relevant national and international documents, as well as the analysis of publicly available datasets. The consequent 2023 Action Matrix for improved trade environment, presented in the Executive Summary is a result of an extensive consultative process, involving all key stakeholders that include government agencies, private sector players, civil society organisations (CSOs), academia and cooperating partners. The 2023 Action Matrix responds to thirty eight constraints hindering improved trade environment identified on the basis of the DTIS analysis and the stakeholders' consultations. The main focus of the Action Matrix is on the issues that increase trade costs and hamper trade performances and the impact of emerging issues of climate change, digitalisation and e-Commerce, and Zambia's pending LDC graduation.

As a result, just like in the 2014 Action Matrix, several recommendations from the respective DTIS chapters have not been included in the Action Matrix to avoid duplication and keep the Matrix manageable. The detailed analysis in the main report identifies detailed constraints with recommended actions. These are constraints and recommendations that are being implemented under other macro and sector policy frameworks and, some are also cutting across all facets of socio-economic development including trade.

The rest of the report is structured into sixteen Chapters, with Chapters 2 to 4 taking stock of the developments since the 2014 DTIS. The chapters presents the highlights of the 2014 DTIS Action Matrix implementation, macroeconomic and trade performance. Chapters 5 to 8 examines the trade policy and trade-related issues. These include investments, logistics and trade facilitation, challenges and opportunities in multilateral and regional integration efforts as well as the business and trade consultations institutional frameworks. The cross-cutting and emerging issues that include ICTs, climate change, LDC graduation, trade finance, gender, and external shocks like COVID-19 are presented in Chapters 11 to 15. Finally, Chapter 16 gives the overall conclusions of the DTIS analysis.

1.2. DTISU 2023 Process and Methodology Introduction

The process of updating the DTIS began in the last quarter of 2022 with the selection of a team of local consultants to undertake the study. This was followed by the development of the inception report. Prior to the development of the inception report, the EIF National Steering Committee and the supporting consultants undertook an engagement with national and international stakeholders comprising state actors, non-state actors and cooperating partners in defining the scope of the DTISU 2023.

After the initial consultative process, the inception report was developed by the members of the national consulting team dedicated to each chapter and circulated to the key stakeholders, including the EIF Board and Executive Secretariat for further input under the auspices of the steering committee. This process resulted in a further refinement of the scope and approach to the study.

Subsequent to the approval of the inception report, the consulting team with the support of the steering committee engaged the primary and secondary data collection process. To ensure broad participation in getting stakeholder input into the study, the primary data collection process included a series of wide-ranging consultative workshops with stakeholders in the ten provinces of Zambia. The provincial workshops drew participants from government agencies, local governments, civil society organisations (CSOs), chambers of commerce, academia and private sector players. These workshops were held in all the ten provincial capitals and two other additional towns - a commercial hub and a border town, which is also the tourist capital of Zambia.

The workshops involved some group-specific focus group discussions. The recommendations of each focus group were, thereafter, subjected to the wider group discussions. A specific workshop was conducted with the cooperating partners to solicit their input. Cooperating partners, such as the World Trade Organisation contributed a chapter on trade finance. Additional primary data was collected through expert interviews conducted by consultants using semi-structured questionnaires tailored to each identified sub-theme.

The secondary data sources were obtained through an extensive review of relevant published empirical literature, documents published by the government as well as a review of international documents for evidence on best practices. Additional quantitative datasets were obtained from various sources comprising the Zambia statistical Agency, the Bank of Zambia, International Monetary fund, World Bank and the United Nations. Quantitative and qualitative methods were employed to analyse data.

A draft DTISU was circulated to key stakeholders that participated in the workshops for validation and further inputs. This was to ensure that the document was aligned to the aspirations of the nation and stakeholder ownership throughout the process.

1.3. Country Context

Zambia is a large, landlocked, resource-rich country with sparsely populated land in the centre of southern Africa. Zambia borders Angola, Botswana, Democratic Republic of the Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe by land. Zambia has a total surface area of 752,614 km2 out of which 99 percent is made up of land area and 1 percent is covered by water. It has three agro-ecological regions with orientation to the climatic conditions in each Zone. As observed in Chapter 2, the population which stood at 19.6 million in 2022 is largely youthful and is growing rapidly at 2.9 percent per year. Over 60.2 percent of the pollution resides in rural areas, although the country is rapidly getting urbanized. The country's output is dominated by services (57 percent) followed by industry (mining, manufacturing, energy production, and construction) at 35.3 percent and agriculture at 7.5 percent. Agriculture employs 60 percent of the country's labour force . Over 1.6 million households are involved in agricultural production, including 90 percent of rural households and 20 percent of urban households (Turpie J, 2015). According to the 2022 National Minerals Resources Development Policy, it has reaffirmed the country's commitment to scaling up copper production by up to 3 million metric tonnes per annum by 2031 (GRZ, 2022).

One of the policy objectives is to enhance geological mapping and mineral resource exploration to increase commercial exploitation of mineral resources in Zambia: This has been necessitated by the fact that despite a conceited realization of exploration as being the precursor of mining activities, just about 55 percent of the country has been mapped. Zambia holds one of the world's highest-grade deposits of copper and is ranked the seventh largest copper producer in the world. Zambia is also home to small, exploitable deposits of cobalt, nickel, and manganese. Zambia produces about 20 percent of the world's emeralds (TradeGov, 2022). Government's commitment to increase the country's copper production from about 800 000 t/y to about three-million tons a year in the next ten years will promote business and trade. The metal contributes 10 percent of gross domestic product, more than 70 percent of foreign exchange earnings, that makes 30 percent of government revenue and 8 percent of formal employment (Mining Weekly, 2022).

This is further elaborated under the Macroeconomic and Trade performance sections (Chapter 3 and 4) of the DTISU study. The focus of the country is to attain economic transformation that will be marked by advancements in industrialisation and economic diversification for sustained growth driven by agriculture, mining, manufacturing and tourism. It will entail shifting labour and other resources from low to higher productive activities between and within sectors. Ultimately, this will increase employment opportunities for all Zambians. To ensure sustainable economic transformation and resilience of the economy, measures will be undertaken to transition Zambia to a modern green and resource-efficient economy (GRZ, 8 National Development Plan, 2022).

CHAPTER 2: PROGRESS IN IMPLEMENTATION OF THE 2014 DTISU ACTION MATRIX

2.1: Introduction

Zambia has been implementing the DTIS Action plan as presented in the 2014 DTIS Action Matrix. The 2014 DTIS Action Matrix considered the key factors responsible for the results with the implementation of the 2005 Action Matrix. The main lessons learnt then were as follows:

i. Successful implementation of the action matrix requires buy-in from a broad range of stakeholders.
ii. Successful implementation of the matrix requires clear policy priorities and actionable policy recommendations.
iii. Successful implementation of the action matrix requires regular monitoring. It must be assessed if there is a framework, capacity and efforts to do regular monitoring.

The evaluation for the 2014 DTISU Action Matrix reveals that the implementation of the recommendations in the 2014 DTIS Action Matrix faced various challenges. Despite the wide consultative process in the development of the 2014 DTISU, stakeholder knowledge of the 2014 DTIS Action Matrix was very low, especially in the provinces, compared to headquarters in Lusaka. There was also insufficient monitoring and coordination as some of the identified policy priorities were not actualized.

2.2: Progress in the Implementation of the 2014 DTIS Action Matrix

The section below gives the progress made in the implementation of the 2014 DTIS Action Matrix. The detailed matrix in terms of whether the actions were implemented or not and if not, 'why'? is presented in Annex 1. This includes the successes, challenges, failures and factors contributing, whether targets have been achieved or not, the lessons learnt and the way forward. The following are the major observations on the progress made in the implementation of the 2014 DTIS Action Matrix:

Though Zambia made strides in the implementation of the recommendations of the 2014 Action Matrix, much more can still be done to improve her trade policy environment, international competitive and exports diversification. The review of the matrix shows that around trade facilitation, the country improved its strategic approach to corridor development and logistics by designing strategies and policies to guide their implementation. Some of the policy responses developed include the National Transport Policy (2018), National Transport Implementation Master Plan (2019), as well as the Border Management and Trade Facilitation Act (2018) while some one-stop-border posts (OSBP) such as the Kazungula, Mwami and Nakonde were developed. However, trade facilitation is hampered by the slow and poorly maintained rail and core road network within the trade corridors. These have negatively affected Zambia's goal of being a regional logistics hub.

Coordination structures among border agencies (that promote joint inspections) within Zambia and with neighbouring states (joint border committee) were created to coordinate and facilitate trade. Despite this success, the other programmes and complementary actions are either still being implemented or are yet to be implemented. For example, the logistics strategy is still being developed, there is limited automation among some regulatory agencies and the single window systems is under subscribed, while support infrastructure such as poor Internet connectivity and power outages remain a challenge which tend to increase the clearing time to between 2 hours to more than 2 days. Little has also been made to improve the interface or systems automation across neighbouring countries. Further, coordination among agencies, the regulatory framework concerning coordinated border management (CBM) and specialised skills for some operations remains inadequate.

Another goal set in the 2014 DTIS matrix aimed at fostering the participation of the informal cross-border traders and the Zambian fleet and trucking in regional trade. The informal cross-border trade has been successful partially due to the simplified trade regime (STR) being offered to the common market for Eastern and Southern Africa (COMESA) member states. However, participation of the Zambian truckers and transporters in regional transport system has remained marginal. This is so partially due to stringent entry requirements and security concerns in some neighbouring states.

While countries have liberalised tariffs to facilitate regional trade, member states resorted to non-tariff barriers (NTB). Zambia's participation in regional trade has often been limited by the lack of predictability and transparency in issuing regulations. Moreover, some NTB tends to be salient. To resolve the NTB problems, Zambia and COMESA states have intervened to jointly address NTBs in regional trade. A portal for reporting NTBs has been established but traders have a negative perception of the effort and are not adequately sensitized. Moreover, the complaint resolution process remains bureaucratic and in some cases without legal backing. This calls for implementation of appropriate laws and sensitizing traders and stakeholders.

Although the government has made efforts to streamline trade licensing and certification processes to lower the cost of doing business, these have remained inadequate. While a single window is being rolled out and some lab equipment has been installed, the process has not been fully achieved and most of the certification and licensing processes are centralized in urban areas -especially Lusaka and Copperbelt. The fees remain high and services inaccessible to clients in outlying areas. These serve as a barrier to competitiveness in the regional markets.

The regulatory and institutional environment has been improved, although it remains affected by inadequate skilled human resources and equipment. Following recommendations of the 2014 DTIS, government created some agencies such as the Business Regulatory Review Agency (BRRA), Zambia Compulsory Standard Agency and Zambia Metrology Agency. Additionally, in some cases, government has strengthened the existing ones such as the Zambia Competition and Consumer Protection Agency. These agencies have different, but complementary mandates. Although these have improved the operational environment, there is need for improved staffing and capacity building in specialised areas.

The implementation of the DTIS was not formally evaluated during its mid-term nor was it monitored sufficiently. This could partly be attributed to the non-establishment of a DTIS coordinating body and results framework to carry out regular monitoring and evaluation. Government did not establish an M&E unit to oversee the implementation of the DTIS. It is essential that regular monitoring and evaluation is undertaken by all stakeholders and the leadership of MCTI. It is recommended that such M&E activities are implemented quarterly and annually to ensure that the actionable activities in the action matrix are implemented, and the targets achieved. These could be embedded in the National Development Plans monitoring and evaluation framework.

2.3 Action Matrix Implementation- Areas of Success and Underperformance

Zambia made substantial progress in the implementation of the 2014 DTIS Action Matrix. The country managed to mainstream trade issues in the National Development Plans and policy frameworks. The country scored successes and also underperformed in some areas as highlighted below.

2.3.1: Main Areas of Successes

i. Advancement in technology has played a key role, especially in the introduction of OSPB electronic clearance and payment systems.
ii. In the OSBP, the border infrastructure, and border coordination and management have improved. This has reduced both congestion and the time taken to clear goods and passengers.
iii. The simplified trade regime has improved cross-border trade, especially among the small-scale traders.
iv. Government mainstreamed trade issues in the 7th and 8th national development plans
v. Various sectoral policies linked to trade have been designed, implemented and in some cases reviewed. The effective implementation and coordination of these polices have improved the trade environment.

2.3.2: Main Areas of Underperformance

i. There is lack of continuity in the implementation of various important projects from one DTIS period to another, partly due to changes in political administration and lack of political will.
ii. Inadequate and irregular monitoring and evaluation.
iii. The negative mindset in the way of doing business still exists in many institutions.
iv. Little progress has been made in reducing the cost of doing business in Zambia and this disadvantages Zambian traders, especially small-scale traders.
v. Zambian exports are still not diversified or very limited and goods are generally not up to the desired international quality standards.
vi. Generally poor, incomplete, and inadequate infrastructure such as roads, railways and border infrastructure.
vii. Insecurity in some neighbouring countries affecting our transporters and trade.
viii. Continued congestion at some border posts such as Kasumbalesa.
ix. Poor adherence to international trade, border and logistical protocols and agreements by some neighbouring countries.
x. Lack of sufficient human and financial resources by various responsible agencies to implement the various action items.
xi. The harmonisation of the regulatory environment has not improved much in spite of the review of the regulatory environment

xii. Lack of decentralised technical services among some of the border and other implementing agencies to carry out inspections and certifications.
xiii. Limited access to trade information among the SMEs. Only the large corporates are able to access the trade information portal and limited decentralization of services to local levels. This perpetuates the knowledge gap.
xiv. Lack of intensive sensitisation of the DTIS action matrix was a contributing factor to its general low awareness and implementation.
xv. Limited coordination among line ministries and statutory bodies concerned with trade matters.

2.4 Recommendations:

i. There is need for regular monitoring and evaluation. This requires establishing an M&E unit and associated capacity building needs under the Ministry of Commerce, Trade and Industry.
ii. There is need for change of mindset in the country in the way trade issues are handled among the various institutions.
iii. There is need to implement recommendations in the action matrix and strengthen coordination in the implementation process among the implementing agencies at headquarters mostly in Lusaka and the stakeholders in all the provinces.
iv. There should be improved security for traders and transporters to smooth trade with neighbouring countries.
v. Harmonisation of the legal and regulatory environment and implementation of the reviewed roles of the regulatory agencies
vi. Enforce the use of the electronic licensing single window for all business regulatory documentation and reduce on the number of documentation needed for import and export.
vii. Need for technical assistance to stakeholders for successful implementation of the matrix.
viii. Need for sufficient human and financial resources both from government and cooperating partners to effectively implement the actions in the Action Matrix.
ix. Need for adequate sensitisation of stakeholders on the action matrix activities by, among others, establishing information centres at local levels and leveraging on existing online platforms to enhance access to market information.
x. Expedite the building of OSBP at all major border points in Zambia.
xi. Ensure that stakeholders adequately mainstream trade activities into the routine activities and budgets to increase the smooth flow of resources from government for implementation of the action matrix and reduce reliance on donor funding.

2.5. Conclusion

The performance of the 2014 DTIS has been mixed -most of the ministries and government agencies had integrated some of the 2014 DTISU in the 7th and 8th National Development Plans. The mainstreaming involved developing and budgeting work plans for respective activities at institutional level. Overall, there were a number of successes in the implementation of the DTISU 2014 Action Matrix, though riddled with various challenges and some targets are largely still to be achieved. A critical factor affecting implementation was resource constraints, particularly from Government's internal resources.

CHAPTER 3: MACROECONOMIC DEVELOPMENTS 2014 TO 2021

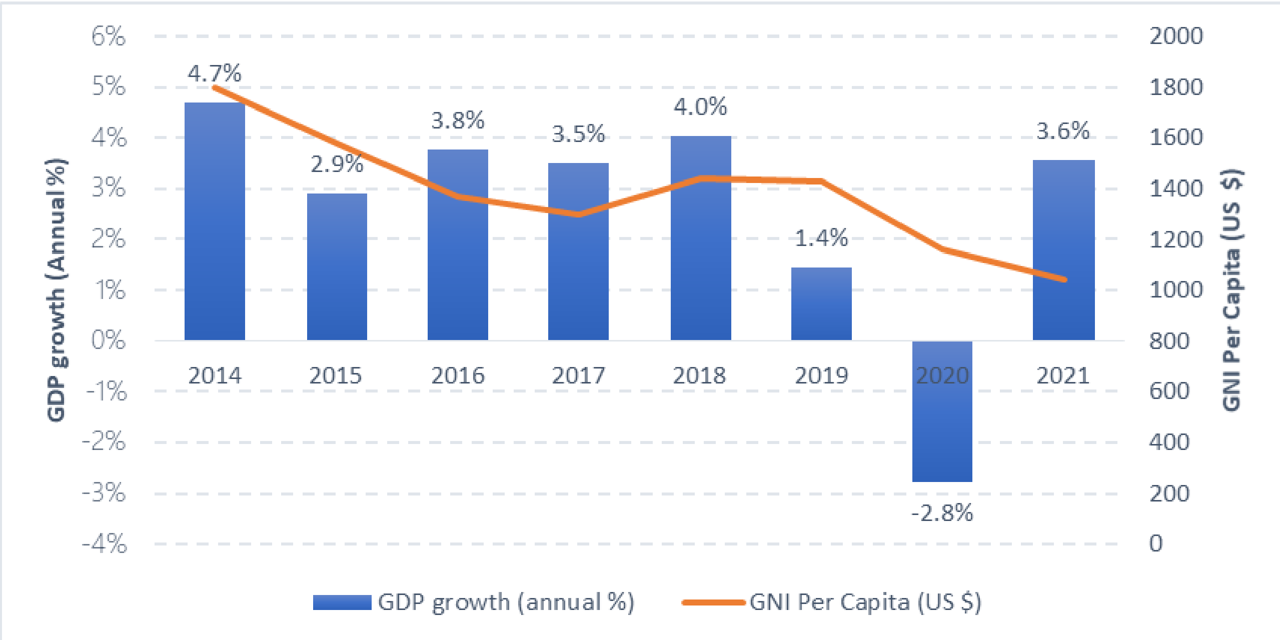
3.1. Introduction

There is a strong interplay between the broader macroeconomic environment and the success of the industrial and trade policy frameworks that countries develop. This chapter presents the social and macroeconomic developments that have occurred since 2014 as a way of setting scene for the subsequent chapters. The chapter highlights the country's poverty situation within the economic policy and performance including GDP growth, inflation and exchange rates. A brief discussion on monetary, fiscal and debt situation is also presented before the conclusions and recommendations.

3.2 Macroeconomic Context

The Zambian economy has experienced deterioration in the macroeconomic environment since 2014. After a decade of accelerated economic growth rates that averaged at 6.5 percent in 2013, the country's growth rate slowed down to 4.7 percent in 2014 (figure 3.1). Real GDP growth rates declined to an average of 2.6 percent between 2014 and 2021 on account of the weakened global demand for copper exports and droughts that affected the country's agricultural and power generation outputs between 2014 and 2017. The decline was exacerbated by the impact of the advent of the coronavirus pandemic (Covid-19) that resulted in the economy shrinking by 2.8 percent in 2020.

Figure 3 1 Trend in GDP Growth Rates and GNI Per Capita (US$) 2014-2021

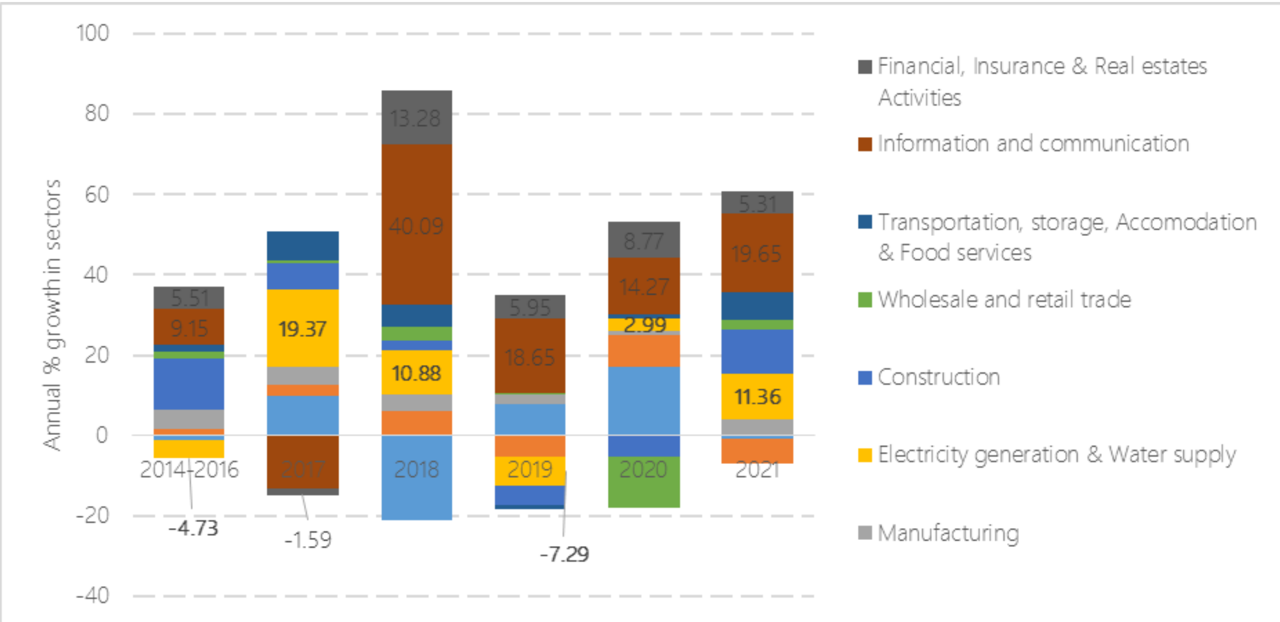


Source: Zambia Statistics Agency

The Covid-19 pandemic affected most of the sectors especially tourism, construction, wholesale and retail, manufacturing and mining sectors due to its effects of disrupting the supply chains and containment measures associated with it (figure 3.2).

The collapse in real GDP growth rates resulted in the decline of the GNI per capita from US$1,700 in 2014 to about US$1080 in 2020 leading to the country being reclassified from a lower middle-income status to a low-income country. In 2021, real growth rate rebounded to 3.6 percent driven by information, communication, and telecommunication (ICT) due to progression from 2G to 4G technologies which resulted in increased adoption rates, increased data usage and wider signal penetration rates, especially in rural areas (MOFNP, 2022). In the medium-term real GDP growth is projected to reach 4.1 percent by 2025 on account of the global economic recovery which is expected to drive the copper prices upwards.

Figure 3 2: Distribution of Nominal GDP Growth Rate by Sector



Source: Zambia Statistics Agency

The inflation and exchange rate remained unstable over the period 2014 to 2021. The declines in growth were associated with increasing fluctuations in the inflation that rose from a single digit of 7.8 percent in 2014 to a peak of 17.8 percent in 2016. In 2017 inflation declined to 6.58 percent before rising to 15.7 percent and 22 percent in 2020 and 2021 respectively (Table 3.1). The increase in inflation from 2014 to 2016 is explained by the pass-through of the exchange rate depreciation, as well as the rising food prices. The exchange rate depreciated from an annual average of K6.15 per USD in 2014 to K10.31 per USD in 2016 and peaked at the average of K20 per dollar in 2021 (Table 3.1). The deterioration in both inflation and exchange rate is also attributed to the high interest payments on external debt as well as the impact of the electric power outages (MOFPN, 2015 & 2016).

To maintain stability, the central bank tightened monetary policy by increasing policy rate from 12.5 percent in 2014 to 15.5 percent in 2016 (table 3.1). This resulted in restoring inflation to single digit. In 2020, inflation had risen again to double digits, and the central bank relaxed its monetary policy stance by lowering the policy rate to 8 percent in 2020 from 10.5 percent in 2019. This was also to mitigate the impact of Covid-19 pandemic on the economy and safeguard stability of the financial sector (BOZ, 2021). In like manner, increases in the lending rates signified majorly the stance of monetary policy to curb inflation, tight liquidity conditions in the financial sector and partly, increased government borrowing. On the other hand, low inflation rates were followed by low policy rate and low lending rates, signifying an accommodating monetary policy stance and improved liquidity market conditions, respectively (**Table 3.1**).

Table 3 1: Distribution of Nominal GDP Growth Rate by Sector

Year	Inflation, (annual %)	Exchange rate (K/ US Dollar)	Policy Rate %	Lending interest rate (%)	Broad money (% of GDP)
2014	7.81	6.15	12.50	20.5	20.93
2015	10.11	8.63	15.50	23.9	25.77
2016	17.87	10.31	15.50	29.5	20.62
2017	6.58	9.52	10.50	24.6	21.96
2018	7.49	10.46	9.70	23.6	22.89
2019	9.15	12.89	10.50	28.0	23.60
2020	15.73	18.34	8.00	25.1	31.25
2021	22.02	20.02	9.00	25.9	

Source: WDI & MOFNP

The fluctuations in the macroeconomic fundamentals were exacerbated by fiscal profligacy that led to accumulating large deficits and unsustainable debt. The government operated in a deficit that rose from 6.6 percent in 2014 to 9.7 percent of GDP in 2019 before rising to the peak of 14.3 percent in 2020 (table 3.2). This deficit was mainly driven by high spending on wages, subsidies (such as FISP and fuel) and heavy investments mostly in energy and infrastructure. The fiscal deficits were largely financed by external and domestic debt. The external debt as a percentage of GDP sharply rose from 34.5 percent in 2014 to 124.7 percent in 2021 mainly comprising the euro bonds that were issued in 2014 and 2015. Domestic debt accelerated from 17.0 percent in 2014 to 45.5 percent in 2021 to finance subsidies and in 2020 to mitigate the impact of the Covid-19 pandemic.

Table 3-2: Table 3.2: Developments in Fiscal regime (2014 to 2021)

Year	Total Government Expenditure (% GDP)	Fiscal Deficit (% GDP)	General Government Revenue (% GDP)	External Debt Stock (% GDP)	Domestic Debt (% GDP)
2014	24.7	-6.6	18.1	34.6	17
2015	28.3	-9.7	18.6	56.5	15.3
2016	23.9	-5.9	18	74.9	12
2017	25	-7.7	17.3	92.8	19.6
2018	27.7	-8.5	19.2	90.8	21.2
2019	29.8	-9.7	20.1	119	26.7
2020	34.1	-14.3	19.8	151.6	39.2
2021	31.6	-9	22.6	124.7	45.5

Source: MOFNP, WDI & IMF

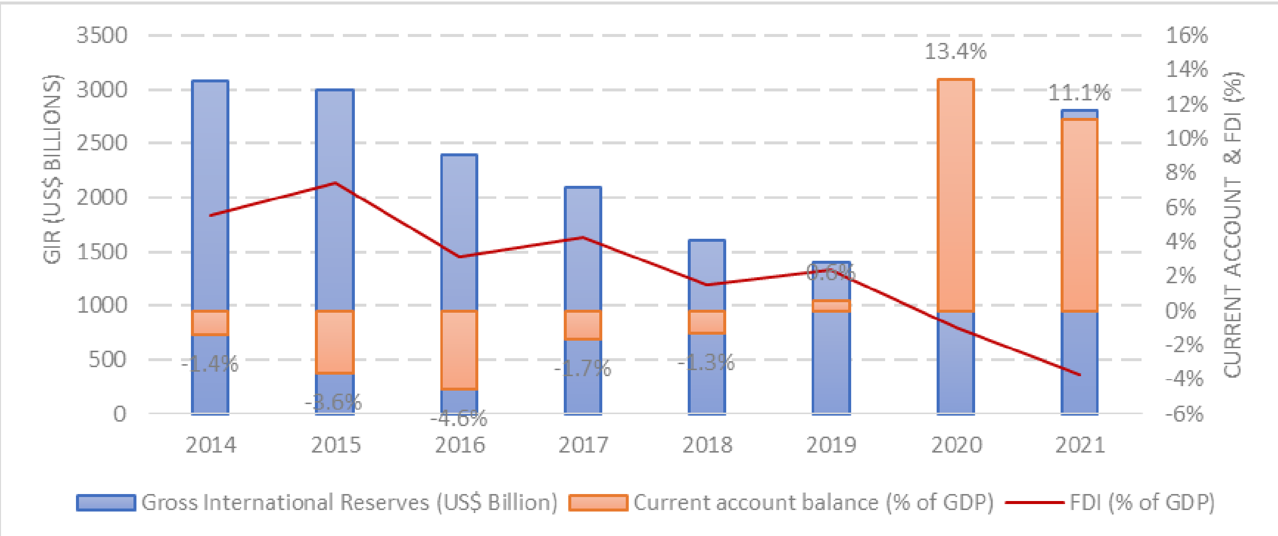
In 2019, Zambia's debt burden became unsustainable resulting in the country defaulting on its debt payment obligations. The country's credit rating was downgraded by international credit rating agencies. This contributed to reducing government external financing sources. Thus, the government resorted to domestic borrowing affecting investment and trade through the debt overhang and uncertainty caused by macroeconomic instability (IMF, 2022, World Bank, 2021). In the short-term, Zambia's economic outlook is characterised by a high level of uncertainty due to the current high debt situation.

3.3. Developments in the external Sector

The current account remained in deficits from 2014 to 2018 due to unfavourable performance in the goods and income accounts (figure 3.3). The current account deteriorated due to interest rate payments on sovereign bonds and external private sector borrowing, a fall in earnings from non-traditional exports (NTEs) registered in 2016, low and reduction in copper prices on the global market which resulted in reduced export earnings. These were compounded by rising crude oil prices in 2019. However, the account recorded surpluses of 13.4 percent and 11 percent of GDP in 2020 and 2021 respectively (figure 3.3). This improvement in the current account was driven by reductions in imports and an increase in copper and non-traditional export earnings in 2020. Imports in 2020 reduced due to the Covid-19 pandemic effects which disrupted the supply chain.

The gross international reserves which exhibited a downward trend since 2015 and reached about 1.9 months of import cover in 2019 rose to US$1.2 billion (equivalent to 2.4 months import cover) at the end of 2020. As at the end of 2021, the gross international reserves rose to US$2.8 billion (equivalent to 4.4 months import cover) due to the SDR support by the IMF (figure 3.3). However, the 4.4 months import cover remains below the Vision 2030 target of at least 12 months import cover. Hence there is a need to enhance the accumulation of international reserves.

Figure 3 3: Developments in the External Sector 2014-2021



Source: MOFNP, WDI & BOZ

The FDI, which is mainly concentrated in the mining sector, has declined since 2014 after peaking in 2015 (figure 3.3). The decline is attributed to the unstable domestic mining tax policy environment and the unfavourable macroeconomic and business environment due to increased debt which might have created uncertainty among investors (IMF, 2021, BoZ, 2022). The concentration of FDI in the mining sector is a signal that the Government needs to create an environment that encourages investment in other sectors of the economy such as manufacturing, agriculture, and tourism sectors (MOFNP, 2021).

3.4. Population dynamics in Zambia 2014 to 2021

In 2021, Zambia's population was estimated at 19.47 million. Between 2014 and 2021, the national population grew at an average annual rate of 3.1 percent. Population growth shows a downward trend in terms of the rate of growth. Population grew by 3.2 percent between 2014 and 2017 and 3.0 percent between 2018 and 2021 (table 3.3). This is attributed to reduction in mortality rate during the period of review (MOH, 2022). Female population accounts for a bigger share of the national population at 50.7 percent compared to the male share of 49.3 percent. Generally, Zambia has a young population with the age ground ranging 0n-14 accounting for 44.6 percent between 2014 and 2021. The population is also youthful population. About 53.7 percent of the population is aged between 15 and 64. The youthful nature of the population presents opportunity for demographic dividends essential for present and future labour availability and improved productivity. Detailed discussion of the youth population dimensions is presented in Chapter 12.

Zambia is highly urbanized with the urban population constituting 45.2 percent of the country's total population. For the entire period from 2014 to 2021, urban population growth outmatched rural population growth. The annual growth in urban population between 2014 and 2021 was 4.4 percent while that of the rural population was 2.1 percent. The growth in urban population is mainly driven by increased economic activity in the urban areas (ZamStats, 2022). For instance, North-Western and Central Provinces experienced increased urbanization of 74.7 percent and 72.7 percent, respectively arising from economic activity related to mining. Table 3.3 provides an overview of trends in population indicators in Zambia from 2014 to 2021.

Table 3 3: Trends in population indicators (2014 – 2021)

Indicator Name	2014-2017	2018-2021	2014-2021
Population growth (annual %)	3.2	3.0	3.1
Population, female (% of total population)	50.8	50.7	50.7
Population, male (% of total population)	49.2	49.3	49.3
Population ages 15-64 (% of total population)	53.0	54.4	53.7
Population ages 65+ (% of total population)	1.7	1.7	1.7
Population ages 0-14 (% of total population)	45.3	43.9	44.6
Urban population growth (annual %)	4.4	4.2	4.3
Rural population growth (annual %)	2.3	2.0	2.1

Source: WDI

3.5. Macroeconomic Policies, Poverty Reduction and SDGs

The tight monetary and expansionary fiscal policies together with the resultant debt distress observed in section 3.2 negatively affected the socio-economic outcomes such as poverty reduction and possibility of attaining the sustainable development goals (SDG) between 2014 and 2021. These effects are highlighted below.

i. Increase in debt, especially external debt, increased interest payments on debt which put pressure on the US Dollar and international reserves. This contributed heavily to excessive Kwacha depreciation. Kwacha depreciation contributed to increasing the cost of doing business especially for firms in the agriculture and manufacturing sectors whose inputs are imported. This consequently compromised competitiveness of the Zambian firms on the international market.

ii. As Zambia's debt became unsustainable, her sources for foreign financing became limited and resorted to increased domestic borrowing. The increase in domestic borrowing led to an increase in interest rates that gave rise to the crowding out effect of private investment. Government borrowing in the financial sector which crowded out private investment could partly explain stagnated growth in the manufacturing sector and non-traditional exports. This has negatively affected economic and export diversification efforts in Zambia.

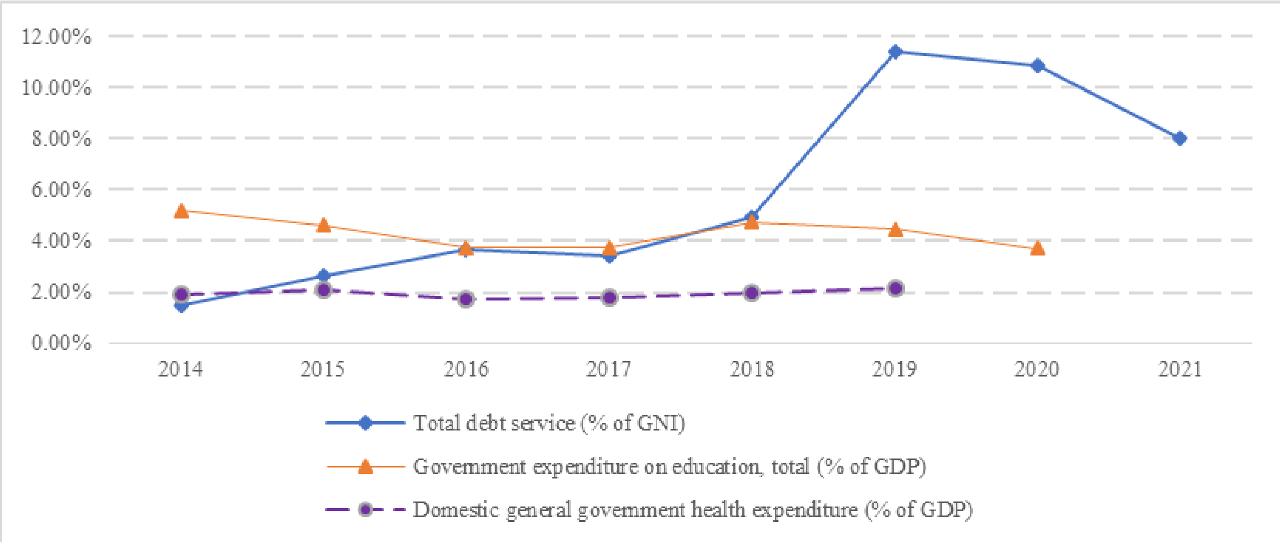
iii. The decline in FDI from 2015 to 2021 can be explained by the fall in the global copper prices, unsustainable debt levels and changes in the mining policy regimes that created uncertainty among investors. The situation was exacerbated by the downgrading of Zambia's crediting rating by international agencies and the effects of Covid-19.

iv. Real growth between 2014 and 2021 averaged 2.6 percent thus, falling below the targeted growth of between 6-10 percent as stipulated in national development plans (MOFNP, 2021). Such Economic growth rate of 2.6 percent during the period of study could not move the nation out of poverty. This, coupled with increased inflation due to deficit financing, might have increased the cost of living. This explains why poverty levels increased and consistently remained high during the period of study. For instance, the national poverty headcount stood at 54.4 percent in 2015 and later increased to 58.9 percent in 2019 and 59.9 percent in 2021 (World Bank, 2021). This threatens the attainment of sustainable development goals in Zambia.

3.6. Fiscal Policy and Monetary Policy Effects.

Efforts by bank of Zambia to curb inflation and stabilize exchange rate were complicated by Government fiscal measures that consistently increased her deficits financing through external and domestic borrowing. Ultimately, the attendant debt service obligations reduced domestic expenditure on social services such as health, education, social protection, as well as on water and sanitation (**Figure 3.4**). This threatened the poverty reduction efforts and the attainment of the SDG during the period under review.

Figure 3 4: Effects of Interest Payments on the Education and Health Sectors



Source: WDI

3.7. Medium-term Economic Outlook

The medium economic outlook remained positive with real GDP projected to grow by 3.5% in 2022, 3.6% in 2023 and 4.1% in 2025 on account of increased confidence, growth in investment and a strong performance in the financial and insurance, information, and communications (ICT), mining, wholesale and retail and education sectors. This is also premised on increased economic activities due to eased COVID-19 restrictions and global economic recovery which is expected to drive copper prices upwards (BOZ, 2021). Inflation is projected to move downwards to 6%-8% target in 2022 and 2023 on account of tight monetary policy and expected improvements in the exchange rate due to higher copper prices. In addition, the debt restructuring programme through the IMF will lead to reduction in external debt burden and unlocking investment (IMF, 2022). Foreign direct investment is projected to grow by 3.0% in 2023 and the current account to remain in surplus for the year (**World Bank, 2021**).

3.8.1. Risks from the External Economy

Despite the positive economic outlook, the economy faces risks from the global point of view which include volatility in the copper prices which might affect investment and production. In addition, weak and slow recovery in major trading partner countries, slow growth in emerging economies like China, geopolitical tensions such as Ukraine-Russian war and uncertain future of the US-China trade relations might negatively affect trade and economic growth for Zambia (**BOZ, 2021 & 2022**). Finally, the resurgence of new Covid-19 variants which might cause supply chain disruptions in the global economy might also affect the economic outlook.

3.8.2. Risks from the Domestic Economy

High unsustainable debt levels pose one of the domestic risks. However, the approved extended credit facility IMF programme to Zambia will help in establishing fiscal sustainability through fiscal adjustment and debt restructuring (IMF, 2022). In addition, the programme will also help in enhancing public financial management and create fiscal space for social spending to cushion the burden of adjustment. However, delays in reaching a final debt restructuring agreement in line with programme parameters might compromise successful implementation of the facility (IMF, 2022). That being the case, Zambia might not realise the full catalytic benefits of the IMF programme[2] . In addition, large fiscal adjustment might receive political and social pressure (IMF 2022). Other potential downsides are climatic conditions, commodity price shocks, resurgence of Covid-19 infections which might bring about supply chain disruptions within the economy. These might compromise macroeconomic management. Finally, inflation and currency pressures might resurface and negatively affect these prospects. Hence, monetary policy must be tightened should they reappear.

3.9. Recommendations

Though the economy looks positive, Zambia still faces deep-rooted challenges that should be addressed to maintain its positive economic outlook. Below are some of the recommendations to mitigate the challenges being faced?

Zambia's economy is not diversified and is heavily dependent on copper mining whose exports account for over 70% of the total exports and 80% of exports revenue (UNIDO). It is, therefore, imperative that the country diversifies within and away from the mining sector through value addition. The value additions can be made in minerals such as gold, gemstones and copper; as well as in agro-processing. Agriculture serves as the largest employer (54 percent) and has great potential to foster industrialisation through improved productivity and adoption of modern farming techniques and technologies. This can bailout Zambia from unemployment and poverty.

i. The government should pursue prudent fiscal and monetary policies conducive to economic growth and put in place policies to diversify the economy and build international reserves to enhance external resilience.
ii. Government needs to broaden the tax base by taxing the informal sector
iii. Enhance tax payments through digitization
iv. Implement taxation policies which are transparent, predictable, consistent, effective, and sustainable to boost investor confidence in priority sectors.

3.10. Conclusion

A conducive macroeconomic environment is a prerequisite to improved investment in the country and ultimately economic growth. The deterioration in the macroeconomic environment which the country experienced in the past eight years due to, among other things, increase in debt, COVID-19 pandemic will require a lot of efforts to address the macroeconomic imbalances. The country needs to pursue prudent macroeconomic policies and strengthen her diversification efforts to reduce its reliance on copper exports which make Zambia vulnerable to external shocks. The country needs to boost its agriculture and manufacturing sectors and other sectors as a way of broadening production and export base. This will ultimately lead to an increase in employment and reduce poverty. In addition, the unsustainable debt level requires restoring fiscal sustainability and addressing the debt burden.

2At the press time, the country has reached a debt restructuring agreement with bilateral and multilateral creditors. The country was yet to reach an agreement with commercial creditors

CHAPTER 4: TRADE PERFORMANCE – 2014 - 2023

4.0. Introduction

It is widely believed that trade can spur growth, and job creation and ultimately pull many out of poverty (COMESA, 2021). Enhancing economic growth, creating jobs and reducing poverty are usually the ultimate objectives of trade policy. It is thus imperative to evaluate trade policy performance in meeting the set objectives and establish whether there is a need for further intervention. Various indicators are used for this purpose. Zambia has been implementing various reforms to enhance trade with the rest of the world since the 1990s. Trade policies have focused on enhancing export competitiveness and removing barriers to imports. Over the years, trade between Zambia and the rest of the world has grown steadily. However, the composition of trade has not changed significantly. Zambia's merchandise exports have over the years been dominated by primary products with copper and metal products dominating (World Bank, 2018; WTO 2016). The concentration is despite the Governments emphasis on export diversification over time. On the other hand, merchandise imports are dominated by finished products such as machinery and mechanical appliances as the major components. With regards to services, service export is concentrated in travel services while imports are more diverse and generally dominated by mining-related services (**GRZ, 2014**).

In 1994, government put in place the first Commercial, Trade and Industrial Policy (CTI) which focused on export-oriented industrialisation that was premised on open markets and export promotion. The 2009 CTI Policy succeeded the 1994 CTI focused on stimulating and encouraging value- addition activities on primary exports and transforming the economy into a diversified and competitive economy. In 2018, the government in consultation with other stakeholders decided to split the CTI Policy into the 2018 National Industrial Policy and 2018 National Trade Policy. Currently, the 2018 National Trade Policy emphasizes markets and products diversification with a view to enhancing the contribution of exports Zambia's development (MCTI, 2018). Economic/Export diversification has been a key feature of all development plans since independence and is seen as key to achieving the Vision 2030. To actualise the objectives of the 2018 National Trade Policy, the Export Strategy of 2018 was devised, and its key objective is diversification and value addition of export products and markets as well as increasing the contribution of NTEs to employment and wealth creation (MCTI, 2018a). Evidently, economic diversification has been a key focus area of all the development plans and trade policies in Zambia, although there is little to show for it thus far. Currently, one of the key outcomes of the Eighth National Development Plan is to industrialize and diversify the economy.

Trade performance analysis is critical for a country as it helps us to understand whether we are achieving the set policy objectives or not. It helps us to understand the potential areas of export growth and areas that require targeted programmes. This chapter thus explores Zambia's export potential with the view to identifying sectors of great potential for expansion and prospects for growth. The study is significant to the Zambian economy as it guides policy making regarding the sectors to prioritise and factors to address for enhancement of export survival.

4.1. Trade sector performance in goods

Zambia is open to domestic and foreign trade; according to the World Bank Development Indicators, foreign trade accounted for 86 percent of the country's GDP. Zambia's trade policy aims to diversify its economy and the export base to build a resilient economy (**GRZ, 2018**). Zambia is the 83rd largest export economy in the world and the 78th most complex economy according to the Economic Complexity Index (ECI). From 2014 to 2021, Zambia's exports and imports have fluctuated, resulting in varying trade balances. Generally, trade balance was negative from 2014 to 2019 and became positive thereafter . Over the period, the value of exports experienced moderate growth in exports compared to the 2014 DTIS period. The average annual growth rate was about 2.10 percent while imports declined at an average annual rate of about 4.57 percent (Table 4.1). Export performance was generally negatively affected by various factors including a drop in copper prices, electricity load-shedding, climate change effects and the Covid-19 pandemic.

Table 4.1: Exports and Imports of Goods and Services; 2014 to 2021

		2014	2015	2016	2017	2018	2019	2020	2021	Av Annual Growth Rate%
Goods	Exports (million)	9,686.6	7,343. 90	6 437.17	8,156.62	9,111.11	6,962.50	8,060. 5	11,217.52	2.1
	Imports (Million)	9,792. 73	8,884. 42	7346. 03	8,722.57	9,551.92	7,226.89	5,378.31	7,111.52	-4.57
Services	Export ('Million)	851	862	885	865	953	1,012	556	501	-7.57
	Imports (Million)	1,644	1,432	1,393	1,474	1,678	1,534	1,049	1,278	-3.6

Source: ITC Trademap

Zambia's merchandise exports are broadly concentrated in primary commodities. In 2021, the exports comprised unrefined copper ($6.2billion) and refined copper ($2.2billion), constituting 56 percent and 19 percent of the exports, respectively. Other exports included electrical energy, cement, water, tobacco, Sulphur, precious stones, oil cakes, nickel ores and concentrates, cane and beet sugar, among others. The top imports include Petroleum oils ($610. 35 million), fertilisers ($279.56), medicaments ($229.88), motor vehicles ($212.67) constituting about 9 percent, 4 percent, 3 percent and 3 percent, respectively. Other imports include copper ores and concentrates, fertiliser, among others (**Table 4.2**).

Table 4.2: Zambia's Top Exports and Imports (HS – 4 digit)

HS Code	Product label	Exported value ('000 USD) 2021		Code	Product label	Exported value ('000 USD) 2021
'TOTAL	All products	11,217,517		'TOTAL	All products	7,111,525
'7402	Copper, unrefined; copper anodes for electrolytic refining	6,225,192		'2710	Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing ...	610,345
'7403	Copper, refined, and copper alloys, unwrought (excl. copper alloys of heading 7405)	2,167,302		'3102	Mineral or chemical nitrogenous fertilisers (excl. those in tablets or similar forms, or in ...	279,555
'7202	Ferro-alloys	171,645		'3004	Medicaments consisting of mixed or unmixed products for thera-peutic or prophylactic uses, put ...	229,882
'2716	Electrical energy	169,566		'8704	Motor vehicles for the transport of goods, incl. chassis with engine and cab	212,673
'2523	Cement, incl. cement clinkers, whether or not coloured	140,884		'2603	Copper ores and concentrates	205,947
'2202	Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening ...	138,758		'3105	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, ...	135,019
'2401	Unmanufactured tobacco; tobacco refuse	126,580		'8703	Motor cars and other motor vehi-cles principally designed for the transport of ...	132,737
'2503	Sulphur of all kinds (excluding sublimed sulphur, precipitated sulphur and colloidal sulphur)	108,737		'4011	New pneumatic tyres, of rubber	130,673
'7103	Precious stones and semi-pre-cious stones, whether or not worked or graded, but not strung.	101,237		'8431	Parts suitable for use solely or principally with the machinery of heading 8425 to 8430, n.e.s.	12,7560
'2304	Oilcake and other solid residues, whether or not ground or in the form of pellets, resulting .	88,098		'8701	Tractors (other than tractors of heading 8709)	120,670
'2604	Nickel ores and concentrates	83,573		'0303	Frozen fish (excl. fish fillets and other fish meat of heading 0304)	120,247
'1701	Cane or beet sugar and chemical-ly pure sucrose, in solid form	78,602		'1511	Palm oil and its fractions, wheth-er or not refined (excl. chemically modified)	115,119

Source: ITC Trademap

4.2. Direction of trade: Major Export Destinations

Zambia's export destinations are concentrated around few countries and have remained unchanged over the study period. Among the five top export destinations and their average shares in 2021 are Switzerland (42 percent), China (18.7 percent), Singapore (13.4 percent), Congo DR (10 percent) and South Africa (3 percent). Table 4.3 shows that exports to Switzerland, China, South Africa and Singapore are dominated by copper and articles thereof; and other metals – precious, semi-precious and not precious. Exports to Congo DR on the other hand were dominated by salt; sulphur; earths and stone; plastering materials, while lime and cement mainly go to South Africa. During the period under review, exports to Switzerland, China, Singapore, and Democratic Republic of Congo increased while exports to South Africa reduced.

Table 4.3: Zambia's Top Five (5) Exports and top Five (5) Destinations

Country	HS Code	Export Product	2021 Export Value (USD '000)
Switzer-land	'74	Copper and articles thereof	4,580,513
	'26	Ores, slag and ash	83,573
	'24	Tobacco and manufactured tobacco substitutes	29,745
	'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	18,434
	'52	Cotton	5,357
China	'74	Copper and articles thereof	1,934,662
	'68	Articles of stone, plaster, cement, asbestos, mica or similar materials	64,666
	'26	Ores, slag and ash	32,921
	'24	Tobacco and manufactured tobacco substitutes	32,062
	'44	Wood and articles of wood; wood charcoal	18,612
Singapore	'74	Copper and articles thereof	1,500,069
	'41	Raw hides and skins (other than furskins) and leather	3,882
	'08	Edible fruit and nuts; peel of citrus fruit or melons	582
	'52	Cotton	508
	'14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	327
Congo DR	'25	Salt; sulphur; earths and stone; plastering materials, lime and cement	215,284
	'22	Beverages, spirits and vinegar	118,680
	'34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial ...	86,909
	'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	84,225
	'17	Sugars and sugar confectionery	82,973
South Africa	'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	66,160
	'74	Copper and articles thereof	38,116
	'72	Iron and steel	33,118
	'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	21,236
	'52	Cotton	15,727
	'17	Sugars and sugar confectionery	15,203

Source: ITC Trademap

In terms of Zambia's export destinations by continent, Europe continued being the dominant destination for Zambia's exports, followed by Asia and then Africa. Zambia's export to Asia, America, and Europe experienced positive growth during the period. Similarly, exports to COMESA Member States grew by 3.08 percent. Exports to other African Member States remained unchanged (**Table 4.4**).

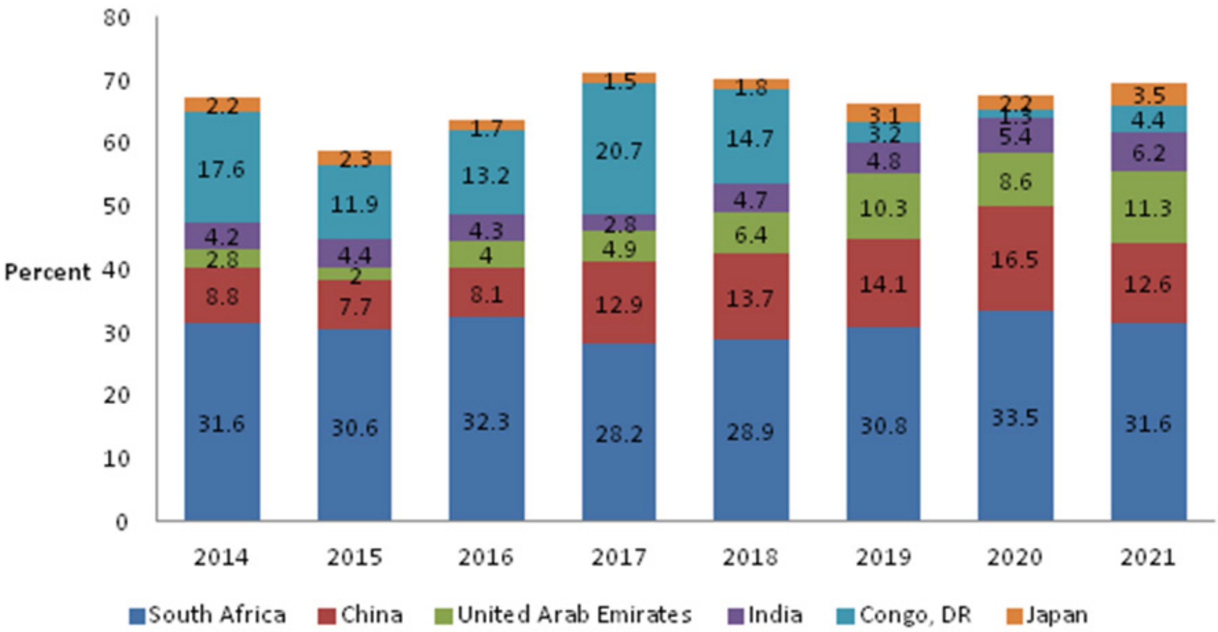
Table 4.4: Zambia's Exports to Selected Continents and Regional Blocs

Country	2014	2015	2016	2017	2018	2019	2020	2021	Av Growth (%)
America	0.37	0.16	0.16	0.08	0.21	0.10	0.34	0.43	4.58
Europe	47.09	46.76	44.73	47.99	47.26	43.74	46.94	45.70	1.67
Asia	26.52	26.05	33.30	30.47	29.19	32.96	31.72	34.61	5.90
Africa	22.43	24.07	21.80	18.69	19.91	23.13	20.98	19.25	-0.09
SADC	21.47	22.98	20.47	16.92	18.66	21.52	19.79	18.08	-0.36
COMESA	13.17	13.88	13.14	11.11	13.22	16.98	16.13	14.11	3.08

Major Imports Sources for Zambia

In terms of imports, Zambia's main trading partner is South Africa , with a share of 31.6 percent in 2021 followed by China (12.6 percent, UAE (11.3 percent) and India (6.2 percent). While imports from China, United Arab Emirates and India increased, the percentage share of imports from Congo DR market declined.

Figure 4.1: Top Five Import sources for Zambia: % in Value of Imports



Source: Constructed using ITC Trademap

4.3. Non-tariff barriers to Zambia's Exports

Zambian exports encounter several non-tariff measures (NTMs) in its various markets. The NTMs include government involvement in trade, restrictive practices, customs and administrative entry procedures, technical barriers, SPS measures, labelling requirements and licensing constraints. The lack of coordination among border agencies, checkpoints, stringent rules of origin, burdensome technical regulatory frameworks, and insufficient knowledge of procedures and requirements for importing and exporting are also hindering progress. Countries use NTBs to protect their domestic industries, create jobs, raise revenue, enhance the competitiveness of locally produced goods, and ensure national health and security, among other reasons. These barriers have a negative impact on traders by increasing their compliance costs and making it more difficult for small-scale traders with limited capital to compete. A recent study by the World Bank highlighted that NTBs reduce the competitiveness of Zambian exports in the region, including for small-scale trade (World Bank, 2018). Here are some examples of non-tariff measures that have been identified as limiting Zambia's exports to market destinations:

a) Sanitary and Phytosanitary Measures (SPS)

SPS measures are put in place to safeguard human, animal, and plant health from risks that arise due to the introduction of pests, diseases, or contaminants. These measures can include requirements for product testing, inspection, and certification. For instance, the Namibian government provisionally banned the import of all perishable food, fish, fruits, unprocessed food and water from neighbouring Zambia in January, 2018 due to a cholera outbreak (Reuters, January 10, 2018). In 2018, South Africa banned Zambia's organic honey exports after detecting a possible contamination of a consignment with American Foulbrood (Paenibacillus larvae) disease. This ban affected the honey exports to South Africa, and stakeholders have argued that these SPS measures can be cumbersome and costly. The Zambia Veterinary Services have conducted a national survey, which found no AFB disease in Zambia. Despite this, South African authorities are creating arbitrary barriers to Zambian honey, impacting the honey value chains created in Zambia and the livelihoods of over 140,000 subsistence villagers.

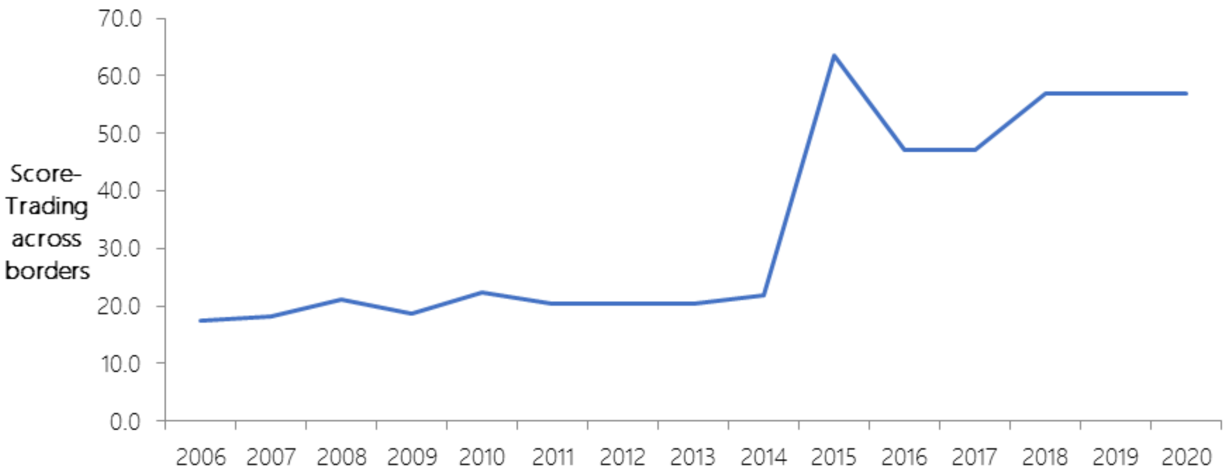
b) Rules of origin

Rules of origin are criteria that determine whether a product is considered to be made in a particular country and eligible for preferential treatment under trade agreements. In the EU, imported goods are subject to rules of origin that include requirements for local content and value-added production, which have impacted Zambia's copper exports to the EU. Non-originating materials' value cannot exceed 70 percent of the product. The US also has rules of origin for imported goods that include local content and value-added production requirements, which have affected Zambia's textile and clothing exports to the US. To be considered originating under the AGOA rule of origin, there must be a 35 percent local content requirement, and the local processing must constitute a significant process. In 2019, Zambia's textile and clothing exports to the US were impacted by rules of origin requirements due to concerns about value-added production and local content.

c) Custom requirements and border requirements

The Trading across Borders Indicators gauge the time and expenses, excluding tariffs, linked with three procedures for importing and exporting: complying with documentation, meeting border requirements, and transporting goods domestically. As per Figure 4.3, trading across borders showed progress since 2014 and continued to be strong, indicating an enhancement in cross-border trade. Apart from facilitating import and export, compliance with documentation and border regulations has become less challenging for traders in terms of both time and expenses. However, in 2017, exporters raised concerns about the slow and congested Zimbabwe border, where they encountered tolls for no services, numerous roadblocks, high fuel costs, and deteriorating road infrastructure. Additionally, Zambian traders have recently expressed worries about border delays at the Kasumbalesa Border Posts. These, as discussed in chapter 7, affect the ease with which business done.

Figure 4 2: Trends in in the Score of Trading Borders



Source: Constructed from World Bank Ease of Doing Business (Historical data).

d) Licenses and Permits.

Some countries require export licenses for certain products, which can limit exports and add additional costs and administrative burdens. For example, Zambia's exports of raw hides and skins have been limited by export licensing requirements in the European Union. According to the US Department of Commerce (2022), administrative corruption may be the most serious non-tariff barrier, particularly as it relates to government procurement in Zambia. Other non-trade barriers include intellectual property infringement, preferential treatment of state-owned enterprises, local labour requirements in transportation, and an overly cumbersome and often arbitrary and non-transparent regulatory environment (https://www.trade.gov).

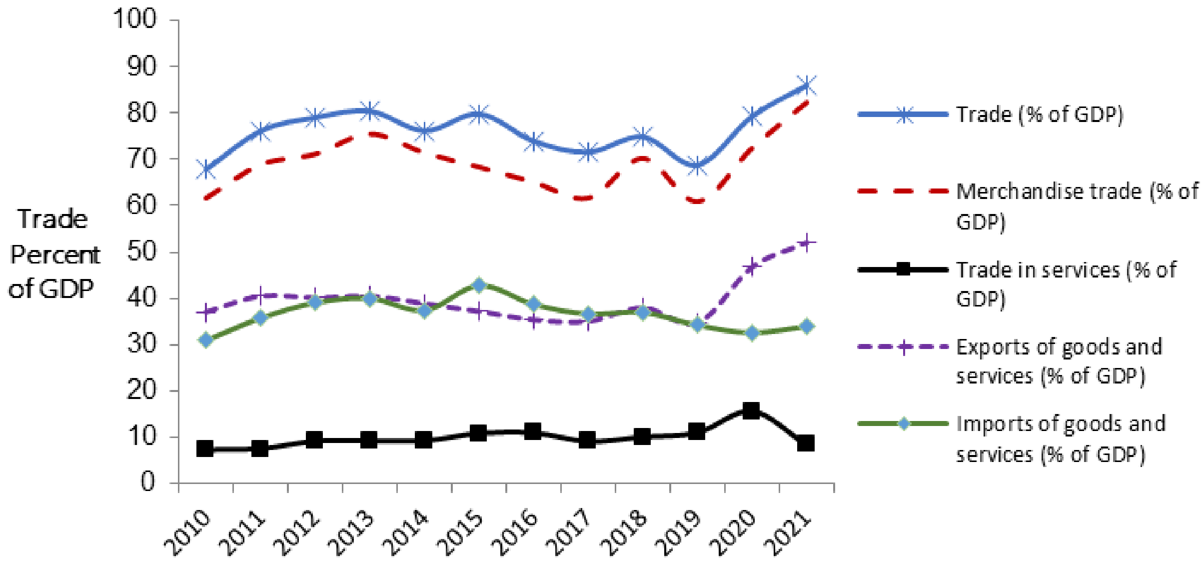
4.4. Contribution of trade to Zambia's growth and development

Impact of Trade on Growth

Zambia is highly dependent on foreign trade. The share of trade (imports and exports in GDP) increased from 76.19% in 2014 to 86.0 in 2021 (figure 4.3). , The country imports virtually all its capital equipment and intermediate inputs and the merchandise especially minerals export sector remain the mainstay of the economy. However, the growth in the percentage of trade in GDP is mainly driven by merchandise trade, as trade in services remain low despite some modest growth up to 2020.

The country's recent GDP growth rates have closely been linked to trade sector that stimulate growth in virtually all sectors in the economy. As figure 4.6 indicates, the country's GDP and exports are closely intertwined. The positive correlation between the two demonstrates that exports foster economic growth (figure 4.6).

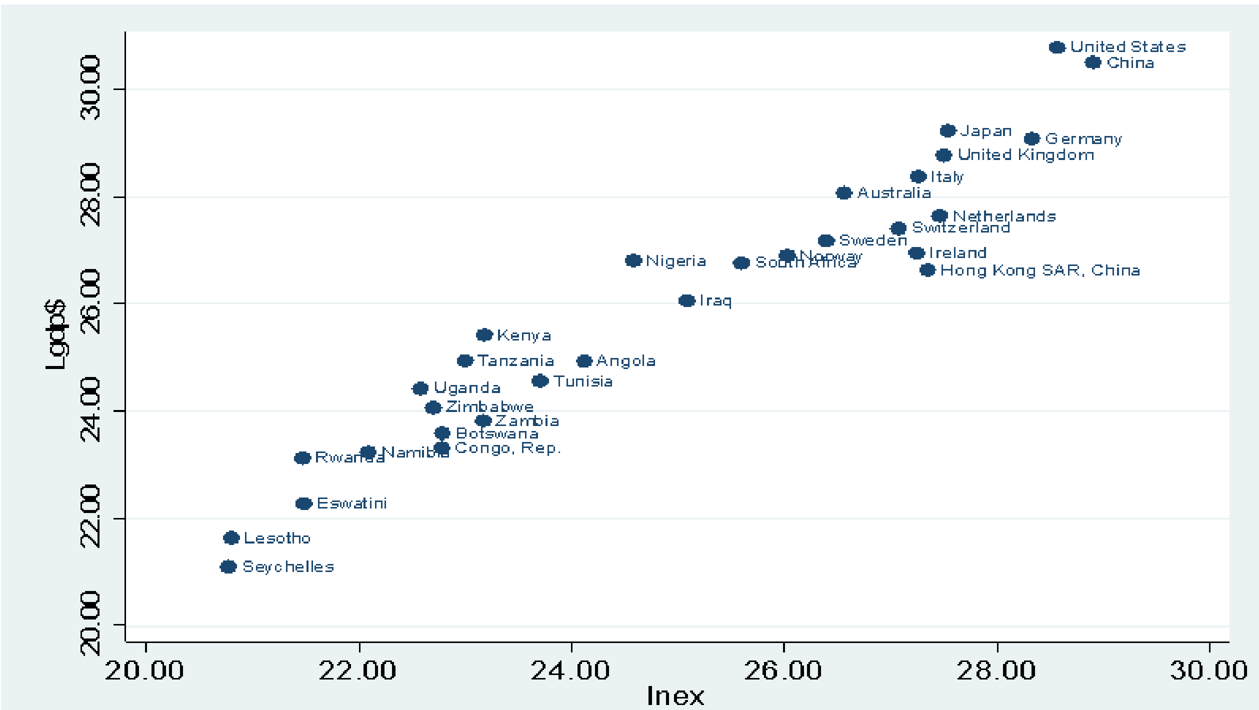
Figure 4 3: Trade openness Indicators (Trade % GDP)



Source: WDI

Due to limited diversification the trends in copper export in Zambia, tends to dictate the GDP growth. For example, the good GDP performance between 2005 and 2014 reflects the unprecedented rise of the price and exports of copper. The slow demand for copper exports in the global markets that saw a declined from US$9.6 billion in 2014 to US$6.8 billion in 2015 is considered to have contributed to the fall in Zambia's economic growth rates and the increased volatility in the country's exchange rate. Studies have shown that diversification that involves trade and the broader economy and features changes in both the type and the quality of produced and exported goods is generally associated with improved macroeconomic performance.

Figure 4 4: Correlation between Log GDP and Log Export Value

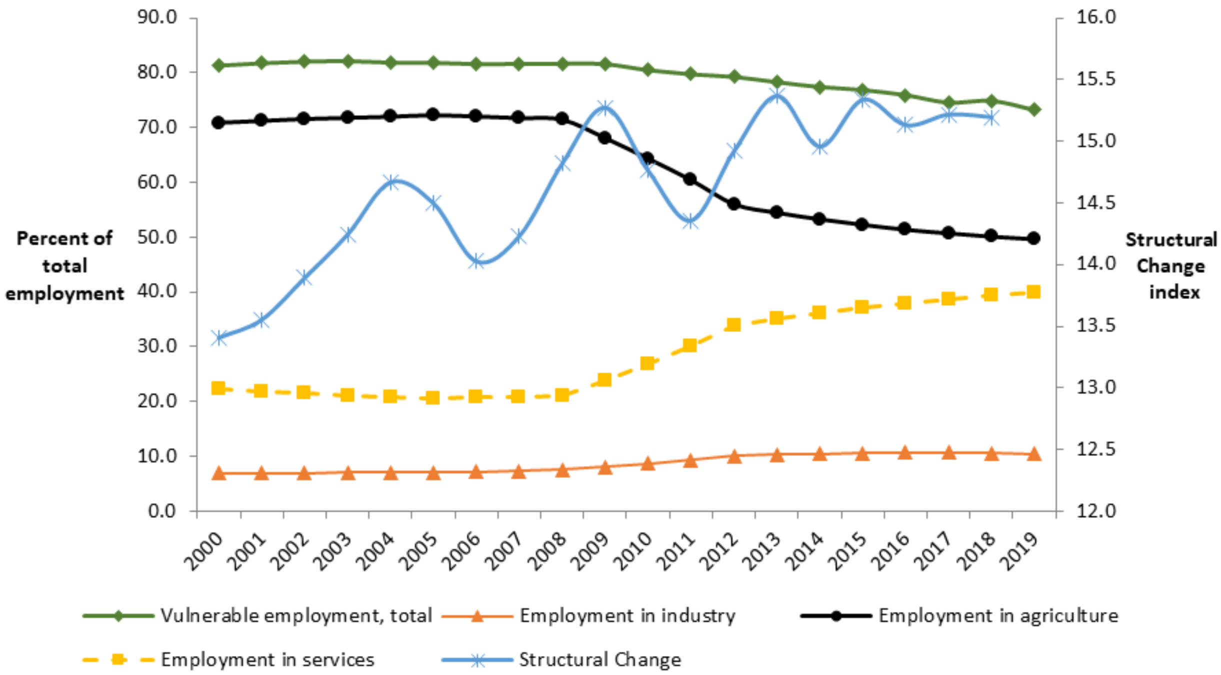


Impact of Trade on Jobs

Trade liberalisation can have both positive and negative impacts on jobs. It can affect labour markets depending on the industries within which they operate. Therefore, trade policies must be oriented to ensure that positive gains in job creation are maximized, and the negative ones are minimized Gurevish (2021). In recent years, the Zambian economy experienced marginal shifts in employment from agriculture to services and marginally to the industrial sector. The World Bank (2018) argues that the shifts in employment cannot be regarded as structural transformation as these jobs shift to low productivity jobs in services or manufacturing. Equally, labour productivity in the agriculture sector still remains low despite the shift of labour. Moreover, most jobs (73 percent in 2019) were informal and vulnerable employment (**Figure 4.7**).

Zambia's exports are mainly minerals that are capital intensive natural resource. Mining tends to generate fewer direct jobs compared to other sectors. However, diversification in labour intensive non-traditional exports especially agriculture can contribute to job creation and poverty reduction among women and the country. As observed in the 2014 DTIS, the agriculture sector in Zambia remains the dominant sector in terms of employment (over 70% of the working poor) despite the recent marginal shifts. Policies targeting labour intensive farming and diversification into agribusiness sectors can contribute to both job creation and poverty reduction. The job creation and poverty reduction gains from such policies can be supplemented by the high levels of informal cross-border trade in agricultural products such as beans, maize, rice and transport services especially in border regions. The impact of such policies on gender equality are discussed in Chapter 12.

Figure 4 5: Employment in Services, Industry, and Agriculture as percent of Total Employment



Source: WDI and UNCTADstats

4.5. Export diversification

Export Survival Analysis

Understanding the survival of export products and exporting firms in the export market is crucial for devising business development and export growth strategies. Various studies have been done in Zambia to establish the duration and factors affecting export survival. Using customs data covering the period 1999 to 2011 Banda and Simumba (2013) showed that export duration of firms is low and that more than 50 percent of exports do not survive beyond two years. Several factors affect the survival of exports. The World Bank (2014) found that size of export flows, traditional products, being a multi-product firm significantly increases the survival prospects. However, the size of the (GDP) of destination country and distance have no impact on export survival. Another study by Brülhart, Dihel and Kukenova, (2015) analysed Zambian export patterns using transaction-level trade data set for the period 1999–2011. The study found that Zambia's exports are characterised by a high level of churning of firms as well as products. The study established that exchange rate volatility, export strategy of the firm, managerial characteristics of the firm and barriers in accessing imported inputs do affect export stability and diversification.

A more recent study by World Bank (2018) confirms earlier studies that Zambia's exports are characterised by a large degree of churning among export firms and that exports are constrained by unexpected exchange rate movements; import constraints; and inefficient and costly services inputs such as finance, logistics, electricity, or infrastructure and political instability in destination markets. Focusing on export survival of durability of agriculture products, Phiri, et al. (2021) found that 39 percent of Zambia's agricultural products were exported beyond the first year with the mean and median duration of agricultural products exports being 1.7 years and 1 year, respectively. The study found that colonial history, contiguity, partner's GDP, Zambia's GDP, initial exports, and total exports significantly affected export duration of total agricultural products.

Export Durations Zambia with the World: All Subheadings

The indicator for export duration measures the quantity of newly established product-partner relationships with trade values exceeding $10,000 US$ in the initial year and tracks the number and proportion of those relationships that persist in subsequent years up to the chosen end date. If export termination rates are elevated, this could indicate economic disturbances or the impact of new policies. Zambia's exports to the rest of the world exhibits a significant export termination rate, with just 30.48 out of every 100 export relationships surviving into the second year. The North American market has the lowest survival rates into the second year with about 17 percent of the products surviving into the second year. East Asia has higher survival rates of about 30 percent into the second year.

Table 4 5: Export duration for Zambia's Exports to Various Markets

Year	North America	COMESA	SSA	EAST ASIA	EU-27	ALL COUNTRIES
2014	100	100	100	100	100	100
2015	16.67	23.26	22.9	29.51	17.5	30.48
2016	8.33	18.95	17.82	16.39	11.67	22.92
2017	20.83	16.14	15.75	14.75	9.17	20.91
2018	12.5	22.7	19.38	18.03	10.83	25.94
2019	12.5	23.08	20.21	9.84	9.17	29.72
2020	25	22.7	18.96	6.56	12.5	28.72
2021	25	21.39	19.69	11.48	13.33	28.21

Value reach of exports

As economies develop, new products are often introduced, and a country's capacity to maintain trade relationships is indicative of its economic maturity. This indicator tracks the creation, continuation, and cessation of products, along with their respective trade values and the number of markets to which they are exported, for user-selected start and end years. Different products face varying duration circumstances (as seen in Table 4.6). Footwear exports, for instance, tend not to survive beyond the first year, while the majority of products persist beyond a year, albeit with high rates of turnover in the initial year.

Table 4 6: Export duration by Broad Category

Category	2014	2015	2016	2017	2018	2019	2020	2021	2022
01-05_Animal	28	4	2	3	3	4	4	5	0
28-38_Chemicals	89	18	14	11	19	17	20	19	0
16-24_FoodProd	72	21	14	20	20	22	20	30	0
64-67_Footwear	7	0	0	0	1	0	0	2	0
27-27_Fuels	14	3	4	1	1	0	1	1	0
41-43_HidesSkin	11	4	5	3	3	3	2	0	0
84-85_MachElec	346	61	47	46	55	62	55	59	0
72-83_Metals	195	49	29	29	36	33	36	39	0
25-26_Minerals	24	8	3	3	2	2	2	5	0
39-40_PlastiRub	66	16	15	11	18	16	12	11	0
68-71_StoneGlas	51	14	6	5	5	6	4	6	0
39-40_PlastiRub	66	16	15	11	18	16	12	11	0
86-89_Transport	97	29	33	21	20	26	19	27	0
06-15_Vegetable	93	28	18	17	17	12	17	18	0
44-49_Wood	41	13	8	7	10	6	6	7	0
90-99_Miscellan	67	12	5	5	6	8	7	5	0

Source: WITS

4.6. Export Promotion Interventions – Lessons from Empirical Studies

Export promotion refers to a range of policies and strategies that are designed to help firms increase their exports. The goal of export promotion is to enhance a country's competitiveness and increase exports (and attendant outcomes) in international markets. Export promotion programmes may include a variety of activities such as market research, trade shows, trade missions, export financing, technical assistance, and training. The programmes may be run by government agencies, industry associations, or other organisations.

Export promotion strategies are vital to promote the growth of exports in a country. Export promotion strategies refer to the policies implemented by the government and businesses to stimulate and increase exports. Various studies have been undertaken to investigate the impact of export promotion strategies on export growth from various countries, sectors, and time periods.

Studies show that a combination of export promotion activities such as providing market informationn trade fairs training in export procedures, arranging business meetings and negotiations, and missions are more effective in promoting trade than individual programmes (Volpe et al., 2010). These results have been confirmed by Mota et al (2021) in Portugal and Munch and Schaur (2018) on Denmark's export-promotion programme.

However, the effects of export promotion measures may vary depending on firm characteristics, with small firms benefiting more (Munch and Schaur 2018; Broocks and van Biesebroeck 2017; Leonidou, Palihawadana, and Theodosiou 2011). For example, Ahmad and Adinew (2018) found that the Ethiopian government's efforts to increase sectoral exports of priority industries through improving firm-level export intensity and propensity have had limited success. While the textile sector has seen improvement, other priority industries have not made significant progress. The success of footwear manufacturing firms has surpassed that of firms in other industries, including leather products. Structural and political problems, poor incentive design, weak government implementation capabilities, and firms' own capability limits have contributed to these limited successes.

Zambia Development Agency (ZDA) is responsible for promoting exports in Zambia through various activities, including participating in international trade fairs and exhibitions, organising trade missions and buyer-seller meetings, providing export capacity building programmes and training, and enhancing exporter competitiveness and product development to meet international buyers' requirements in terms of quality, packaging, labelling, standards, and technical/scientific compliance.

4.7. Case studies on selected products for value addition and export

Stakeholder interviews highlighted various challenges that impede diversification efforts, value addition and export sustenance in Zambia which include the following:

1. Lack of knowledge of the availability of markets for export products.
2. Exchange rate fluctuations affecting planning and importation of inputs for export-oriented production.
3. Distance to the markets – Some markets such as the US and EU are far away, and transport costs are high. In fact, transport costs are high even when exporting within Africa.
4. Inconsistent policies and bans on export of certain products.
5. Most SMEs have old and limited technologies and characterised by low productive capacities.
6. Trade barriers-delays at the border, licenses, distance to markets, standards and SPS measures
7. Lack of networking and limited access to information among SMEs.
8. Poor transport infrastructure and lack of storage facilities

9. Limited access to credit and high interest rates limiting access to capital and inability to write bankable business proposals.
10. Government regulations and political interference chocking the private sector – the business environment is hostile for business growth.
11. Mindset problem – most local investors are not growth oriented.
12. State absence in critical businesses that add value to products – correct market failures. Need to identify comparative advantages of each province.

Through literature review and stakeholders' interviews, the study has identified various products for diversification and value addition, and these include the following:

	Product/Service	Reason
1	Cash crops (Water melons, Pineapple, Cashew nut, Soya, Groundnuts, Sweet potatoes, Tobacco, avocado)	Encourage investment in agriculture
2	Cement	Arising from demand in real estate and infrastructure development in the region
3	Promote horticulture and aquaculture	Aquaculture due to unsatisfied domestic and foreign markets
4	Agro processed products (Fruit juices, textile, cooking oil, honey, peanut butter, sugar, etc.)	Encourage investment in agro-processing.
5	Services (tourism, ICTs, transport, electricity, insurance, construction)	Attract FDI into critical services. Provide reliable services for local investment growth

4.8 Recommendations

Based on these findings of this study, the recommendations for export growth, export diversification and value addition are as follows:

i. Prioritise bilateral trade engagements to resolve NTB with non-regional FTA implementing partners
ii. Increase support to SMEs with capacity building in standards and quality for export markets
iii. Enhance access to market information through various channels, including digital platforms
iv. Fully implement the Single Licensing Systems in all the sectors
v. Streamline the single licensing system across institutions and layers of government
vi. Encourage productive alliances through investment in bulking/aggregation, sorting, processing and packaging facilities to ensure that commodities produced by smallholder farmers reach the market in good condition and at competitive prices.

4.9 Conclusion

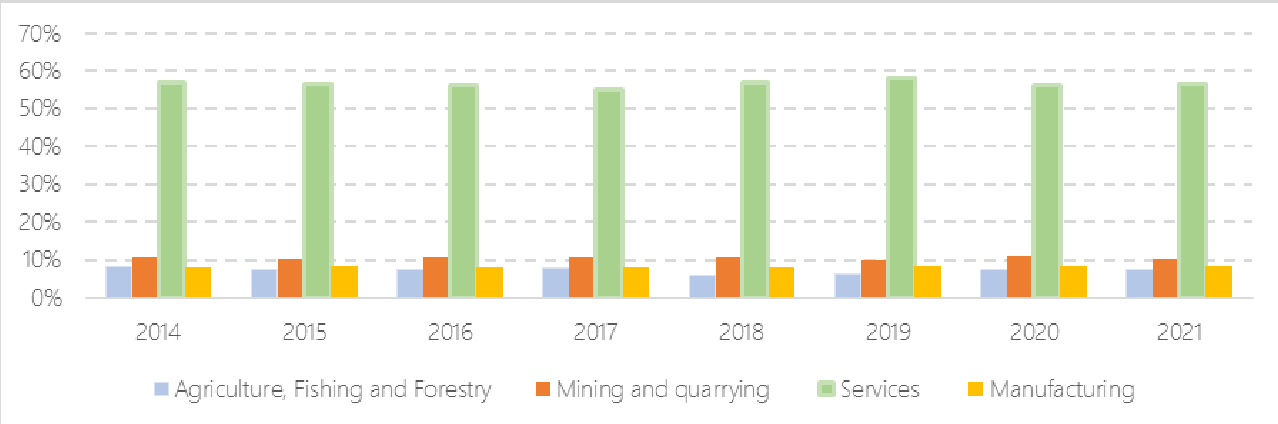
Zambia's export base has remained concentrated among few products, particularly copper. The country needs to diversify its export base by encouraging more domestic and FDI through the provision of incentives such as tax breaks, export financing, and export insurance to priority sectors. In addition, government can support Small and Medium Enterprises (SMEs) by providing them with access to finance, training, and technical assistance and promote value addition and adherence to quality standards of export markets.

CHAPTER 5: SERVICES SECTOR

5.1. Introduction

The services sector plays an important role in Zambia's economy and remains vital for economic growth and poverty reduction. According to the Zambia Statistics Agency (, 2022), the services sector contributed an average of about 56 percent annually to Zambia's Gross Domestic Product (GDP) during the period 2014 to 2021. This was higher than other key sectors such as mining, agriculture, and manufacturing (see figure 5.1). In terms of employment, the services sector accounts for the largest share of Zambia's employed population with 54% of employees in 2021 (ZamStats , 2022).

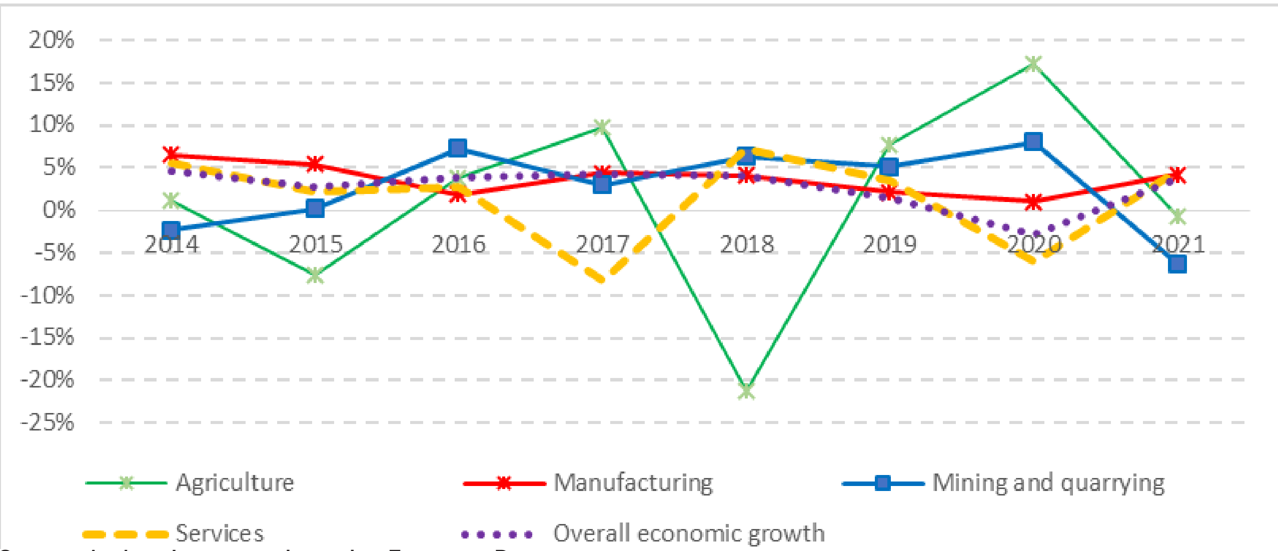
Figure 5 1: GDP by selected Industries (2014 - 2021)



Source: Author's construction using Zamstats data

Despite the services sectors' prominence in Zambia's economy, its average growth rate of 1.45 percent between 2014 and 2021 was not impressive. In fact, the sector's growth rate fell below the average growth rates for manufacturing (3.7 percent) and mining (2.7 percent) as well as the country's overall average economic growth rate (2.7 percent) during the same period (figure 5.3).

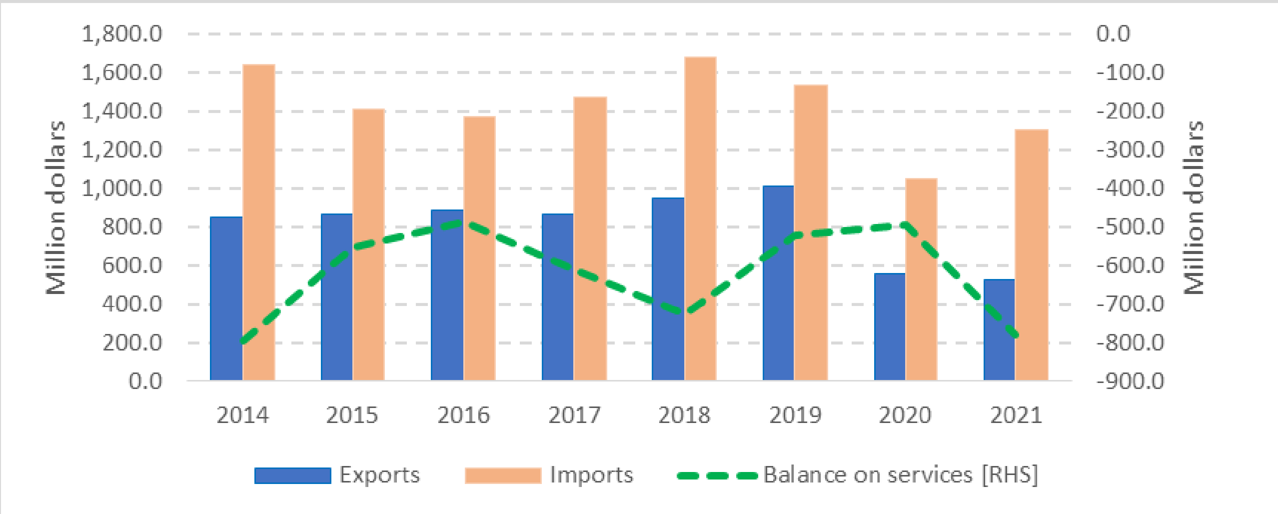
Figure 5 2: GDP growth by Industry, 2014 – 2021



Source: Authors' construction using Zamstats Data

Even in terms of international trade, the services sector has performed poorly in recent years. Between 2014 and 2021, Zambia recorded a services trade deficit averaging about US$620 million annually (figure 5.3). A comparison between Zambia's services trade and merchandise trade as shares of GDP indicates that merchandise trade dwarfed services exports signifying a troublingly poor performance of the service sector. In 2021, countries such as Seychelles, Mauritius, Namibia, South Africa and Botswana lagged behind. However, Zambia still had a higher share than countries such as Angola, Mozambique, and Rwanda.

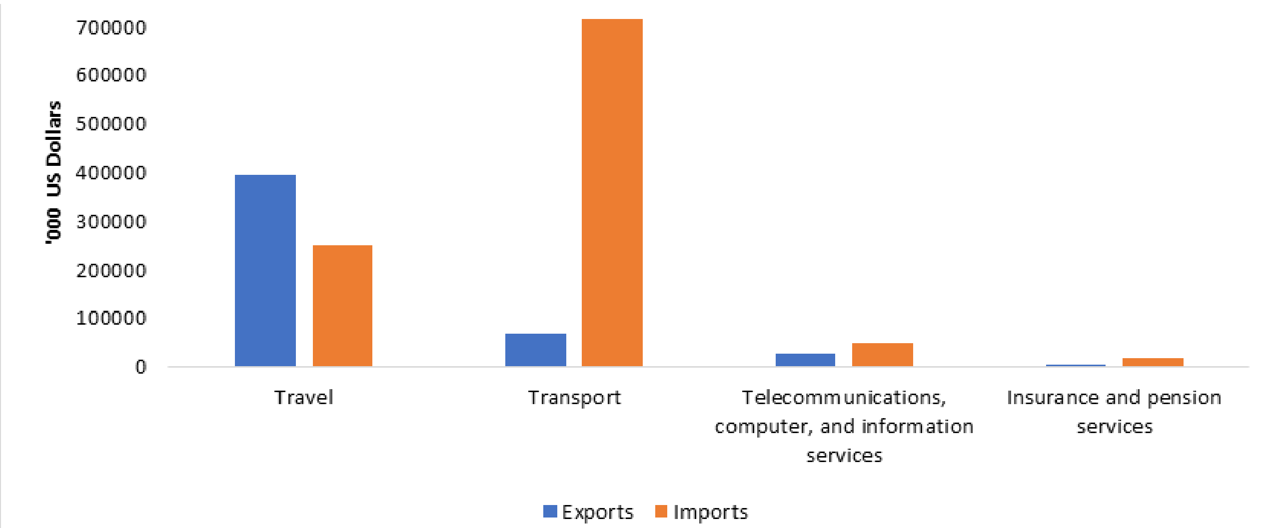
Figure 5 3: Zambia's Services Trade, 2014 - 2021



Source: Authors' construction using BOZ data

Zambia's services trade deficit highlighted above was largely caused by the importation of transport services which account for the largest proportion of Zambia's services imports. Transport service imports averaged about US$780 million annually during the period 2014 to 2021. Zambia's other major service imports include travel and insurance and pensions. In terms of exports, travel (tourism) accounts for the largest share of Zambia's service exports. Only in Travel is Zambia a net services exporter, and therefore a major reason why tourism needs to be strongly promoted as an export sector (**Figure 5.4**).

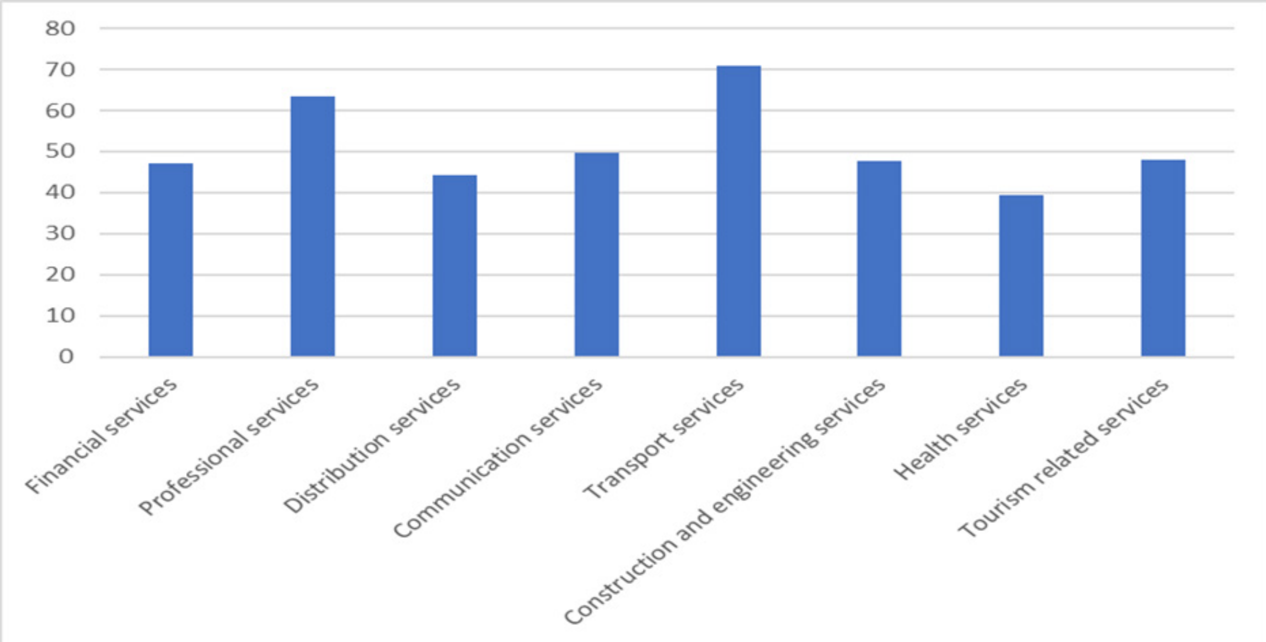
Figure 5 4: Zambia's Major Service Imports and Exports by Sector, 2021



Source: Authors' construction using data from ITC Trade map

In terms of services trade restrictiveness, Zambia has relatively high restrictions in some sectors according to the 2020 World Bank - WTO Services Trade Restrictiveness Index. Some of the sectors with high restrictiveness scores include transport, professional, tourism and communications services (**See Figure 5.5**).

Figure 5 5: Restrictiveness across sectors - Zambia



Source: Authors' construction using World Bank - WTO services database

Analysis of the Priority Service Sectors Performance.

The next sections delve into detailed analysis of selected service sectors. The analysis focuses on 5 services sectors; Tourism, Financial Services, Transport, ICT and Distribution services. They are priority sectors in Zambia's National Export Strategy (NEST) and the AfCFTA implementation strategy. The distribution sector has been selected due to the growing concerns around it while analysis of professional services was not undertaken due to data availability challenges.

5.2. Tourism Sector

The tourism sector has gained significance in Zambia's economy and is identified as a priority sector in the Eighth National Development Plan (8NDP) by the Government, contributing to export diversification, job creation, and inclusive growth (GRZ, 2022). Zambia possesses abundant wildlife, waterfalls, and a peaceful environment, making it highly suitable for tourism. However, it currently behind neighbouring countries in attracting international tourists, indicating untapped opportunities for development.

Domestically, the benefits from the sector are uneven. This is because tourism activities are concentrated in the southern circuit despite the potential that exists in other regions (Cattaneo, 2007). Warranted by its fundamental endowments, Zambia is receiving far fewer international tourists than it should. If it were to improve its business climate and infrastructure, the country could receive a much larger share of tourism inflows. An estimation by the World Bank and UKaid (2011) showed that by increasing the number of tourist arrivals, the average length of stay and visitor spending, Zambia could generate tourism revenues as high as US$1.1 billion and the industry could employ 600, 000 people in the formal sector. Notably, the tourism sector has consistently produced a positive trade balance since 2014 (figure 5.9) and accounts for the largest share of Zambia's services exports.

The tourism sector's contribution to the economy has been growing overtime particularly before the advent of COVID-19. Its contribution to GDP peaked in 2019 at 9.8 percent before a major dip in 2020 when its contribution plummeted to 4.7 percent owing to the negative impacts of the COVID-19 pandemic. Encouragingly, the sector showed signs of recovery in 2021 with a contribution of 5.8 percent to GDP. Similarly, international tourist arrivals were equally on an upward trend prior to the pandemic with international tourist arrivals breaching the 1 million marks in 2017. However, international tourist arrivals reduced drastically in 2020 but showed signs of recovery in 2021.

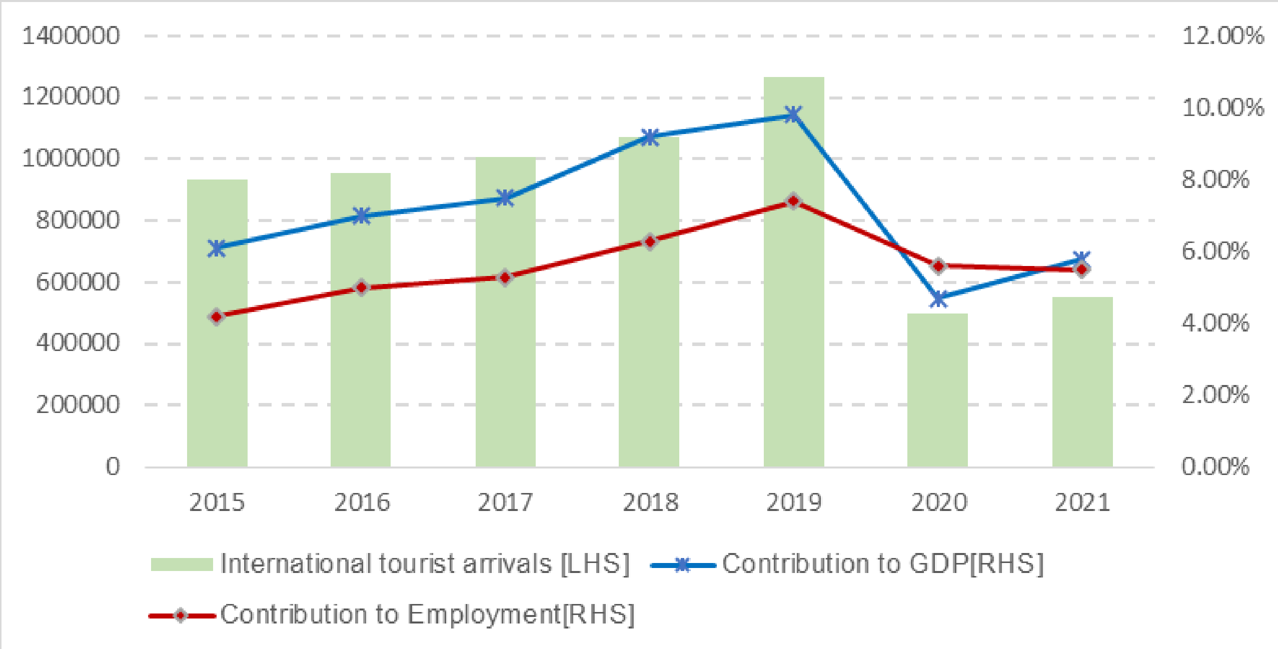
In terms of employment, on average, the sector accounted for about 5.6 percent of total employment between 2015 and 2021, a relatively impressive share. In comparison with other countries, tourisim in the region remains low. In the Southern African Development Community (SADC), South Africa accounted for the largest share of all international tourist arrivals between 2017 and 2021 (UNWTO, 2022). Based on the UNWTO data, Zambia lagged behind other countries such as Mozambique, Zimbabwe, Namibia, Tanzania and Botswana.

Figure 5 6: Zambia's Trade Balance in the Tourism sector

Source: Author's construction using UNCTADstat data

However, there was a dip experienced in 2020 owing to the COVID-19 pandemic.

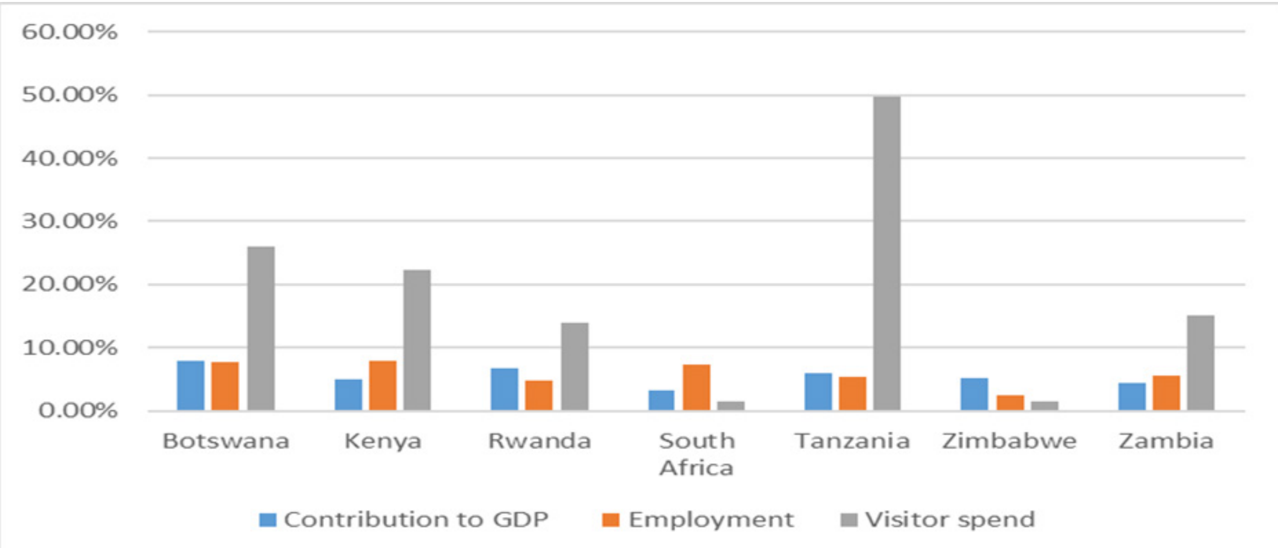
Figure 5 7: Tourism Contribution to the Economy (2015 - 2021)



Source: Authors' construction using Ministry of Tourism and WTTC data

With respect to other variables, Zambia's performance in the tourism sector is mixed. For instance, in terms of visitor spending, Zambia ranks below Tanzania, Botswana, Kenya and Rwanda. In terms of contribution to GDP, Zambia's performance in 2021 was similar to that of other regional comparators such as South Africa, Kenya, Botswana, Rwanda and Tanzania. Even in terms of contribution to employment, Zambia's tourism sector is similar to countries in the region- See Figure 5.8.

Figure 5 8: Tourism contribution to the Economy Regional Comparison - 2021



Source: Authors' construction using WTTC econometric estimates data

One notable characteristic of Zambia's tourism sector is the relatively low proportion of tourists that visit for leisure purposes as highlighted in Table 5.1. Leisure tourism can constitute dynamic sources of expenditure but in Zambia, most visitors come for professional and trading purposes rather than leisure. This ultimately affects the visitor spending from tourism activities. In fact, the regional comparison indicate that Zambia has a higher proportion of business visitors as opposed to leisure visitors.

Table 5 1: Tourist arrivals by purpose of visit (2013 – 2017)

	2013	2014	2015	2016	2017
Leisure/Holiday	251,824	249,501	235,235	251,336	255,598
Business	479,892	506,054	499,584	510,851	559,402
Conference	38,678	21,013	22,902	23,407	24,823
Study	16,716	17,175	20,564	14,209	14,869
VFR	42,569	63,385	59,622	58,536	61,938
Other	84,897	89,841	93,875	97,993	92,543
Total	**914,576**	**946,969**	**931,782**	**956,332**	**1,009,173**

Source: Authors' construction using Ministry of tourism data

Challenges Affecting the Tourism Sector.

The tourism sector is rendered uncompetitive due to a number of challenges resulting from the current status and management of the wildlife sector. Protected areas in the country are plagued by declining wildlife populations, encroachment, declining trophy quality and poor infrastructure (Sichilongo et al., 2012).

Zambia's tourism activities are concentrated in the southern circuit (Livingstone) despite the potential that exists in other areas (Cattaneo, 2007). A report by the Auditor General's office (Office of the Auditor General, 2020) that assessed the performance of the tourism sector in increasing the average length of stay of tourists showed that the number of tourists visiting the northern circuit was lower than the southern circuit.

The concentration of tourism activities in the southern circuit is attributable to the limited promotion and marketing activities focusing on the northern circuit. Zambia is largely marketed around the Victoria Falls, a UNESCO world heritage site, and little has been done to link tourism activities in the area to other regions in the country. Concentration of tourism is not dictated by scarcity of tourism sites in the northern circuit but by bad infrastructure.

The Auditor General's report (2020) also indicated that the product base of Zambia's tourism sector still remains narrow due to lack of diversification of tourism products. Most activities are nature-based, especially in the northern circuit where there is a lack of secondary activities such as bungee jumping that add value to primary tourism activities in the southern part of the country.

As a result of the concentration of tourism activities in Livingstone, international tourists prefer Zambia as an extension destination rather than a primary destination. Thus, the concentration of tourism in limited sites makes tourists shorten their stay in Zambia (for example, one night in Livingstone) and hook up to other destinations in neighbouring countries that are more easily, and cheaply, accessible by air. The average length of stay for international tourists in Zambia is three nights, according to the Ministry of Tourism (2022) compared to South Africa with 11 nights.

Table 5 2: Tourist arrivals at Major Waterfalls 2021

Name of Waterfalls	Domestic	International	Total
Nyambwezu Falls	170	4	174
Mutanda Falls	113	0	113
Kundalila Falls	1,283	13	1,296
Chilambwe Falls	423	17	440
Chipoma Falls	1,068	11	1,079
Chishimba Falls	7,046	35	7,081
Kalambo Falls	1,534	34	1,568
Lufubu Falls	1,030	0	1,030
Lumangwe Falls	920	63	983
Mumbuluma Falls	2,526	46	2,572
Ntumbachushi Falls	4,670	27	4,697
Victoria Falls	113,707	10,265	123,972
Kundabwika Falls	171	16	187
Total	**134,661**	**10,531**	**145,192**

Source: Authors' construction using Ministry of Tourism data

Zambia is relatively uncompetitive in the tourism sector as shown in the Travel and Tourism Competitiveness Index which ranks 117 countries with respect to the set of factors and policies that enable the sustainable and resilient development of the travel and tourism sector. In 2021, Zambia's overall rank was 98/117. Other countries in the region had a better ranking - South Africa (68), Botswana (76), Kenya (78), Namibia (88), Tanzania (81) and Rwanda (89). A closer look at the detailed measures that make up the index shows that Zambia's main constraint to competitiveness in the tourism sector is in terms of infrastructure.

The high cost of imports contributes to the lack of competitiveness of the tourism sector. Zambia's tourism sector faces challenges due to its heavy reliance on imported products, including beverages, wines, and spirits. High fuel costs Jet A1 fuel limits international flights, negatively affecting tourist arrivals.

The high cost of finance also continues to inhibit the growth of the tourism sector as tourism operators are faced with limited access to finance and high cost of capital. Specific challenges include high interest rates, high collateral requirements and lack of long-term financing that can stir investments. The high interest rates have an impact on the competitiveness of the sector relative to other sectors in neighbouring countries where finance is more affordable.

The limited digitisation and poor use of innovations such as Air BNB, bookings.com among others has also contributed to limited amount of information relating to accommodation and generally tourism information about Zambia.

5.3. Non-Bank Financial Institutions

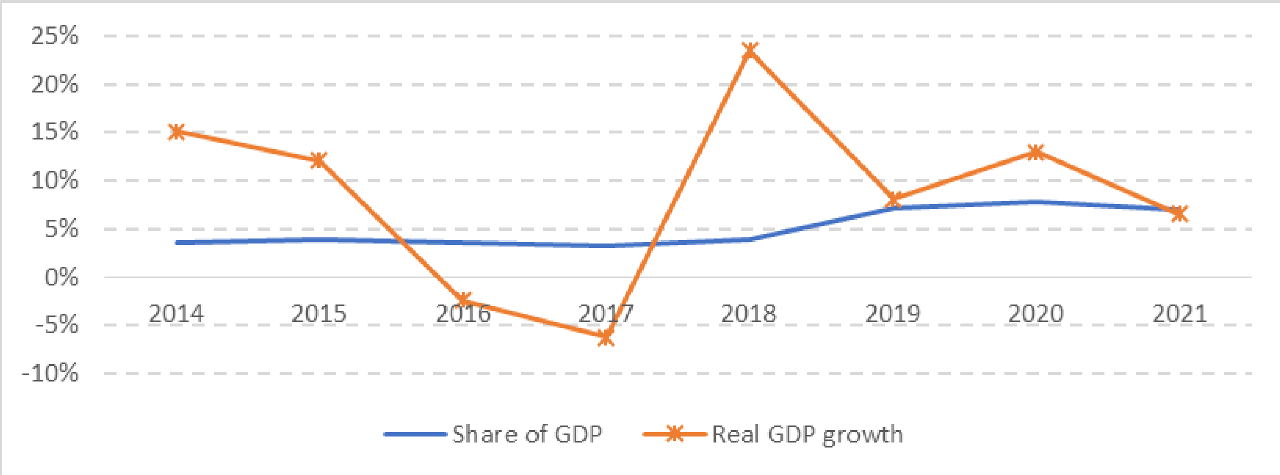
The number of licensed non-bank financial institutions has been growing and stood at 125 in 2021. Further, total assets stood at K13.5 billion as at end-December 2021. This was mainly on account of the increase in net loans and mortgages, balances with domestic institutions, as well as investments in government securities. However, the uptake of micro finance services declined to 2.1 percent in

2020 from 3.8 percent in 2015. According to the Bank of Zambia (2020), the main barriers reported by most adults who did not use microfinance products/services were insufficient money, lack of understanding the benefits of using microfinance products/services and distance from microfinance institutions.

5.4.0. Financial Services

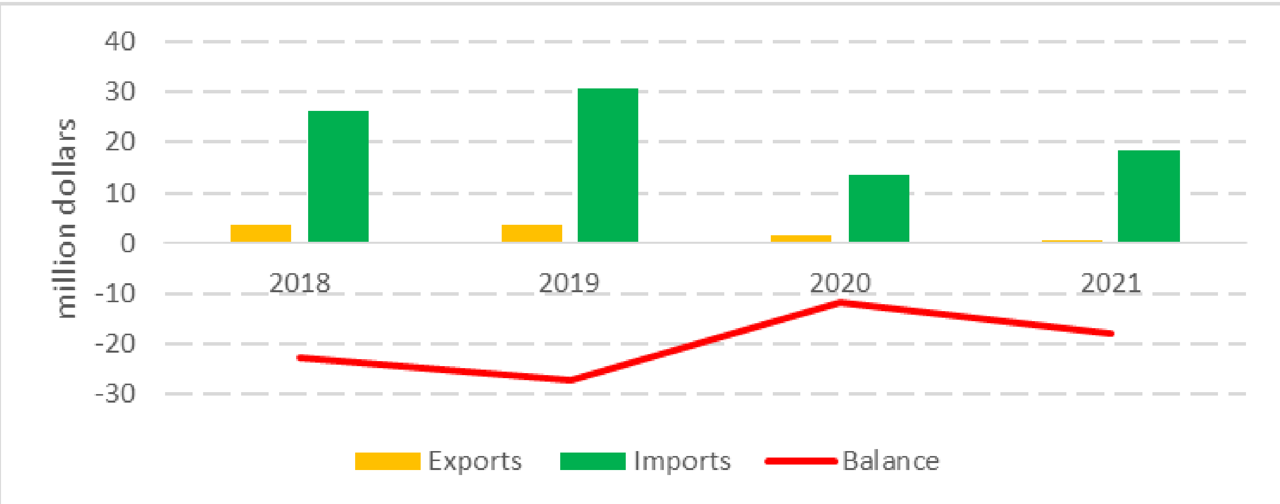
The financial services sector has grown recording average growth of about 8.7 percent between 2014 and 2021. Its contribution to GDP averaged 5 percent during the same period (figure 5.16). Further, the sector's contribution to employment stood at 1.1 percent in 2021 from 0.9 percent in 2020. Notably, the financial services sector recorded a negative trade balance between 2018 and 2021 signifying the continued importation of financial services specifically insurance and pension's services – (**Figure 5.10**).

Figure 5 10: Contribution of Financial services to GDP (2014 - 2021)



Source: Authors' construction using MoF data

Figure 5 9: Trade Balance in the Financial Services Sector



Source: Author's construction using Unctadstat data

5.4.1. The Banking Sector.

In 2021, Zambia's banking sector had 17 banks having reduced from 18[3] in 2020. Ten of these banks were subsidiaries of foreign banks, three were locally owned private banks, and four were partially owned by the Government of the Republic of Zambia. The sector continued to be dominated by subsidiaries of foreign banks in terms of total assets, loans, deposits, and profit before tax – Table 5.5.

Table 5 4: Assets, Loans and Deposits and Profits before Tax by Ownership type (2021) – K' bn

Ownership	Assets	Loans	Deposits	Profits before Tax
Subsidiaries of foreign banks	71	63.8	70.9	71
Banks with Government stake	25.9	32	25.9	26.6
Local private Banks	3.1	4.1	3.1	2.3
Total	**100**	**100**	**100**	**100**

Source: Adapted from BOZ 2021 annual report

According to the Bank of Zambia (2020), the banking sector has seen a decline in the number of adults who had and or/used commercial bank services in 2020 at 20.7 percent from 24.8 percent in 2015. The main barriers to accessing commercial bank services were insufficient money to justify an account and the long distance to banks. Generally, the banking sector continues to be plagued by other challenges including high interest rate spreads and a high ratio of non-performing loans to total loans.

5.4.2. Pensions and Insurance Services

The insurance industry has been recording steady growth in recent years with increased demand fuelled by the COVID-19 Pandemic. This was reflected in Gross Written Premiums (GWP) estimated at K5.4 billion in 2021 compared to K4.5 billion in 2020. In 2021, the industry had a total of 385 licensed entities comprising of insurers, reinsurers, insurance brokers, reinsurance brokers, loss adjusters, risk surveyors, assessors, claims agents, and insurance agents. However, the sector recorded a trade deficit averaging about US$22 million during the review period mainly driven by weak regulations in the sector.

The pension industry's net assets grew by 14.13 percent to K10.84 billion as at end-December, 2021 from K9.45 billion as at end-December, 2020. This was premised on the increase in investment income and contributions.

Notably, the uptake of insurance services as recorded by the Bank of Zambia (2020) increased to 6.3 percent from 2.8 percent in 2015. The uptake of pension services also increased to 8.2 percent in 2020 from 3.8 percent in 2015. The lack of information and the perception that insurance is not affordable were primary barriers inhibiting uptake of insurance products and services. The main barrier to usage of pension services was unemployment (BOZ, 2020).

3The reduction was as a result of the acquisition of Cavmont Bank by Access Bank and the consolidation of financial assets by 31st March 2021

Challenges

It goes without saying that Zambia has made some gains in terms of financial inclusion. One notable development in Zambia's financial sector has been the increase in the uptake of mobile money services from 14.0 percent in 2015 to 58.4 percent in 2020 (BOZ, 2020). However, the lack of ownership of mobile phones remains a critical barrier to more use of mobile money services.

Though the financial sector in Zambia has grown in recent years, it is still faced with a number of challenges. Lending rates have remained high partly due to increased domestic borrowing by the Government. The resultant high lending rates have crowded out the private sector from the market thereby constraining productive capacity, job creation capabilities and development in general (GRZ, 2022). In addition to low interest rates on deposits, Zambian banks charge monthly service fees to keep money, which renders them expensive and uncompetitive regionally and internationally.

There is a lack of competition as the banking sector is dominated by few foreign service providers. Despite the sector being open as per Zambia's commitments at WTO, it is characterised by imperfect competition, making it vulnerable to monopolistic and other pervasive tendencies, and this provides an explanation for the persistently high lending rates.

The poor performance of Zambia's economy has affected access to financial services. Following a sustained period of increase, Zambia's GDP per capita began to decline in 2019. In addition, poverty remains high at 57.1 percent with about 9.1 million people estimated to survive on less than US$1.90 a day (World Bank, 2022).

As a result, the financial services sector has, in recent years, been operating under a constrained macro-economic environment that affected access to these services. The relationship between inflation, fiscal deficit, and interest rates is crucial as high inflation leads to increased borrowing by the government, crowding out the private sector.

Moreover, the low level of formal employment has contributed to the poor performance of the financial services sector in Zambia. According to the 2021 Labour Force Survey, formal employment in Zambia stands at 26.8 percent, limiting access to financial services as institutions require identification and proof of income. Informal sectors face barriers in accessing services, particularly among Micro Small and Medium Enterprises (MSMEs) which constitute 90 percent of businesses. Lack of registration, tax payment, and audited accounts prevent these businesses from utilizing financial services such as savings, deposits, lending, and cash management.

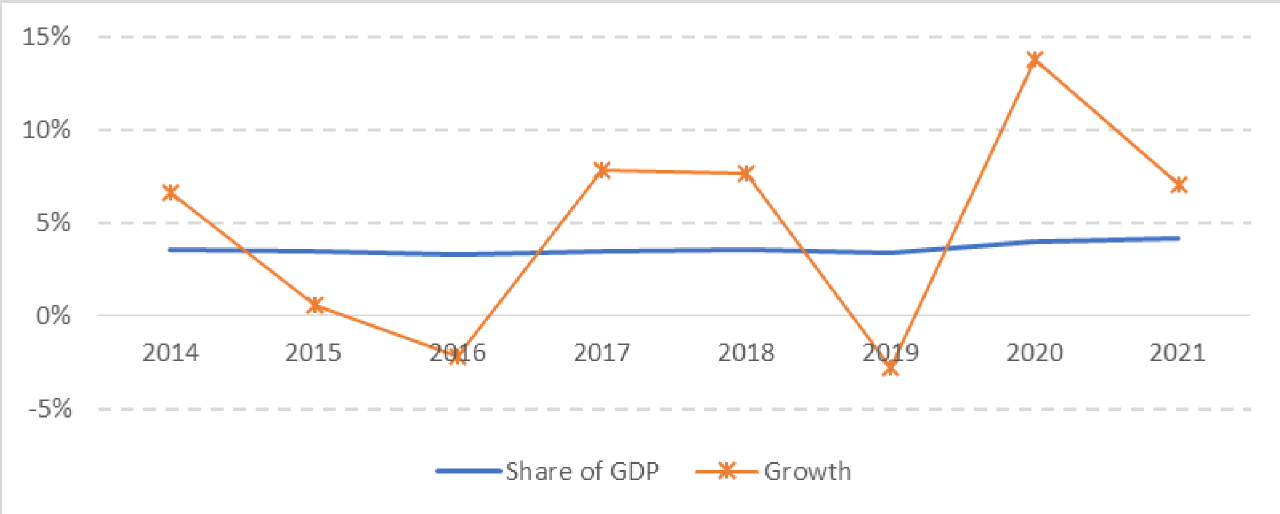
The financial services sector in Zambia faces regulatory constraints and capacity building needs among key institutions. Telecommunication companies offering mobile money services are less regulated compared to banks, affecting competitiveness and safety. Insurance services are dominated by foreign operators despite local providers being available. Limited technology development locally leads to dependence on foreign banking technology, hindering regional and international market expansion. Policy and regulatory gaps, such as data localization restrictions, increase costs for banks and limit access to cost-effective solutions.

While the national financial switch has been heralded as positive development, there is no national e-payment system/gateway and so Zambian transactions have to rely on other gateways (e.g., South Africa) which capture the payments and all transactional benefits. In addition, remittances are hard to send to Zambia due to the disconnect of Zambian e-payment systems/financial markets with the rest of the world.

5.5.0 Transport services

Being a landlocked country, Zambia is heavily dependent on its transport network connecting it to various export and import destinations (World Trade Organisation, 2016). As such, the transport sector is cardinal in Zambia's development agenda. The contribution of transport services to GDP averaged 4 percent between 2015 and 2021. During the same period, the sector grew at about 4.8 percent annually (figure 5.12). Further, in terms of employment, the sector stood at 4.4 percent contribution to total employment according to the 2021 labour force survey.

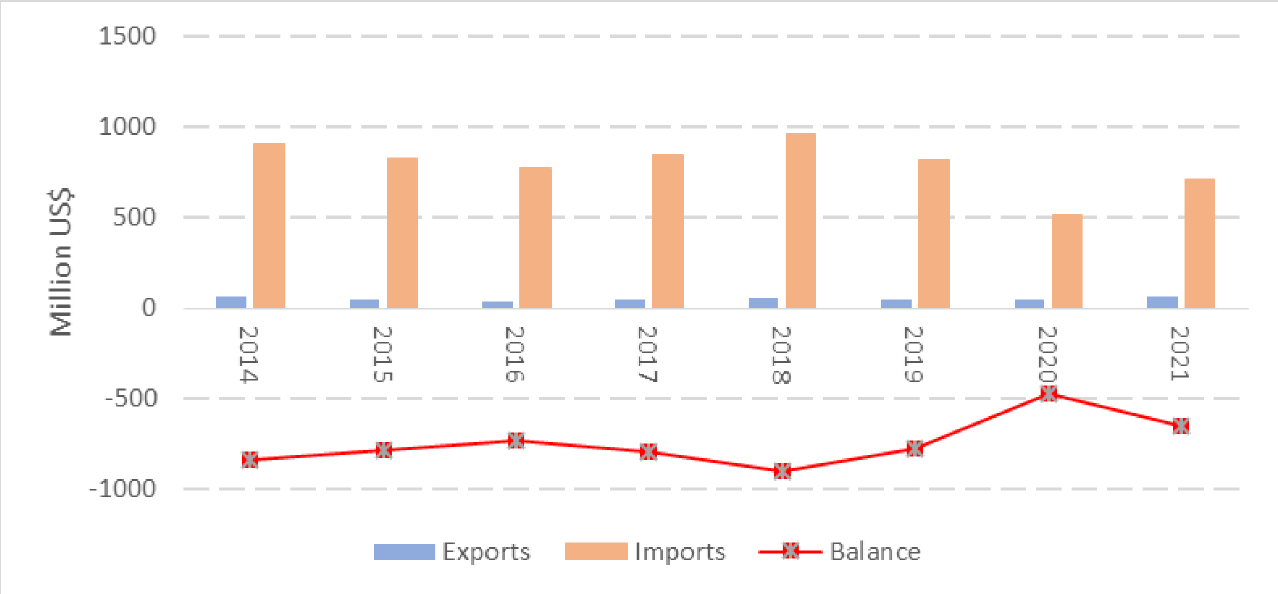
Figure 5 10: Contribution to GDP (Transport Services) - 2015 to 2021



Source: Author's construction using MoF data

Notably, the transport services sector in Zambia has contributed largely to the country's overall trade in services deficit. Figure 5.13 shows that the country has consistently run a negative trade balance in transport services since 2014.

Figure 5 11: Zambia's transport services trade balance (2014 -2021)



Source: Authors' construction using UNCTAD stat data

5.5.1. Road Transport

In recent years, the Government has embarked on major road infrastructure development programmes aimed at improving transport systems across the country. Road transport is the most dominant mode of transport in Zambia accounting for about 90 percent of all cargo movement in the country (Table 5.6). Key among the road development projects is the Link Zambia 8000 project which was initiated in 2012. This is an accelerated road construction activity aimed at transforming Zambia from a landlocked country into a land-linked country in Southern Africa. Zambia has also been implementing the Pave Zambia 2000 which is a project that aims at providing improved access to various social amenities in urban areas using the interlocking paving brick and cobblestone technology.

Table 5 5: Volume of Cargo Transported by various Modes in Metric Tons (2019 - 2021)

	2019		2020		2021		
	Actual	% share	Actual	% share	Actual	% share	Average % share
Roads	4,257,910.26	3.71	9,830,801.56	94.77	28,187,394.83	94.61	87.69
Aviation	22,046.42	0.38	17,906.76	0.06	19,463.00	0.07	0.17
Rail	1,315,140.00	22.77	1,422,091.00	4.52	1,355,504.00	4.55	10.61
Maritime	181,747.00	3.15	205,589.00	0.65	232,186.00	0.78	1.53
Total	**5,776,843.68**	**100.**	**1,476,388.32**	**100.0**	**29,794,547.83**	**100.0**	**100.00**

Source: Authors' construction using MoF data

The condition of the road network in Zambia is in different states. The total gazetted road network in Zambia is 67,671 kilometres of which 40,454 kilometres comprises the Core Road Network (CRN) (Road Development Agency, 2021) as Table 5.7 shows. According to the Ministry of Transport and Communication (2019), about 85 percent of the paved TMD network is in good condition while only 12 percent of that which is unpaved and the primary feeder roads is in good condition. Further, about 49 percent of the urban road network is in good condition.

Despite the financial constraints experienced in recent years, rehabilitation and reconstruction projects in the road sector have continued to be undertaken (Road Development Agency, 2021).

Table 5 6: Core and Non-Core Road Network in Zambia

Type of Road	Length (Km)	Paved (Km)
Core Road Network		
Trunk (T)	3,116	3,024
Main (M)	3,701	2,885
District (D)	13,707	2,111
Urban	5,597	2,055
Primary Feeder Roads (PFR)	14,333	32
Sub Total	40,454	10,107
Estimated Non-Core Road Network		
Secondary Feeder Roads (SFR)	10,060	
Tertiary Feeder Roads (TFR)	4,424	
NATIONAL Park Roads	6,607	
Community Roads	5,000	
Other Roads	1,126	
SUB-Total	27,217	
Total	**67,671**	

Source: Authors' adaptation from RDA annual report (2021)

Trucking Services

Notwithstanding the fact that road transport remains the most dominant mode of transport in Zambia, Zambian trucking firms have a small share of fleet across the main routes connecting Zambia to the region. According to the Ministry of Communication and Transport (2019), Zambia Road freight operators have a market share of around 15 percent of international bound road freight transport. This set-up has been attributed to the size of the domestic trucking industry and the high-cost environment in which local truckers operate. Compared to their competitors within the region, Zambian firms are faced with higher operating costs driven by high fuel costs, road tolls, taxes, and levies (**Vilakazi & Paelo, 2017**).

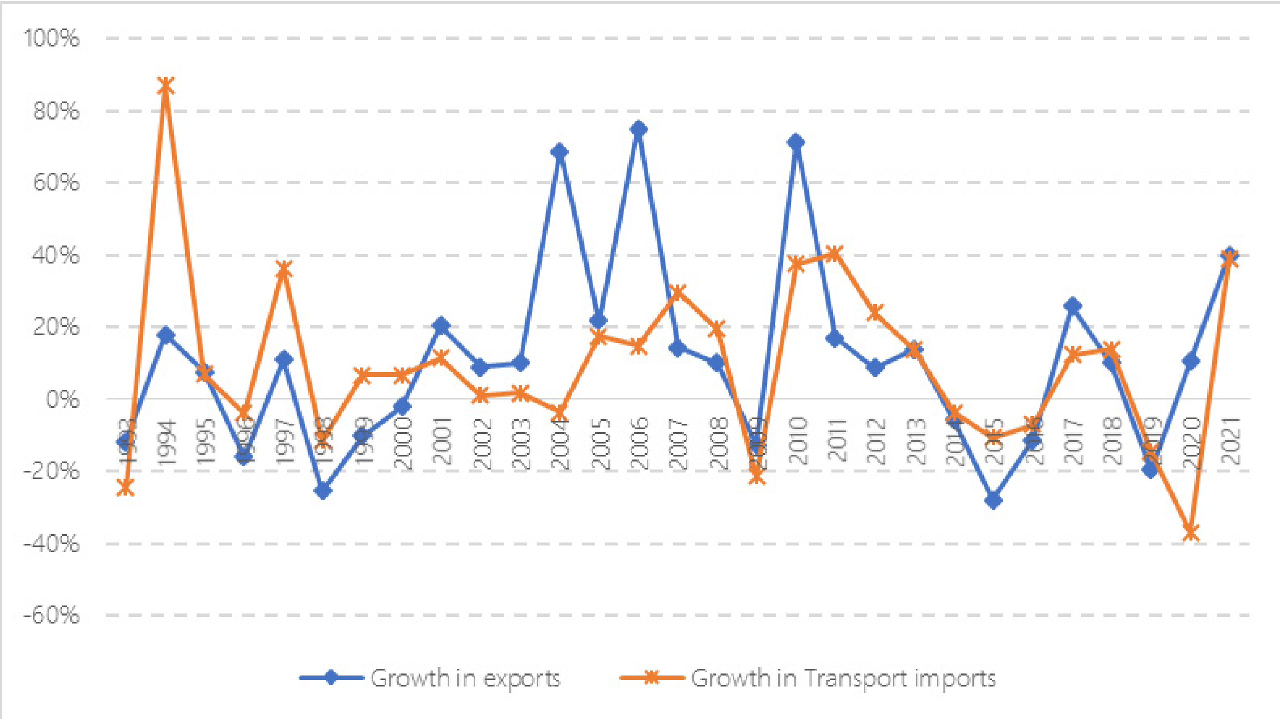
Most Zambian firms are small-sized companies that transport goods to and from inland ports. While this segment of firms is protected with carbotage rules, most of them still face challenges in securing return loads (backhauls) within the country (ZIPAR, 2019). Fuel costs form an integral part of a transporter's costs. Vilakazi & Paelo (2017) estimate that as much as 40 percent to 50 percent of total operating costs for a truck are accounted for by fuel costs. Therefore, the impact of fuel prices on transport operator's costs cannot be overlooked. In Zambia, fuel costs are largely determined by international oil prices and the exchange rate. In comparison to their Zambian counterparts, foreign truckers are able to subsidise their transport business significantly and thus enhance the quality of their fleets and services, thus undercutting local transporters.

The cost of diesel in Zambia is relatively higher than the price in Tanzania and South Africa which are the routes with the highest freight volumes. Figure 5.14 shows that average diesel prices in Zambia were relatively higher than most other competitors in the region, averaging about US$1.07 between 2015 and 2022.

Local trucking firms also face challenges accessing contracts from mining firms who are, by far, the largest buyers of road freight transport. The copper mines actually have a significant impact on road freight outcomes as they employ a take it or leave it approach to transport pricing. Besides, competing on the basis of price has not helped local transporters as most mining firms have longstanding contracts with specific transporters, mostly foreign. Other challenges include high insurance requirements and competition from foreign-owned firms. In addition, regulations allow for foreign trucker registration in Zambia, but this is not reciprocated in neighbouring and regional countries.

According to the Global Competitiveness Report (World Economic Forum, 2019), Zambia ranked 64th out of 141 countries in terms of road connectivity and 101st out of 141 countries in terms of quality of road infrastructure.

Figure 5 12: Growth in Commodity Exports and Transport Services Imports



Source: Authors' construction using BoZ data

5.5.2. Aviation sector

Zambia's aviation sector is critical to the country's tourism prospects and it has previously played a pivotal role in the growth of the horticulture and floriculture sectors. However, the aviation market in Zambia is currently small and has witnessed uneven growth over the years. In addition, the COVID-19 pandemic had a negative impact on the sector with passenger and aircraft movements and over flights dipping in 2020 and 2021 (Table 5.8)

Table 5 8: Passenger, aircraft and over flight trends

Year	Passenger movements	Aircraft movements	Over flights
2017	1,748,200	53,687	17,884
2018	1,931,827	56,595	19,239
2019	1,808,247	55,259	20,304
2020	545,884	25,012	8,971
2021	753,930	33,984	11,137

Source: Authors' construction using Zambia Airports Corporation data

By comparison, South Africa handled over 10 million passengers in 2021 and it is worth noting that this number had significantly fallen from above 20 million due to the COVID-19 pandemic. Another notable feature of Zambia's aviation sector is the minimal proportion of cargo transported by air. Between 2019 and 2021, cargo movements by air only accounted for an average 0.17 percent of all cargo movements in Zambia (Table 5.9).

Evidently, the drop in cargo movements has coincided with Zambia's decline in export of horticulture and floriculture products – **See Figure 5.15**. The aviation sector once played an important role for the country's exports of perishable products, such as cut flowers and vegetables which are mostly destined for Europe (**the United Kingdom and the Netherlands**).

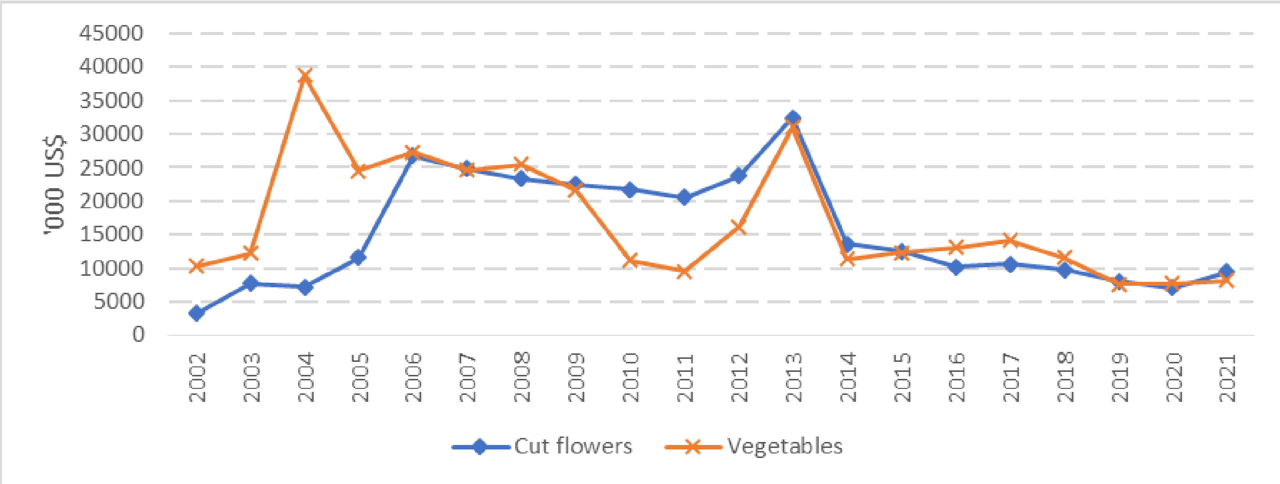
Table 5 9: Cargo Movements by Air

	2019		2020		2021		
	Actual	% share	Actual	% share	Actual	% share	Average % share
Cargo movements by Air	22,046.42	0.38	17,906.76	0.06	19,463.00	0.07	0.17
Total cargo movements	5,776,843.68	100	31,476,388.32	100	29,794,547.83	100	100

Source: Author's construction using MoF data

Zambia re-launched the Zambia Airways in December, 2021 under a partnership between the Government of the Republic of Zambia through the Industrial Development Corporation (IDC) and the Ethiopian Airlines Limited on 19th August, 2018. From a broader policy perspective, the National Transport Policy (2019) identified the establishment of the national airline as a means to aid the country's quest of becoming a regional transport hub with efficient and integrated transport systems by 2028. The National airline has potential for wider benefits across the economy through job creation, tourism promotion, increased revenue, supporting holistic development and global integration (**Zambia Institute for Policy Analysis and Research, 2022**).

Figure 5 12: Zambia's Export of Cut Flowers and Vegetables



Source: Authors' construction using ITC trade map data

However, slightly over a year after its establishment, the airline is plagued by challenges such as high operational costs, specifically regarding the price of Jet A1 fuel and other aviation- related fees and taxes such as landing fees and ground handling. In addition, the airline has limited capital to grow its business. For instance, the Zambian Government is yet to fully meet its target of about USD13.5 million through leasing of Aircrafts. The airline has also faced challenges in obtaining foreign operating permits in the region. The challenges in obtaining foreign operating permits are stalling progress in expanding planned regional routes such as Johannesburg, Lubumbashi and Harare, among others (**Zambia Institute for Policy Analysis and Research, 2022**).

Globally, Zambia is a signatory to the Chicago Convention which established the International Civil Aviation Organisation (ICAO). Consequently, Zambia's civil aviation laws, policies and practices are expected to conform to ICAO standards in order for the country to participate in international aviation. Due to its membership to ICAO, Zambia established an independent civil aviation authority and has tackled some of the weaknesses in the local aviation industry; resulting in an improvement in Zambia's effective score of implementation of ICAO standards to 70 percent, which is only two percentage points below the global average of 72.3 percent. This has also resulted in the lifting of the ban on Zambian registered airlines flying in EU airspace in 2017 (**Zambia Institute for Policy Analysis and Research, 2022**).

Nevertheless, Zambia is yet to fully liberalise its skies as Zambia has only granted fifth rights on certain routes[4]. The restrictions in granting fifth and higher order freedom rights is premised on protection of local airlines as they would have to compete with firmly established foreign countries even on local routes.

Zambia's Bilateral Air Service Agreements (BASAs) with several countries could have a negative impact on development of its aviation industry. Essentially, BASAs allow party countries to establish and operate international air services to specified destinations in each other's territories. Zambia

4Enables airlines to carry passengers from a home country to another intermediate country and then fly on to third country with the right to pick up passengers in the intermediate country.

currently has 21 BASAs of which thirteen are with African countries and eight are with other countries. Unfortunately, this indiscriminate issuance of 5th freedom rights to other airlines now implies that Zambia airways must compete with these airlines on most regional routes.

Underdeveloped infrastructure, specifically for local airports (or aerodromes), continues to hamper operations of local airlines to expand their operations to other parts of the country, thereby having a negative impact on sectors such as tourism and limits the expansion of local airlines.

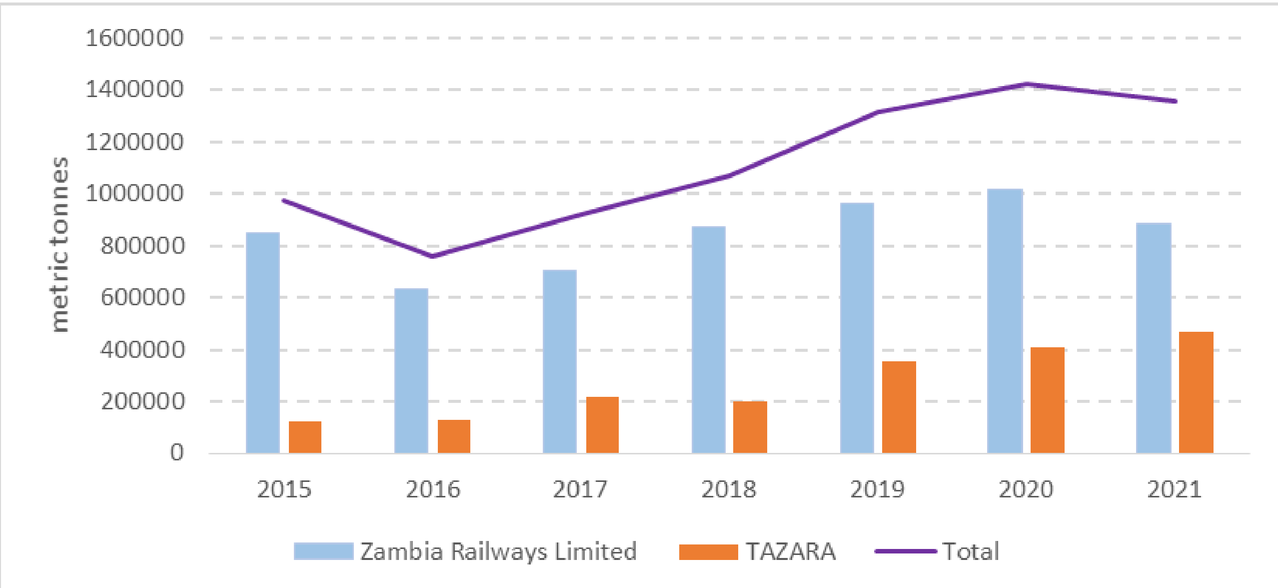
In addition, high operating costs mainly driven by the price of Jet A1 fuel which is estimated to be 50 percent higher in Zambia than its neighbouring countries negatively impacts the subsector. Such costs push ticket prices up, rendering Zambia uncompetitive in the aviation sector.

5.5.3 Railway sector

The performance of the railway sector in Zambia remains poor. According to the 2019 Global Competitiveness Report, Zambia ranked 84th out of 141 countries in terms of railroad density (kilometre per 1000 square metres). Further, in terms of efficiency of train services, Zambia ranked 93rd out of 141 countries.

The rail sector only accounts for about 10 percent of market share for all cargo transportation in Zambia. This is despite the introduction of a Statutory Instrument (SI) in 2018 that mandated the transportation of 30 percent of all bulk cargo by rail. Many stakeholders have expressed concern about the lack of enforcement of this SI. However, several other complementary measures are required to realise the objectives of this SI. Between 2015 and 2021, annual cargo transportation by rail averaged about 1, 116, 264 metric tonnes as shown in Figure 5.16.

Figure 5 13: Volume of Cargo Transported by Rail (2015 – 2021)



Source: Authors' construction using MoF data

Infrastructure gaps continue to impede the railway sector in Zambia considering that Zambia's rail infrastructure has been in existence for over a 100-years since their construction to date. These challenges relate to poor state of permanent ways, use of a single-track system, non-compatible railway tracks and rundown locomotives and rolling stocks.

Further, quality gaps pose a challenge considering that Zambia's rail tracks were constructed at cape gauge 1,067mm/ 3ft 6in. This poses a challenge for transporting higher tonnages and achieving greater train speed (Policy Monitoring and Research Centre, 2019). In addition, Zambia's railway track configuration poses a challenge as the country uses a single-track system. This has been exacerbated by lack of routine maintenance, frequent breakdowns, and inadequate security for cargo.

The lack of investment and recapitalisation of the railway industry has also contributed to the poor performance of the sector. Expanding rail capacity is hampered by vested interests of foreign trucking firms and some local big investors in trucking transport, this curtails railway expansion. There are also gaps with respect to coordination with regional railway companies and weak and outdated legal and policy environment. According to the Global Competitiveness Report (World Economic Forum, 2019), Zambia ranked 84th out of 141 countries in terms of railroad density and 93rd out of 141 countries in terms of efficiency of train services.

5.6. Distribution services

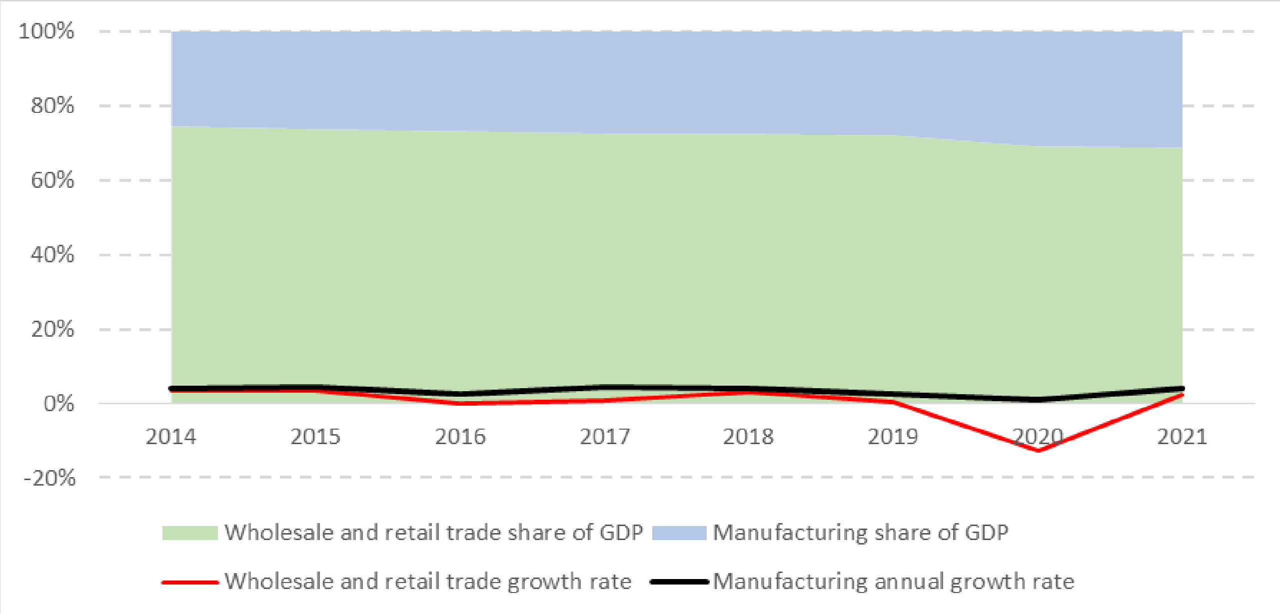
Distribution services (wholesale and retail trade) provide a crucial link between producers and consumers. As such, the capacity and efficiency of distribution services have significant spillover effects on producers and consumers. This sector is crucial in developing supply chains between the retail outlets and producers, including medium and small-scale businesses and farmers (**Ndulo & Chanda, 2016**).

In Zambia, the wholesale and retail trade sector accounted for the largest share of GDP averaging about 21 percent annually between 2014 and 2021 (Zamstats, 2022). During the same period, its growth rate averaged 0.16 percent – See figure 5.23. Moreover, the sector had the highest contribution to formal employment which stood at 25 percent in 2021 (**Ministry of Labour and Social Security; Zambia Statistics Agency, 2022**).

Despite this limited impact on the growth of manufacturing in Zambia, the large-scale retailing sector in Zambia has undergone changes since the country's economic liberalisation in the early 1990s. Currently, the Zambian large-scale sector is dominated by South African supermarket chains in Shoprite, Pick'n'Pay, Spar, Food Lovers and Game Stores. The latest entrant is Choppies originally from Botswana with outlets in Lusaka, Ndola, Mufulira, Chililabombwe and Kalumbila.

According to Ziba & Phiri (2017), the proliferation of supermarket chains stores in Zambia has the potential to confer greater benefits than the mere provision of various goods and services. They note that while Zambian consumers now enjoy increased consumer choice and the availability of an assortment of products, supermarkets can also aid the broadening of Zambia's export base to counter the risks associated with dependence on metal commodities, which are susceptible to international price shocks.

Figure 5 14: Wholesale, Retail, and Manufacturing Sectors' Share of GDP (2014 - 2021)



Source: Authors' construction using Zamstats data

Notably, the propagation of supermarket chain stores in Zambia has come with increased imports of processed and refined, foods specifically from South Africa. According to Ziba & Phiri (2017), South Africa continues to dominate the share of processed goods and household products that are imported and sold in regional supermarket chain stores in Zambia. They showed that at the International Standard Industrial Classification (ISIC) four-digit level, South Africa accounts for the highest share of Zambia's imports of manufactured bakery products, processed fruits and vegetables, cocoa and chocolate and sugar products, manufactured soft drinks, mineral waters, soaps, detergents, and other food products.

According to Ziba & Phiri (2017), the presence of supermarkets can contribute to employment creation and alleviate poverty in Zambia. The growing demand for processed products in regional markets presents export growth opportunities, especially in the Democratic Republic of Congo (DRC), Zimbabwe, Malawi, and South Africa, where Zambia already has a presence. However, current import data shows that Zambia's market share in these countries for selected processed foods and household products is relatively small. This suggests that Zambia has potential to expand its market presence and increase exports of processed and refined foods in the regional market.

This suggests scope for increased exports to these and other regional countries that can substitute for deep-sea imports made by these countries. It is thus imperative that Zambia exploits the opportunities for industrial development obtainable from the presence of supermarket stores in the country through the integration of local processing firms into supermarket value chains.

However, the participation of local processing firms is constrained by several factors. Ziba and Phiri (2017) undertook a survey to identify the challenges faced by local processing firms to access local chain stores. Their study indicated that these challenges include supermarkets' restrictive procurement strategies, stringent supply contract conditions, implementation of private standards, and the vertical integration of supermarkets with other foreign firms, which pose either strategic or exclusionary barriers to entry. Furthermore, access to adequate finance for investment in equipment and other assets is another challenge faced by firms. For instance, investment in machinery is one of the factors likely to influence domestic firms' participation in supermarket value chains.

Figure 5 15: Import Partners for Selected Neighbours (Processed Foods)

Democratic Republic of Congo	South Africa
	United States of America
	Kenya
	Brazil
	Ireland
Zimbabwe	South Africa
	Mozambique
	Argentina
	Mauritius
	Zambia
Malawi	South Africa
	Malaysia
	Kenya
	Zambia
	Argentina

Source: Authors' construction using ITC Trademap data

5.7. Recommendations

vi. Tourism:

a. Develop a comprehensive tourism-specific infrastructure strategy that imbeds public-private partnerships (PPPs), in line with the tourism master plan.
b. Promote other tourism sites and tourism fairs and marketing events to African and other niche markets.
c. Improve airport infrastructure, reduce jet fuel costs and parking charges, and encourage charter services.
d. Actively participate in collaborative regional tourism programmes: This can be undertaken by engaging in regional tourism development programmes, such as the KAZA visa to help local operators participate in collaborative regional tourism programmes.
e. Upgrade and develop new tourism products to increase visitor stays and earnings.
f. Streamline the regulatory environment and reduce the licensing fees to attract investment.
g. Promote the use of digital infrastructure providing tourism services such as AirBNB and booking.com

vii. Financial sector:

a. Design more diversified financial services sector that address the high cost of borrowing
b. Provide sector-specific credit lines for export-oriented businesses.
c. Promote the use of local insurance and re-insurance services in line with regional and multilateral commitments.
d. Promote domestic investment and FDI in the Zambian financial sector to improve

competitiveness and develop the local capacity for exports

e. Develop frameworks for innovation, financial inclusion, and reduced interest rates.
f. Strengthen monitoring to increase uptake of services from local insurance providers.
g. Binding financial services at WTO: Attach development conditions to sector opening for increased private sector participation using GATS articles IV and XIX. The conditions could involve capacitating the capital market in Zambia and increasing the participation of the private sector in the services industry.

i. Transport:

a. Develop an intermodal transport system that brings together and upgrades the road, rail, maritime, dry ports and air transport.
b. Implementation of SI No. 7 of 2018 must be enforced to give the much-needed business and competitiveness to the railway sector in Zambia.
c. Reduce the cost of diesel and jet fuel which renders Zambian truckers uncompetitive and unable to tap into regional markets. Further airport taxes and other charges must also be rationalised to enhance the performance of the aviation sector
d. Promote local trucking industry participation in collabouration with mining and other sectors
e. Leverage regional integration for improved transportation and border infrastructure.

ii. Distribution services:

i. Develop a strategy to promote participation of Zambian firms in local and regional distribution (retail and wholesale) services.
ii. Promote the stocking of locally produced goods in local and regional distribution (retail and wholesale) services
iii. Facilitate entry into regional markets through a regional procurement strategy promoting locally produced goods in supermarkets in the region through local subsidiaries of regional chainstores.

5.8. Conclusions

This chapter examined the services sector as a potential investment area for the diversification of exports. The study analyzed four selected services sectors, namely tourism, finance, transport and communication and distribution services. The tourism and distribution services present the country with a huge opportunity for diversifying exports and employment generation. Re-organising the financial, and communication and transport sectors is critical to lowering the cost of inputs for the competitiveness of the goods and services in the export markets. It is, therefore, essential that issues affecting the domestic services sector are resolved to expand their exports and trigger competitiveness in the merchandise trade.

CHAPTER 6: OPPORTUNITIES AND CHALLENGES OF REGIONAL INTEGRATION

6.1. Introduction

The global economy has seen the proliferation of Regional Trade Agreements (RTAs) in the last four decades. RTAs, are for many countries, used as a means of encouraging more economic integration than is currently possible through the World Trade Organisation (WTO), particularly in the case of investment, competition, the environment, and labour standards that are not fully addressed on a global basis (Crawford and Fiorentino, 2005). Given the lack of readiness among WTO Members to further liberalize on a multilateral basis, the creation of RTAs is motivated by the need for access to broader markets, which may be simpler to construct at the regional or bilateral level.

RTAs tend to broaden access to markets, enhance trade, and create investment opportunities which in turn lead to increased growth among participating nations. In addition, by coordinating administrative improvements and disseminating crucial data on trading opportunities, RTAs also lessen the technological and administrative barriers to trade (**UNCTAD, 2007**). RTAs also enhance FDI inflows into the region and foster access to improved technologies and are a means of enabling participation in global/regional value chains. These opportunities in turn foster higher economic growth, increased long-run employment growth, and ultimately lead to a substantial reduction in poverty among members of the regional bloc.

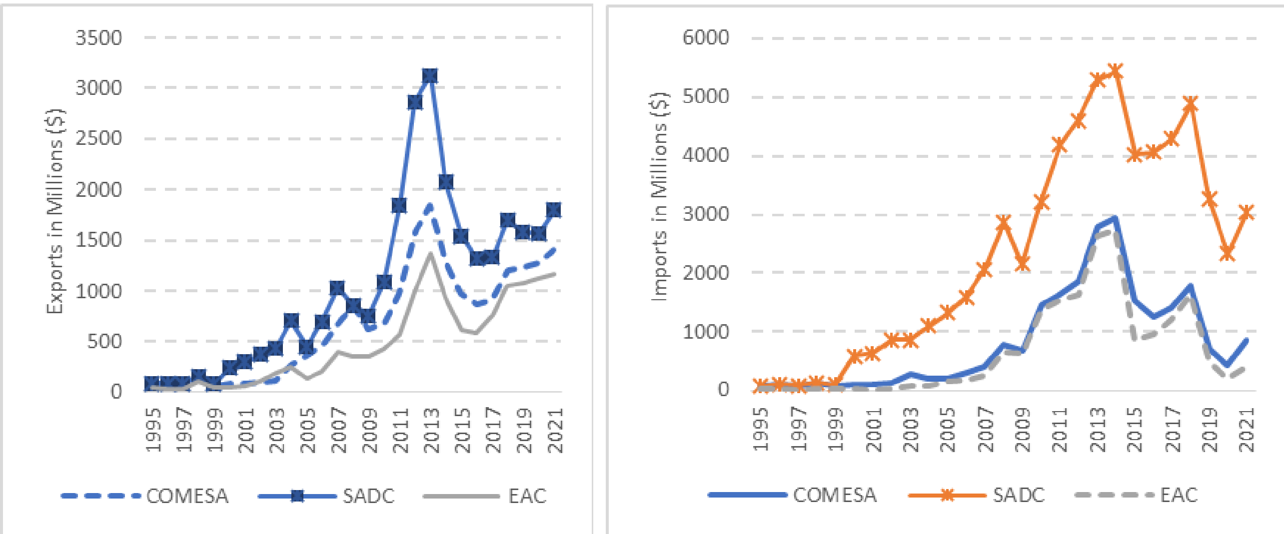
Zambia is a signatory to various regional and preferential trade agreements, among them, the Southern Africa Development Community (SADC) - Free Trade Area (FTA), the Common Market for Eastern and Southern Africa (COMESA) FTA, the Tripartite FTA comprising SADC, COMESA and the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA) at the regional level (Mulenga et al, 2020). At the global level, the country enjoys non-reciprocal duty-free access for its exports to the European Union (EU) market under the EBA agreement. It is also a signatory to the new European Union-Organisation of African, Caribbean and Pacific States (EU-OACPS) agreement, initiated on 15 April, 2021, replacing the Cotonou Agreement. The new partnership agreement aims to strengthen the capacity of the EU and the ACP (African, Caribbean and Pacific) countries in addressing global challenges together and serves as the new legal framework for EU relations with 79 ACP countries. Some analysts, however, have argued that the post-Cotonou agreement has removed trade and aid out of the partnership agreement (Medinilla, 2021). The country also enjoys non-reciprocal duty-free access to the United States of America (US) under the African Growth and Opportunity Act (AGOA) and enjoys trade preferences to the EU, the US, Japan, and Canada, among others, under the Generalized System of Preferences (GSP) (**UNCTAD, 2016**).

6.2. Zambia's Trade Performance in Selected RTAs

A large amount of Zambia's trade increasingly takes place within RTAs and this trend has been on-going since time immemorial. Figure 6.1 shows Zambia's trade with selected regional trade partners. According to figure 6.1, the country trades more with its partners in SADC and particularly more so after the launch of the SADC-FTA in 2000. This to some extent shows that the FTA has had an impact on Zambia's trade, in the sense that both exporters and importers seem to have seized the opportunity and taken advantage of the preferences granted under the FTA and as such responded by increasing their exports and imports following the launch of the FTA. Interestingly, COMESA has also emerged among Zambia's leading trade partners, with the trade volumes increasing considerably since 2000 when the COMESA FTA was established (**Figure 6.1**).

Zambia experienced a slight decline in its imports in 2008–09 largely because of the global economic meltdown and another in 2013–14 as a result of a drop in global commodity prices[5]. Exports have also been rising over the years although their growth has been lower than that of imports. Similarly, the country's exports also experienced a massive drop in the 2012–14 period also due to the fall in global commodity prices. Overall, Zambia's trade within SADC has been in deficit, with the deficit growing over the years.

Figure 6 1: Zambia's Trade in RTAs

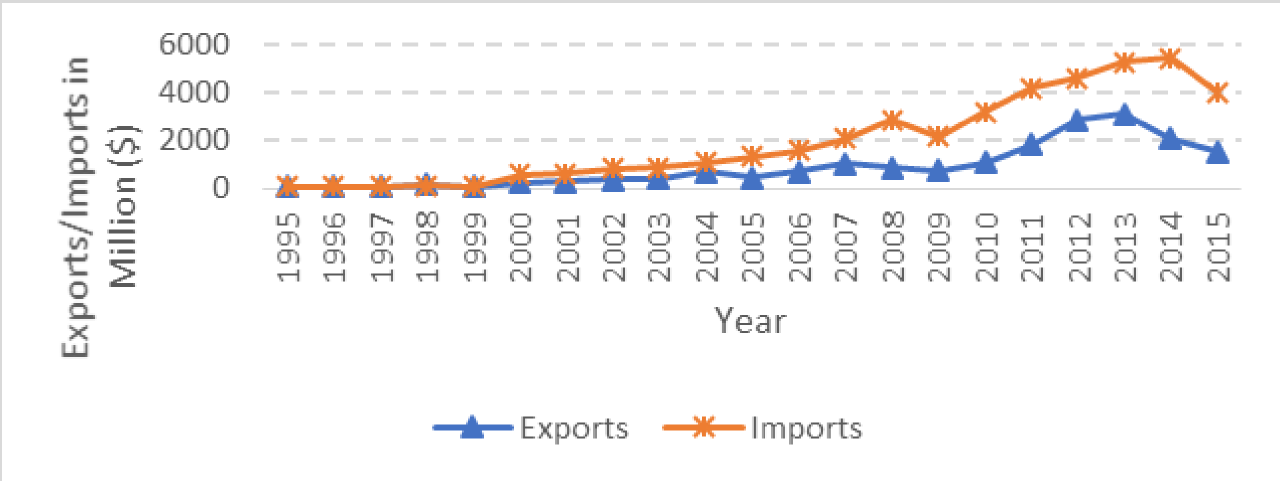


Source: Authors computation from UN COMTRADE database

Figure 6.2 shows Zambia's exports and imports following the launch of SADC FTA. The figure further reveals that the country has been a net importer of goods in its trade within SADC since the establishment of the FTA. The growth in the deficit could be attributed to the progressive removal and subsequent waiving-off in 2012 of all tariff duties on goods imported from the other SADC members, provided the goods carry the relevant certificate of origin (WTO, 2016) hence making the country an attractive export destination for the partner countries. However, on the export side, the country may have been exporting less because many commodities that are of export interest to the country have been put on the partner countries' exclusion lists (for example, animals and animal products, prepared food stuff, textile and clothing, sugar and some mineral products (Sandrey, 2013).

5The non-oil nominal commodity price index decreased significantly between 2011 and 2014 UNGC (2015: 2).

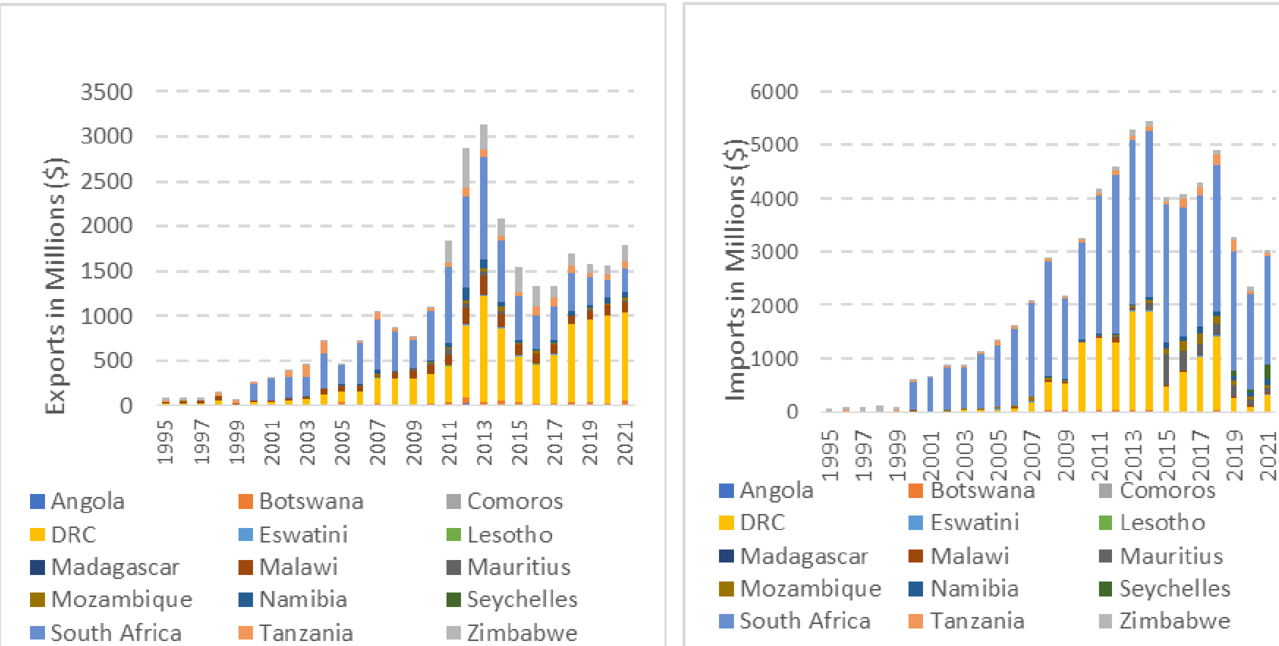
Figure 6 2: Zambia's Trade with SADC 1995 - 2021



Source: Authors computation from UN COMTRADE database

Figure 6.3 shows Zambia's imports and exports with individual countries in SADC. The key trading partners are South Africa, the Democratic Republic of Congo (DRC), Mauritius and Zimbabwe. The DRC, South Africa, Zimbabwe and Malawi have been Zambia's major export destinations for its goods, while South Africa, DRC, Mauritius and Tanzania have been the major import source.

Figure 6 3: Zambia's Trade with Individual SADC Countries



Source: Authors computation from UN COMTRADE database

6.3. Challenges and Opportunities of Zambia's Membership to RTAs

Generally, all the export firms interviewed acknowledge their awareness of Zambia's trade agreements although their depth of knowledge varied. They were also able to acknowledge their use of the RTAs, particularly stating that they utilised SADC more due to proximity of the member countries and COMESA on the other hand due to its more relaxed rules of origin (ROO). In terms of challenges, the firms identified a number of challenges that arise from the country's membership in RTAs, and these were validated by the survey of key informants through Focus Group Discussion (FGDs) involving individuals from the public sector, private sector and cooperating partners. The challenges include:

i) Lack of Productive Capacity and Limited Product Range

Most export firms have inadequate productive capacity to consistently produce for export markets as they are small, hence do not enjoy economies of scale. As a result, their costs of production are quite high, thereby rendering their products uncompetitive in export markets. Moreover, due to their small size, they are unable to consistently supply their products to foreign markets resulting into prolonged periods of disruptions in supply. In addition, the country's export base remains narrow and is concentrated around few products.

ii) Poor Infrastructure

The poor state of both hard and soft infrastructure in Zambia has negatively impacted the competitiveness of the country's exports. Specifically, the inadequate road infrastructure linking sources of raw materials to processing plants has resulted in increased transportation costs and higher production costs. With a significant portion of Zambia's food production occurring in rural areas, where access to good roads is limited, farmers face challenges in transporting their produce to the borders. This situation makes their products uncompetitive in export markets, despite being granted preferential access.

In terms of soft infrastructure, the export firms reported that there were a lot of inefficiencies at the borders mainly as a result of poor ICT to process their exports. They also highlighted the lack of one-stop border posts to reduce the time that trucks spent at the border waiting for clearance of their goods. This view was also shared by a key informant who stated that traffic congestion at borders was mainly as a result of the use of manual or physical systems as opposed to the use of ICTs.

iii) Cumbersome Border Procedures

It was noted that the process of clearance, particularly with reference to licence application and certification at the border, was too long and strenuous, and as such not supportive to start-up Small Medium Enterprises (SMEs). SADC borders were the most difficult borders to get clearance due to the amount of paperwork required, thereby negating the essence of having an FTA spearheading the removal of impediments to trade in the region.

iv) Lack of Information on FTAs and Available Markets

The export sector generally reported that there is a lack of information among the traders on the preferences offered in FTAs and how exporters can take advantage of the agreements, as well as the available export markets to take their products to. Government should endeavour to disseminate the content of the agreements they sign. In addition, there is lack of consistency in information disseminated by various government entities.

v) Burdensome Non-Tariff Measures (NTM)

With the liberalisation of tariffs in the trade agreements, it is quite obvious that NTMs remain a major challenge for the country's exporters. Many exporters, particularly the small firms, face difficulties in meeting technical standards in high export markets, costly rules of origin (ROO), and Sanitary and Phytosanitary (SPS) measures. These are an additional cost to the exporters and make Zambian exports less competitive in export markets.

vi) Competition from Cheaper Imports

Local producers face stiff competition from non-tariff imports sold cheaply on the Zambian market. The cheaper imports are out-competing similar locally manufactured products which are produced at higher cost, hence the local producers bow out of business. The study established that some countries export pre-owned goods such as clothes at a cheaper price, thus causing the local producers of similar products to exit the industry due to stiff competition. Moreover, the country's lack of policies to control the imports of pre-owned goods on the domestic market does not give motivation for foreign firms to set up subsidiaries that would bring the much-needed forex in the country.

vii) High Cost of Doing Business

Zambia is faced with inefficient and high cost supporting industries such as telecommunications, transport, financial services and energy coupled with prohibitive fees, resulting in high cost of doing business. For instance, due to the high cost of borrowing in Zambia, the cost of doing business among local firms is greatly increased, thus disadvantageous when compared to their foreign counterparts who have access to cheaper capital, the private sector noted.

viii) Trade Imbalances

The government reported that regional integration and trade agreements have caused trade imbalances to countries with no advanced or established manufacturing industry, leading to trade deficits.

ix) Spread of New Diseases in Crops and Animals

RTAs have removed or reduced the restriction on the movement of goods and people to increase international trade. This has in effect led to the transfer of diseases among member countries.

x) Implementation Failure

Despite countries signing these agreements, individual countries do not implement these guidelines at once. This makes the integration process difficult and ultimately delays the benefits that can be derived from the RTAs.

Opportunities

The challenges notwithstanding, the following were identified as the opportunities of Zambia's membership in RTAs:

i. Availability of a Larger Market

RTAs have broadened the market for various Zambian products. Membership to RTAs has increased the number of consumers for Zambian commodities especially farm produce to which Zambia has a comparative advantage. For instance, the COMESA market with a population of over 560 million people and GDP of $768 billion across member countries. Similarly, the AfCFTA provides a single continental market with a population of about 1.3 billion people and a combined GDP of approximately US$ 3.4 trillion. These provide a large market for Zambian exporters through expanded trade opportunities, higher export volumes, and increased revenue for Zambian businesses. The expanded free market area also provides an opportunity for Zambia to attract FDI. This can contribute to job creation, technology transfer, and overall economic development in Zambia.

ii. Technology Transfer

Zambia has benefited from the transfer of technology through RTAs. Over the years, the country has produced high quality products at low cost of production, in large quantities due to technological absorption arising from the RTAs. According to various stakeholders, through regional integration, Zambia has benefited from transfer of knowledge and technologies which have had a positive impact on the agriculture and manufacturing sectors' productivity.

iii. Access to Improved Quality Products and Variety

The opening up of the economy has led to an increase in the number of suppliers on the market. This has brought competition among suppliers, resulting in the provision of high-quality products to consumers in order to gain market share. It was also observed that not only do the consumers access high quality products, but they also have different brands of products to choose from due to RTAs.

iv. Infrastructural Development

Regional integration has also brought about massive infrastructure development in the country. These include the construction of the Kazungula Bridge with Botswana to facilitate trade, and the construction of one-stop border posts at the borders with Malawi, Zimbabwe and Tanzania.

v. Employment Opportunities

RTAs have increased employment opportunities among member states, particularly Zambia. The increase in trade and businesses comes with increased demand and expansion in production resulting in companies demanding for more labour, thus increasing employment opportunities. This can be in sectors such as light manufacturing and agriculture.

6.4. Regional Infrastructure, Freight, Regulatory Measures and Standards

The importance of regional infrastructure, freight, regulations, and standards for trade cannot be overemphasized. In view of this, most regional blocs in Africa have recognised the importance of regional infrastructure for trade as highlighted in regional policy programmes for infrastructure development in Africa, notably, the Southern African Development Community (SADC) Regional Infrastructure Development Master Plan (RIDMP), the COMESA-EAC-SADC Inter-Regional Infrastructure Master Plan, as well as the Programme for Infrastructure Development in Africa (PIDA) being implemented by the African Union under Agenda 2063. COMESA on the other hand has established an Infrastructure and Logistics division to spearhead and effectively address constraints related to the improvement of infrastructure and services in the region in order to reduce the cost of doing business and also to enhance competitiveness, through fostering physical regional connectivity and deepening infrastructure integration.

Africa's poor infrastructure has been identified to be a major bottleneck to the continent's development aspirations as it has a clear impact on its competitiveness. According to the African Union, African countries, particularly those south of the Sahara, are among the least competitive in the world. This has mainly been attributed to deficient infrastructure. The African Union further observes that deficient infrastructure in today's Africa has been found to sap growth by as much as 2% a year (https://au.int/en/ie/pida). With Africa's infrastructure systems (roads, ports and railroads) historically built for resource extraction and political control, rather than to bind territories together economically or socially, regional integration is the best, perhaps the only way for Africa to realise its growth potential, participate effectively in the global economy, and share the benefits of globalization.

Zambia's infrastructure network reflects its economic geography, with clear north-south backbones and very limited east-west spurs. There are two types of infrastructure, these are physical and institutional infrastructure. Physical infrastructure includes roads, bridges, buildings, electricity supply and many tangible things; while institutional infrastructure includes, but is not limited to administration, border services, regulatory policies, and compliances. The country has different areas of infrastructure, including the road network which provides a broader coverage of the country and ensures the smooth movement of goods, waterways and bridges which ensure connectivity of the country with other countries or regions, and ICT and energy sectors which are enablers of international trade.

Infrastructure development in Zambia remains a major challenge to growth, economic diversification, and human development. The country is in dire need to develop its infrastructure. Areas for development include increased power generation capacity through upgrading and construction of new generation facilities and use of alternative energy sources; improving and expanding the rail network to reduce the burden placed on road infrastructure; and rehabilitating and maintaining inter-country roads to open up the country (ITA, 2022).

Regulatory measures and standards are currently a hindrance to trade. One major problem when it comes to regulatory measures and standards is information asymmetry which could partly be attributed to the lack of effective information sharing and monitoring efforts by the regulatory bodies of trade. Furthermore, traders need to obtain many compliance certificates to trade internationally.

This increases the cost of doing business for the traders. For small-scale traders COMESA has instituted the Simplified Trade Regime (STR) help to simplify and streamline trade procedures, reduce trade costs, and enhance trade facilitation across member states.

In conclusion, it was observed that despite the efforts that the country has made to promote the smooth flow of trade across Zambia and the region, there are still a lot of issues ranging from policies to infrastructural development inhibiting trade. They include lack of development of dry ports, impeding trade policies, poor transport system, delays in border clearance, corruption among others.

6.5. Feasibility of Developing Zambia as a Regional Transport Hub

Improving Zambia's infrastructure requires reform of its administrative and regulatory processes (for example, the removal of obstacles to regional trade), as well as substantial investments in physical infrastructure. This has been highlighted in several national policy documents, among them the National Trade Policy, the Industrial Policy, the National Transport Policy and successive national development plans. The National Transport policy (2019) for instance, outlines the need to create an intermodal transport system which will provide for interlinkages among the four modes (Rail, Road, Air and Water) of transport and ultimately transform Zambia into a regional transport hub by 2028.

Zambia's central location and infrastructure investments, policy, coupled with regional integration initiatives, have the potential to transform it into a thriving transport and logistics hub. Zambia's central geographic position and deliberate government policy with regards to the transport sector has transformed the country into a land-linked country and exposed it to multiple import and export trade routes. These trade routes have been designated as regional transport development corridors within various Regional Economic Communities. According to the National Transport Policy (2019), the designated trade routes traverse Zambia and provide access to all SADC sea ports but remain largely unexploited. Zambia's position can be exploited into a regional intermodal transport hub, thereby optimizing economic benefits for itself and the region. The country needs to take advantage of its centrality by taking a lead in the development of corridors and position itself as a hub of inter-regional trade as all key transport corridors in the SADC region traverse Zambia.

An efficient transport system is essential for a successful transport hub. In the past years, Zambia has been investing in infrastructure projects, such as road networks and the expansion and upgrading of its international airports with a view to enhancing connectivity and ensuring ease movement of goods and people. In addition, Zambia's membership in regional integration initiatives, such as COMESA, SADC, and the Tripartite Free Trade Area, can support the formation of a transport hub. These regional blocs promote regional cooperation, trade facilitation, and infrastructure development, providing an opportunity for Zambia to become a hub for regional trade and logistics. The SADC Regional Infrastructure Development Master Plan (2012 – 2020) emphasises the centrality of Zambia in its quest to accelerate regional infrastructure programmes and to address regional transit facilitation (SADC, 2012). Moreover, for the hub agenda to be successful, Zambia also needs to cooperation and collabouration with neighbouring countries. Besides developing an efficient transport infrastructure, Zambia further needs to enhance logistics infrastructure, such as logistics parks, intermodal terminals, and warehousing facilities, to support efficient cargo handling and storage. Furthermore, the country needs to invest in training and skills development programmes for the workforce in the transport and logistics sector.

Thus far, the country has put in place systems for the mobilization of funds for transport development. Among the tools used for the mobilization of funds are the fuel levies, road user charges and tolls whose allocations are skewed towards the road sector which generates more revenue (GRZ, 2019). Apart from these financing methods, the country has also embarked on partnerships with various stakeholders including COMESA, SADC, the EU and the World Bank. Currently, COMESA in conjunction with the World Bank and the Trade and Development Bank is funding various infrastructural developments in Zambia as well as in other COMESA member states to transform the transport infrastructure. COMESA also provides other types of assistance to its member states including technical assistance on trade related matters.

However, much of the focus of the investments have been centred on road transport systems, neglecting the water, air freight, and rail systems. For instance, there have been no recent developments in dry ports which has resulted in traffic congestion at the ports and bays. There have also been no developments of storage facilities, which has also contributed to the increased cost of doing business. Cooperating partners such as the EU have continued to support the development of the transportation system through funding of rehabilitation of roads that link Zambia with other countries such the Choma-Livingstone Road, the Great East Road to Malawi, the Mpika-Nakonde road to connect with Tanzania, among others. The quest to transform the country into a regional transport hub has yielded several successes. The key achievements in the four main transport systems are presented below:

a) Roads

Zambia has made major progress with its main trunk road network. Despite relatively low road densities, Zambia's primary and secondary networks provide basic regional and national connectivity, linking the provincial capitals to Lusaka, and Lusaka to the main international border crossings (Foster and Dominiguez, 2010). The condition of the road network is in different states, with about 85 percent of the paved Trunk, Main and District (TMD) roads being in good condition while only 12 percent of that which is unpaved and the primary feeder roads are in good condition (GRZ, 2019). Further, about 49 percent of the urban road network is in good condition. The large proportion of TMD roads is as a result of the country's massive investments in the road sector, including the link Zambia 8000 project which was aimed at transforming the country from land-locked to land-linked. The project involved paving 8,201km of road at an estimated cost of $5.6 billion. Other investments include the Pave Zambia 2000 programme, which aimed at the rehabilitation of 2000km of urban roads; and the L400 project, which involved constructing or rehabilitating 400km of Lusaka urban roads at a cost of $348 million, and the completion of the $298 million Kazungula Bridge linking Zambia and Botswana which has eased transportation and supported trade between the two countries as well as other SADC member states (ITA, 2010; PMRC, 2021). To fund road maintenance and broaden financing options for road infrastructure development, the country has been constructing road tolls on major roads.

b) Rail

Despite the importance of the railway transport for large bulk, time-insensitive commodities, such as Zambia's copper production, railway transport in Zambia has continued to underperform. The subsector has lost its market share of freight to road transport even in market segments that could be better served by railway transport such as bulk cargo (GRZ, 2019). According to the National Transport Policy (2019), railway freight services in the country do not fully meet the demand by the industry with respect to capacity, lead times and reliability. As of 2019, the market share for both ZRL and TAZARA was just about 8 percent for freight and 7 percent for passenger transport. The low volumes can be attributed to the road transport which rather than complementing the rail transport actually competes with it as railway passenger and freight costs are currently higher compared to road rates (GRZ, 2019). In addition to the high costs, rail transport is affected by the lack of reciprocal access rights for goods in transit through Zambia and along the entire north-south corridor thereby causing undue delays. Access from one rail system to another is restricted for technical reasons or connecting rail operators simply do not have the necessary traction capacity to service existing traffic (GRZ, 2019). Reducing these delays requires revision of the contractual relationships and access rights linking these railways to ensure transparency and fairness in reciprocal track access rights (GRZ, 2019).

c) Air transport

Currently, the country has four international airports, namely Harry Mwaanga Nkumbula (Livingstone), Kenneth Kaunda (Lusaka), Simon Mwansa Kapwepwe (Ndola) and Mfuwe (Luangwa National Park). In addition, the country has 7 domestic airports and 43 air strips. Despite recently upgrading the international airports with the exception of Mfuwe airport, the country's airports remain under-utilised resulting in low revenue to operating cost ratio (GRZ, 2019). The low utilisation can, however, also be attributed to the lockdowns resulting from the COVID-19 pandemic that saw a number of airlines ceasing their flights into the country. However, traffic is expected to increase with the introduction of a national flag carrier and resumption of flights after the disruptive effect of COVID-19. However, the high domestic and international air fares coupled with the high airport charges present a challenge to attracting tourists and new airlines, respectively. High airport cost charges and air fares seriously reduce frequencies, destinations and connectivity by air as they have a high relation to aviation activity.

d) Inland Waterways

By African standards, Zambia is relatively well endowed with water and has abundant navigable lakes, rivers and canals. The country has many harbours and ports, among them, Mpulungu on Lake Tanganyika, Mulamba on Zambezi River, Siavonga on Lake Kariba, Nchelenge on Lake Mweru, and Samfya on Lake Bangweulu (GRZ, 2019). Despite this, the country's water transport infrastructure is largely underdeveloped and lags far behind other transport modes. This sector has not had any major investment programmes except for the procurement of dredging equipment and water vessels (GRZ, 2019). The Mpulungu Harbour, despite being an important gateway to the Great Lakes Region and having great potential for commercial shipping remains largely underdeveloped. The major challenges in the waterway sector include long vessel turnaround time and poor state of vessels, lack of dry port and critical linkage to other modes of transport such as rail (GRZ, 2019). The inadequate state of inland waterway infrastructure has resulted in unsatisfactory waterway provision of transport services.

6.6. Recommendations

In view of the findings, this study recommends the following:

i. Ensure regional enforcement of harmonised quality standards in RTAs.
ii. Provide business development services including quality standards and rationalisation of the costs of compliance.
iii. Collabourate with SADC, COMESA and neighbouring countries to develop an efficient transport system and other transport-related infrastructure such as dry ports and storage facilities in Zambia.
iv. Streamline export requirements by reducing the number of documents and establishing one-stop shops where all the necessary documentation for exports to RTAs can be obtained under one roof if the country is to reap the benefits from the preferential schemes. There is a need for investment in ICTs, especially at borders to reduce delays in the clearance of goods and services. Invest in multi-modal transport system such as rail, air and water to reduce the road wear and tear but also in order to become a regional transport hub.
i. Diversifying the economy by supporting sectors with high growth potential and through value addition to enhance trade in complementary goods within the region.
ii. Formulate deliberate trade policies to support small businesses in the following areas: market access services, access to finance, technology and product development services, training and technical assistance, infrastructure-related and export information services.

6.7. Conclusion

There are various opportunities and challenges in Zambia's membership to RTAs. The opportunities include the introduction of new technology and ways of production, access to good quality products, wider market, reduced costs of doing business, increased trade and infrastructural development. On the other hand, the major challenges identified include the lack of knowledge of the opportunities offered in RTAs, poor transport infrastructure, cumbersome administrative procedures at borders, lack of production capacities by domestic export firms and NTMs.

In terms of transport infrastructure, while the country has great potential to develop into a regional transport hub, the transport infrastructure remains underdeveloped. Apart from the road sector, there are no major plans to develop other transports systems such as the rail system, nor projects running to build dry ports and storage facilities which would facilitate trade. It was also observed that the regional infrastructure inhibited trade due to it being inadequate and in deplorable state. Another challenge is that, by having no direct access to the seaport, Zambia faces high transportation costs which affects its competitiveness on the regional and international markets.

CHAPTER 7: TRADE FACILITATION ON TRADE AND INVESTMENTS

7.1. Introduction

This chapter reviews progress (challenges and successes) made by Zambia in implementing the WTO Trade Facilitation Agreement and the effect that trade facilitation (both at-the-border and behind-the-border measures) has had on trade flows and foreign direct investment (FDI). This includes assessment of the enablers and inhibitors to trade arising out of the implementation of the WTO Trade Facilitation Agreement; impact of behind-the-border policies and measures adopted by the Zambian government which impact on imports and exports, such as domestic subsidies, competition policy, standards, labour conditions, and border clearance processes and effectiveness of the NTBs monitoring mechanism and functionality of TFA and NTB coordination structures.

Given that cross-border trade plays an important role in linking Zambian small-scale agricultural producers with partners in the region, assessment of the impact on cross-border traders and traders' experiences with customs clearance and interactions with other relevant agencies is cardinal as are the capacity gaps in implementing the category B and C commitments notified to the WTO and the extent to which NTBs have been increasing at the regional level. The chapter also explores opportunities in the WTO TFA that Zambia can pursue to enhance her trade with the world and recommends reforms and actions to harness these opportunities.

7.1.1 Zambia's implementation of WTO TFA measures since 2014

Zambia ratified the WTO Trade Facilitation Agreement (WTO TFA) in 2015 and in the same year, Zambia notified to the WTO the classification of the articles in the agreement into Category A, B and C and embarked on implementation of various articles of the TFA. Category A commitments refers to the articles in the agreement that the member was already implementing by the time the agreement entered into force (or in the case of least-developed countries, within one year after entry into force). Category B commitments refers to the articles in the agreement that the member was going to implement after a transitional period following the entry into force of the agreement, and Category C commitments refers to the articles in the agreement that require assistance and support for capacity building to enable the member to implement them after a transitional period following the agreement's entry into force. In this regard, Zambia being a least developed country benefits from the Special Provisions of the Agreement which binds the developed countries to assist developing countries with implementation of the Agreement.

Zambia has since embarked on implementation of various articles of the WTO TFA. To start with, Zambia established the National Trade Facilitation Committee (NTFC) in line with Article 23.2 of the TFA which is in the Institutional Arrangements section. This Article mandates each Member of the World Trade Organisation to establish and/or maintain a National Committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of provisions of the TFA. In recognition of this requirement and to kick-start the process of implementing the reforms, Zambia set up the NTFC in January, 2016. The NTFC is composed of Government Ministries, Agencies that have a mandate related to the movement of goods and services across the border and private sector representation. The NTFC is co-chaired by ZRA and MCTI. The NTFC has a four-tier structure that starts with Border Committees, the Specialised Working Committees or Working Groups, the Technical Committee and the Steering Committee. The Steering Committee is a policy committee chaired by the Secretary to Cabinet and oversees the work of the NTFC. The Steering Committee is composed of Permanent Secretaries and Heads of Border Agencies.

The Technical Committee is an advisory body that is composed of technical experts and chief executives or Director Level that recommends trade facilitation issues to the Steering Committee. Sub-committees and Specialised Working Groups address specific areas of the Trade Facilitation Agreement that need to be implemented. Currently, these sub-committees are:

- Sub-committee on Trade in Goods chaired by ZRA;
- Sub-committee on Trade in Services chaired by MCTI;
- Sub-committee on Transport and Logistics chaired by MTL;
- Border Sub-committees;
- Specialised Working Group on Single Window – Lead agency ZRA;
- Specialised Working Group on E Portal – Lead agency MCTI;
- Specialised Working Group on Time Release Study – Lead agency MCTI/ZRA;
- Specialised Working Group on Modernisation of Customs Clearing and Freight Forwarding Agents Licensing Framework – Lead agency ZRA,
- Specialised Working Group on Coordinated Border Management; and,
- Specialised Working Group to oversee the Comprehensive Study on Fees and Charges – Lead agency Business Regulatory Review Agency (BRRA).

Zambia established the NTFC initially through a Cabinet decree to monitor the implementation of the WTO TFA. This was formalised by a legal instrument with the enactment of the Border Management and Trade Facilitation Act No. 12 of 2018. The main objectives of the Act were to provide for coordinated border management and control for the efficient movement and clearance of goods; (b) give effect to the provisions of agreements on one-stop border posts; (c) provide for simplified arrangements with adjoining states relating to the movement and clearance of goods; (d) establish control zones and provide for powers of officers in control zones; (e) provide for the development, management and maintenance of border infrastructure; (f) authorise the application of the Laws of Zambia and the laws of adjoining states in one-stop border posts.

A number of trade facilitation programmes have been initiated and are being implemented. These include the following: Zambia Electronic Trade Information Portal, one-stop border posts (OSBP), electronic single window, authorized economic operator, Time Release Studies, inquiry Points, Advance Rulings, Disciplines of Fees and Charges Imposed on or in Connection with Importation and Exportation and Penalties, Risk Management, Release and Clearance of Goods, Electronic Payments, and establishment of Joint Border Committees among others.

7.1.2. Implementation and Status of WTO TFA Obligations (Articles)

The following Articles of the WTO TFA give the status of implementation since 2016.

Article 1.2: Information availability through the Internet

This Article stipulates that trade-related information shall be provided by an Electronic Trade Portal. The Zambia electronic trade portal was established in May, 2020 facilitated by funding from USAID through the Southern Investment and Trade Hub and the World Bank. While the portal was expected to be hosted by the Ministry of Commerce, it has been hosted abroad and efforts have been made to transfer hosting rights to Infratel, a Zambian incorporated company under the Industrial Development Corporation (IDC). However, updating the portal with current information has remained a big challenge.

Article 1.3: Inquiry Points

This Article stipulates that each WTO Member shall, within its available resources, establish or maintain one or more enquiry points to answer reasonable enquiries of governments, traders, and other interested parties. It requires the implementation of One-Stop Shops at the Borders to provide ready information and documentation to the public by all agencies. A number of One-Stop Shops have been established throughout the country under the Business Regulatory Review Agency (BRRA) of the Ministry of Commerce, Trade and Industry.

Article 5.1: Notifications for Enhanced Controls or Inspections

This Article stipulates that notifications for inspections required by border agencies should be sent electronically. Electronic notifications are now sent to the Declarant (Customs Broker) at registration of declaration and some Border agencies carry out joint inspections to avoid duplication and the Multi-Agency Risk Management framework is being implemented on ASYCUDA World. Nine (9) Agencies have already been connected to ASYCUDA World using the Risk Management Platform.

Article 5.3: Test Procedures

This Article stipulates that a member may, upon request, grant an opportunity for a second test in case the first test result of a sample taken upon arrival of goods declared for importation shows an adverse finding. Zambia has implemented this requirement and is being assisted by cooperating partners such as the RISM Project; Lobito Corridor Trade Facilitation Project the World Bank and the Zambia Border Posts Upgrading Project with infrastructure development of labouratory facilities and procurement of lab equipment.

Article 6.1: General Disciplines on Fees and Charges

This Article stipulates that each Member shall periodically review its fees and charges with a view to reducing their number and diversity, where practicable. Through BRRA, Zambia undertakes reviews of fees and charges imposed with respect to exportation, importation or transit. The activity is supported by USAID through the Southern Africa Investment & Trade Hub. A Specialised Working Group (SWG) comprising all stakeholders under the National Trade Facilitation Committee is overseeing the activity. On another action point under the same Article, namely, harmonisation of payment points through the Single Payment Point (SPP), the SPP was implemented on 1st March, 2018 and ZRA has been collecting fees initially for four Agencies, namely:

a) Zambia Compulsory Standards Agency for (4 types of fees);
b) Zambia Metrology Agency for (1 type of fee);
c) Road Transport and Safety Agency; and,
d) Zambezi River Authority.

Article: 7.2: Electronic Payments

This Article stipulates that each Member shall, to the extent practicable, adopt or maintain procedures allowing the option of electronic payment for duties, taxes, fees, and charges collected by customs incurred upon importation and exportation. ZRA implemented electronic payment (e-payment) system in 2014 and so far all the 19 commercial banks have been connected and are now offering e-payments for both Customs and Domestic Taxes and three (3) Mobile Network operators are offering e-payment solutions for Domestic Taxes.

Article 7.6 Establishment and publication of Average Release Times

The Article stipulates that Members are encouraged to measure and publish their average release time of goods periodically and in a consistent manner. In 2017, Zambia was part of a Regional Time Release Study (TRS) undertaken by COMESA covering 10 countries and covered three borders - Chirundu, Kasumbalesa and Katima Mulilo. Following this study, the World Bank and World Customs Organisation supported a TRS at Chirundu in 2019 which also served as capacity building for local skills for future TRSs. Consequently, this led to the formation of the Time Release Study Working Group that has conducted the Nakonde and Mwami Time Release Study with the report published in 2022. In 2021, the World Bank also funded a private consultant to undertake Time Release Study at Katima Mulilo, Livingstone, Victoria Falls and Kenneth Kaunda International Airport. All these reports have identified numerous challenges obtaining at the concerned border posts but there has been very little action on those identified challenges.

Article 7.7: Trade Facilitation Measures for Authorised Economic Operators

This Article stipulates that each member shall provide additional trade facilitation measures related to import, export, or transit formalities and procedures to operators who meet specified criteria. The Trade Facilitation Measures for Authorised Economic Operators (AEOs) is a system which encourages rewarding of compliant clients by border agencies with quick goods clearance. Currently, ZRA has sixty - four (64) registered AEOs. The Zambia Compulsory Standards Agency also maintains their own system which recognises compliant clients with respect to their area. It is expected that a multi-Agency AEO recognition system is implemented as opposed to the stand-alone systems being operated by each agency.

Article 8: Border Agencies Cooperation

This Article stipulates that each Member shall ensure that its authorities and agencies responsible for border controls and procedures dealing with the importation, exportation, and transit of goods cooperate with one another and coordinate their activities in order to facilitate trade. In this regard, the Coordinated Border Management and Trade Facilitation Bill was enacted as Act No. 12 of 2018. The broad areas covered under the Act include formally legislating the formation of the National Trade Facilitation Committee, providing for One-Stop Border Posts, enhance border coordination by providing for a Lead Agency at borders and provide for harmonised working hours for all agencies. It was recognised that the Act was short on best practices as espoused by the WTO TFA and therefore, in 2022, the Act was scheduled for review where a new Bill was proposed after a comprehensive review.

Article 10.4: Single Window

This Article stipulates that Members shall endeavour to establish or maintain a single window, enabling traders to submit documentation and/or data requirements for importation, exportation, or transit of goods through a single-entry point to the participating authorities or agencies. The ZRA has made significant progress in the implementation of this Article although not all border agencies are connected to the system. There are four components of the connections to the Zambia Electronic Single Window (ZESW), namely.

a) Connection to Zambia Electronic Single Window/ Risk Management platform. Ten (10) Agencies have been connected);
b) Electronic Import/Export Permits (e-Permits). One Ministry with three Agencies have been connected.
c) Government Electronic Voucher of Exemption (e-VOE). Seven (7) Ministries have been connected); and,
d) Single Payment Point (SPP). Four (4) Agencies have been connected.

Article 10.6: Use of Customs Brokers

This Article stipulates that with regard to the licensing of customs brokers, Members shall apply rules that are transparent and objective. ZRA has implemented the automated system for registration of Customs Brokers known as Customs Electronic Licensing System (CELS). An accreditation system and capacity building for Clearing Brokers is underway with support from Global Alliance for Trade Facilitation (a private sector multinational organisation). Furthermore, a Specialised Working Group of all stakeholders to oversee capacity building and modernisation of the framework has been established under the National Trade Facilitation Committee.

Article 12: Customs Cooperation - implement One Stop Border Posts (OSBPs)

Under this Article, Members are encouraged to share information on best practices in managing customs compliance and the establishment of One-Stop Border Posts (OSBPs). The Ministry had prioritised the following border posts to be converted to OSBPs from traditional two-stop border posts, namely;

- Nakonde/Tunduma (with Tanzania) - the border was officially launched as a OSBP in October 2021, although numerous challenges prevent the border post to operate smoothly as a OSBPs;
- Katima Mulilo/Wenela (with Namibia) – Consultations with Namibia have been initiated;
- Kipushi (With DRC) – Various engagements have been made regarding this border;
- Victoria falls (with Zimbabwe) – Awaiting the signing of the Bilateral Agreement by the two countries.
- Kazungula (with Botswana) – The One-Stop Border Post was launched in May 2021; and,
- Mwami (with Malawi) – The One-Stop Border Post was launched in December 2022;
- Chanida (with Mozambique) - Consultations between Zambia and Mozambique have been initiated on this border.

Article 13: Institutional Arrangements - Establish National Committee on Trade Facilitation (NCTF) Secretariat

Zambia established the NTFC and the Secretariat with the help of the World Bank in 2016. It has acted as an interactive open forum for all public agencies and private Trade Facilitation matters and the structure has been elaborated and set up with all committees meeting regularly. The Steering Committee has been very active in guiding the NTFC develop pertinent policy actions on trade facilitation.

7.1.3. Zambia's Performance Implementation of WTO TFA and TF

In comparing trade facilitation performance across countries, the OECD has developed trade facilitation indicators (TFIs) to help governments improve their border procedures, reduce trade costs, boost trade flows and reap greater benefits from international trade. The TFIs help identify areas for action and enable the potential impact of reforms to be assessed. The TFIs also allow countries to identify priority trade facilitation areas for action, and to mobilise technical assistance and capacity building in a more targeted way. The TFIs measure the actual extent to which countries have introduced and implemented trade facilitation measures and also their performance relative to other countries' key areas of the border process.

The TFIs take values from 0 to 2, where 2 designates the best performance that can be achieved. They are calculated based on information in the TFIs database (OECD, 2019). The following are the TFI calculated for Zambia in 2019.

In 2019, according to the OECD assessment, Zambia's trade facilitation performance was almost 45 percent (43.6 percent) below the best practice. However, performance improved between 2017 and 2019 in the areas of: simplification and harmonisation of documents and streamlining of procedures.

By 2019, performance in the other areas remained stable with the exception of appeal procedures, where some ground was lost compared to the other economies in the sample. Generally, trade facilitation performance was below the best performance in all areas (OECD, 2019).

Table 7 1: Zambia Trade Facilitation indicators (TFIs)

Indicator	2019	Best Practice 2019
Average trade facilitation performance	0.825	1.889
A-Information availability	1.00	1.667
B-Involvement of the trade community	1.17	1.750
C-Advance rulings	0.500	1.909
D-Appeal procedures	0.67	1.615
E-Fees and charges	1.42	1.857
F-Documents	0.75	1.778
G-Automation	0.50	1.692
H-Procedures	1.00	1.600
I-Internal border agency co-operation	0.50	1.273
J-External border agency co-operation	0.80	1.273
K-Governance and impartiality	0.78	1.889

Source; OECD, 2019

Comparing New Zealand which mostly represents best practice, Rwanda and Zambia between 2019 and 2021, we observe that Zambia lagged behind Rwanda and New Zealand in all areas as shown in Table 7.2.

Table 7 2: Trade Facilitation Indicator Performance, Zambia, Rwanda and New Zealand (Percent)

Indicator/Year	Zambia		Rwanda		New Zealand			
	2019	2021	2019	2021	2015	2017	2019	2021
Trade facilitation score	60.22	60.22	na	78.49	78.49	78.49	91.4	96.77
Transparency	73.33	73.33	na	86.67	100	100	100	100
Formalities	62.5	62.5	na	87.5	87.5	87.5	100	100
Institutional Arrangement and Cooperation	88.89	88.89	na	100	44.44	44.44	77.78	88.89
Paperless Trade	55.56	55.56	na	85.19	77.78	77.78	92.59	96.3
Cross-Border Paperless Trade	38.89	38.89	na	38.89	66.67	66.67	77.78	94.44

Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, 2021

To help countries benchmark and reduce the time and cost of trading across borders, the UN Regional Commissions jointly conduct the UN Global Survey on Digital and Sustainable Trade Facilitation. The Survey currently covers 143 economies around the globe, and 58 measures related to the WTO's Trade Facilitation Agreement (TFA), as well as emerging regional and global initiatives on paperless trade or e-trade. The analysis is based on 58 trade facilitation measures that are classified into four groups (General Trade Facilitation, Digital Trade Facilitation, Sustainable Trade Facilitation and Other Trade Facilitation) covering both binding and non-binding WTO TFA measures, as well as measures beyond the scope of WTO TFA. The report aims at enabling countries and development partners to take a forward-looking approach to trade facilitation, better understand and monitor progress, support evidence-based public policies, share best practices, and identify emerging capacity-building and technical assistance needs.

The UN Global survey findings indicate a similar picture that by the time of the survey, Zambia was lagging behind Rwanda and New Zealand in most areas in the implementation of trade facilitation reforms as per the requirements of the WTO TFA. The table below shows the findings of the UN

Table 7 3: Assessment of WTO TFA Implementation: Zambia, Rwanda and New Zealand

S/N	Measure	Zambia		Rwanda		New Zealand	
		2019	2021	2019	2021	2019	2021
1	National Trade Facilitation Committee or similar body*	Fully implemented	Fully implemented	Not available	Fully implemented	Fully implemented	Fully implemented
2	Publication of existing import-export regulations on the internet	Planning stage	Planning stage (eTrade information portal launched in May 2020)	Not available	Fully implemented	Fully implemented	Fully implemented
3	Stakeholders` consultation on new draft regulations (prior to their finalization)	Fully implemented	Fully implemented	Not available	Fully implemented	Fully implemented	Fully implemented
4	Advance publication/ notification of new trade-related regulations before their implementation*	Fully implemented	Fully implemented	Not available	Partially implemented	Fully implemented	Fully implemented
5	Advance ruling on tariff classification and origin of imported goods*	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
6	Risk management	Planning stage	Planning stage	Not available	Partially implemented	Fully implemented	Fully implemented
7	Pre-arrival processing	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
8	Post-clearance audits*	Fully implemented	Fully implemented	Not available	Fully implemented	Fully implemented	Fully implemented
9	Independent appeal mechanism	Partially implemented	Partially implemented	Not available	Partially implemented	Fully implemented	Fully implemented
10	Separation of Release from final determination of customs duties, taxes, fees and charges	Partially implemented	Partially implemented	Not available	Partially implemented	Fully implemented	Fully implemented
11	Establishment and publication of average release times	Planning stage (Several TRSs conducted since 2017)	Planning stage (Several TRSs conducted since 2017)	Not available	Partially implemented	Fully implemented	Fully implemented
12	TF measures for authorised operators*	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
13	Expedited shipments	Planning stage	Planning stage	Not available	Fully implemented	Fully implemented	Fully implemented
14	Acceptance of copies of original supporting documents required for import, export or transit formalities*	Fully implemented	Fully implemented	Not available	Fully implemented	Fully implemented	Fully implemented
15	Automated Customs System*	Fully implemented	Fully implemented	Not available	Fully implemented	Fully implemented	Fully implemented
16	Internet connection available to Customs and other trade control agencies*	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
17	Electronic Single Window System	Planning stage	Planning stage	Not available	Fully implemented	Fully implemented	Fully implemented

S/N	Measure	Zambia		Rwanda		New Zealand	
		2019	2021	2019	2021	2019	2021
18	Electronic submission of Customs declarations	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
19	Electronic application and issuance of import and export permit*	Planning stage (Partially implemented)	Planning stage (Partially implemented	Not available	Partially implemented	Fully implemented	Fully implemented
20	Electronic Submission of Sea Cargo Manifests	Not available	Not available	Not available	Not available	Fully implemented	Fully implemented
21	Electronic Submission of Air Cargo Manifests	Planning stage	Planning stage	Not available	Planning stage	Partially implemented	Partially implemented
22	Electronic application and issuance of Preferential Certificate of Origin	Planning stage	Planning stage	Not available	Partially implemented	Fully implemented	Fully implemented
23	E-Payment of Customs Duties and Fees	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
24	Electronic Application for Customs Refunds	Partially implemented	Partially implemented	Not available	Fully implemented	Partially implemented	Fully implemented
25	Laws and regulations for electronic transactions	Partially implemented	Partially implemented	Not available	Do not know	Fully implemented	Fully implemented
26	Recognised certification authority	Fully implemented	Fully implemented	Not available	Planning stage	Fully implemented	Fully implemented
27	Electronic exchange of Customs Declaration*	Not implemented	Not implemented	Not available	Fully implemented	Fully implemented	Fully implemented
28	Electronic exchange of Certificate of Origin	Not implemented	Not implemented	Not available	Not implemented	Fully implemented	Fully implemented
29	Electronic exchange of Sanitary & Phytosanitary Certificate	Not implemented	Not implemented	Not available	Planning stage	Partially implemented	Partially implemented
30	Paperless collection of payment from a documentary letter of credit*	Partially implemented	Partially implemented	Not available	Partially implemented	Do not know	Fully implemented
31	National legislative framework and/ or institutional arrangements for border agencies cooperation*	Fully implemented	Fully implemented	Not available	Fully implemented	Partially implemented	Fully implemented
32	Government agencies delegating border controls to Customs authorities*	Partially implemented	Partially implemented	Not available	Fully implemented	Partially implemented	Partially implemented
33	Alignment of working days and hours with neighbouring countries at border crossings	Partially implemented	Partially implemented	Not available	Partially implemented	Not available	Not available
34	Alignment of formalities and procedures with neighbouring countries at border crossings	Partially implemented	Partially implemented	Not available	Do not know	Not available	Not available
35	Transit facilitation agreement(s)*	Partially implemented	Partially implemented	Not available	Do not know	Not available	Not available
36	Limit the physical inspections of transit goods and use risk assessment*	Partially implemented	Partially implemented	Not available	Fully implemented	Not available	Not available
37	Supporting pre-arrival processing for transit facilitation	Partially implemented	Partially implemented	Not available	Not implemented	Not available	Not available
38	Cooperation between agencies of countries involved in transit	Partially implemented	Partially implemented	Not available	Fully implemented	Not available	Not available

S/N	Measure	Zambia		Rwanda		New Zealand	
		2019	2021	2019	2021	2019	2021
39	Trade-related information measures for SMEs*	Partially implemented	Partially implemented	Not available	Partially implemented	Fully implemented	Fully implemented
40	SMEs in AEO scheme*	Not implemented	Not implemented	Not available	Partially implemented	Not implemented	Planning stage
41	SMEs access Single Window*	Not implemented	Not implemented	Not available	Partially implemented	Not implemented	Partially implemented
42	SMEs in National Trade Facilitation Committee*	Partially implemented	Partially implemented	Not available	Planning stage	Not implemented	Planning stage
43	Other special measures for SMEs	Not implemented	Not implemented	Not available	Not implemented	Do not know	Partially implemented
44	Testing and laboratory facilities available to meet SPS of main trading partners*	Partially implemented	Partially implemented	Not available	Partially implemented	Fully implemented	Fully implemented
45	National standards and accreditation bodies to facilitate compliance with SPS*	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
46	Electronic application and issuance of SPS certificates*	Not implemented	Not implemented	Not available	Partially implemented	Fully implemented	Fully implemented
47	Special treatment for perishable goods	Partially implemented	Partially implemented	Not available	Fully implemented	Fully implemented	Fully implemented
48	TF policy/strategy to increase women's participation in trade*	Not implemented	Not implemented	Not available	Fully implemented	Planning stage	Partially implemented
49	TF measures to benefit women involved in trade*	Fully implemented	Fully implemented	Not available	Fully implemented	Partially implemented	Partially implemented
50	Women membership in the National Trade Facilitation Committee or similar bodies*	Not implemented	Not implemented	Not available	Fully implemented	Do not know	Partially implemented
51	Single window facilitates traders access to finance*	Not available	Do not know	Not available	Not implemented	Do not know	Do not know
52	Authorities engaged in blockchain-based supply chain project covering trade finance*	Not available	Do not know	Not available	Not implemented	Do not know	Partially implemented
53	Variety of trade finance services available	Not available	Do not know	Not available	Planning stage	Partially implemented	Partially implemented
54	Agency in place to manage TF in times of crises and emergencies*	Not available	Do not know	Not available	Fully implemented	Not Available	Fully implemented
55	Online publication of emergency TF measures*	Not available	Do not know	Not available	Fully implemented	Not Available	Fully implemented
56	Coordination between countries on emergency TF measures*	Not available	Do not know	Not available	Partially implemented	Not Available	Fully implemented
57	Additional trade facilitation measures to facilitate trade in times of emergencies*	Not available	Do not know	Not available	Fully implemented	Not available	Partially implemented
58	Plan in place to facilitate trade during future crises*	Not available	Do not know	Not available	Partially implemented	Not available	Partially implemented

*) This measure was not included or contained different wording in one or more previous surveys. NOTE There is no results analysis of survey responses for Zambia and Rwanda in the years 2015 and 2017. This may be because there are no survey results available in those years.
Source: The UN Global Survey on Digital and Sustainable Trade Facilitation, 2021

7.2. Ease of doing business in Zambia

The main aim of implementing the WTO TFA is to reduce dwell times at the borders and consequently reduce the cost of doing business in countries. The World Bank developed an ease of doing business index to measure how friendly a country's regulatory environment is for starting and operating a local firm. The ease of doing business index ranks countries against each other based on how the regulatory environment is conducive to business operation and stronger protections of property rights.

The ease of doing business score benchmarks economies with respect to their proximity to the best performance on each area measured by Doing Business. It captures the gap of each economy from the best performance observed on each of the indicators across all economies. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represented the lowest and 100 represented the best performance. Economies with the best performance have simpler and friendlier regulations for businesses. The ease of doing business in Zambia is less than that of Rwanda, New Zealand and the United States (See the table 7.4) meaning that the regulatory environment is not very friendly to doing business in the country.

Table 7 4: Ease of Doing Business in Zambia

Economy	DB 2019 Score	DB 2020 (score)
Zambia	65.7	66.9
Zimbabwe	50.5	54.5
Rwanda	75.4	76.5
New Zealand	76.1	76.1
United States - New York City	85	85.2

Source: World Bank Ease of Doing Business Index, 2020

7.3. Impact of behind-the-border measures on Trade and Investment

As can be seen from the few NTMs identified above, the impact on trade and investment is clearly negative. As measures delay the clearance process, thereby impacting negatively on trade and trade gains, they take away the attractiveness of the country for investment. This needs to be addressed in a holistic manner. The WTO Trade Facilitation Agreement (TFA), and related trade facilitation frameworks in the African Continental Free Trade Area (AfCFTA), the COMESA and SADC Blocs provide opportunities, the impetus, guidance, and the necessary tools to make trade easier. These efforts are underpinned by donor funding and technical assistance. But the Regional integration Blocs should also ensure that imposition of NTMs bringing about NTBs is eliminated in their respective regions.

As the TFA celebrates its seventh anniversary, there appears to be a general consensus that progress is being made with measurable, positive results. As implementation of the WTO TFA continues, the trade community in Zambia is increasingly eager to see accelerating tangible impact.

To succeed, Zambia needs to rapidly develop a vision for logistics improvement and implement plans backed by steadfast commitment from every public sector stakeholder involved in trade and investment, from government ministers to customs officials. There is no more space for unclear regulations, unpredictable processes, mountains of paperwork, half-implemented digital systems, facilitation payments and other endemic obstacles to trade. Zambia should be fully committed to trade facilitation reform and remain focused, building solutions block-by-block, one step at a time. Delivering trade facilitation should not be complex, it requires goodwill, experience and persistence. Now is the time to act – by doing. There has never been a better time to seize the opportunity to facilitate trade than now. Streamline at-the-border and behind-the-border policies to make trade easier and faster.

7.4. Trading Across Borders

The World Bank goes further and disaggregates the index into the trading across borders index. The index shows that generally, it is very difficult to trade across the border in Zambia. It takes 120 hours to export and import in terms of border compliance; it costs US$370 to export in terms of border compliance and it costs US$ 380 to import in terms of border compliance. Compared with the OECD and best regulatory performance, the times to export and import in Zambia are very long leading to high costs as shown in table 7.5.

Table 7 5: Trading across Borders in Zambia – Components of Border Compliance

Indicator	Zambia	Sub-Saharan Africa	OECD high income	Best Regulatory Performance
Time to export: Border compliance (hours)	120	97.1	12.7	1 (19 Economies)
Cost to export: Border compliance (US$)	370	603.1	136.8	0 (19 Economies)
Time to export: Documentary compliance (hours)	96 7	71.9	2.3	1 (26 Economies)
Cost to export: Documentary compliance (US$)	200	172.5	33.4	0 (20 Economies)
Time to import: Border compliance (hours)	120	126.2	8.5	1 (25 Economies)
Cost to import: Border compliance (US$)	380	690.6	98.1	0 (28 Economies)
Time to import: Documentary compliance (hours)	72	96.1	3.4	1 (30 Economies)
Cost to import: Documentary compliance (US$)	175	287.2	23.5	0 (30 Economies)

Source: World Bank Ease of Doing Business Index, 2020

Table 7.6 reinforces the findings above that it is generally both time consuming and costly in Zambia to trade across borders.

Table 7 6: Trading across Borders in Zambia – Components of Border Compliance

Indicator	Time (Hours)	Cost (US$)
Export: Clearance and inspections required by customs authorities	96.0	170.0
Export: Clearance and inspections required by agencies other than customs	0.0	0.0
Export: Port or border handling	72.0	200.0
Import: Clearance and inspections required by customs authorities	96.0	180.0
Import: Clearance and inspections required by agencies other than customs	0.0	0.0
Import: Port or border handling	96.0	200.0

Source: Ease of Doing Business in Zambia, 2020

7.5. Stakeholder views

The Ministry of Commerce, Trade and Industry conducted country-wide stakeholder consultations on the implementation of the WTO TFA in Zambia[6]. Stakeholders were asked on awareness of WTO TFA, major impediments to faster clearance of imports and exports, major impediments to investment, regulatory policies acting as NTBs and measures that need urgent implementation in order to enhance border clearance processes.

On awareness, some stakeholders indicated that they were familiar with the WTO TFA and that there was need for more sensitisation on the WTO TFA. Stakeholders identified various constraints that impede faster clearance at Zambia's borders with the top three major impediments being unstable ZRA clearing systems, arrival outside of other agencies operating hours and uncoordinated physical inspections (See table 7.7). These challenges call for implementation of a more robust ZRA clearing system, coordination of working hours of border agencies and the use of coordinated joint inspections.

Table 7 7: Major Impediments

	Rank/Frequency
Unstable Customs/Immigration clearing systems	1 (9)
Arrival outside of other agencies operating hours	2 (6)
Uncoordinated physical inspections by ZRA and other agencies	3 (4)
Poor network and internet connectivity Non adoption of ICT to manage clearance processes	4 (5)
Inadequate skilled human resources for border agencies	5 (4)
Unstable macro-economic environment	6 (3)
Non-implementation of One-Stop Border Posts at some borders	7 (3)
Incomplete/incorrect export documents	8 (2)
Stringent Regulatory requirements such as Licencing Requirements, SPS Requirements, Preferential Procurement	9 (2)
Lack of adherence to regional protocols (Non-domestication of regional protocols)	10 (2)
Poor trade logistics at borders such as infrastructure shortfalls (roads, pontoons, scanner, parking etc.)	11 (2)
Bureaucracy is high at borders	12 (2)
Limited time for border operations (expected to be 24/7)	13 (1)
Operational challenges on the adjoining state (DRC)	14 (1)
Language barriers	15 (1)
Inadequate border infrastructure	16 (1)
Lack of proper facilities especially in traditional two stop border posts	17 (1)
Too many border agencies	18 (1)
CPC processing and or serial/repeated queries	19 (1)
High tariffs	20 (1)
Pandemics	21 (1)
Market Access – not readily available markets	22 (1)
Inadequate shipping information or documentation	23 (1)

Source: Author's compilation from DTIS Stakeholders' countrywide consultative workshops

Regarding investments in Zambia, stakeholders were generally of the view that the impediments identified above are detrimental to promoting investments in the country as they contribute to the slow clearance of inputs needed in processing of goods especially for just-in-time processing.

6Stakeholders' consultations were conducted in in the 10 provinces of Zambia covering twelve districts, namely, Chinsali, Choma, Chipata, Kabwe, Kasama, Kitwe, Livingstone, Lusaka, Mansa, Mongu, Ndola and Solwezi.
The number of responses refer to Group positions and not to individuals.

Stakeholders identified regulatory policies, the high cost of doing business and unstable macro-economic environment as the top three impediments to promotion of investments in Zambia (**see Table 7.8**).

Table 7 8: Major Impediment

	Rank /Frequency
Regulatory policies detrimental to investment as they are business unfriendly	1 (6)
High cost of doing business	2 (6)
Unstable macro-economic environment	3 (3)
Low Production, Value addition and low quality of goods	4 (3)
Poor trade logistics such as road, railway and air transport network Political stability	5 (2)
No rigorous domestic marketing strategy	6 (2)
Improved ICT systems	7 (1)
Pandemics	8 (1)
Skilled manpower	9 (1)
Lack of government support to local investors	10 (1)
Local market too small in financial terms to attract investments	11 (1)
Corruption	12 (1)
Discrimination and selectivity	13 (1)
Climate change	14 (1)
A lot of bureaucracy by border agencies	15 (1)
Bad security	16 (1)
Low level of innovation	17 (1)
Lack of access to finance/capital	18 (1)

Source: Author's compilation from DTIS Stakeholders' countrywide consultative workshops

In terms of mitigating the identified challenges, stakeholders identified some measures that needed to be urgently implemented to address the slow clearance process that leads to delays at the borders. These are shown in table 7.9 below with the regulatory review being the most desired to be implemented urgently in order to promote a friendlier business environment in Zambia. Improving Trade logistics and regional connectivity, including intermodal transport system and affordable, fast digital infrastructure and implementation of mandatory pre-clearance formed the top three measures desired to be implemented urgently.

Table 7 9: Measures that need reforms.

	Rank /Frequency
Regulatory review to make it favourable to trade to reduce the cost of doing business including rationalization of fees and the number of licenses associated with business registration and reduction of high levels of taxation	1 (10)
Improve Trade logistics and regional connectivity including intermodal transport system and affordable, fast digital infrastructure	2 (9)
Implement mandatory pre-clearance	3 (5)
Improve the macro-economic environment	4 (3)
Establishment of, and promotion of One Stop Border Posts principles	5 (3)
Upgrade the customs system and adopt ICT in clearance processes	6 (2)
Reduce (eliminate) corruption	7 (2)
Increase production of exportable products	8 (1)

Increased access to trading capital/finance	9 (1)
Implement One Stop Border Posts in all major border posts	10 (1)
Implement Single Licensing System	11 (1)
Stable fuel pricing system as opposed to monthly adjustments to assist in business planning	12 (1)
Some sectors to be purely for local investors such as salaula (second hand trading), concrete blocks and chicken rearing	13 (1)
Development of various value chains by interlinking production systems	14 (1)
Ensure Government defends Zambian traders in trade negotiations with other countries	15 (1)
Harmonise national and adjoining border operation hours	16 (1)
Adequate manpower	17 (1)
Reduce Agencies at the border	18 (1)
Implement all provisions of the WTO TFA at all borders	19 (1)

Source: Author's compilation from DTIS Stakeholders' country wide consultative workshops

7.6. Cost of Delays

To crown it all, the cost of delays and doing business is colossal to Zambian businesses in particular and businesses in the region as indicated by the weekly private sector survey conducted under the auspices of the World Customs Organisation, East & Southern Africa Region Regional Private Sector Group. The table below presents the findings. In Zambia, while weekly delays have reduced at Kazungula, they have increased at Chirundu and Kasumbalesa leading to colossal costs for business people and or transporters. According to this report, at Chirundu, the weekly delay translates to weekly costs of US$656,320 from Zimbabwe to Zambia and $313,600 from Zambia to Zimbabwe. At Kasumbalesa, the weekly cost is US$1,456,560 from Zambia to the Congo DR and US$3,163,860 from the Congo DR to Zambia.

At Kazungula, while the weekly cost of delays is relatively lower, the weekly cost of delays is $127, 820 from Botswana to Zambia and $29, 680 from Zambia to Botswana. In business terms, these are very substantial costs that discourage increase in trade and lead to higher costs of doing business in Zambia and the region.

The question is: 'Why is it costly and cumbersome to trade across Zambian borders?' The regulatory environment in Zambia is generally not friendly to doing business in the country. The country has a burdensome regulatory framework that puts forth so many behind-the-border regulations that are not friendly to business and require overhauling to accommodate best practices in the regulatory conduct of all trade-related border agencies.

Table 7-10: North/South Corridor -Weekly Cross Border Delays and Cost of Delays Week Ending 19th March 2023

Corridor	Border Post	Direction	Heavy Goods Vehicles Arrivals per day	Queue Times (Hours)	Border Crossing Times Bottom 5% (Hours)	Border Crossing Times Median Hrs	Border times exceeding three hours	Border Crossing Times Top 5% (Hours)	Heavy Goods Vehicles Tonnage per day	Heavy Goods Vehicles Tonnage per Week	Weekly HGV Arrivals at Borders	Weekly Queue Time Delays at Borders	Weekly HGV Delay Hours at Borders	Weekly Queue Time Delays @ $20 per hour	Weekly Cost of Excess Border Delays @ $20 per hour	Total Cost of Border Delays (Hours)
North/ South	Beit-bridge	Zimbabwe-SA	410	3.8	2.0	13.0	10.0	125.1	12300	86100	2870	10906	28700	$218 120	$574 000	$1 915 130
North/ South	Beit-bridge	SA- Zimba-bwe	391	4.9	7.0	27.5	24.5	93.5	11730	82110	2737	13411.3	67056.5	$268 226	$1 341 130	
North/ South	Chirundu OSBP	Zimba-bwe-Zambia	293	1.3	3.7	19.0	16.0	115.8	8790	61530	2051	2666.3	32816	$53 326	$656 320	$969 920
North/ South	Chirundu OSBP	Zambia-Zim-babwe	280	0.6	1.0	11.0	8.0	23.0	8400	58800	1960	1176	15680	$23 520	$313 600	
North/ South	Kazungu-la OSBP	Botswa-na-Zambia	166	0.0	1.0	8.5	5.5	51.2	4980	34860	1162	0	6391	$0	$127 820	$157 500
North/ South	Kazungu-la OSBP	Zambia-Bo-tswana	212	0.0	1.0	4.0	1.0	43.4	6360	44520	1484	0	1484	$0	$29 680	
North/ South	Kasum-balesa	Zambia-DRC	306	12.8	3.3	37.0	34.0	237.3	145.3	1017.1	2142	27417.6	72828	$548 352	$1 456 560	$4 620 420
North/ South	Kasum-balesa	DRC-Zambia	486	23.1	13.1	49.5	46.5	100.0	65.4	457.8	3402	78586.2	158193	$1 571 724	$3 163 860	

Source: World Customs Organisation, East & Southern Africa Region Regional Private Sector Group, Weekly Cross-Border Report; Week ending 19 March 2023

7.7. At-the-Border and Behind-the-Border Measures on trade and investment

To effectively assess the performance of both at-the-border and behind-the-border policies or processes, it is important to look at them separately.

(a) Zambia's at-the-border Processes

Zambia's at-the-border processes primarily involve the regulation of movement of people and the regulation of cargo. The former function is carried out by the Department of Immigration while the Department of Customs enforces Customs and Excise Act Cap 322 of the laws of Zambia and the subsequent provisions under the Customs and Excise (General) Regulations and other laws. Other legal provisions guiding clearance of goods include other legislations listed in the Border Management and Trade Facilitation Act No. 12 of 2018.

(b) Regulation of Movement of People

The regulation of the movement of people has largely been handled well with immigration processes streamlined to avoid long delays at the border. The Department of Immigration has made significant progress by actualising the online processing of visas and work permits. This has resulted in efficiency, cost reduction and increased revenue collection for the department.

It is a fact that the world is experiencing unprecedented growth in global cross-border migration. This development offers opportunities and security risks for receiving countries. To promote opportunities and counter the security risk which come with the current migratory trends, the Department of Immigration continues to develop the capabilities to manage the rising tide of cross-border movement. The Department has, over the years, strived to improve its border management systems by embracing the use of the latest information communication technologies (ICTs) with the introduction of eVisas, pushing its operations to a paperless status. New applications, renewals, extensions and variations can be done online. This and many other initiatives are helping the Department ensure that most genuine cross-border movement can take place smoothly across the border without unnecessary delay. In pursuance of regional economic development through tourism, Zambia partnered with the KAZA TFCA Secretariat to develop the KAZA UNIVISA Pilot Project with the aim of facilitating easy movement of tourists between Zambia, Zimbabwe and Botswana. KAZA is the Kavango Zambezi Trans frontier Conservation Area (KAZA TFCA) spanning five southern African countries; Angola, Botswana, Namibia, Zambia and Zimbabwe, centred on the Caprivi-Chobe-Victoria Falls area.

The Department has made it easier for some identified nationalities that can obtain a visa on arrival to enter Zambia while others need to apply via the online portal or through Zambia's diplomatic missions abroad before travel to Zambia.

(c) Regulation of Cargo

Customs assumes the lead in the control of goods and as a result, Customs is a frontline Agency required at all entry points for revenue collection and trade facilitation. Customs agencies operate closely with a wide range of other border agencies and private sector actors such as those needed for the protection of public health through prevention of and control of international spread of disease and reduction of health risks associated with foods of plant and animal origin such as Ministry of Health. Others enforce Phytosanitary regulations at the port of entry such as Plant Quarantine and Phytosanitary Services – PQPS. National Livestock Epidemiological and Information Centre (NALEIC is required for sanitary inspections and control of entry of animal and animal products to reduce risks of introduction of animal and zoonotic diseases. The Zambia Compulsory Standards (ZCSA) is needed to enforce technical standards to ensure goods imported into the country meet the required quality and technical standards.

(d) Customs Clearance Procedure

Cargo clearance involves a full range of Customs Brokerage services, which are Removal in Transit (RITs), Removal in Bond (RIBs), temporary imports/exports, final clearances and bonding clearances.

The Customs import clearance process begins with the clearing agent lodging a declaration by making a self-assessment of the duties and taxes to be paid. The Authorised Economic Operators (AEOs) at this point have the option to request for a Special Release which Customs may grant to allow the release of the goods being imported, and the subsequent Customs process to be finalised later.

After making the self-assessment, the agent/importer proceeds to make payment through the various payment platforms available. The selectivity process kicks in after payment, and this determines the kind of interventions to be made by Customs and other government agencies using the selectivity platform, based on pre-defined risk parameters. The declaration may either be selected to the red lane where a physical inspection will have to be conducted on the goods, to the yellow lane where the declaration and its supporting documents are verified, to the blue lane where the goods are released and will be subjected to a post-clearance audit, or, the green lane where the declaration is deemed to be of low risk and is allowed to be released.

After the possible Customs and other government agencies interventions have been done, the declaration is re-routed to the green lane to allow for the release of the goods. If the goods are allowed to be imported, the Release Order is issued, and the agent proceeds to generate an exit note which is presented with the goods to Customs at the point of exiting the Customs Control Zone. The declaration is then acquitted on ASYCUDA World to indicate that the goods have exited the Customs Control Zone.

Import clearance formalities include, among others, electronic lodgement of a Bill of Entry with supporting documentation such as;

i) Bills of landing;

ii) Documentary evidence for relief of duty if required; and,
iii) Other Government agency Permits to import.

In order to expedite the clearance of goods, pre-lodgement and pre-clearance of declarations is encouraged, but at this point is not mandatory, subject to payment of customs duties and taxes where applicable. It must be noted that the pre-clearance legal provisions require that the declarant submits an entry prior to importation of goods at least 7 days before the arrival of the goods at the port of entry. However, this requirement is rarely observed by cross-border traders as in most cases they appear at the border to start the clearance process with the hope of negotiating a lower duty. It is, therefore, recommended that mandatory clearance is implemented with stiff fees introduced as is done in Zimbabwe where the equivalent of US$400 is charged for not observing the pre-clearance requirement.

(e) Physical Inspections

In the import declaration process, goods may be subjected to physical or non-intrusive inspections in accordance with the selectivity rules, risk criteria and business processes applicable under laws applicable to clearance. The goods are examined through matching them with the documents attached to an assessed Bill of Entry.

Goods that require physical inspection are selected to the red lane in AsycudaWorld (AW). The electronic physical inspection report on AW is required to be completed by the officer assigned to conduct the physical inspection from the office where the goods are located. Once a physical inspection is conducted, the officer proceeds to complete the inspection report and transmits it to the Centralised Processing Centre (CPC) for the declaration to be finalised. The CPC is able to send back the report for further clarification on the goods inspected should the report not be sufficient.

(f) Prohibited and Restricted Goods

Goods are subjected to the normal application of any prohibitions and restrictions as required by Sections 40 and 41 of the Customs & Excise Act and other relevant laws covering Health, Sanitary and Phytosanitary, Environment and security. These prohibitions and restrictions have a negative impact on the clearance process, most often leading to lengthy delays at Zambia's borders.

(g) Final Clearance

Goods destined for consumption in Zambia are entered for clearance under the Customs clearance regime IM4 series. The importer, through their appointed broker, submits an electronic bill of entry with supporting documentation to Customs using the AsycudaWorld platform.

Cargo clearance has generally posed challenges in terms of lengthy delays at the borders. This is especially compounded by the need for many agencies to discharge their legal mandates enshrined in the behind-the-border's regulatory framework in their respective goods of interest. Furthermore, uncoordinated physical inspections by many border Agencies also lead to length dwell times at the border. The clearance process is also inhibited by the erratic use of ICT in the clearance process, an issue many stakeholders have raised as contributing to delays and rampant corruption (**See tables 7.7, 7.8 and 7.9 on stakeholders' views**). Generally, therefore, the current cargo clearance process is not effective insofar as it leads to long dwell times at borders and needs to be overhauled.

In terms of delays at the border, the Time Release Study conducted in November,2021 at Nakonde and Mwami revealed long dwell times compared with the best international practice of five (5) hours and less. Import consignments destined into Zambia took a maximum dwell time of five days fifty-two minutes and an average dwell time of one day fifteen hours and forty-three minutes to clear at Nakonde as illustrated in Table 7.11.

Table 7 11: Clearance time for imports - Nakonde OSBP

Indicator	Days	Hours	Minutes
Minimum time taken	0	3	4
Maximum time taken	5	0	4,522
Average tine taken	1	15	43
Source: Nakonde and Mwami Time Release Study, Nov 2021. The study excluded exports.			

For Mwami, import consignments destined into Zambia took a maximum dwell time of three days, twenty-three hours and forty-two minutes and an average of 18 hours and thirty-nine minutes to clear as indicated in table 7.12. Mwami is a small border with less traffic, but it took that long to clear cargo.

Table 7 12: Clearance time for imports – Mwami Border Post

Indicator	Days	Hours	Minutes
Minimum time taken	0	0	22
Maximum time taken	3	23	42
Average tine taken	0	18	39

Source: Nakonde and Mwami Time Release Study, Nov 2021

Although the above statistics indicate a relatively improved situation from previous delays that took weeks and months, the dwell time at both borders is still way above international best practices of 5 hours or less. As observed above, Customs operate closely with a wide range of Other Government Agencies and private sector actors. The delays observed above were also compounded by delays in the time taken by Other Government Agencies to issue permits. Permits are an integral requirement imposed by numerous Non-Tariff Measures in Zambia and/or behind-the-border measures that do not promote faster trade.

(h) Clearance Time taken by Other Government Agencies to issue permits and licenses

Regarding time taken to process permits, licenses and other trade supporting documentation, the study observed that there were varying periods of time in the issuance of the documents by Other Government Agencies. These ranged from 24 hours for Agencies like Police (Interpol), Immigration, Zambia Compulsory Standards Agency to 1 to 10 days for the Department of Veterinary Services depending on the nature of the product. These findings support the call for a wholesome review of Other Government Agencies regulatory frameworks so that they are supportive of smooth and faster trade.

7.8. Behind-the-Border Regulatory Framework consequential to trade

Behind-the-border issues include policies and measures adopted by governments which are aimed primarily at the domestic economy, but which have an impact on imports and exports. These include measures such as domestic subsidies, competition policy, standards, labour conditions, and many others. Due to the proliferation of various non-tariff rules and regulations affecting international trade, trade policy in Zambia became increasingly complex and multifaceted. This is particularly important for Zambia, as her trading across the border and market access depends largely on compliance with trade regulatory measures that are beyond the scope of traditional tariffs and existing preferential schemes. On the domestic front, Zambia has an existing legal and regulatory framework that is viewed as key to achieving the developmental benefits of trade liberalisation. However, the trade regulatory measures present NTMs that have potential to impede smooth flow of trade. The following are some of the many legal instruments that are NTMs and have potential to give rise to NTBs in Zambia:

(a) The Biosafety Act, 2007 (No. 10 of 2007)

This Act provides rules relative to the import, development, export, research, transit, contained use, release or placing on the market of any genetically modified organism (GMO) whether intended for release into the environment, for use as a pharmaceutical, for food, feed or processing, or a product of a GMO; ensure that any activity involving the use of any GMO or a product of a GMO prevents any socio-economic impact or harm to human and animal health.

(b) The Control of Goods Act CAP 421

This Act enables the President to provide by regulation for the control of distribution, disposal, purchase and sale, and control the wholesale and retail prices of any manufactured or unmanufactured commodity or of any animal or poultry, or of any class of any such commodity, animal or poultry. It also provides for the control of imports into and exports from Zambia, and for other purposes incidental and supplementary to the foregoing. This Act has been used in imposing import or export bans.

(c) The Compulsory Standards Act, 2017

The Compulsory Standards Act of 2017 provides for powers and functions for the administration and maintenance of compulsory standards for the purpose of public safety and health, consumer protection and environmental protection.

(d) The Standards Act, 2017

The Standards Act of 2017 provides for standardisation and quality assurance of products and services through the setting of national standards and provision of conformity assessment services.

(e) The Metrology Act No. 6 2017

The Metrology Act No. 6 of 2017 provides for the designation, keeping and maintenance of national measurement standards; provides for the use of measurement units of the International System of Units and other units; provides for consumer protection, health, safety and environmental management through legal metrology measures.

(f) The Food Safety Act No. 7 of 2019

The Act provides for the protection of the public against health hazards and fraud in the manufacture, sale and use of food; provide for a streamlined process for regulatory clearances for regulatory health requirements for food premises; and provide for matters connected therewith.

(g) The Animal Health Act no.27 of 2010

The Act provides for the prevention and control of animal diseases, quarantine of animals and the regulation of the importation and exportation of animals, animal products, animal by-products, articles and animal feed.

(h) The Customs and Excise Act Cap 322

The Act provides for the imposition, collection and management of customs, excise and other duties, the licensing and control of warehouses and premises for the manufacture of certain goods, the regulating, controlling and prohibition of imports and exports and the conclusion of customs and trade agreements with other countries.

(i) Other Border Management and Trade Facilitation Act Consequential Laws

The main objective of the Border Management and Trade Facilitation Act No. 12 of 2018 was to facilitate quicker movement, release and clearance of goods at Zambia's borders, but the implementation of this well-meaning Act was hampered by several regulatory mandates of other trade-related government agencies. In total, 42 legal instruments were identified as impeding the smooth flow of trade in the country. In 2021, the Ministry with support from the European Union EDF 11 under the COMESA Secretariat, undertook to amend the Border Management and Trade Facilitation Act with the view to incorporating contemporary developments and international best practices on trade facilitation as espoused by the WTO TFA. This is an encouraging development as it will align the Act to best practices. It is hoped that the amendment will also handle other consequential legislations contained in the first schedule of the Act with a view to identifying areas of convergence and asymmetry in terms of trade facilitation.

In yet another progressive development for trade facilitation, in 2017, the Zambian government enacted the National Technical Regulation Act 2017. This Act provides the framework for technical regulation that are compliant with best international practices. It also provides for the development and implementation of technical regulations for public safety and health, consumer protection and environmental protection. Furthermore, the Act provides for domestication of the International and Regional Agreements on Technical Barriers to Trade in order to ensure that regulations, standards, testing and certification procedures do not create unnecessary obstacles to trade but implement legitimate policy objectives and measures. Implementation of this Act should be encouraged and fast tracked.

7.9. Implementation of the WTO TFA under RTAs including COMESA and SADC

Zambia has been implementing the WTO TFA since 2016 after ratifying the TFA in 2015. The country was among the first countries to ratify the agreement. The WTO TFA aims to boost global trade through exports and imports. In doing so, it envisages to simplify and reduce the number of customs documents and procedures associated with the clearance of goods. The TFA also promotes harmonisation and improvement of customs procedures so that they are compatible with international standards. The TFA further champions transparency of customs procedures and regulations in their application across ports of entry, ensuring that enforcement is fair and consistent. In terms of scope, the TFA contains provisions aimed at expediting movement, release and clearance of goods, including goods in transit.

To date, 156 countries have ratified the agreement out of 164 members of the WTO. It is interesting to observe that the majority of COMESA and SADC Member States have ratified the WTO TFA except for six (6) member states in COMESA and two (2) Member States in SADC. It is, therefore, expected that member mtates in the two regional blocs would normally implement the requirements of the WTO TFA. But is this the case? To answer this question, we look at the two regional blocs to assess if this is the case or not.

(a) COMESA's Priorities and Objectives

The Treaty establishing the COMESA spells out several priorities and objectives among which are the following:

(a) to attain sustainable growth and development of the member states by promoting a more balanced and harmonious development of its production and marketing structures;
(b) to promote joint development in all fields of economic activity and the joint adoption of macro-economic policies and programmes to raise the standard of living of its peoples and to foster closer relations among its members states;
(c) to co-operate in the creation of an enabling environment for foreign, cross-border and domestic investment, including the joint promotion of research and adaptation of science and technology for development;
(d) to co-operate in the promotion of peace, security and stability among the member states in order to enhance economic development in the region;

(e) to co-operate in strengthening the relations between the Common Market and the rest of the world and the adoption of common positions in international fora; and,
(f) to contribute towards the establishment, progress and the realisation of the objectives of the African Economic Community.

The Treaty also spells out specific undertakings in order to promote the achievement of the aims and objectives of the Common Market as set out in Article 3 of the Treaty which identifies several areas that member states are expected to cooperate in. In the field of trade liberalisation and customs cooperation which is a subject of most interest to this assessment, member States are expected to:

(a) establish a customs union, abolish all non-tariff barriers to trade among themselves.
(b) establish a common external tariff.
(c) co-operate in customs procedures and activities;
(d) adopt a common customs bond guarantee scheme;
(e) simplify and harmonise their trade documents and procedures;
(f) establish conditions regulating the re-export of goods from third countries within the Common Market;
(g) establish rules of origin with respect to products originating in the member states;
(h) recognise the unique situation of Lesotho, Namibia and Swaziland within the context of the Common Market and to grant temporary exemptions to Lesotho, Namibia and Swaziland from the full application of specified provisions of the Treaty.

The main objective in terms of trade and customs is to implement programmes that enhance cooperation in Trade, Customs and Monetary Affairs in order to achieve a fully integrated, internationally competitive and unified single economic space within which goods, services, capital and labour are able to move freely across national frontiers. The cooperation programmes aim to achieve the removal of all physical, technical, fiscal and monetary barriers to intra-regional trade and commercial exchanges (COMESA https://www.comesa.int/trade-customs). Unfortunately, achievement of full removal of all physical, fiscal and monetary barriers in the COMESA bloc has not been achieved, thereby hindering intra-COMESA trade. COMESA member states continue to impose non-tariff barriers that affect the smooth flow of trade in the region.

(b) SADC Priorities and Objectives

The Southern African Development Community (SADC) has been in existence since 1980 when it was formed by nine countries in the Southern African region who came together in a loose alliance. The main objectives of SADC are to achieve development, peace and security, as well as enhance economic growth, alleviate poverty, enhance the standard and quality of life of the peoples of Southern Africa, and support the socially disadvantaged through regional integration, built on democratic principles and equitable and sustainable development. In delivering development to its people, SADC recognises the importance of trade to economic growth and came up with the SADC Protocol on Trade.

In terms of trade promotion, the SADC Protocol on Trade (1996), as amended in 2010, is one of the most important legal instruments guiding SADC's work on trade. It is an agreement between SADC member states to reduce customs duties and other barriers to trade on imported products amongst member states. The Protocol intends to further liberalise intra-regional trade by creating mutually beneficial trade arrangements, thereby improving investment and productivity in the region. It advocates that member states eliminate barriers to trade, ease customs procedures, harmonise trade policies based on international standards, and prohibit unfair business practices. The Protocol also sets out institutional arrangements for implementation and contains annexes detailing policies on Rules of Origin, customs cooperation, harmonisation of trade documentation, transit facilities, and trade development.

Article 3 of the Protocol aims at eliminating barriers to intra-SADC trade. It provided for a phased reduction and eventual elimination of import and export duties among member states and it urges them to adopt policies and implement measures to eliminate all existing forms of NTBs and refrain from imposing any new ones. But the Protocol also gave general exceptions that are necessary to protect public morals or to maintain public order and protect human, animal and plant life or health. Furthermore, in 2016, SADC agreed to amend Article 3(C) to allow member states which consider that they have been adversely affected by removal of tariffs to trade to apply for a grant of a grace period to afford them additional time for the elimination of tariffs.

The general exceptions and amendment of Article 3 (C) meant that the Protocol on trade was made inherently weak as many countries requested for derogations to tariff reductions and continue to impose NTBs. Thus, in its current form, the SADC Trade Protocol is not adequate to meet its stated objectives and to address the problems of limited intra-SADC trade.

Although the protocol has had some impact on intra-regional trade, some provisions contained within it remain a barrier to trade. Certain provisions within the Protocol, as observed above, undermine the objectives of the protocol. These provisions include, but are not limited to, the rules of origin, non-harmonisation of external tariffs, derogations to the elimination of barriers in intra-SADC trade provisions, and inadequately tackling non-tariff measures. Overall, the SADC FTA is seen as making solid progress on the implementation of tariff elimination commitments, although there remains "quite some distance to travel". However, the review of trade data for SADC countries shows that "intra-SADC trade is low" and "not necessarily increasing". Samuel Kaphuka, 2017). Thus, there is need to fully liberalise trade in Zambia and the region.

Freeing trade in the region will create a larger market, releasing the potential for trade, economic growth and employment creation. Thus, the full implementation of the WTO TFA by Zambia and other COMESA and SADC member states is crucial to the attainment of a larger market that will release the full potential of trade. There is still a lot of potential for further expansion of intra-COMESA and intra-SADC trade if trade is fully liberalised.

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(c) Implication of Imposition of NTBs in RECs

It is noteworthy that the objectives of the COMESA and SADC regional blocs, especially on trade promotion, are all in line with what is espoused by the WTO TFA. But while Zambia is implementing the WTO TFA to enhance trade facilitation, on the other hand, the imposition of non-Tariff barriers (NTBs) has been increasing in the COMESA and SADC region. At the regional level, since 2010 Zambia has been reporting NTBs affecting the country's exports and imports under the COMESA, EAC and SADC Non-Tariff Barriers (NTBs). Zambia has been reporting, monitoring and campaigning for the mechanism which incorporate concrete timelines for the removal of NTBs. Interestingly, this mechanism has revealed that there are NTBs imposed by other countries in the region while Zambia also has imposed NTBs. The imposition of NTBs prevents imports and exports of goods to member states. This hinders growth of export and import trade and ultimately eroding the envisaged benefits from implementing the WTO TFA and regional trade agreements.

NTBs such as export taxes, import and export bans, cumbersome documentation, customs administrative and other procedural requirements, and stringent technical standards hinder intra-regional trade by, among other things, causing time delays adversely affecting the quality, availability, price of goods and increasing the cost of intra-regional trade (National Strategy on Elimination of Non-Tariff Barriers Impacting Zambia's Trade, 2021 – 2023, MCTI, P1). In the case of Zambia, administrative corruption, intellectual property infringement, preferential treatment of state-owned enterprises, local labour requirements in transportation, and an overly cumbersome and often arbitrary and non-transparent regulatory environment have been identified as being the most serious non-tariff barriers. It is, therefore, not far fetched to assume that while WTO TFA implementation would be progressing well, the impact of NTBs would be slowing down the expected efficiency gains in trade facilitation.

As the imposition of NTBs has been increasing both locally and at the regional level, Zambia's trade within the COMESA and SADC regions continues to be affected by several NTBs, thereby reducing the benefits of implementing the WTO TFA.

7.10 Institutional Arrangement in Monitoring the Implementation of TFI

Zambia has an institutional framework to coordinate and monitor the implementation of the WTO TFA, regional trade facilitation initiatives and NTBs. The framework which is at policy level incorporates the Ministry of Commerce, Trade and Industry and draws its authority from the Sixth National Development Plan (SNDP), 2011 to 2015 and the Vision 2030. In both the Vision 2030 and the SNDP, the vision is that of developing an export-oriented economy as the cogent way for development. The Ministry, through its various departments, is responsible for designing policies and strategies for Zambia's regional and multilateral trade integration through negotiations.

Monitoring the implementation of the WTO TFA and regional trade facilitation initiatives and NTBs falls within the mandate of the Foreign Department of the Ministry. The Department, through the National Trade Facilitation Committee Secretariat, coordinates the activities of the National Trade Facilitation Committee that is charged with building efficient trade facilitation systems and services to catalyse trade logistics reforms. This has a clear focus on reducing the time and cost to trade. It should be noted that carrying out trade facilitation reforms requires a great deal of coordination and cooperation among the various public and private stakeholders. Trade facilitation reforms require the participation of both public and private actors.

In monitoring regional trade facilitation initiatives, the Foreign Trade Department has established various desks dealing with COMESA, SADC and AfCFTA issues. Each desk is headed by a senior economist. In this regard, the Ministry works closely with the Ministry of Foreign Affairs.

In ensuring efficient monitoring and implementation of resolutions on NTBs, the Ministry has established an institutional framework that consists of a Non-Tariff National Monitoring Committee (NMC) that puts forth plans and activities for ensuring pro-active engagement of the NMC in the prevention of imposition and resolution of NTBs within and outside Zambia adversely impacting both Zambia's exports and imports. In addition, it details the roles of the various stakeholders in the process of monitoring and resolving NTBs and concludes with a proposed monitoring and evaluation framework for NTBs and an implementation plan (National Strategy on Elimination of Non-Tariff Barriers Impacting Zambia's Trade 2021 – 2023, P.1).

The institutional framework of the NMC presents an elaborate framework that identifies National Focal Points (NFPs) reporting to the National Monitoring Committee (NMC) with a National Monitoring Secretariat being the Ministry of Commerce, Trade and Industry. The NMC in turn reports to the National Trade Facilitation Committee that in turn reports to Cabinet Office through the NTFC Secretariat to provide overall oversight and guidance to the work programme of the NMC. The chairperson of the NMC is drawn from the public sector and this responsibility is with Ministry of Commerce, Trade and Industry. ZACCI represents the private sector as the Vice Chair of the NMC.

To gauge the effectiveness of the National Strategy, it is therefore, necessary to assess what has been achieved under the interventions identified for the NMC that are critical to the operations of the NMC. The NTB monitoring mechanism is based on real reporting by phone or using an online system whose objective is to monitor, identify and report the NTBs encountered in the COMESA, EAC and SADC regions for the possible resolution of those NTBs.

7.11 Strategy on Eliminating Non-Tariff Barriers

To understand the effectiveness of Zambia's strategy on eliminating non-tariff barriers, there is need to understand how widespread non-tariff measures are as in most cases, non-tariff barriers stem from NTMs. NTMs are policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both. NTMs comprise technical measures, such as sanitary or environmental protection measures. Moreover, they also include other measures traditionally used as instruments of commercial policy, e.g., quotas, price control, exports restrictions, or contingent trade protective measures. Finally, NTMs also comprise behind-the-border measures, such as competition, trade-related investment measures, and government procurement or distribution restrictions (International Classification of Non-Tariff Measures, 2019, P. vi).

In Zambia, the protection of human and animal life is an integral part of operations of some government agencies such as the SPS measures enforced by the Plant Quarantine and Phytosanitary Service Department of the Ministry of Agriculture. In view of the existence of NTMs in Zambia and the region, regional integration blocs such as COMESA, EAC and SADC are implementing NTBs reporting, Monitoring and Eliminating Mechanism, which incorporates concrete timelines for the removal of NTBs through the Tripartite Online NTBs Reporting. The Monitoring and Elimination Mechanism which has been adopted by the AfCFTA enables stakeholders to report and monitor the resolution of barriers encountered as they conduct their business under the RTA. It enhances transparency and easy follow-up of reported and identified NTBs and NTMs. The web-based NTBs reporting, monitoring and eliminating mechanism is accessible to economic operators, government functionaries, academic researchers and other interested parties (National Strategy on Elimination of NTBs Impacting Zambia's Trade 2021 – 2023).

In line with the online NTBs reporting mechanism, MCTI developed a National Strategy on Elimination of NTBs Impacting Zambia's Trade for the period 2021 – 2023. The Strategy is a regulatory and administrative framework that promotes competitiveness and facilitates potential elimination of existing NTBs in accordance with Zambia's obligations enshrined in regional and multilateral trading agreements. It is envisaged that they will contribute to enhancing Zambia's competitiveness through a systematic and coordinated NTB monitoring and reduction framework.

The monitoring and elimination of NTBs was expected to be achieved through the following interventions:

(i) Strengthening the capacity of the National Monitoring Committee (NMC) and National NTB Focal Point Persons.
(ii) Strengthen the National Monitoring and Elimination Framework for NTBs;
(iii) Enhance communication and visibility on NTBs; and
(iv) Improving the regulatory environment for the administration of Non-Tariff Measures (NTMs) and prevent imposition of NTBs.

(a) Strengthening the capacity of the National Monitoring Committee (NMC) and National NTB Focal Point Persons

This intervention was expected to focus on enhancing the institutional structures that exist in the reporting, monitoring and elimination of NTBs. It was envisaged that this would help in promoting efficiency in the existing framework for identification, monitoring and elimination of NTBs. However, the NMC remains weak with planned quarterly meetings not taking place as planned. NTB Focal Point Persons remain more focused on their individual functions than on the NMC functions. The greatest weakness of the NMC lies in the fact that it does not have a secretariat which is an integral part of the NTB NMC to push work around NTB monitoring. Although the NTFC Secretariat is identified as one of the stakeholders in the institutional framework of the NMC, the it remains largely uninvolved in NTB monitoring. It is proposed that the NTFC secretariat should be actively involved in NTB monitoring work to ensure that this function is tabled through the NTFC structures, including the NTFC Steering Committee to ensure that NTB monitoring work reaches Cabinet office for policy guidance as envisaged in the original plan. Another weakness is that currently, the NTFC secretariat is part time supported by the World Bank through the remuneration of the attached consultant only.

Furthermore, there was an expectation for capacity building of NMC member associations through targeted relevant trainings. It was further expected that, members would then be in a better position to identify and adopt best practices on monitoring and eliminating existing NTBs. This has not been achieved to a large extent possibly due to a dearth in funding because Cooperating Partners that were expected to provide technical support and funding for implementation of NTB programmes may not have provided the required funding. In addition, lack of a designated resource solely dedicated to the NTB desk in the Ministry of Commerce, Trade and Industry, the absence of a National legal framework to support the operations of the NMC and the slow response and processing of NTBs reported online by National Focal Point Persons and NMC led to delays in resolving reported NTBs. It is also clear that coordination of the NMC monitoring and between various bodies charged with NTB monitoring is weak.

In view of the above weaknesses, it is recommended that a full time NTFC Secretariat with adequate staff compliment should be established to effectively monitor implementation of the WTO TFA, Regional Initiatives and NTBs. The NMC Secretariat should also be put in place to push the work of the NMC.

(b) Improving the regulatory environment for the administration of Non-Tariff Measures (NTMs) and prevent imposition of NTBs

The National Strategy on elimination of NTBs identifies a legal framework in Zambia that has over 80 pieces of legislation regulating imports and exports. Out of the regulations, 1,034 measures have been compiled under the AfDB-funded Tripartite Capacity building Programme on development of NTMs for member states. Some of these regulations may be trade restrictive and therefore there was need to review and amend existing laws and regulations that have the potential to impede trade (National Strategy on Elimination of Non-Tariff Barriers Impacting Zambia's Trade 2021 – 2023, P.18).

The review of these regulations to eliminate their potential to impede trade has not largely taken place although there are some agencies that are addressing individual laws - not necessarily to be in line with best trade practices - but suit their individual mandates. While there is need to review all the identified 80 pieces of legislation, the Ministry of Commerce, Trade and Industry has embarked on a wholesale amendment of the Border Management and Trade Facilitation Act No. 12 of 2018 to bring it in line with best practices as espoused in the WTO TFA. This review has identified 45 pieces of legislation that are consequential to the Border Management and Trade Facilitation Act and has potential to impede the smooth flow of trade. Thus, the consequential laws are billed for review to be in line with the Border Management and Trade Facilitation Act. In view of the above observations and the observations made in the section on ease of doing business in Zambia which shows that, the regulatory environment in the country is not friendly to doing business, it is a fact that as long as the regulatory framework in Zambia remains not reviewed, the existence of so many NTMs will continually impede the smooth flow of trade in the country. The challenge that remains is that Zambia has so many NTMs that are not coherent with supporting export performance and to take advantage of the existing and forthcoming regional trade opportunities.

7.12 Recommendations for policy action

The review of the behind-the-border measures proposes the following recommendations to address the observed challenges around non-tariff measures at the national, regional and multilateral levels, and burdensome regulations. The recommendations are as follows:

i. Review the regulatory environment including identified NTMs to make it friendlier to doing business and align them with best practices in trade facilitation.

ii. Remove trade restrictions on products that have been subjected to frequent temporary export/import restriction (bans) such as maize, maize meal, wheat, maize/wheat bran, timber, etc. to encourage trade.
iii. Embrace the use of ICT in all cargo clearance processes and automate all export/import documentation procedures.
iv. Member states of regional blocs should limit derogations to tariff reductions to liberalise trade.
v. Regional blocs need to address the stringent and costly process of obtaining the certificates of origin to facilitate trade.
vi. Accelerate the development of border infrastructure and/or trade logistics.
vii. Strengthen capacity of the institutional framework by implementing a full-time NTFC Secretariat and constituting a working NMC Secretariat to convene planned quarterly meetings.
viii. Effectively mobilise technical assistance to fully implement the WTO TFA
ix. Enforce the implementation of a strict mandatory pre-clearance regime by introducing stiff penalties to deter traders from appearing at the border without being pre-cleared.

7.13 Conclusion

There is no doubt that implementation of the WTO TFA and compliance with regional protocols on the elimination of NTBs provide enormous opportunities for enhanced trade and development through deeper integration and enhanced market access. However, it is evident that while Zambia and countries in the region are implementing the WTO TFA, countries are also increasingly imposing non-tariff barriers which is against the spirit of protocols they have signed with these regional blocs. This practice leads to reduced trade and low export performance in the region.

From the above discussions, it is evident that Zambia can gain enormously from the full implementation of the WTO TFA and refraining from imposing new NTBs which have led to complaints from other countries in the region, the latest of which came from Mozambique on 29th March, 2023 regarding Zambia's imposition of discriminatory fees on truckers and freight forwarders.

CHAPTER 8: BUSINESS ENABLING ENVIRONMENT AND INSTITUTIONAL FRAMEWORK FOR INVESTMENT

8.1. Introduction

The importance of FDI to any country is worth emphasising. FDI is both a flow and stock concept. As a flow concept, FDI can either be inward flow into the destination country or outward flow from the origin country. In either case, the benefits accrue to both the source and destination economies. In many developing countries, inward FDI is seen as key to achieving macroeconomic objectives such as economic growth, employment creation, poverty reduction, value addition, export growth, among others. According to Heilbron and Whyte (2019), FDI is crucial for value addition, economic growth, employment and integration into global value chains. Some studies contend that countries that are open to investment grow faster than those that are not (CUTS International, 2016). In developing countries, outward FDI is crucial as it enhances innovation and helps strengthen their competitiveness, helps access inputs and foreign technology which helps to lower cost of production (Herzer 2012). A study by Ndikumana and Verick (2008) among Sub-Saharan African (SSA) contends that FDI crowds-in domestic private investment; suggesting that the two sources of investment should be regarded as complementary.

In view of the multiple development benefits it presents, countries around the world compete to attract FDI inflows. To be competitive and attract FDI, countries try to create an enabling environment for business start-ups, investment and enhancement of existing ones. This is based on the idea that attracting FDI into a country depends on the business enabling environment (BEE) of that country. Although there is no agreed upon definition, some authors define BEEs as covering policies, administrative procedures, institutions, regulations, support services and improved public infrastructure that create an enabling environment for business start-ups and growth of existing ones (Konig et al., 2013 in Chongo and Montgomery, 2014). BEEs can help provide a competitive advantage for investment of a country. According to United Nations (2022) countries with good BEE attract FDI much more than those with poor BEE.

Zambia has made efforts to improve the BEE. The country liberalised its trade and capital accounts in the 1990s. The reforms included, the privatisation of state-owned enterprises, removal of price controls, exchange rate controls, and reduction of tariff barriers. Further government established the Private Sector Development Reform Programme ("PSDRP") in the 2000s with the view to improving the investment climate and institutional framework for investment. PSDRP was implemented from 2006 to 2009 and saw the the redesigning, and in some cases formation of various Citizen Economic Empowerment Commission (CEEC), Consumer Protection and Competition Commission (CPCC) and the Zambia Development Agency (ZDA). PSDRP was extended to phase two spanning 2010 to 2014 and focused on improving the business environment through the enhancement of business licensing and regulatory framework; labour reform and labour productivity; and Private-Public- Partnership ("PPP") development.

To improve the BEE government has continued to make reforms and refine the legal frameworks. For example, in 2022, the government repealed the ZDA Act of 2006 (National Assembly, 2006). ZDA is charged with the responsibility of investment promotion and facilitation among other functions. To increase efficiency government formed a One-Stop Shop Integrated System (OSSIS) that coordinates services provided by the Patents and Companies Registration Agency (PACRA), the ZRA, the National Pension Scheme Authority (NAPSA), and CEEC. In terms of policy for FDI, the 2018 National Industrial Policy provides the policy framework and one of its objectives is to increase actualised Domestic and FDI in Priority Sectors (MCTI, 2018). Similarly, the 2018 policy also sets an objective to promote investment in various sectors identified for export promotion (MCTI, 2018). Furthermore, the National Investment Promotion Strategy 2018 – 2022, has been put in place and aims to mobilise and increase actualised domestic and foreign direct investments by 25% annually - that supports sustainable socio-economic development.

This chapter aimed to review the progress in the BEE and existing institutional, policy and regulatory framework associated with investment in Zambia. The study focused on availability of backbone/ essential services, land tenure, tax regime, investment procedures and incentives, labour regulations, availability of skills and export credit, as investment enablers. It is envisaged that the results of the study will help identify the key areas for BEE improvement and inform various policy decisions and help enhance both domestic and FDI in the country.

8.2. Performance and Structure of FDI in Zambia from 2014 to 2021

Under this section, we analyse the performance of FDI over the period 2014 to 2021. The analysis focuses on the trends in net inward FDI inflow (new investment inflows less disinvestment), stock of FDI in the country, sources, and sectoral composition of FDI in Zambia.

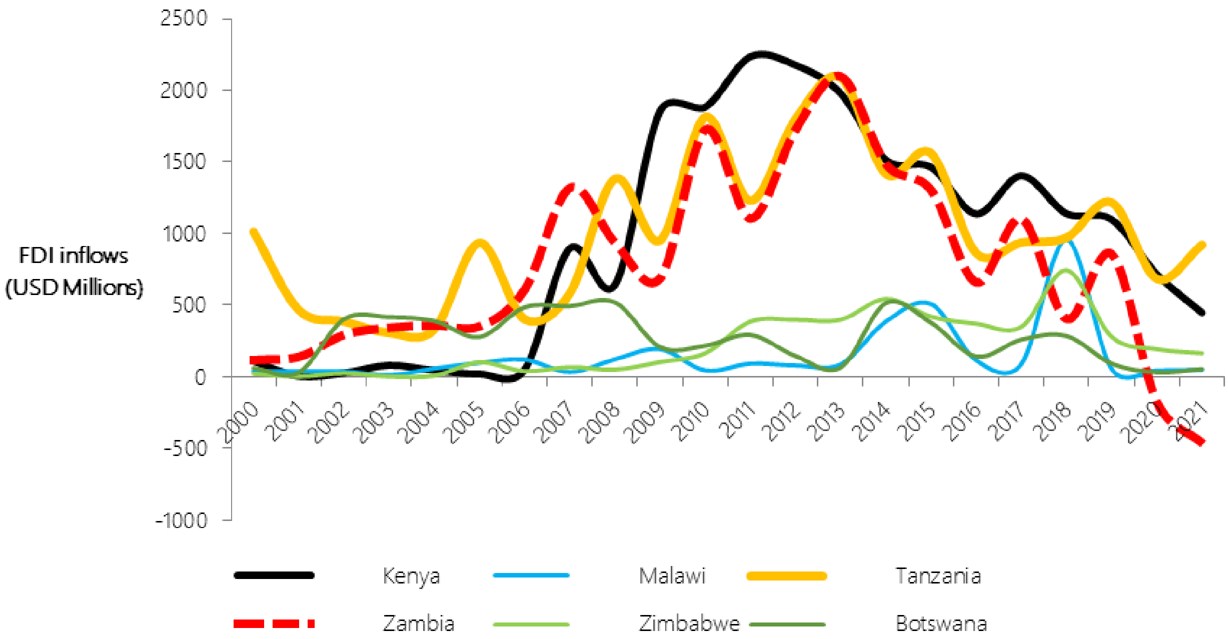
Broadly, during the period between 2014 and 2022, Zambia remained open to FDI with no barriers to deter the flow of investment and investment was driven by various factors. According to the Foreign Private Investment and Investor Perceptions in Zambia Reports, the investment climate between 2015 and 2021 was characterised by the following features:

- Availability of key natural resources that attract investment.
- Existence of political stability and peace.
- Presence of a favourable institutional and legal framework that facilitates both local and foreign direct investment in the country.
- Advantageous location and preferential market access, due to being centrally located and having access to large markets in the region as a result of membership in various regional economic groups such as SADC, COMESA, and AfCFTA, as well as being party to unilateral trade preferences such as the African Growth Opportunity Act of the USA and Everything But Arms under the EU, as well as many other Generalised Systems of Preferences.
- Improvements in doing business and trade.
- Presence of money and capital markets.
- A private sector-driven economy with prices determined by forces of supply and demand.
- Availability of investment incentives for both domestic and foreign direct investors.

Structure and Trends of FDI in Zambia

FDI inflows also followed an upward trend up to 2013 and then the downward trend thereafter. FDI inflows from 2014 to 2021 registered a downward trend and were relatively volatile over the period (**Figure 8.1**). According to the World Bank Development Indicators data, FDI as percentage of GDP followed a similar path to FDI inflows, falling from 7.5 percent of GDP in 2015 to 3.2 percent in 2016 rising to 4.3 percent in 2017 and 2.4 percent in 2019 and -0.95 percent in 2020. According to the Foreign Private Investment and Investor Perceptions in Zambia Reports, the downward trend was mainly driven by the reduction in reinvested earnings in various sectors due to high operational costs, lower commodity prices, and depreciation of Kwacha, adverse weather conditions, electricity deficit and uncertainty surrounding the 2016 elections.

Figure 8 1: Inward FDI for Zambia between 2000 and 2021 (US$ in millions)



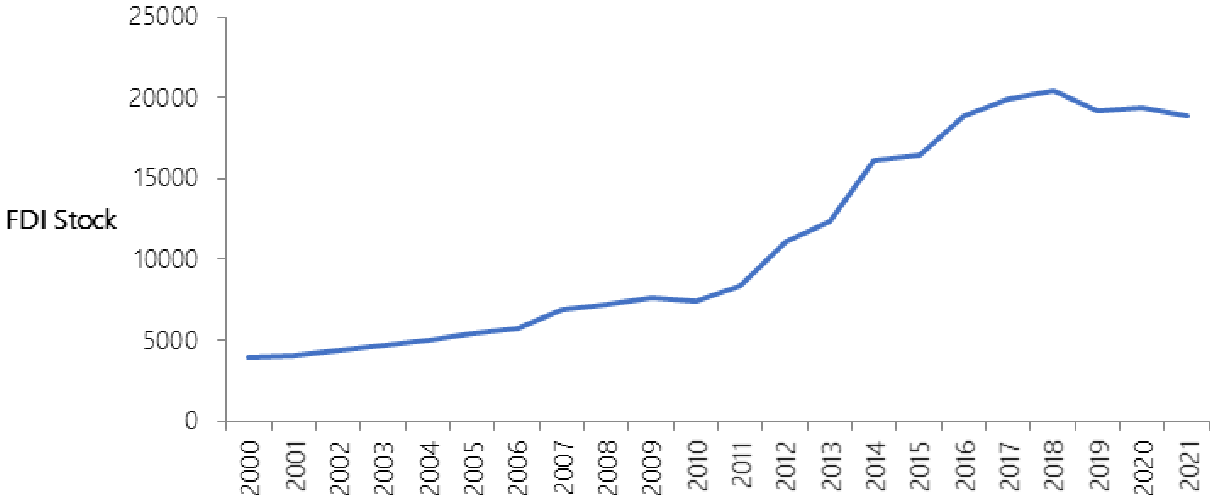
Source: Constructed using data from UNCTADstat.org

In 2020, FDI liabilities declined mainly due to retained losses resulting from operational challenges faced by some companies in the mining and quarrying sector. The decline in FDI inflows in 2021 was a result of the global economic downturn caused by the Covid-19 pandemic. Additionally, the fall in FDI liability inflows was due to lower re-invested earnings and debt repayments by the mining and quarrying sector. Research has revealed a positive correlation between FDI inflows into the mining sector and copper prices (Lombe, 2020)

After a decade of FDI surge into Zambia, the period 2014 to 2017 registered a slowed inflow due to an increasingly disenabling investment climate. In terms of FDI stock, Figure 8.2 presents the trend in FDI stock in Zambia between 2000 and 2021. The FDI stock is a cumulative value across the years and is presented as net figures (value of investment minus disinvestment). Since the 2000s, FDI depicts an upward trend until around 2018. Generally, the inflows were partly affected by the changes in the policies (especially the mining tax regime), institutional and legal frameworks.

The government also implemented several measures to improve the BEE. The BRRA was established in order to reduce the cost of doing business and harmonise licensing fees. The agency reviews fees and charges imposed with respect to exportation, importation or transit among other roles. This has been complemented by the harmonisation of payment points through the Single Payment Point (SPP) that was implemented in 2018. Fees for various agencies such as Zambia Compulsory Standards Agency, Zambia Metrology Agency, Road Transport and Safety Agency; and the Zambezi River Authority are now centrally and electronically collected by ZRA. In spite of these developments, there is still limited coordination among various agencies and ministries involved in investment and trade facilitation. For example, the number of licenses required in the hospitality sector (tourism sector) remains high. The investor requires to obtain licenses from local authorities, the revenue authority, the company and patents authority, health authorities etc.

Figure 8 2: FDI Stock for Zambia between 2000 and 2021 (US$ millions)



Source: Constructed using data from UNCTADstat.org

Over the period 2015 to 2021, FDI liability stock was dominated by the mining sector. Over the same period the manufacturing sector has been in the second position and the sector has increased its share in the total stock from 11.9 percent in 2015 to 20.1 percent in 2021 (Table 8.1). While the share of FDI liability as a percentage of the total stock of the manufacturing sector has increased, that of the mining sector has reduced from 68.1 percent in 2015 to 56.6 percent in 2021 (BoZ, ZSA & ZDA, 2015 – 2021). This indicates that some diversification has taken place. Dominance of FDI in the mining sector has crowded out other sectors which have the potential to create value and jobs (UNDP, 2016).

Table 8 1: Foreign Direct Investment Stock liability by sector (% share)

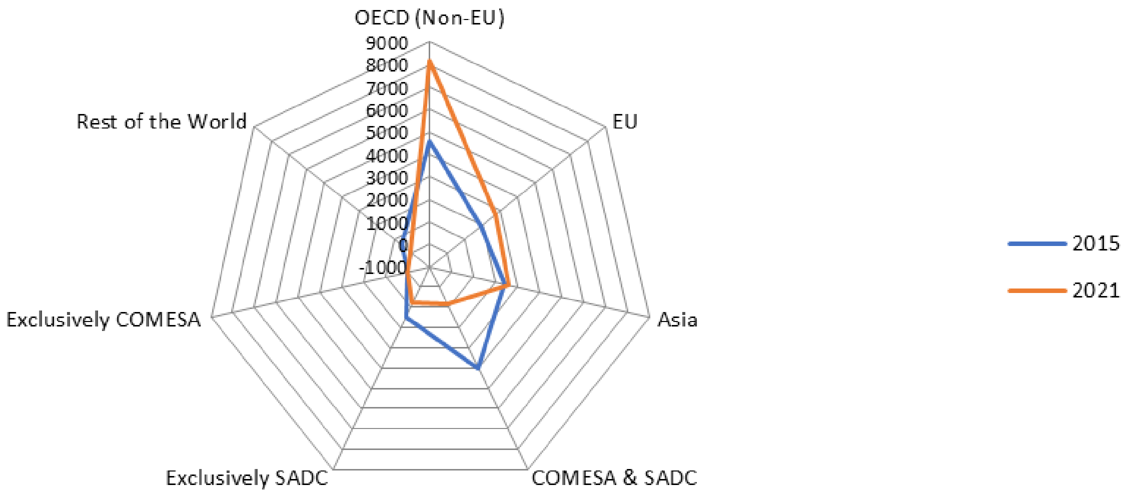
	2015	2018	2021
Mining & Quarrying	68.1	64.6	56.6
Wholesale & Retail trade	6.1	7.4	5.8
Manufacturing	11.9	11.7	20.1
Construction	0.6	0.2	2.5
Deposit taking corporations	6.1	4.5	4.5
Insurance & Other financial institutions	2.0	0.0	0.0
Agriculture, Forestry & Fishing	1.8	2.5	5.4
Other	0.1	0.6	-0.4
Real Estate activities	1.6	3.5	3.8
Electricity	0.4	1.3	1.2
Information & Communication	0.4	2.2	0.1
Transport & Storage	0.4	0.6	-0.3
Accommodation and foods	0.4	0.7	0.6

Constructed using the 2015, 2018 and 2021 Foreign Private Investment and Investor Perceptions Surveys

The volume of investment in the mines was followed by the manufacturing sector. The total actualised investment in manufacturing was US$928.7 million followed by the service sector with $46.9 million and real estate sector with $34.2 million. In 2018, ZDA monitored 256 companies with actualised investment of $700.1 million. In this year, the mining sector dominated the actualised investment with $249.2 million of all actualised investment. In 2019, the actualised investment grew to US$921.6 million with the mining dominating with US$318.80 million, followed by the manufacturing sector with US$272.06 million and the service and tourism sectors with actualised investment worth US$99.75 million and US$71.53 million, respectively. In 2020, owing to Covid-19, actualised investments fell to US$834.2 million, and this was dominated by manufacturing sector with US$ 661million. In 2021, actualised investment increased rapidly to US$3,228.19 million with the manufacturing sector (**ZDA, Annual Reports 2017 – 2021**)

Notable changes occurred in the sources for FDI stock in Zambia with OECD (non-EU) countries showing a large increase in the stock and a reduction in FDI stock from COMESA and SADC Member States. According to figure 8.3, OECD (Non-EU), dominated the FDI stock in Zambia both in 2015 and 2021 and showed an increase over the period. The major sources are Canada and Switzerland. FDI stock from COMESA and SADC reduced from 2015 to 2021. FDI stock from Asia also slightly grew and is dominated by China.

Figure 8 3: FDI Stock liability by Regional Grouping (US$ millions) – 2015 and 2021



Source: Constructed using the 2015 and 2021 Foreign Private Investment and Investor Perceptions Surveys

8.3 Business Enabling Environment for Trade and Investment.

The FDI inflows are influenced by various factors that are specific to both the recipient country and the country of origin as well as other global factors. Several studies show that FDI is influenced by the BEE that affect barriers and costs (Rajan, 2004). The business environment encompasses legal, institutional, regulatory, and political factors that influence business activities. It is widely believed that countries with good business enabling environments attract more FDI than those without it (Njuguna and Nnadozie, 2022; United Nations, 2022). BEE can influence the decisions of investors regarding business start-up, expansion, and location.

The above factors are amplified by market size and growth; availability of natural and human resources; availability of quality backbone services such as physical, financial and technological infrastructure; openness to investment and trade; and a fair, transparent and predictable regulatory and administrative framework (OECD, 2018 and 2002). The first three factors generally influence FDI based on market seeking, efficiency seeking, asset seeking and resource seeking motives while the last two would influence FDI irrespective of their motive. Under this section, this study endeavours to analyse the implications on FDI of backbone/essential services, land tenure, tax regime, investment procedures and incentives, labour regulations, availability of skills and export credit.

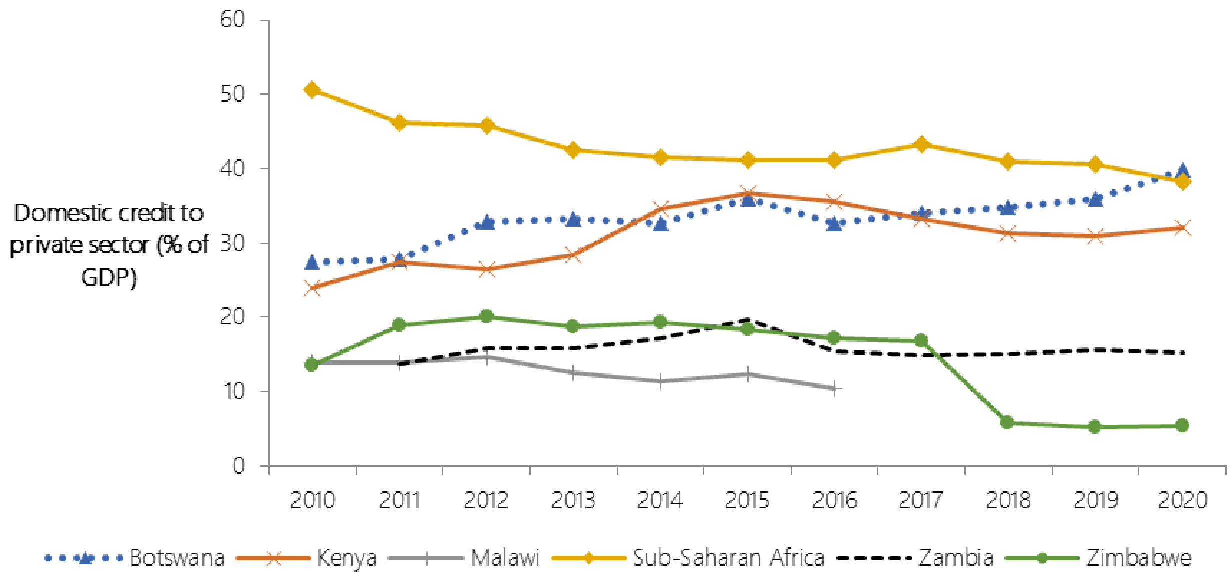
A. Availability of backbone/essential services

We analyse the performance of key backbone services for FDI namely finance, transport, electricity and ICT.

i. Implications of Finance on FDI

Despite progress in financial inclusion, high interest rates have been cited as one of the barriers to investment in the country, particularly for micro, small and medium enterprises. Access to finance in Zambia has improved with the increase in the number of financial institutions and the introduction of new innovations such as the Movable Property Act. However, according to the 2019 World Bank Enterprise Survey, access to finance remains the biggest operational challenge for firms in the country (https://www.enterprisesurveys.org). Domestic credit to the private sector in Zambia is relatively low compared to other countries and the Sub-Saharan average (Figure 8.4). Reports indicate that high interest rates are one of the key barriers to investment in Zambia (US Department of State, 2022; BoZ, ZSA & ZDA, 2017-2019). The lack of finance/capital remains a significant challenge for business start-ups and growth, particularly for micro and small firms that face difficulty in accessing credit due to a lack of collateral and other requirements. Foreign-owned firms have better access to credit than domestic firms, both locally and internationally. Furthermore, there is a lack of a diversified portfolio of financial products that cater to different categories of firms. Accessing finance provided by government institutions such as CEEC is challenging due to various supply-side and demand-side constraints. In most cases, businesses fail to provide a bankable proposal, while from the supply side, the financing is limited and susceptible to political interference.

Figure 8 4: Trend is Domestic Credit to Private Sector in Zambia for the period 2010 - 2020.



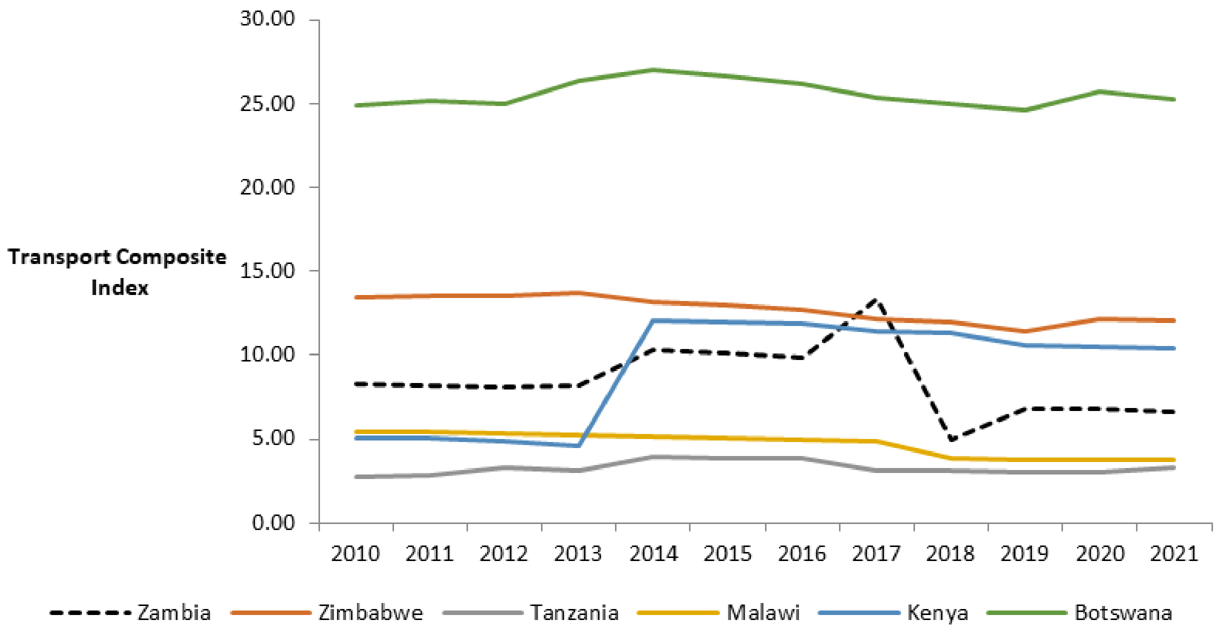
Source: Constructed using WDI data

ii. Implications of transport system on FDI

Quality transport system spurs investment in areas where it passes. In Zambia, the modes of transport include roads, railways, air and maritime. The road network is the main form of transport in the country catering for transportation of goods and people. According to the World Bank (2018), most trunk roads, proving domestic and international connectivity, are in good condition although about 13,000km of primary feeder roads, are generally unpaved and in poor condition. According to the most recent Rural Access Index (RAI) 17.0% of the population reside within 2 kilometres of good roads, leaving about 6.9 million rural residents unconnected to roads in good or fair condition (**World Bank 2018**). This presents a challenge to rural communities with respect to accessing markets. The rail system is in a bad state and is inefficient, dilapidated, ill-suited for modern traffic operations, and require high capital investment to modernise. To be the regional hub – transport needs major attention. Poor transport system in Zambia is a barrier to investment. Without quality transport systems, trade is limited – access to inputs and markets for products is limited. Efficient transport such as air transport is critical, particularly for trade in perishable goods.

Figure 8.5 shows the trends in transport infrastructure in selected African countries including Zambia. The information is drawn from the AfDB Infrastructure Development Index which comprises nine indicators that assess the quality of infrastructure related to electricity, transportation, information and communication technologies, and water and sanitation within a particular region. The trend shows a low transport index compared to other African countries. The index has deteriorated further in the recent years. According to various studies, quality of transport system is one of the factors considered when making an investment decision.

Figure 8 5: Trends: in Transport Infrastructure Index – Zambia and Comparator African Countries



Source: Constructed using AfDB Data

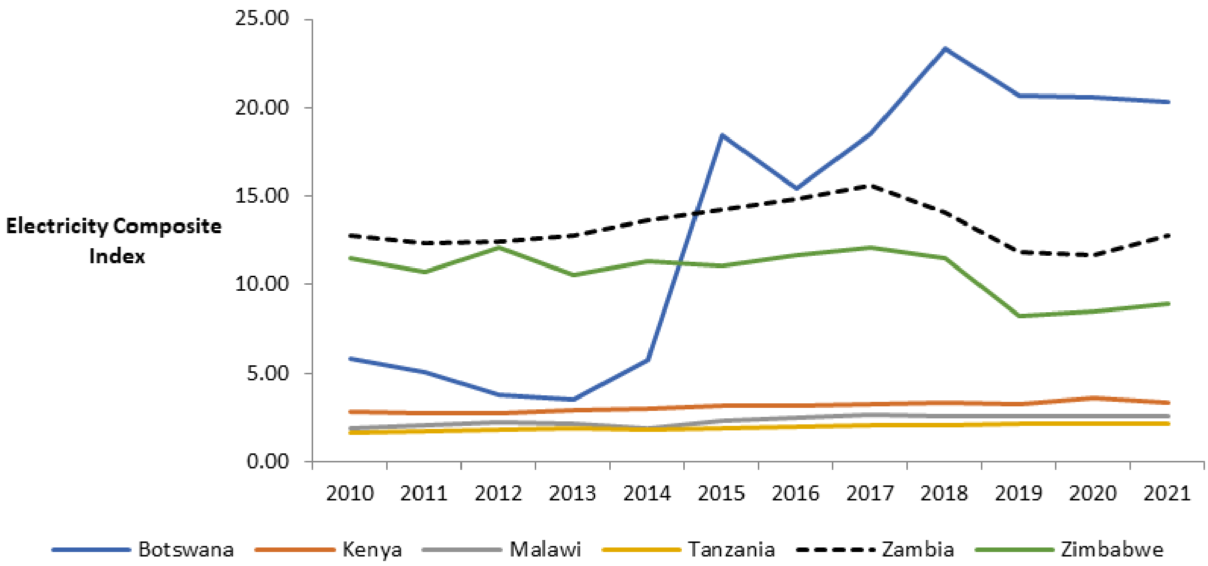
Impact of energy on FDI

Zambia relies on various sources for energy, including hydroelectricity, coal, solar, and imported oil. However, the demand for electricity has outpaced the generation capacity, leading to power shortages and outages (World Bank 2018). The low water levels in the Zambezi River due to low rainfall exacerbate the problem. These outages disrupt production and cause businesses to suffer losses (UNCTAD 2016), leading to higher production costs and higher product prices. Fuel prices in Zambia are also generally unstable and high compared to other countries in the region due to fluctuations in the Kwacha against the dollar and inefficiencies at Indeni Refinery (World Bank 2016).

Additionally, there is a significant gap in access to electricity between urban and rural areas, with only 4% of rural areas having access to electricity compared to over 67% in urban areas (World Bank 2018). The high cost of electricity is a significant barrier to investment in Zambia. This is according to stakeholder discussions and investor perception indicators reports. Electricity is ranked as the second biggest obstacle in the operation of firms in Zambia (World Bank Enterprise Survey 2019). Monthly price revisions also impose additional costs on businesses and negatively impact planning. Therefore, reliable energy sources are critical for investment in Zambia.

Figure 8.6 shows the trends in the electricity index. In comparison with Kenya, Tanzania, Zimbabwe and Malawi, Zambia performed well in the period 2010 to 2021. However, it is lower than Botswana and best formers. According to the various Foreign Private Investment and Investor Perceptions surveys (for 2015 to 2021), the main efficiency and cost-related factors negatively impacting investment and re-investment are fuel prices and electricity costs. This is also confirmed by the US Department of State (2022).

Figure 8 6: Trends in Electricity Index – Zambia and Comparator African Countries

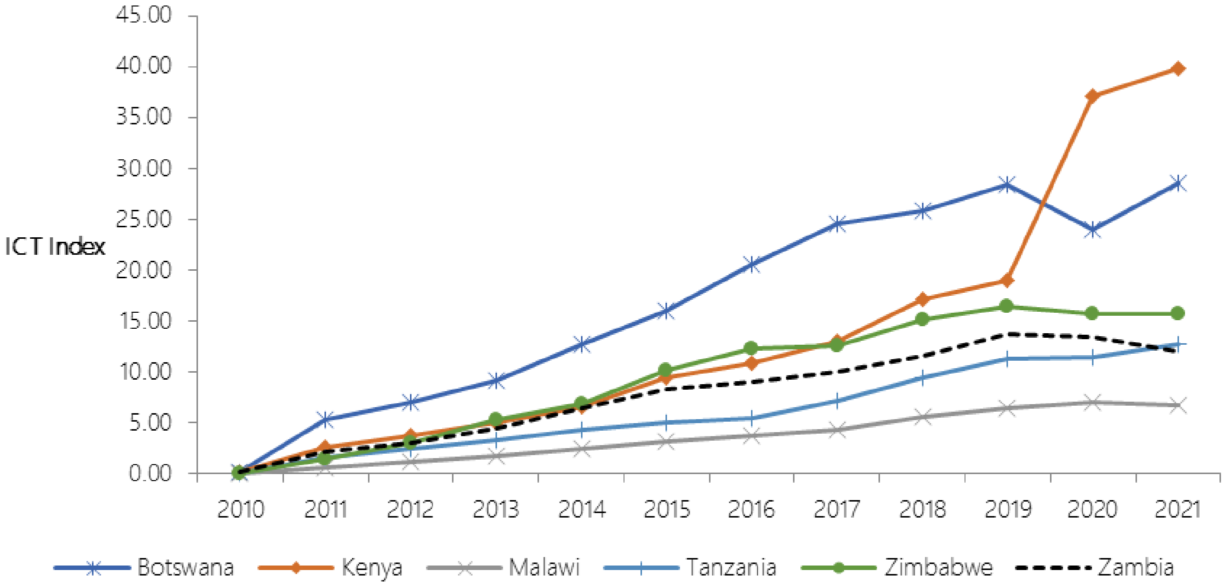


Source: Constructed using AfDB Data

Impact of Communication on FDI

Communication remains a challenge in business operations in Zambia. The communication sector is generally made up of mobile, the Internet, and wired PSTN connections. Although there has been improvement in the recent years, the sector is characterised by limited connectivity/coverage, poor network, limited competition. Modern firms require efficient communication to effectively undertake their business operation. Use of ICT improves business performance. Zambia has made significant progress towards digital transformation of the economy (World Bank, 2020). In the recent years, Zambia has witnessed growth in the ICT sector with regards to digital infrastructure, digital financial services, and digital platforms. However, more needs to be done in digital skills and digital entrepreneurship as well as access for all. A study by the World Bank noted that mobile penetration rate and Internet usage which stood at 67% and 17% respectively, was lower than other African countries (World Bank 2018). Figure 8.7 shows the trend in ICT among selected countries. Although it shows an upward trend, Zambia still lags behind other countries such as Zimbabwe, Kenya and Botswana. Studies have indicated that ICT is an enabler of FDI. In all the reviewed Foreign Private Investment and Investor Perceptions studies in Zambia, Internet and communication services are perceived as main factors that reduced investment and re-investment.

Figure 8 7: Trends in ICT Index – Zambia and Comparator African Countries



Source: Constructed using AfDB Data

B. Land tenure and FDI

Land tenure in Zambia, particularly customary land, affects FDI flow into the country as it does not guarantee transparency and security of tenure. According to the US Department of State (2022) and Sambo et al. (2015), all land in Zambia is considered state land, and ownership is vested in the President, who holds it on behalf of the people. The Land Act of 1995 governs land ownership, acquisition, and management, and it classifies land tenure into two categories: state land, which is governed by leasehold, and traditional or customary land, which is governed by customary tenure (**German et al., 2013**). Although all land is held in trust by the President, the majority of the land is traditional or customary land under the jurisdiction of chiefs.

While current legislation does not confer ownership to any person other than the President, land can be leased to both Zambians and non-Zambians (Sambo et al., 2015). The ZDA Act of 2006 provides for land leases to foreign investors. ZDA, in collaboration with the Ministry of Lands, identifies and facilitates land acquisition for foreign investors, and the durations of leased tenure can be for 14 years (for unsurveyed land), 30 years (for settlement), and 99 years, with the option to renew the title upon expiry of the lease. The Lands Act also specifies how traditional land can be transferred to leasehold tenure, requiring consent from the chiefs before signing with the District Council and Ministry of Lands (**Hall et al., 2017**).

However, traditional land presents challenges to investors in terms of acquisition and registration, mainly because customary tenure does not have any title (**US Department of State, 2022; German et al., 2013**). It is also based on unwritten traditional laws that vary by chiefdom, leading to opaque land allocation that often results in disputes (Hall et al., 2017). The insecurity associated with customary land ownership deters investment in the land. According to focus group discussions, foreigners have an easier time acquiring land than indigenous people because of their ability to pay for it. Land acquisition procedures are often lengthy and opaque, making it difficult for investors to invest in Zambia (Hall et al., 2017).

C. Tax regime

Tax policy of any country has a bearing on both domestic and foreign investment because taxes affect return on investment. Zambia uses various forms of taxes. In Zambia, these taxes are defined by the Income Tax Act Chapter 323, VAT Act Chapter 331 and the Customs and Excise Act Chapter 322 of the Laws of Zambia (**CUTS International, 2016**). The standard corporate tax rate was reduced from 35% to 30% in 2019. Special rates apply to farming, agro-processing, telecommunications companies, mining companies and newly listed companies. Frequent changes in tax policy – particularly in the mining sector creates uncertainty and may deter investment.

Zambia has signed DTAs with various countries with a view to avoiding double taxation and encouraging investment as it helps eliminate administrative burdens and the additional cost to business. The DTAs is agreements between two countries to avoid double taxation of the same income. The agreements generally cover income tax, capital gains, corporation tax, and withholding tax. DTAs can help promote cross-border investment, enhance investment flows, and increase the attractiveness of Zambia as an investment destination.

D. Investment Procedures and Incentives

Zambia's score for Ease of Doing Business has increased from 58.4 in 2015 to 66.9 in 2020. All other scores making up the Ease of Doing Business score have equally improved as indicated in Table 8.3. Based on the Ease of Doing Business Reports positive strides included resolving of insolvency, which was made easier, enforcing contracts was also made easier by publishing judgments rendered on commercial matters, access to credit strengthened by introducing Movable Property Act and by introducing a new collateral registry, online platforms made paying taxes easier, implementation of ASYCUDA world made exporting and importing easier, and property transfer was made affordable.

However, dealing with construction permits was made more costly and registration fee for starting a business were increased. In addition, provincial stakeholders, and the US Department of State (2022) identified cumbersome administrative procedures and unpredictable legal and regulatory changes as inhibitors of private sector investment. To register and operate in Zambia, an entity must go through several registration and licensing procedures with various regulatory agencies. Private sector is chocked by red tape in the business licensing and regulatory frameworks which include cumbersome, uncoordinated licensing procedures and processes, as well as duplication of licenses among others. Some sectors have over 10 regulatory frameworks to be adhered to. These make the business environment to be costly and not business friendly.

To attract FDI, Zambia offers various incentives that are prescribed under the ZDA and apply to investors investing $500,000 or more in a priority sector, a multi-facility zone, or a rural area. The incentives are classified into two categories, namely fiscal and non-fiscal incentives (**International Trade Centre, 2018**).

Fiscal incentives include a zero percent Customs Duty exemption on machinery and equipment for five years from the first year of operation, accelerated depreciation for priority sectors under the ZDA Act, and for manufacturing projects in a rural area, MFEZ, and industrial park (**ITC, 2018**). Non-fiscal incentives apply to investors with investments of more than $250,000 in a priority sector or a priority area. These incentives include investment guarantee and protection against nationalisation and free facilitation for the application of immigration permits, secondary licenses, land acquisition, and utilities (**ITC, 2018**).

Zambia also utilises an industrial zone strategy to cluster FDI in specific regions. The government has established six multi-facility economic zones (MFEZ) in various parts of Zambia, namely Lusaka East, Lusaka South, Lumwana, Ndola, Chambishi, and Roma Park, aimed at promoting and facilitating export-oriented investments and developing an enabling environment for such investments (**ITC, 2018**). Furthermore, the agriculture and manufacturing sectors have additional specific incentives that vary from year to year depending on government priorities. However, these incentives also have some downsides, such as forgone revenue, generation of lobbyists, and rent-seeking behaviour. They may come at a significant cost to the government with little or no increase in investment (**Kabwe, 2017**).

Table 8-2: Ease of doing Business.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Ease of DB							58.2	58.1	58.1	61.6	62.6	58.4	60.5	60.3	64.2	65.7	66.9
Start Business	77.9	78.1	78.3	78.4	78.8	82.9	82.9	83	83.2	81.8	85.1	84.9	84.9	84.8	84.9	85.1	84.9
Construction			55.1	56.1	56.8	61.4	62.4	62.5	65.1	70	71.3	70.7	71.7	70.9	71.1	71.7	72.1
Electricity							73.3	73.4	73.4	73.5	73.8	57.6	59	47	47.4	61.2	62.1
Register Property		53.2	53.2	53.3	53.2	64.9	65	67.3	63.3	63.7	62.8	51.7	40.2	48.6	48.7	49.1	49.3
Get Credit		56.3	56.3	56.3	56.3	56.3	56.3	56.3	56.3	87.5	65	70	75	75	95	95	95
Protect minority			56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56	56	56	56	56	56	60
Paying tax			73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7	73.7	74.5	80.8	81.1	88.9	88.9	88.9
Trading			17.3	18.2	21.2	18.6	22.3	20.4	20.4	20.4	21.8	63.5	47	47	56.9	56.9	56.9
enforcing contracts	61.4	61.4	61.4	61.4	61.4	57.5	57.5	57.5	57.5	57.5	57.5	57.5	49.9	49.9	51.7	50.8	50.8
insolvency	24.9	25.8	28	29.1	30.9	31.9	31.9	30.3	31.4	31.7	35.6	38.5	40.1	42.2	41.7	42.4	49.3

Source: Constructed from World Bank Ease of Doing Business (Historical data).

E. Labour Regulations and Skills Availability on FDI

Labour regulation can have an impact on investment as it is an important determinant of firms' competitiveness. Zambia's labour regulations are generally considered to be relatively flexible compared to other African countries. However, there are some areas where the regulatory environment could be improved to attract more investment. For example, Zambia's labour laws make it difficult for businesses to lay off workers, which can discourage investment by making it more difficult for companies to adjust their workforces to changing economic conditions. Masumbu and Mwenge (2017) argue that new severance pay and restrictions on separation between employer and employee make separation and frequent revisions of minimum wage may be costly for businesses. This might be a deterrent to investment. US Department of State, (2022) also observes that labour laws provide for extremely generous severance pay, leave, and other benefits to workers, which can impede investment. Enforcement of the labour rights is also often weak (**US Department of State, 2022**). At times, Government has had to bend to pressure from employers and employees. Recently, in 2022, the government had to suspend the implementation of new minimum wages following an outcry from employers that most employers had not yet recovered from the negative impact of COVID-19 on their businesses, and raising the minimum wage was tantamount to closing down businesses.

Although the labour force is balanced, Zambia's workforce lacks skills in various critical sectors such as manufacturing, ICT and technical vocation skills. Gender skills gap still persists with the males possessing higher skills than females. Availability of local skills is important for attracting FDI. Similarly, availability of local skills enables the country to benefit from the FDI. Gender skills gap still persists with a higher percentage of males having intermediate or higher education compared to females. Inadequate skilled and semi-skilled manpower is one of the barriers to investment (**US Department of State, 2022**). According to the 2020 National Skills Survey, firms in Zambia face challenges hiring technicians, craft and related trade workers. Fifty percent of the firms reported lack of technical, technological, and scientific knowledge among professionals/technical and associate professional applicants (**Ministry of Labour and Social Security, et al. 2021**).

Several stakeholders believe that FDI causes skills transfer to local people. This is done through employment of locals in key positions by foreign-owned firms and in-house training/re-skilling.

F. Export Credit.

Export credit is critical for Zambian exporters as it protects exporters against the risk of non-payment by foreign buyers and helps businesses to expand into international markets. It can help address market access for Zambian exporters. Despite its importance, Zambian exporters face challenges of export credit access. Various financing options under export credit exist within the commercial banks and include pre-shipment and post-shipment financing and export credit guarantees, letter of credit, among others. Exporters can also obtain low interest loans from the Zambia Export Development Fund (**ZEDEF**), managed by the ZDA. The loans may cover pre- and post-shipment finance, market research, capacity building, product development, and promotion/advertising and marketing for exporters. The ZEDEF has not been helpful to exporters due to their lack of awareness about it. The Fund provides short-term trade finance at concessional rates to exporters of non-traditional export products. Moreover, there is no export and import (**EXIM**) bank in Zambia. EXIM banks have proved to be workable in other countries as they provide financing and insurance for export transactions, as well as covering traders against the uncertainties of foreign trade resulting from future fluctuations in exchange rates.

8.4. Recommendations

i. Speed up the process of decentralising the operations of the ZDA and One-Stop Shops by opening up offices in all provinces.
ii. Automate services through the government portal.
iii. Streamline the customary land acquisition processes to make it more transparent and offer security of tenure for investors.
iv. Streamline the licencing requirements and procedures and decentralise the regulatory service centres under BRRA to all the provinces.
v. Awareness-raising campaigns of the roles and mandates of ZDA and other agencies.
vi. Develop a coordinated approach for government institutions to work together to avoid unnecessary overlaps in the promotion and protection of investments.
vii. Design sector-specific incentives and marketing strategies to attract domestic investment and FDI.
viii. Upgrade and strengthen infrastructure by investing in the road network, railways and the construction of power plants.

8.5. Conclusions

A stable and conducive business environment is critical for attracting domestic and Foreign Direct Investment which is essential for economic growth and poverty reduction. Although government has implemented policy reforms that have significantly improved the business environment, there are still gaps between the policy and implementation which if left unresolved, may lead to failure to realise the potential of the key economic sectors. The report observes that improvement in the enabling environment will require a wide range of sectoral and cross-sectoral initiatives such as reforming and improving coordination among regulatory and investment facilitating institutions such as the ZDA and BRRA. Further gains can be made from addressing problems embedded in the land tenure systems, labour markets and overall cost of doing business.

CHAPTER 9: TRADE INSTITUTIONS AND CONSULTATION PROCESSES

9.1. Introduction

The effectiveness of trade as a means of achieving economic transformation has been shown to be contingent upon the quality of domestic institutions—rule of law, property rights, government effectiveness, and regulatory quality, control of corruption—in addition to factor endowments and other sources of comparative advantage. Moreover, the participation of key trade actors in the design, implementation, monitoring, and evaluation of trade and trade-related policies, processes, and outcomes is crucial for the success of this governance framework. The absence of strong coordination mechanisms between the public and private sector, development partners, and non-state actors, may prove ineffective in advancing the desired trade and socioeconomic development; and lead to greater adjustment costs and inequalities (UNCTAD, 2009). Institutional weaknesses contributes to limiting innovation and investments needed to expand into more complex higher value-added products.

In empirical measures of the association between institutions and trade, export performance correlates very strongly with higher institutional quality—stronger institutions promote trade (Agyei & Idan, 2022; Beverelli, et., 2018; Nunn & Trefler, 2014). A growing body of economic literature on institutions explains the influence of institutions in exacerbating or ameliorating production and transaction costs and thus consequently, affecting both the composition and volume of trade. It follows that effective public-private dialogue mechanisms are essential for inclusive and successful trade policy and regulatory reforms and overall positive trade outcomes (ITC, 2011). Trade is a complex and dynamic process that spans numerous institutions, sectors, and levels, with wide-ranging impacts on various actors, social and economic policies, regulations, and institutions.

With several institutions performing various functions from policy setting to regulation, implementation and evaluation, the risk of coordination failures, misalignment of interests and ineffective implementation and regulation, is high. This complex trade ecosystem raises the demands for high-quality trade institutions and effective consultative structures and mechanisms that can provide effective policies and efficient services and ensure policy coherence and alignment of development goals and strategies (mainstreaming trade) (Norley & Rosenthal, 2019; UNCTAD, 2016; Abreo, et al., 2021).

9.2. Trade Actors, Influence and Interests

9.2.1. Trade Institutions

Trade-related institutions encompass a broader range of regulatory, enforcement, and contracting institutions that facilitate and support trade. These institutions are responsible for implementing and regulating standards and technical requirements, enforcing contracts, ensuring fair competition, managing business, customs, and border procedures, providing market information and access through trade missions and export promotions, promoting infrastructure and enterprise development, and offering trade finance to enhance productive capacity and export competitiveness (De Melo & Olarreaga, 2017).

The public sector institutional framework in Zambia consists of several key entities with the Ministry of Commerce, Trade and Industry (MCTI) serving as the primary trade institution responsible for formulating and administering commercial, trade, and industrial policies. Its main objective is to promote sustained socioeconomic development within the country. MCTI also plays a crucial role in establishing and coordinating consultative mechanisms with the private sector, non-state actors, other ministries, and subnational governments. Another significant player within the institutional framework is the Ministry of Finance and National Planning. This ministry plays a vital role in preparing and managing the national budget, and formulating tax policies that directly and indirectly impact trade.

The judiciary plays a crucial role of adjudicating and determining matters of contract enforcement, protection of property rights, and addressing issues such as expropriation, market abuse, fraud and corruption that can jeopardize the integrity and increase the cost of trade transactions. Contracting institutions, in general, establish the rules and regulations that govern the formation, performance, and enforcement of contracts, to reduce the risk and uncertainty associated with business and trade. The judicial system is essential in resolving disputes, upholding the rule of law, ensuring fair and impartial administration of justice, and providing appropriate compensation when legitimate business rights have been violated. Alongside the judiciary, is the legislature, which plays a significant role, such as ratification of trade agreements, enacting laws related to commerce and trade, and monitoring and evaluating [trade] policy implementation. The National Assembly further provides a platform for consultations and discussions with stakeholders on trade issues through various parliamentary committees.

Other trade-related ministries, agencies and institutions include: the Zambia Development Agency, the Patents and Companies Registration Agency, the Competition and Consumer Protection Commission; Zambia Metrology Agency, Zambia Bureau of Standards, Zambia Revenue Authority, National Assembly, Ministry of Transport and Logistics, Ministry of Small and Medium Enterprise Development, Zambia Environmental Management Agency, Ministry of Agriculture, Ministry of Mines and Mineral Development, Ministry of Fisheries and Livestock, Citizens Economic Empowerment Commission, Zambia Development Bank and sub-national governments— responsible for various roles outlined in Table 9.1 below. The effectiveness of the various institutions in fulfilling their responsibilities becomes crucial in supporting positive trade outcomes. In subsequent sections, trade institutions and trade-related institutions are grouped under the broad rubric of trade institutions.

9.2.2. Non-State Actors

Non-state actors play a vital role in promoting trade and fostering positive development outcomes. These actors are involved in a wide range of trade-related activities, including trade policy development, trade facilitation, trade promotion, enterprise development, training, and capacity building. It is crucial to effectively engage these stakeholders to leverage their expertise and insights, and ensure their interests and priorities are appropriately considered in trade decision-making processes. The Institutional framework of non-state actors includes albeit not exhaustive, the following players:

[1] Private Sector Associations: that lobby for and represent the interests of the private sector.

[2] Private Sector Firms: businesses engaged in the tradable goods and services sectors, ranging from micro, small, and medium enterprises to large firms.

Table 9 1: Public Sector Institutional Framework

	INSTITUTION	ROLE/RESPONSIBILITY	LOCATION
Government Ministries	Ministry of Commerce, Trade and Industry	Formulation of trade policies and strategies, trade negotiation, and integration into regional and multilateral trading systems through carefully negotiated trade agreements.	Lusaka
		To establish and coordinate public-private sector dialogue, inter-and intra-governmental institutional arrangements, and structures.	
	Ministry of Finance and National Development Planning (MoFNDP)	Formulating and implementation of fiscal policies related to trade.	Lusaka
		Managing the country's public finances, including the allocation of resources for trade-related activities i.e., trade promotion activities and the provision of financial support to exporters, and for the development of trade-related infrastructure.	Provincial
	Ministry of Agriculture (MoA)	Developing and implementing policies and programmes related to agriculture.	Lusaka
		Regulating the sector to ensure that it operates in a responsible and sustainable manner.	Provincial District
	Ministry of Mines and Mineral Development (MMMD)	Developing and implementing policies and programmes related to the mining sector.	Lusaka
		Promoting investment in the mining sector and regulating the mining sector to ensure that it operates in a responsible and sustainable manner.	Provincial
	Ministry of Fisheries and Livestock (MFL)	Developing and implementing policies and programmes related to fisheries and livestock.	Lusaka
		Promoting investment in the fisheries and livestock sectors.	Provincial
		Regulating the sector to ensure that it operates in a responsible and sustainable manner.	District
	Ministry of Small and Medium Enterprise Development (MSMED)	Developing and implementing policies and programmes to promote the development and growth of SMEs.	Lusaka
		Supporting participation of SMEs in local and international trade and promoting the development of value chains that support SMEs.	Provincial District
	Ministry of Transport and logistics (MTL)	Developing and implementing policies and programmes related to transportation and logistics.	Lusaka
		Developing and maintaining transportation infrastructure.	Provincial
		Promoting efficient movement of goods and services and regulating transportation and logistics services.	
Subnational Governments	Provincial Districts	Implementing national policies and programmes related to trade at the local level.	Provinces
		Promoting trade and economic growth in their respective regions.	
	Local Governments	Providing infrastructure and services that support trade activities.	Districts
Legislature	National Assembly	Passing laws and regulations related to trade and commerce.	Lusaka
		Approving policies and programs via the budget. Monitoring and evaluating the implementation of trade-related policies and programmes.	

	INSTITUTION	ROLE/RESPONSIBILITY	LOCATION
Business, Trade & Investment Agencies	Zambia Development Agency	Promote and facilitate trade, investment, and enterprise development.	Lusaka
		Specifically, to promote international competitiveness and exports of non-traditional export products (NTEs) through trade promotion, enterprise development and capacity building, and export market development.	Province (Limited)
	Patents and Companies Registration Agency (PACRA)	Registering companies, business names, and patents in Zambia.	Lusaka Provinces
Regulatory & Enforcement Agencies	Zambia Revenue Authority (ZRA)	Tax (income, consumption and trade) administration and trade facilitation	Lusaka Provinces Border Posts
	Competition and Consumer Protection Commission (CCPC)	Promoting and protecting competition and consumer welfare in Zambia.	Lusaka Province (Limited)
	Zambia Metrology Agency (ZMA)	Ensuring the accuracy and reliability of measurements in Zambia and consistency with international standards.	Lusaka
	Zambia Bureau of Standards (ZABS)	Developing and implementing technical regulations and standards to ensure the safety and quality of goods and services traded in Zambia.	Lusaka
		Harmonising technical regulations and standards with international standards.	
	Zambia Compulsory Standards Agency (ZCSA)	Ensuring that products and services in Zambia meet the required standards for safety, health, and environmental protection and that they are consistent with international standards.	Lusaka
		Training and education on standards and quality management.	Provinces
	Zambia Environmental Management Agency (ZEMA)	Ensuring that environmental standards are met, natural resources are used in a responsible and sustainable manner and that environmental standards are compatible with international standards.	Lusaka
	Judiciary (courts)	Interpreting the laws, adjudicating over legal matters and deciding on legal disputes through courts independently and impartially.	Lusaka
			Provinces
			Districts
Empowerment Commissions and Financial Institutions	Zambia Development Bank of Zambia	Providing long-term financing for development projects.	Lusaka
		Promoting trade-related activities, and providing technical assistance and advisory services to businesses.	
	Citizens Economic Empowerment Commission (CEEC)	Promoting broad-based and equitable economic empowerment of marginalised citizens, citizen influenced companies, citizen empowered companies, and citizens owned companies.	Lusaka Provinces

Source: Author's own construction

[3] Civil Society Organisations: represent society's interests and concerns and hold the government and private sector accountable. They engage in advocacy, monitor trade policies and programmes, and provide alternative trade policy considerations. CSOs promote and influence pro-poor trade policies that would benefit MSMEs, infant industries, small farmers, and small-scale cross-border traders; and advocate for sustainable trade practices.

[4] Academia and Research Institutions: these institutions provide research and policy analyses on trade, advocate for and engage on trade policies, and provide technical assistance and other capacity building support.

[5] Development Partners, Regional Economic Communities and others: are engaged in supporting regional integration, the development of trade policies and strategies, trade facilitation, public-private sector dialogue, capacity building of firms and trade institutions, and trade financing.

Table 9.2 below outlines the roles of the non-state actors.

Table 9 2: Non-State Actors Institutional Framework

CATEGORY	INSTITUTION	ROLE/RESPONSIBILITY
Private Sector Associations	Zambia Chamber of Commerce, Trade and Industry	Represents interests of the private sector and provides a platform for dialogue between the private sector and the government.
		Promotes and lobbies for Zambia's trade and investment.
		Provides business support services to members, including training and capacity building.
	Zambia Association of Manufacturers	Represents interests of manufacturers and provides a platform for dialogue between manufacturers and the government on issues affecting the manufacturing sector.
		Provides business support services to members, including training and capacity building.
	Zambia Chamber of Small and Medium Businesses Associations	Represents the interests of SMEs and provides a platform for dialogue between SMEs and the government on issues affecting their participation in trade such as access to finance, infrastructure, and technology.
		Advocates for policies and strategies that promote the growth and development of SMEs, including the removal of trade barriers and the facilitation of trade flows.
		Provides training and capacity building to members on trade-related issues, including trade regulations, customs procedures, and market access.
		Provides support to its members in accessing finance, information, and other resources to enhance their participation in trade.
	Zambia National Farmers' Union	Represents the interests of farmers and provides a platform for dialogue between farmers and the government on issues affecting the agricultural sector.
		Provides business support services to its members, including training and capacity building.
	Zambia Export Growers Association	Represents the interests of exporters of non-traditional agricultural products and provides a platform for dialogue between exporters and the government.
		Promotes export of non-traditional agricultural products
		Provides business support services to its members, including training and capacity building.
	Cross Border Traders Association	Represents the interests of cross-border traders, provides a platform for dialogue between cross-border traders and the government, and is involved in various aspects of cross-border trade, including trade facilitation, trade promotion, and advocacy.
	Truckers Association of Zambia	Represents the interests of truck drivers and transporters and provides a platform for dialogue between the transport sector and the government on issues affecting the transportation of goods.
		Provides transportation services for goods and is involved in various aspects of trade, including trade facilitation, logistics, and advocacy.
		Provides support to its members in accessing finance, information, and other resources to enhance their participation in trade.
	District Chambers of Commerce	Promote trade at the local level in Zambia.
		Represent the interests of businesses in their respective districts and provide a platform for dialogue between the private sector and the government.
		Advocate for policies and strategies that promote the growth and development of businesses in the district, including the improvement of infrastructure, access to finance, and the reduction of trade barriers.

CATEGORY	INSTITUTION	ROLE/RESPONSIBILITY
Private Sector Firms	Micro, Small and Medium Enterprises	Participate in international trade, particularly, exports of agricultural and manufacturing goods.
		Beneficiaries of trade promotion, trade facilitation, and trade-related capacity building programmes.
	Large firms	Major exporters of mining, manufacturing, agriculture, and services
		Influence trade policies, including trade promotion, trade facilitation, and trade-related capacity building programmes. Participate in work policy and strategy development to support the growth and development of trade
Civil Society Organisations	Consumer Unity & Trust Society	Conducts research and provides policy advice on trade.
	Centre for Trade Policy and Development	Provides a platform for dialogue between civil society and the government on issues affecting trade and development.
	Caritas Zambia	Monitors the impact of trade policies on vulnerable groups and advocates for trade policies that promote sustainable and equitable economic growth.
	Non-Governmental Gender Organisations' Coordinating Council	
	Young Women's Christian Association	
	Young Men's Christian Association	
Academia and Research Institutions	University of Zambia	Conducts research and provides policy advice on domestic and international trade policy matters.
	Mulungushi University	Provides technical expertise to the Government and other stakeholders on trade-related matters.
	Copperbelt University	Provides training and capacity building to stakeholders, including the private sector and civil society, to enhance their understanding of trade-related issues.
	University of Lusaka	
	Rusangu University	
	Zambia Institute for Policy Analysis and Research	
	Indaba Agriculture Policy Research Institute	
Cooperating Partners and other international Trade organisations	European Union	Promote trade and economic development in Zambia through various programs and initiatives i.e., the European Development Fund (EDF), the Economic Partnership Agreement (EPA), Southern Africa Trade and Investment Hub (SATIH), the Zambia Economic Resilience Program (ZERP) and other forms of trade facilitation support.
	USAID	
	International Trade Centre	Provides technical assistance and capacity building for developing countries (businesses and governments) on trade policy development as well as trade-related issues such as export promotion, market information and intelligence, and trade regulations; to enhance their participation in international trade.
	United Nations Conference on Trade and Development	Provides research, analysis, and policy recommendations to governments, businesses, and other stakeholders on trade and development issues.
		Provides technical assistance and capacity building to developing countries to enhance their participation in international trade, including support for trade negotiations and the implementation of trade-related agreements.
Development Finance Institutions	African Export–Import Bank	Provides financing and other trade-related services to support the growth and development of African businesses i.e., working capital, trade finance advisory services, risk management, and payment and settlement services and the financing of trade-related infrastructure.
Regional Economic Communities	Common Market for Eastern and Southern Africa	Promotes economic development and regional integration.
	Southern African Development Community	Promotes trade and investment among member states by eliminating tariffs and non-tariff barriers to trade and investments, and harmonising trade policies and regulations to reduce trade barriers and promote greater trade flows.
	AfCFTA	Provides access to regional markets and promotes intra-regional and intra-African trade.

Source: Author's own construction

9.2.2.1. Highlighting the Role of Cooperating Partners

Development partners and donors play a critical role in strengthening institutional trade capacities and in improving dialogue and consultative structures and processes in Zambia. Development partners provide capacity building and technical assistance to trade institutions and stakeholders to enhance their skills and knowledge in trade-related areas. This includes training on trade policy, trade negotiations, market research, and business development services. Attendant support is also provided to improve the policy and regulatory framework for trade in Zambia. This includes reviewing and updating trade-related policies and regulations, improving the implementation and enforcement of trade regulations, and enhancing the transparency and predictability of trade-related processes.

Development partners financing for trade-related projects, initiatives, and activities, such as market research, trade promotion, and business development services is another critical area of support that buttresses institutional capacity. This improves the organisational structures of trade institutions and enhances their capacity to provide trade-related services. Support is also rendered to enhance stakeholder engagement in trade-related activities and consultative structures and processes. Enhancing inclusiveness of trade institutions and consultative structures is key to ensuring that the needs and concerns of all stakeholders are considered in trade-related decision-making processes.

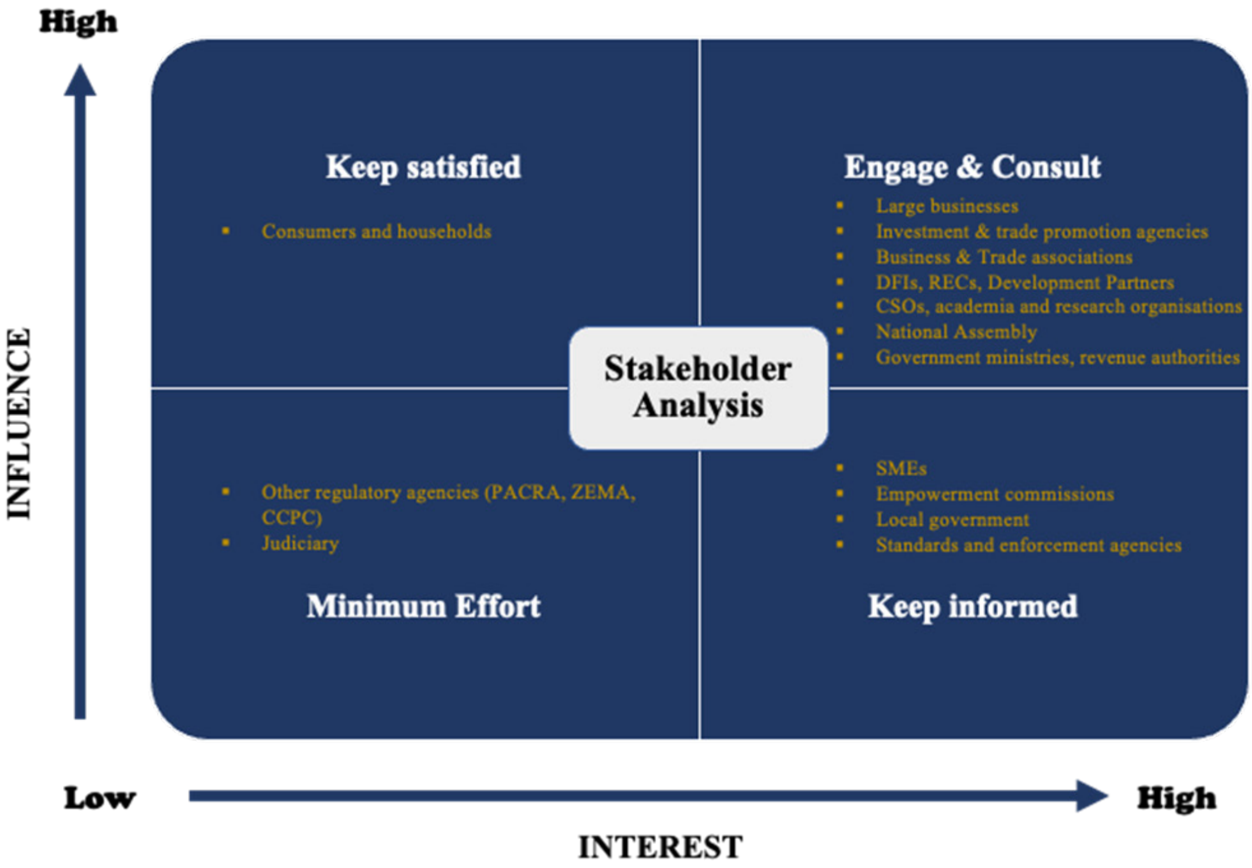
Development partners and donors work closely with the Government of Zambia and other stakeholders to ensure that their support is aligned with national priorities and strategies. For example, the Enhanced Integrated Framework (EIF) is a multi-donor programme that provides support to least developed countries to build trade-related capacity and mainstream trade in national development frameworks in line with national priorities and strategies. Similarly, the EU, World Bank, and other development partners provide support to trade institutions and dialogue and consultative processes in Zambia through various programmes and initiatives. These programmes and initiatives are aligned with national priorities and strategies.

9.2.3. Understanding Stakeholders' Influence and Interests

Effective engagement requires first and foremost, understanding of stakeholders' interests and priorities regarding trade issues, and the extent to which they exert influence on trade issues. This understanding serves as a foundation for determining the level of engagement and communication required for effective stakeholder management. For this mapping exercise, we utilise a Stakeholder Influence-Interest Matrix (**Figure 9.1**) to categorise stakeholders based on their level of influence and interest in trade and trade-related issues[9]. The matrix is divided into four quadrants, each representing a different level of engagement and communication needed. Stakeholders falling in the high influence, high interest quadrant require the most intensive engagement and communication, as they have significant power to influence trade outcomes and a high level of interest in trade-related issues. Stakeholders in the low influence, high interest quadrant may require less direct engagement but still need to be informed and involved in trade discussions regularly. Stakeholders in the high influence, low interest quadrant may need to be kept informed, given their ability to exert considerable influence on trade policies and possibly outcomes, while those in the low influence, low interest quadrant may only require minimal engagement.

9The y-axis represents the stakeholder's influence, indicating their ability to directly or indirectly influence trade policies, programmes, strategies, and outcomes, as well as other stakeholders. The x-axis represents the stakeholder's interest, reflecting their level of participation in trade or the extent to which they are affected by trade policies, programmes, and strategies outcomes.

Figure 9 1: Stakeholder Influence-Interest Matrix



Source: Author's own construction

Although there are varying levels of influence and interest in trade, most stakeholders exert considerable influence and have high interest in trade issues and thus should be fully engaged and consulted regularly. The private sector's value is undeniable, as they actively engage in trade, and have first-hand experience of trade barriers and other constraints that provide a basis for trade policy reforms. Large businesses and corporations involved in the production and export of tradable goods and services, hold significant interests in trade and possess substantial influence over trade policies. This influence is often exerted collectively through industry associations that represent and advocate for the interests of businesses. But even as independent entities, large firms have a considerable impact on trade and trade-related policies. Therefore, it is crucial to regularly engage and consult with them in the formulation and implementation of trade policies. Although small and medium-sized enterprises (SMEs) and cross-border traders may be perceived to have low influence, they have high interest in trade matters. Despite their perceived lower influence, it is essential to extensively engage and involve them in the development of trade policies and strategies. Micro, small, and medium enterprises constitute the majority of businesses in Zambia and have potential to drive economic growth, employment and poverty reduction. Thus, their full engagement and participation needs to be prioritised. This approach promotes broad ownership of prioritised actions and ensures that the specific needs and challenges faced particularly by SMEs, are adequately addressed.

Build strong partnerships and collaborations with government ministries and agencies responsible for revenue collection, investment and trade promotion, business and trade associations and chambers of commerce, the National Assembly, and international organisations that have high interest in trade outcomes, and exert considerable influence on trade issues. Engaging other ministries, investment and trade promotion agencies ensures alignment between trade policies and investment strategies, fostering an enabling environment for businesses to thrive. Collaborating with various business and trade associations and chambers of commerce allows for the representation of diverse interests and the collective voice of the private sector in trade-related discussions. And partnering with international organisations providing trade-related technical assistance and support brings valuable expertise and resources to enhance trade capacity and promote sustainable trade practices. The engagement strategy should be one that involves different stakeholders in the development of trade policies and strategies, and providing them with access to relevant information and resources.

Development Finance Institutions (DFIs), regional economic communities (RECs), and cooperating partners typically hold a high level of influence and interest in trade matters. As specialised financial institutions, DFIs support, among others, trade as a driver of sustainable and inclusive economic growth. DFIs engage in trade-related initiatives and investments, providing financial resources, technical expertise, and advisory services to support trade and trade-related projects and programmes. RECs are equally highly vested in trade outcomes with the sole objective of supporting the elimination of tariffs and non-tariff barriers and various trade facilitation projects to stimulate increased trade and regional integration.

Civil Society Organisations (CSOs) and research institutions have significant influence and high interest in trade issues. As independent and non-governmental entities, CSOs play a crucial role in advocating for the interests of marginalised groups, promoting social justice, and ensuring the transparency and accountability of trade policies and programmes. CSOs often have a grassroots presence and work directly with communities affected by trade policies and as such, provide a platform for these communities to voice their concerns and advocate for their rights and interests. CSOs engage in research, analysis, and monitoring of trade-related activities to assess their impacts on social, environmental, and human rights aspects. The influence of CSOs lies in their ability to mobilise public opinion, raise awareness, and apply pressure on governments and other stakeholders to address the social and environmental implications of trade. Through advocacy campaigns, policy dialogues, and public engagement, CSOs contribute to shaping trade policies that are more equitable, sustainable, and inclusive.

Research institutions, on the other hand, bring valuable expertise and knowledge to the table. They conduct in-depth studies, analysis, and evaluations of trade-related issues, providing evidence-based insights and recommendations. Their research can help policymakers and other stakeholders understand the potential impacts of trade policies and identify opportunities for improvement. In addition, research institutions also play a vital role in capacity building. Both CSO and research institutions should be engaged extensively.

Consumers and households have high influence but arguably, low interest. As the end-users of goods and services, consumers' purchasing decisions and consumption patterns directly impact trade dynamics. Their preferences, purchasing power, and consumption behaviour indirectly shape the demand for both domestic and imported goods such that changes in consumer preferences can lead to shifts in trade patterns and the emergence of new markets. That notwithstanding, they do not directly influence trade policies and practices extensively despite having the means of doing so through advocacy and awareness campaigns. The engagement strategy should be to keep consumers and households informed and to the extent possible, engaged to ensure that they remain supportive of trade policies, particularly policies that promote local products and services.

Overall, engaging stakeholders in Zambia's trade-related activities requires a tailored approach that considers the varied interests, perspectives, and priorities, and strives to build strong partnerships and collaborations.

9.3. Public and Private Dialogue and Consultative Mechanisms

Effective public-private sector dialogue mechanisms are essential for trade to be impactful, and inclusive. Public-private sector dialogue mechanisms facilitate communication and collaboration between the government, businesses, and other non-state actors to identify and address trade-related challenges and leverage opportunities. These mechanisms help to promote transparency, efficiency, and inclusiveness, lower transaction and trade costs, and thus promote trade.

9.3.1. Intra-Governmental Relations

To ensure policy coherence and effective implementation, coordination among the numerous trade institutions is crucial. This enables alignment of policies, programmes, and regulations and achieve the desired development impacts. Trade must be integrated into Zambia's national development plans and visions, which outline the country's medium- and long-term aspirations and strategies for economic prosperity. Additionally, trade considerations should be reflected in sector policies and strategies, such as agriculture, mining, and tourism and other tradable sectors, along with their respective implementation plans and budgets to be actionable. Implementation has often been constrained by inadequate budget allocations.

It is important to recognise that interests can vary widely within and between economic sectors. Although trade policy falls under the purview of the Ministry of Commerce, Trade and Industry, successful integration requires collaboration and coordination among multiple government agencies and stakeholders. Establishing robust intra-governmental dialogue and consultative mechanisms is, therefore, essential to facilitate effective coordination. The Handbook on Trade-Related Issues (MCTI, 2021a) provides an overview of the intra-governmental policy formulation and coordination framework for trade issues.

Figure 9 2: Trade policy Formulation and Coordination Framework

Step 1: Policy/bill drafted following consultations with ministries, CSOs, policy analysts, political parties

Step 2: Cabinet memorandum drafted and submitted to the Policy Analysis and Coordination Division (PAC)

Step 3: Cabinet memo circulated to ministries for comments

Step 4: Ministries submit comments which are incorporated into a revised policy/bill that is resubmitted to PAC

Step 5, 6 & 7: PAC reviews the cabinet memo and tables it for consideration. If approved, policy is developed as a national document or the bill is recommended to parliament for ratification

Source: Author's own construction

The trade policy and legislative formulation framework provides for consultations with various stakeholders including other government line ministries during the formulation of the policy or bill (**step 1 in Figure 9.1 above**). The draft policy or bill is presented as Cabinet memorandum to the Policy Analysis and Coordination Division (step 2) that then invites comments and input from line ministries (step 3). Through these and further sequential steps (steps 4 through to 7), therein lies the opportunity for ministries to provide input into the trade policy formulation process and thus promote policy coherence and broader buy-in. The Handbook (**MCTI, 2021a**) also outlines the policy implementation and coordination framework which is premised on the structure and management framework of the Seventh National Development Plan (**7NDP**) that relies on multi-sectoral Cluster Advisory Groups. Under the Cluster Advisory Groups, ministries, provinces, and spending agencies are required to demonstrate integration of programmes and sectors in implementing the 7NDP. In subsequent sub-sections, the effectiveness of intra-governmental dialogue and consultative mechanisms is discussed.

9.2.1.2. Inter-Governmental Relations

Equally, inter-governmental relations—the dialogue and consultative processes between central government and subnational governments—are just as important for fostering broad-based participation in trade and inclusive development outcomes. Provincial and local governments have a constitutional responsibility to manage and administer political, social, legal and economic affairs, making their involvement in informing trade and trade-related issues essential. They can effectively represent the needs of businesses at the local level, particularly on how, for example, region-specific agricultural products are to be treated under trade negotiations. Additionally, they have an important role to play as implementing agents for trade commitments related to technical barriers, such as regulations and permits. Zambia operates under a three-tier administrative government system, which includes the central government, provincial government, and local government. An institutionalised framework is in place to coordinate trade policy between the central government and provincial governments. This was borne out of the need to increase stakeholder awareness of the 2005 DTIS Action Matrix, and improve inter-governmental coordination on trade issues (**MCTI, 2021b**).

In countries where sub-national governments have a significant influence on trade policy and the fulfillment of trade commitments, they have sometimes been invited to participate in international trade negotiations with trade partners. But the extent of sub-national government participation and their effectiveness in these negotiations depend on their negotiating capacity and capabilities (**Johnson & Mathias, 2018**). It is important to note that typically, international trade negotiation remains primarily the responsibility of trade ministries or federal governments.

9.2.1.3. Public-Private Sector Relations

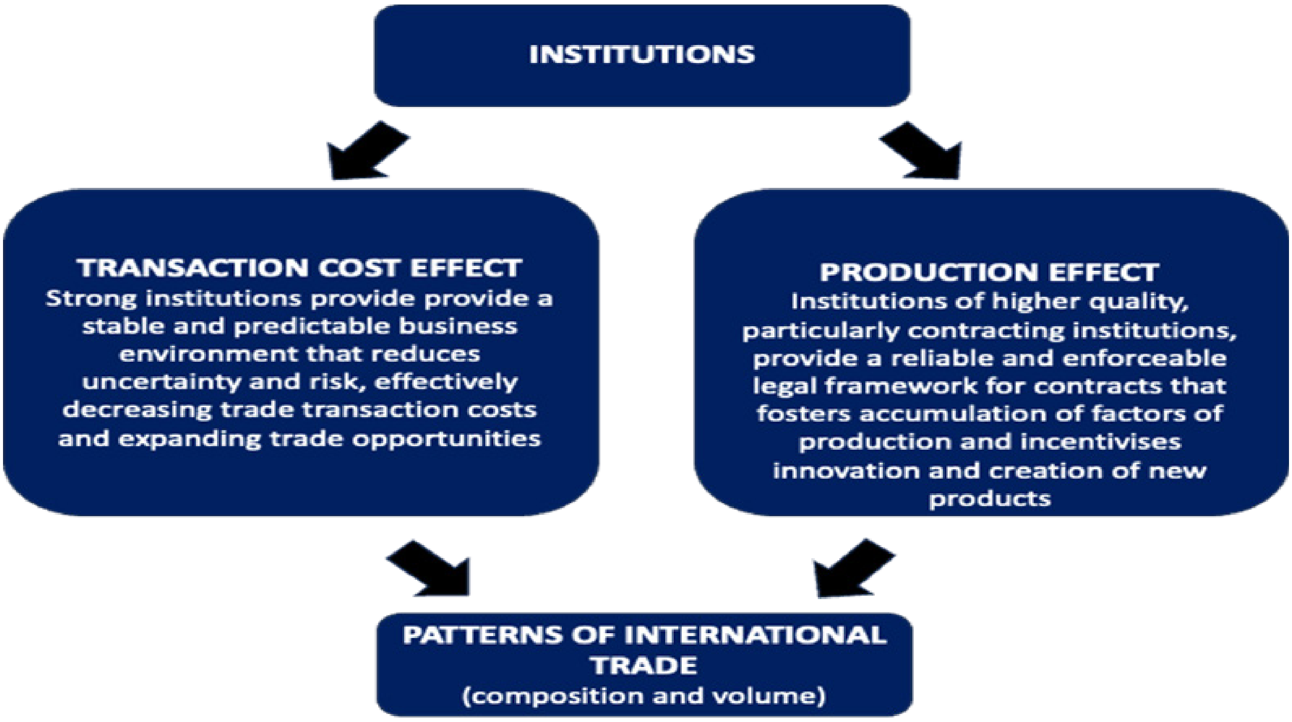
Arguably, the potential of trade to advance economic development is bolstered by effective trade institutions and effective public-private dialogue. Public and private dialogue and consultative mechanisms are essential for promoting trade and investment in the country. These mechanisms provide a platform for dialogue between the government and the private sector, and ensure that policies and regulations are formulated in consultation with the private sector. Over the years, the government has established several public and private dialogue and consultative mechanisms to promote trade and investment in the country. More recently, the Public-Private Dialogue Forum (**PPDF**) was established with support from the International Finance Corporation, to provide a structured, participatory and inclusive platform for public-private sector engagement on policy matters with a focus on leveraging partnerships and synergies to accelerate socio-economic development in Zambia. The objective of the PPDF is to harness trade and investment opportunities for Zambia's private sector on the local, regional, continental and international markets, while promoting value chains and addition for various commodities and products to create jobs and wealth for Zambians. Through various sector technical working groups that include representation of the key government and the private sector partners, regulatory constraints to business and trade are deliberated and reforms to address these constraints are proposed.

9.4. Quality and Effectiveness of Trade Institutions and Consultation Mechanisms

Several studies substantiate the impact of institutions on trade. Institutions of higher quality, particularly contracting institutions, impact trade outcomes positively (**Agyei & Idan, 2022; Beverelli, et. 2018; Nunn & Trefler, 2014**). The transmission mechanism is two-fold—via their impacts on transaction and production costs. Strong institutions provide a reliable legal framework for contracts that ensures enforceability, thereby reducing the risk of breach and non-payment, and consequently increasing trust and reducing uncertainty in domestic and international transactions. When parties have confidence that contracts will be honoured and disputes will be resolved at fairly low costs, or that procedures and processes will be efficient thus reducing transaction costs, it follows that parties are more willing to engage in trade.

Similarly, institutions of higher quality incentivise long-term investments and contractual relationships, fostering the accumulation of factors of production such as capital, technology, and skilled labour. Higher quality institutions create an environment conducive to innovation and technological advancements. Protection of intellectual property rights, for example, facilitates trust and confidence among market participants, encouraging investments in research and development, leading to the creation of new products and processes that lower production costs and enhance competitiveness in the global market, and expand the volume of trade.

Figure 9 3: Impact of Institutions on Trade

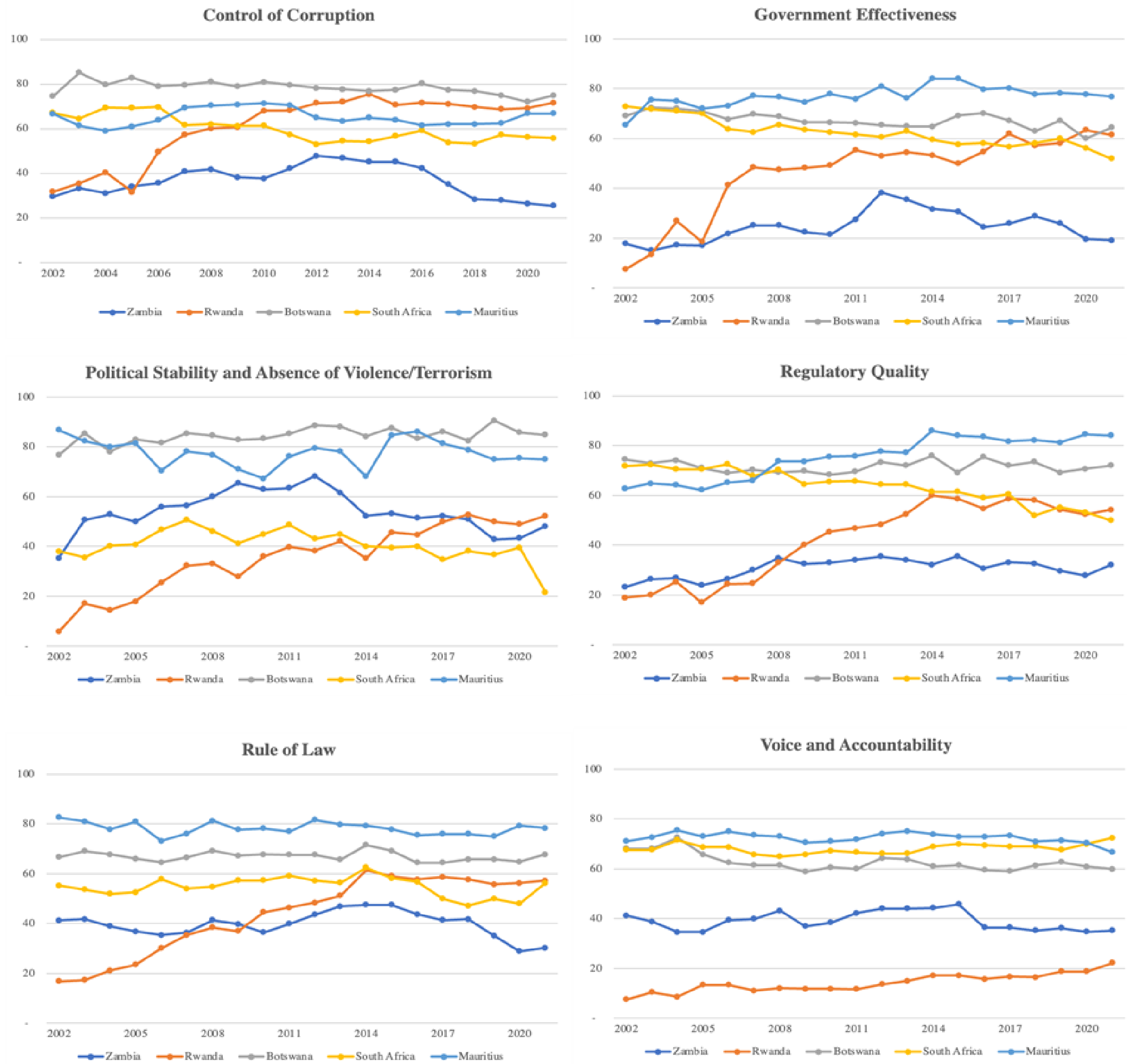


Source: Author's own construction

9.4.1. Perceived Institutional Quality

In order to evaluate the quality of Zambia's trade institutions consistent with common measures of institutional quality, the World Bank's Worldwide Governance Indicators (WGI) measures have been applied. The WGI measure public, private and NGO sector experts' perceptions of the country's [1] rule of law— quality of contract enforcement, property rights, the police and courts, [2] control of corruption, state capture by elites and private interests [3] government effectiveness—quality of public services, quality of civil service and independence and quality of policy formulation and implementation and credibility to commit to policies [4] political stability and absence of violence/ terrorism, [5] regulatory quality—ability to formulate and implement sound policies and regulations that permit and promote private sector development and [6] voice and accountability—citizen's participation in selecting their government, freedom of expression, association and a free media. Each country's performance is relative to the performance of all other countries covered by the indicators, measured on a percentile rank of 0 to 100 where 0 reflects the lowest rank, and 100 the highest rank.

Figure 9 4: Institutional Quality, Zambia vs. Peers and Exemplars



Source: World Bank Worldwide Governance Indicators

Except for political stability and absence of violence or terrorism where the country fares relatively well on the WGI measures, Zambia lags behind its peers and exemplars on the perceived quality of its institutions. Particularly, the country is perceived to rank quite lowly on corruption, government effectiveness and regulatory quality, falling far behind the frontier and countries such as Rwanda, South Africa, Botswana, and Mauritius (**Figure 9.3**). Visibly, since 2012, Zambia's rank on controlling corruption and government effectiveness has steadily declined. Although corruption has been established to 'grease the wheels' of complex and highly bureaucratic regulations and trade procedures, improve efficiency and facilitate trade particularly in environments of high tariffs (**Dutt & Traca, 2001; Gil-Pareja, et al., 2019**), more often than not, corruption increases uncertainty and risk consequently increasing trade transaction costs and contracting the volume of trade (**Acemoglu & Verdier, 2000; Gil-Pareja, et al., 2019**).

In the same way, low perceived government effectiveness to provide quality public services and (trade) policies needed to support technology adoptions, reducing the cost of production, and increasing export competitiveness is equally crucial for trade expansion. The country is also perceived not to have made any significant improvement in supporting private sector development with sound policies and regulations, averaging 33 out of 100 on the 'regulatory quality' indicator over the last 15 years. Policies, and procedures need to be sound, clear, predictable, and consistently applied. When businesses have a clear understanding of the rules and regulations governing international trade, they can better plan their activities, reducing uncertainty and the associated costs. On rule of law, a critical measure of the ability to provide a stable and predictable legal environment for businesses to operate in where contracts are enforceable, disputes are resolved in a timely and efficient manner, and legal recourse is available in the event of breach of contract, Zambia is outperformed by its peers.

This fairly low ranking on institutional quality, brings to bear the limits Zambia's trade institutions potentially place on the country's comparative advantage and thus ability to leverage institutions for trade growth and economic development. The fairly low ranking on institutional quality was equally acknowledged by stakeholders consulted during the DTISU provincial consultations, notwithstanding that there were areas where the quality of institutions was considered positive, such as sensitisation on trade institutions and securing export markets. The consultations interrogate stakeholders' awareness of trade institutions and the perceived ability of the institutions to perform their various functions effectively, namely, securing and safeguarding industry and country interests in trade negotiation processes, providing trade and trade-related support services, complying with trade obligations and commitments, and engaging in and influencing trade issues.

Awareness of Trade Institutions

A number of trade institutions are broadly known to subnational governments, private sector, civil society and academia and think tanks in the provinces. Stakeholders generally expressed knowledge of institutions responsible for trade policy decision-making and implementation. Institutions cited included PACRA, ZDA, MCTI, BOZ, MOFNP, Home Affairs, IDC, ZRA, ZDA, MMMD, MOA, local government, National Assembly, CEEC, and ZABS. Among these, ZRA, MCTI, ZDA, ZABS, and to a lesser extent MOFNP, PACRA and the national Assembly, were noted as the most well-known and influential trade institutions. The awareness of existing trade institutions especially in provinces that lie outside of the line of rail is positive, enabling for stakeholder engagements, consultations and feedback on policies, regulations, opportunities and challenges.

Securing Export Markets

Although the perceived degree of effectiveness varies across subnational governments, private sector, civil society and academia, by and large, trade institutions in Zambia are perceived to be effective in securing export markets and in negotiating Zambia's trade position in various regional, continental, and global trade negotiations. Some of the key areas in which trade-related institutions have been credited to be effective is in promoting Zambian exports to regional markets. Zambia's integration into regional trading blocs, such as the SADC, COMESA and now the AfCFTA, has provided Zambian exporters with preferential access to regional markets and helped to enhance the competitiveness of Zambian exports in these markets. Secondly, trade institutions are credited for identifying suitable market opportunities for avocados and goats in Europe and Saudi Arabia respectively.

Where the trade institutions are perceived to fall short is in rendering the necessary support to secure the market opportunities. Stakeholders further observe that there is disproportionate focus on promoting traditional exports as opposed to non-traditional exports. While efforts have been made to promote Zambian exports, such as through participation in trade fairs and exhibitions and the development of an export promotion strategy and policy, there are still significant challenges related to competitiveness, including poor infrastructure, limited access to finance, and high trade costs resulting from poor transport and high compliance fees.

Securing Defensive Trade Interests

Subnational governments and the private sector firmly believe that trade institutions are not effective at all in protecting sensitive and infant industries. Trade institutions are perceived not to have done much to protect local infant industries from import competition. The Zambian market is perceived to be too open to foreigners who have more capital and access to other factors of production than Zambian businesses. Measures that had been proposed to limit the participation of foreign nationals in certain sectors such as the manufacture of blocks and rearing of chickens, had not been operationalised. In addition, supermarkets are perceived to have been allowed to import most agricultural products from South Africa without any regulations or due consideration for local produce by trade institutions. The stakeholders cited incidents of domestic firms in the textile industry that had closed after failing to compete against fierce import competition from China. Among the challenges infant industries face that limit their competitiveness is the high cost of capital, inputs and compliance.

Capacity gaps are observed in Zambia's primary trade institution's ability to implement trade remedies. Civil society and academia perceive the trade institutions to be slightly effective in protecting infant industries as trade remedies that provide for the protection of infant industries in treaties such as the WTO, have not been implemented. This is attributed, partly to limited research capabilities, financial resources and technical skills and expertise needed to employ trade remedies. Consequently, trade institutions in Zambia have resorted to the broad use of surtaxes on imported goods and to a lesser extent, the use of non-tariff barriers to protect and safeguard domestic industries and the country's interests in the face of fierce import competition. However, these measures undermine the essence of free trade and will invite retaliation at best, or a dispute at worst. There is a need to strengthen the capacity of trade-related institutions to employ appropriate trade remedies needed to protect sensitive and infant industries against import competition.

Provision of Trade and Trade-related Support Services

Trade institutions are generally perceived to be slightly effective in providing trade and trade-related support services such as business registration, customs clearance, product certification, enterprise development, financing among others. While some trade institutions namely PACRA and ZRA have been observed to have made tremendous progress in increasing accessibility and improving efficiency in business registration and tax payments through digitalisation, other trade institutions are observed to have remained largely inefficient and inaccessible. ZDA, ZABS and the Zambia Compulsory

Standards have been found not to be sufficiently decentralised to local levels, thus increasing the cost of accessing these institutions. Further, these institutions are observed not to have made strides in digitising their services. ZABS and the Zambia Compulsory Standards are also cited for failing to provide adequate support on how quality and standards demanded in export markets and on how firms can meet these standards and consequently increase their competitiveness in export markets. This capacity gap has resulted in missed market opportunities. Stakeholders cited the case of a mango juice plant that was not advised about the specific mango variety required in export markets.

High trade costs caused by delays in clearance and the cost of transportation were cited as challenges that have not been addressed by trade institutions. Customs clearance fees are regarded to be too high and prohibitive to trade. Market information is also insufficient for business firms to exploit the market opportunities in COMESA and SADC. Moreover, broadly, the business environment is found to be stifling, with numerous fees that have to be paid, manual registration procedures, and the persistence of several trade export certifications /permits that exist as barriers to trade. Notably, digitised services present constraints for small-scale traders without knowledge of or access to technology. In addition, financing, particularly for small-scale entrepreneurs and farmers, remains a proverbial constraint. Trade institutions are perceived to be less effective in supporting enterprise development and providing end-to-end business support. Stakeholders cited lack of a clear and holistic business support strategy to connect firms with key trade and trade-related institution regarding standards, building productive capacity, market information, and logistics needed to help firms realise the market opportunities. Deficiencies are also cited in areas of market research, and capacity building support needed for firms to meet international quality and safety standards and enhance their competitiveness in international markets.

Communicating and Reflecting Private Sector Needs

One of the key areas where Zambia's trade-related institutions are observed to be fairly effective is in engaging with the private sector to identify trade-related needs and concerns. However, trade institutions have been found not to be inclusive and responsive to the needs and concerns of all stakeholders, particularly SMEs. The private sector is often invited to various workshops and meetings through which their interests and concerns are heard. Information is also collected from the private sector via questionnaires. However, the private sector expressed concerns that their views were not always correctly reflected and their suggestions were not always implemented. And while the private sector is usually invited to stakeholder consultative meetings, micro and small- businesses are often left out. These businesses have needs which are starkly different from large firms and thus, must be fully involved in dialogues. Notwithstanding the involvement of the private sector in consultative dialogues, stakeholders observed that coordination needs to be improved to avoid ad hoc invitations which can limit the participation of stakeholders, particularly when participation is at own cost. The creation of the public-private dialogue forum has been observed to have improved public-private engagement and dialogue.

Effectiveness in Facilitating Trade

Zambia's trade-related institutions have made significant improvements in simplifying and harmonising border procedures and fees, customs valuations, administrative appeal decisions, and addressing technical barriers to trade. In particular, the Zambia Revenue Authority responsible for customs administration, has implemented several measures to simplify and harmonise border procedures and fees. These measures include the implementation of a single electronic window for trade-related transactions, the introduction of risk-based inspection, and the simplification of customs procedures and documentation requirements. ZRA has also implemented the World Trade Organisation's Valuation Agreement, which provides a common basis for customs valuation. This has helped to reduce the incidence of arbitrary customs valuations and improve transparency in customs procedures.

Zambia's trade-related institutions have also been effective in addressing technical barriers to trade. The Zambia Bureau of Standards (ZABS) is responsible for developing and implementing technical regulations and standards to ensure the safety and quality of goods and services traded in Zambia. ZABS has worked to harmonise its technical regulations and standards with those of other countries and regional blocs, such as SADC. However, there are still some challenges that Zambia's trade-related institutions face in these areas. For example, there is a need to improve the efficiency and transparency of regulations and to address the challenges related to corruption, bureaucracy, and inefficiency, which can hinder the effectiveness of trade institutions.

Impact Assessment of Trade on Key Development Outcomes

Civil society organisations (CSOs) and research institutions have significant influence and high interest in trade issues. As independent and non-governmental entities, CSOs play a crucial role in advocating for the interests of marginalised groups, promoting social justice, and ensuring the transparency and accountability of trade policies and programmes. CSOs often have a grassroots presence and work directly with communities affected by trade policies and as such, provide a platform for these communities to voice their concerns and advocate for their rights and interests. CSOs engage in research, analysis, and monitoring of trade-related activities to assess their impacts on social, environmental, and human rights aspects. The influence of CSOs lies in their ability to mobilise public opinion, raise awareness, and apply pressure on governments and other stakeholders to address the social and environmental implications of trade. Through advocacy campaigns, policy dialogues, and public engagement, CSOs contribute to shaping trade policies that are more equitable, sustainable, and inclusive.

Research institutions, on the other hand, bring valuable expertise and knowledge to the table. They conduct in-depth studies, analysis, and evaluations of trade-related issues, providing evidence-based insights and recommendations. Their research can help policymakers and other stakeholders understand the potential impacts of trade policies and identify opportunities for improvement. In addition, research institutions also play a vital role in capacity building. Both CSO and research institutions should be engaged extensively. Trade institutions are perceived not to be effective at all in assessing and evaluating the impact of trade policies, programmes and projects on key socioeconomic outcomes like jobs, exports, and industrialisation. Policies are not monitored and evaluated effectively, nor are their impacts assessed using robust analytical research methods. In addition, there is no feedback from government to stakeholders on follow-up action. Trade institutions are perceived to be quite weak at undertaking impact analyses. The assessment of progress made in the implementation of the 2014 DTISU in Chapter 2 also noted that there was no robust monitoring and evaluation system in place. Lack of M&E and feedback systems has resulted in ineffective policy implementation.

9.4.2. Adequacy and Effectiveness of Dialogue and Consultative Structures

Dialogue mechanisms within and between the private sector, civil society, academia, and government, are essential for promoting trade and investment in Zambia. These mechanisms provide a platform for stakeholders to share information, exchange ideas, and collaborate on issues affecting trade in the country. Zambia has established various trade dialogue and consultative mechanisms, including the recent, the Public-Private Dialogue Forum. These mechanisms provide a platform for stakeholders to exchange ideas, share information, and address issues and concerns related to trade. In addition to these mechanisms, there are also various trade-related meetings, committees, workshops, working groups and task forces that bring together different stakeholders to address specific trade-related issues. These mechanisms are perceived to be well-known, playing a crucial role in promoting communication and collaboration between different stakeholders on trade-related issues. Zambia must continue to strengthen its trade institutions and enhance dialogue mechanisms to effectively shape policies, foster innovation, and create a conducive environment for sustainable trade expansion. This must be accompanied with the requisite budget allocation on trade-related activities, such as aid for trade programmes, market research, trade promotion, and business development services.

Inter-Ministerial Coordination

One of the key areas where Zambia's trade dialogue and consultative processes have been effective is in promoting coordination and dialogue between the Ministry responsible for trade and other ministries in the development and implementation of trade-related policies and programmes. Effective communication channels are in place to ensure that trade-related policies and programmes are aligned with national development goals and priorities. Additionally, other ministries are involved in the development and implementation of trade-related policies and programmes to ensure that they reflect the needs and concerns of all stakeholders through representation on various TWGs. Trade mainstreaming and alignment with various development policies has also been effective. Namely, trade policies and programmes are reflected in poverty reduction strategies and national development plans. Additionally, trade has been integrated into other policy areas, such as agriculture, mining, and tourism, to ensure that trade policies are effectively implemented for the benefits of various economic sectors and stakeholders. Emerging issues such as climate change have also been reflected in Zambia's dialogue and consultative processes. Trade policies and programmes consider the potential impact of climate change on trade and the environment and thus aim to promote sustainable trade practices that are environmentally friendly and promote sustainable development. However, there are some weaknesses in this area, such as limited capacity of some ministries and agencies to participate effectively in trade-related activities and insufficient communication and coordination between different ministries and agencies involved in trade-related activities.

Inter-Governmental Coordination

Dialogue and consultative processes need to be enhanced to promote coordination and dialogue between the central, provincial, and local governments in the development and implementation of trade-related policies and programmes. Between the central government and provincial and district administration, dialogue and consultations are channelled through the Provincial Development Coordinating Committee (PDCC) and District Development Coordinating Committee (DDCC), which unfortunately do not prioritise trade-related issues on their agenda. In 2021, the Ministry of Commerce, Trade and Industry developed a framework for coordination and dialogue between the Central and Provincial level of government through which the PDCC would address trade-related issues. However, this is still in its formative stages of implementation. The framework aims at establishing effective communication channels between different levels of government to ensure that trade-related policies and programmes are aligned with national development goals and priorities. Additionally, it aims at providing for provincial and local governments involvement in the development and implementation of trade-related policies and programmes to ensure that they reflect the needs and concerns of all stakeholders.

Public-Private Sector Coordination

Significant strides have been made in promoting the participation of the private sector in trade-related decision-making. Private sector engagement has increased with participation of the businesses, civil society, academia, and other non-state actors in trade and trade-related issues in recent years, facilitated through various dialogue forums; representation on boards of various agencies and TWGs; and invitations to make submissions on various issues among other measures. These measures have worked to establish communication channels with the private sector across various economic sectors, civil society organisations and other non-state actors which helps to ensure that stakeholder's needs and concerns are considered in trade-related decision-making. While there have been efforts to promote the participation of marginalised groups, such as women and youth, cross-border traders, and SMEs in trade-related decision-making, generally, the participation of these subgroups is perceived to be limited. Of particular concern is the limited engagement of firms that are not tied to influential business associations and those in rural areas.

Coordination with Cooperating Partners

Trade institutions coordinate with cooperating partners through various mechanisms to ensure that trade-related policies and initiatives are coherent, aligned, mutually reinforcing and achieve common objectives. Trade institutions and cooperating partners often collabourate on joint projects and programmes aimed at promoting trade and economic development. These initiatives may involve capacity building, technical assistance, research, resource mobilisation and policy development. Trade institutions and cooperating partners further coordinate their efforts in advocating for trade issues at regional and international forums. This coordination allows for a unified voice and stronger representation of shared interests. By harmonising approaches and objectives, trade institutions and cooperating partners can maximise their impact and avoid duplication of efforts. Dialogue and consultations with cooperating partners are held to exchange information and align priorities areas of support. This engagement takes the form of meetings, workshops to discuss trade issues, challenges, and opportunities and potential areas of intervention. Structured dialogue on trade-related issues have been held under the GRZ-Donor Platform established under the EIF structures in Zambia and the National Trade Facilitation Committee (NTFC) Technical Committee. To avoid duplication of efforts, the MCTI is resolved to transitioning the all dialogue on trade related issues between governments and cooperating partners to the NTFC Technical Committee. The NTFC is established under the Border Management and Trade Facilitation Act (2018) to provide for a sustainable dialogue structure.

Coordination and harmonised support amongst development partners/donors in supporting trade institutions and dialogue and consultative processes in Zambia is also critical to achieving the desired outcomes of trade-related activities and initiatives. Development partners coordinate and harmonise their support to ensure effectiveness and efficiency. This is typically done through joint programming, sector-wide approaches, and coordination platforms. Joint programming involves development partners working together to develop a common approach to support trade institutions and dialogue and consultative processes in Zambia. This approach ensures that the support provided is aligned with national priorities and strategies and avoids duplication of efforts. Sector-wide approaches involve development partners working with the government of Zambia to develop a common approach to support trade-related activities in a particular sector. This approach ensures that the support provided is aligned with sectoral priorities and strategies and avoids fragmentation and duplication of efforts. Coordination platforms on the other hand entail development partners, the Government, and other stakeholders coming together to share information, coordinate activities, and align support for trade-related activities and initiatives. These platforms help to ensure that the support provided is aligned with national priorities and strategies and is done efficiently.

Coordination with the legislature

Dialogue and consultative processes with the National Assembly are perceived to be slightly effective. Consultations are done through regular briefings and reporting to parliament and parliamentary committees on trade and trade-related issues. As trade and trade-related laws and agreements have to be presented to Parliament for enactment and ratification, it is essential to build understanding of, and support for trade agreements and trade laws. The National Assembly in turn, invites various stakeholders to provide independent analyses on the trade policies and laws presented by trade institutions to ensure that they reflect the needs and concerns of all stakeholders and Zambia generally. Engagement with the National Assembly is an indispensable part of the process of trade negotiations and the ratification of trade agreements. However, there are still some challenges that Zambia's dialogue and consultative processes face in promoting ongoing engagement with the National Assembly. For example, there is a need to ensure that Members of Parliament have access to timely and accurate information about trade-related issues. Additionally, there is a need to strengthen the capacity of parliamentary committees to effectively monitor and evaluate trade-related policies and programs. Stakeholders alluded to conflicting interests that often prevail between politicians and trade institutions that renders dialogue mechanisms slightly ineffective. Politicians normally have agendas that are contrary to what trade institutions may deem appropriate at that moment, thus limiting the effective implementation of trade policies and laws.

9.4.2. Overview of Strengths, Weaknesses, Opportunities and Threats

Overall, trade institutions and dialogue structures and mechanisms within and between trade actors in Zambia have the potential to promote trade and investment in the country. However, to fully realise this potential, there is a need to address the weaknesses and threats identified, such as limited resources and infrastructure, corruption, and regional competition. By leveraging opportunities such as diversification, increased regional integration, and emerging sectors, Zambia can further strengthen its trade institutions and dialogue structures, and promote sustainable economic growth.

Table 9.3 below summarises the strengths, weaknesses, opportunities, and threats.

Table 9 3: SWOT Analysis of Trade Institutions and Dialogue Structures and Mechanisms

	STRENGTHS	WEAKNESSES
INTERNAL FACTORS	• Established trade institutions that promote trade and investment in the country • Party to regional trade agreements i.e., such SADC and COMESA, which provide opportunities for increased trade and investment. • Dialogue mechanisms in place such as the Public-Private Dialogue Forum which facilitate communication between trade actors and the government. • The government's commitment to promoting trade and economic development provides opportunities for the private sector to engage in trade-related activities and to contribute to the country's economic growth.	• Trade institutions in often lack the necessary resources to effectively promote trade and investment. • Limited participation of some key trade actors particularly small and medium-sized enterprises may not be aware of or have access to dialogue mechanisms and trade institutions. • Inadequate infrastructure particularly in rural areas, may not be conducive to trade and investment. • Limited access to finance may limit the participation of some stakeholders, especially SMEs to participate in trade.
	OPPORTUNITIES	**THREATS**
EXTERNAL FACTORS	• Diversification of Zambia's export base beyond copper and other traditional commodities to take advantage of emerging markets and new technologies. • Increased regional integration through greater access to markets and investment opportunities can bolster trade • Emerging sectors such as renewable energy and tourism can be leveraged to attract investment and promote trade • Establishment of the AfCFTA provides new and expands opportunities for regional trade and economic integration, which can benefit Zambia's trade and economic development.	• Global economic downturns can negatively impact trade and investment in Zambia. • Competition from other countries in the region, particularly in terms of attracting foreign investment needed to expand productive capacity and thus export. • Bureaucracy and corruption may undermine the effectiveness of trade institutions and dialogue structures and mechanisms in Zambia.

Source: Author's own construction

9.5. Recommendations:

To strengthen and improve trade institutional capacities and dialogue mechanisms, additional support and resources are required, particularly in the following area:

i. Increase financing to enhance capacity to provide trade-related services and digital services such as market research, trade promotion, and business development services.
ii. Mobilise cooperating partners to increase support for trade-related activities
iii. Create dialogue structures at provincial and district to enhance effective consultations and awareness on trade-related issues, such as the benefits of trade liberalisation and the risks of protectionism

iv. Establish M&E system and provide feedback on actions taken arising from stakeholder consultations
v. Establish inclusive and transparent consultative structure to ensure that the needs and concerns of all stakeholders including the SMEs, farmers and traders in rural areas are considered in trade-related activities decisions
vi. Hold regular national-wide stakeholder sensitisation and awareness activities to provide information on available trade-related activities including trade agreements and opportunities they present.
vii. Review and update trade related policies and regulations and enhance transparency and predictability in implementation and enforcement.
viii. Build capacity of trade and trade-related institutions in the development, implementation and monitoring and evaluation of trade policies and programmes leveraging partnerships with academia, research institutions and think tanks.
ix. Enhance trade effectiveness through strengthening anti-corruption efforts, simplified trade processes through one-stop shops and decentralise trade services to district levels to improve efficiency and reduce transaction costs.

9.6. Conclusion

Trade institutions and dialogue and consultative processes are a critical source of comparative advantage that can promote trade, and economic development by reducing transaction and production costs. However, the institutional quality of Zambia's trade institutions is rather low, as evidenced by the poor ranking on conventional measures of institutional quality—Worldwide Governance Indicators—as well as stakeholders' perceived effectiveness of the myriad trade institutions' ability to carry out key functions. Particularly, trade institutions are perceived to be rather ineffective in controlling corruption, upholding rule of law, providing sound policies and regulations, and efficient services needed to support private sector development. Capacity gaps are especially observed in trade institutions' ability to protect sensitive and infant industries, provide key business and trade support service, streamline business and trade procedures and evaluate the impact of policies and programmes. While consultative mechanisms are generally in place and a wide range of stakeholders are regularly engaged and consulted, these processes fall short on effectively engaging micro and small businesses.

Strengthening institutional quality and enhancing the effectiveness of dialogue and consultative processes in Zambia requires improving coordination, inclusivity, and responsiveness to the needs of stakeholders, as well as addressing issues related to corruption and inefficiency. It also requires enhancing the capacity of trade institutions to implement trade remedies and evaluate the impact of trade policies on key socioeconomic outcomes.

CHAPTER 10: THE COVID-19-RELATED TRADE EFFECTS AND OPPORTUNITIES

10.1. Introduction

Since Zambia finalised the DTISU 2014 for implementation, a few major events have occurred in the country and abroad. In 2020, the country experienced the Coronavirus Disease (**COVID-19**) pandemic. The scourge began as an outbreak in China in December, 2019 and rapidly turned into a multi-country epidemic by February, 2020; the World Health Organisation (WHO) declared it a pandemic on 11th March, 2020 (**WHO, 2020**). Over the rest of 2020 and most of 2021, the COVID-19 pandemic caused devastation around the world. It is no exaggeration that the pandemic has had far-reaching trade, economic, social and political consequences across the globe.

Zambia recorded the first two officially confirmed cases of COVID-19 on 18th March, 2020. This would eventually turn into the most significant health, social and economic crisis in recent history. For instance, Zambia's real GDP growth rate, which had averaged 4.9 percent annually over 2010-2019 contracted by 2.8 percent in 2020 due to COVID-19 (**World Bank, 2022**). As a result of COVID-19, Zambia thus recorded negative GDP growth for the first time in 21 years. In terms of international trade, commodity exports (free on board (f.o.b.)) were the only category to improve in 2020, with a US dollar denominated nominal growth rate of 10 percent, compared to 8 percent per year on average over 2010-2019 (**BOZ, 2022**). In contrast, to varying degrees, goods imports (f.o.b.), services exports and services imports declined markedly from positive nominal growth rates of 9 percent, 8 percent and 10 percent per year, respectively, on average over 2010-2019 to contractions of 26 percent, 45 percent and 32 percent, respectively.

Several studies have been undertaken and published, covering various aspects of the health and socio-economic effects and impacts of COVID-19 in Zambia. However, few studies have offered detailed assessments of the impacts and implications of COVID-19 on Zambia's international, regional and cross-border trade performance and also attempted to isolate some of the key opportunities associated with the pandemic. This assessment offers these two perspectives within the context of the DTISU 2021, providing significant insights for addressing outstanding knowledge gaps and more importantly, providing reliable evidence-based solutions and policy-relevant recommendations.

10.2. Background: COVID-19 and Responses Globally and in Zambia

Before delving into the trade and economic implications of COVID-19 in Zambia, it is important to take stock of the pandemic itself in the country and abroad. In the ensuing sub-sections, the assessment covers the CVODI-19 pandemic and the related policy responses broadly over the period 2020-2022.

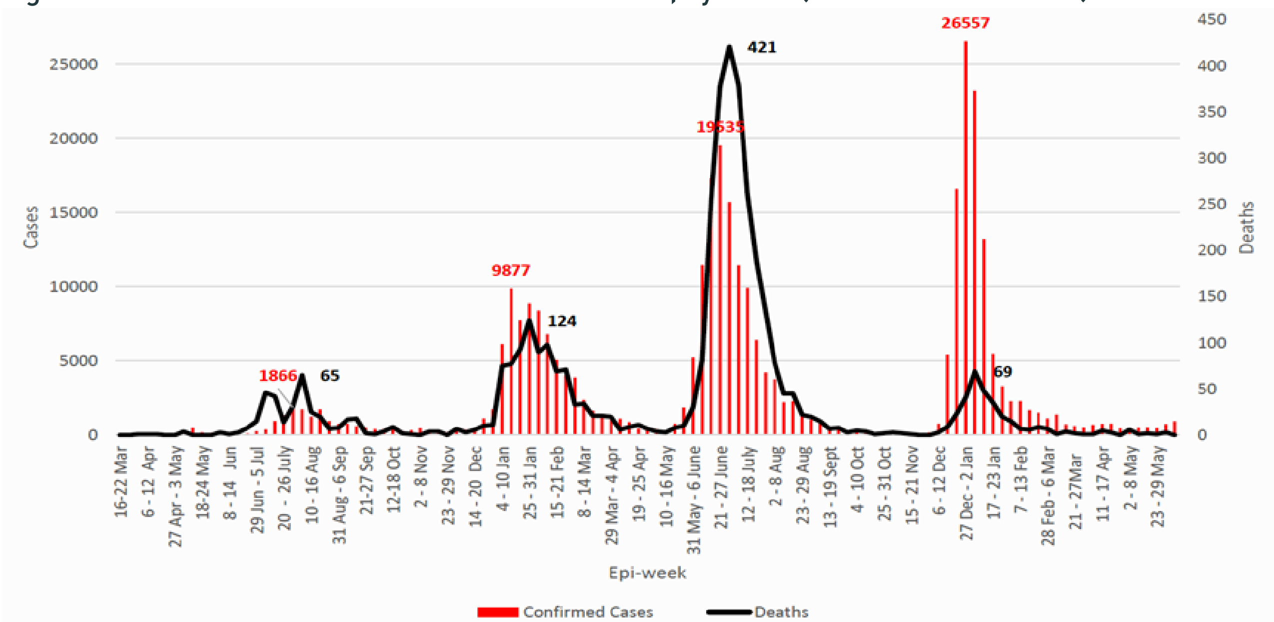
10.2.1. COVID-19 Infections and Deaths

The scale of COVID-19 infections and deaths was grand. By June 2022, the world had cumulatively recorded 540.5 million confirmed COVID-19 cases and 6.3 million COVID-19 deaths, the latter representing a Case Fatality Rate (**CFR**) of 1.2 percent (**MOH/ZNPHI/WHO, 2022**). In the same month (June), confirmed COVID-19 cases in Southern Africa and Zambia had reached 11.7 million and 323,283, respectively, while COVID-19 deaths stood at 253,469 (2.2 percent CFR) and 3,989 (1.2 percent CFR), respectively.

Broadly, Zambia experienced four waves of COVID-19, with varying durations, magnitudes and degrees for severity. In the first wave, roughly from end-May to mid-September, 2020, the highest weekly caseload and largest number of deaths were recorded in early August, with 1,866 cases and 65 deaths (Figure 10.1), the latter implying a CFR of 3.9 percent. In comparison to the subsequent waves (highlighted further below), the first wave was relatively much smaller in terms of both cases and deaths. However, it had by far the highest average CFR among all the waves, which, in fact, had reached 5.0 percent in early April, 2020. This is mainly because in the early period of the pandemic, Zambia (and indeed the world) experienced significant gaps in scientific knowledge about the scourge and therefore struggled to find efficacious treatments or case management approaches for it.

The second wave was broadly from end-December, 2020 to early-April, 2021. During this wave, the highest weekly cases totalling (9,877) were observed in mid-January and the largest number of weekly deaths (124) were at the end of January (**Figure 10.1**). The average CFR during the second wave was 1.7 percent, a relatively much lower outcome than the 3.9 percent seen during the first wave. Arguably, Zambia, along with the rest of the world, had established relatively more effective treatments and case management methods.

Figure 10 1: COVID-19 confirmed Cases and Deaths, by Week (as of 6-11 June 2022)



Source: adopted from MOH/ZNPHI/WHO, 2022

During the third wave, roughly from late May to early-September 2021, the highest weekly caseload (19,633 cases) was recorded in the week of 21-27 June while the most weekly deaths (124) were in the week that followed. Over the third wave period, the average CFR remained at 1.7 percent. At the peak of the fourth wave, which was crudely from mid-December, 2022 to early-March 2022, weekly cases were 26,557 and the largest number of weekly deaths (69) was at the end of January. The average CFR over the fourth wave period was 1.3 percent, a lower outcome than the 1.7 percent recorded during the second and third waves.

In week 23 (6-12 June 2022), Zambia recorded 934 cases and 0 deaths, compared to 732 cases and 3 deaths recorded during the previous week. In terms of caseload, this marked a 28 percent increase in new cases, indicating that COVID-19 was still a health concern as of mid-2022, albeit considerably more manageable than during the four waves described above.

10.2.2. COVID-19 Testing and Vaccination

As the pandemic progressed, the world-initiated testing and eventually vaccinations. According to Our World in Data (**2023**), as of June 2022, the number of COVID-19 tests conducted per 1,000 of the population was 179.0 in Zambia compared to 146.1 and 29.4 in Zimbabwe and Malawi, respectively, reflecting that Zambia was ahead of its respective southern and eastern African neighbours. Similarly, the proportion of fully vaccinated people for COVID-19 out of the total population (i.e., total number of people who received all doses prescribed by the initial vaccination protocol, divided by the total population of the country) was 42.7 percent in Zambia compared to 29.1 percent in Zimbabwe and 16.5 percent in Malawi.

While Zambia performed better than the two comparator countries in testing and vaccinating for COVID-19, this better performance does not compensate for business opportunity losses associated with the country's lack of science, technology and innovation (STI). To illustrate the cost of weak STI, this assessment estimated the total import bill for the five COVID-19 vaccination regimes that Zambia administered based on its national COVID-19 vaccination protocol. We combine data on the number of doses received by the Zambian health authorities as of 12 June, 2022 and the prevailing global market prices/price ranges of the various vaccines used in the country over the same period (**Table 10.1**). The main message is that Zambia spent between US$194.7 and US$245.9 million between April 2021 (when the vaccination programme was launched) and June 2022, mainly because the country did not have STI capacity and financial resources to invest in Research and Development (R&D) towards the manufacture of its own COVID-19 vaccines. Just before the COVID-19 outbreak, in 2019, Zambia ranked 115th (out of 141 world economies) in innovation capacity, 110th in R&D and 123rd in commercialisation (**WEF, 2019**).

Table 10 1: Zambia's Estimated Import Bill for COVID-19 Vaccines

Vaccine	No. of doses	Price per dose (US$)		Total cost per dose (US$)	
		(lower)	(upper)	(lower)	(upper)
AstraZeneca	1,549,300	3.50	6	5,422,550	9,295,800
J&J	8,892,000	10.00	10	88,920,000	88,920,000
Moderna	188,400	32	37	6,028,800	6,970,800
Pfizer	2,547,270	24	31	61,134,480	77,691,735
Sinopharm	1,749,600	19	36	33,242,400	62,985,600
TOTAL	**14,926,570**			**194,748,230**	**245,863,935**

Source Constructed from MOH/ZNPHI/WHO, 2022 and Jimenez, 2021

In striking contrast, the USA, which ranked 2nd in innovation capacity, 3rd in R&D and 9th in commercialisation (**WEF, 2019**) is home to Pfizer, a top-10 global pharmaceutical company. Around June 2020, during the early stages of vaccine development globally, the Pfizer Chief Executive Officer (CEO), Albert Bourla, reportedly expected his company to make a very marginal profit at that stage in the pandemic (**Jimenez, 2021**). One year later, Pfizer's forecast had changed dramatically, with the firm anticipating to generate US$33.5 billion in COVID-19 vaccine revenue, pursuant to a number of lucrative supply deals with some of the world's wealthiest countries.

The importance of public and private investments in STI as well as R&D, including Science, Technology, Engineering and Mathematics (STEM) education and skills development, cannot be overemphasised for setting Zambia on a path of productive capacity enhancement, trade competitiveness and economic transformation.

10.2.3. Summary of Policy Response Measures to COVID-19

Zambia applied various measures to contain the spread of COVID-19 in the country and these measures ranged from least stringent to high stringent measures. The Government Stringency Index (GSI)[10] is a collective health, social and economic policy response measures applied by any world economy. The GSI for nine world economies, including Zambia and five other African countries, over the COVID-19 period from 3rd January, 2020 to 31st December, 2022 are presented in Figure 10.2. The comparison shows that Zambia applied the least stick policy measures of all the selected countries. The country's first institution of policy measure underpinning the GSI was on 23rd March 2020, five days after the pandemic hit Zambia. From those initial measures, Zambia's GSI was 16.67 whereas around the same time most comparator countries in Figure 10.2 had GSI upwards of 80.) Zambia intensified the stringency of its policy measures significantly in early May 2020, recording a period high GSI of 70.83 on 7th May. By June 2020, the authorities has relaxed the policy measure somewhat so that the GSI dropped to within the range of 39-52 over end-June 2020 to end-January 2021.

The period from late-June to late-November 2021 was characterised by a considerable amount of start-stop COVID-19 stringency policy measures (e.g., GSIs of 60.19 on 21st June, 27.78 on 11th July, 54.63 on 18th July, 23.15 on 2nd October, and 43.52 on 21st November). By 25th January 2022, the policy measures had been relaxed so much that the GSI had declined to 13.89 and remained at low levels before dropping further to 2.78 in mid-June 2022. By the time the OxCGRT project discontinued computing and publishing the GSI (globally) on 31st December 2022, Zambia's GSI was at 8.3, by far the lowest among the comparator countries.

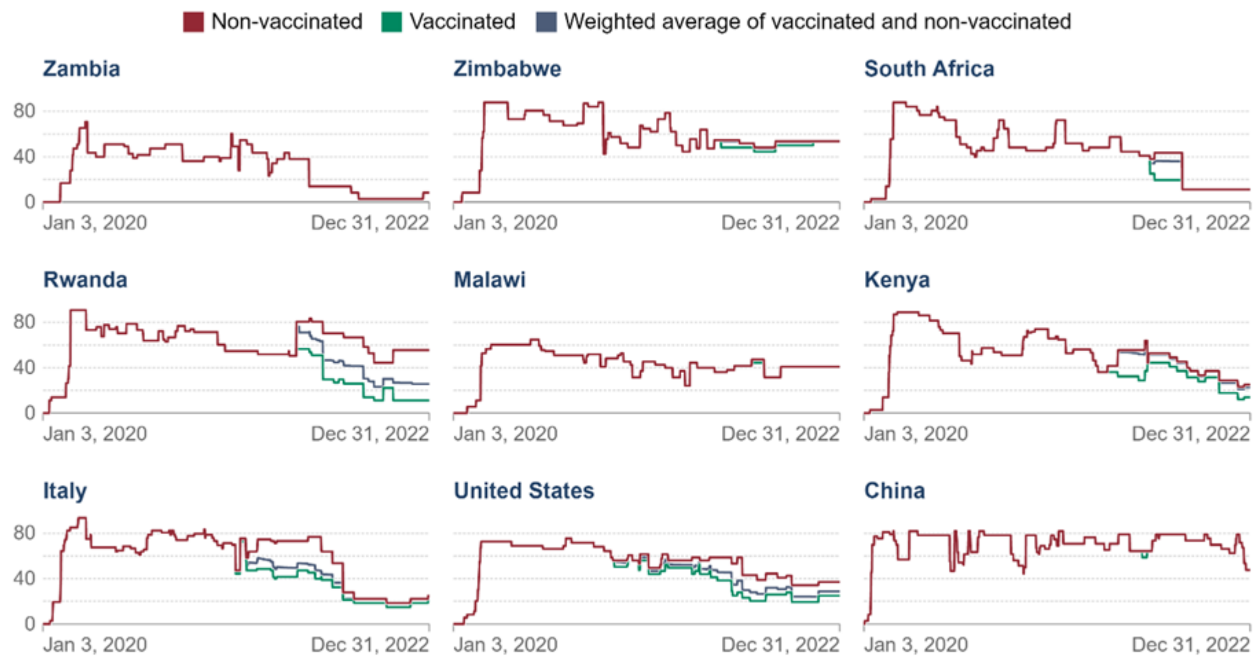
In parallel with the restrictions in terms of school closures, workplace closures, internal movement restrictions, international travel controls and other GSI components, Zambia applied a range of economic policy measures, including business support and trade facilitation arrangements, in a bid to sustain economic activity. Firstly, to finance the response towards COVID-19, the Government instituted the following measures in March 2020 (**MOF, 2020**[11]):

10 The GSI is as a composite measure of nine of the response metrics. "The nine metrics used to calculate the GSI [were]: school closures; workplace closures; cancellation of public events; restrictions on public gatherings; closures of public transport; stay-at-home requirements; public information campaigns; restrictions on internal movements; and international travel controls" (Hale et al, 2021).

11MOF (2020) Statement by the Hon. Minister of Finance on the Impact of the Coronavirus (COVID-19) on the Zambian Economy", Republic of Zambia: Ministry of Finance, March

i. Set up an Epidemic Preparedness Fund under the Ministry of Health amounting to K57 million.
ii. Cabinet approved a COVID-19 Contingency and Response Plan (CCRP) with a budget of K659 million under the Disaster Management and Mitigation Unit; and
iii. The Government has started mobilizing funds through the budget and engagement with various local and international stakeholders.

Figure 10 2: GSIs for selected World Economies



Source: Our World in Data and Hale et al, 2021

Moreover, to support the easing of liquidity in the face of the adverse effects of COVID-19, Government committed to release K2.64 billion to:

i. Reduce domestic arrears owed to domestic suppliers of goods and services.
ii. Reduce outstanding arrears to pensioners under Public Service Pension Fund and retirees under Ministry of Justice; and
iii. Reduce outstanding third-party arrears and other employee related commitments.
iv. Settle payments to local contractors in the road sector (K140 million).

The total budgetary requirement for these measures, including the CCRP, was approximately K3.099 billion (equivalent to US$170.7 million).

According to MOF (2020), the Government committed to the following towards providing tax relief to businesses:

i. Suspend excise duty on ethanol for use in alcohol-based sanitizers and other medical related commodities.
ii. Remove provisions of SI 90 relating to claim of VAT on imported spare parts, lubricants and stationery to ease pressure on companies.

iii. Suspend export duties on the export of concentrates in the mining sector to ease pressure on the sector; and
iv. Suspend export duty on precious metals and crocodile skin.

The monetary value of the above tax concessions was not published.

In the financial sector, the Bank of Zambia undertook a number of measures to encourage the use of digital financial services, aiming to prevent the spread of COVID-19 by minimizing person to person contact in conducting financial transactions, decongesting banks and reducing the use of cash. The measures included the following (MOF, 2020):

i. Waived charges for person-to-person electronic money transfers of up to K150.
ii. Revised upwards transactions and balance limits for individuals, small-scale farmer and enterprises. The limits by agents have been revised upwards to give agents more float to deal with transactions. This is made to decongest banks;
iii. Removed the transaction and balance limits on agents and corporate wallets; and
iv. Reduced the processing fees for Real Time Gross Settlement System.

In addition, in April 2020, the Bank of Zambia established a K10 billion (or US$ 538.2 million) stimulus package called the Targeted Medium Term, aimed at supporting financial stability and building resilience in the financial sector (BOZ, 2020a[12]). According to BOZ (2022b)[13]s at 31st December 2022, the TMTRF had attracted applications from 15 banks and 19 Non-Bank Financial Institutions (NBFIs), with a total of 61 applications (26 by banks and 35 by NBFIs) worth a total value of K12.9 billon (K9.4 billion by banks and K3.5 billion by NBFIs). The applications were worth 129 percent of the stimulus package. Out of the applications, 77.4 percent were approved over the TMTRF period, worth a total value of K9.99 billion and K9.96 billion had been disbursed, implying that 99.6 percent of the stimulus package was utilized. This explains the relative resilience of the financial sector during COVID-19, which is observed further below in the section on Impact of Macroeconomic Aggregates.

In June 2020, Zambia's Cabinet approved the issuance of a K8 billion COVID-19 bond, with 5, 7, 10 and 15-year tenures, as an additional and wider economic stimulus package to be extended to a broader cross-section of sectors and entities that had been adversely affected by the pandemic. The bond was issued through the Bank of Zambia on 26th June, with an initial amount of K2, 671 billion (BOZ, 2020[14]c). The closing date for bid applications was 31st July 2020. The issuance period of the COVID-19 bond was later extended to 31st December 2020 (BOZ, 2020[15]d). No reasons were given for the extension, but presumably this was due to generally low appetite for the bond during the first issuance period. The performance of the COVID-19 bonds in terms of subscriptions seemed to be unpublished and therefore unknown. Nevertheless, it is imperative that the Government should put in place measures to enhance post-COVID-19 medium-term private sector financial stabilization and development mechanisms (similar to TMTRF), to foster private sector recovery trade competitiveness, growth and build resilience.

12 BOZ (2020a) "CB Circular No.14 of 2020 Bank of Zambia Targeted Medium-Term Refinancing Facility", Bank of Zambia (BOZ), April
13BOZ (2020b) "Targeted Medium-Term Refinancing Facility Report as at 31st December 2022: Summary of Applications, Approvals and Disbursements", Bank of Zambia (BOZ).
14BOZ (2020c) "Public Notice: Issuance of COVID-19 Bond", Bank of Zambia (BOZ), June
15BOZ (2020d) "Public Notice: Issuance Extension of COVID-19 Bond", Bank of Zambia (BOZ)

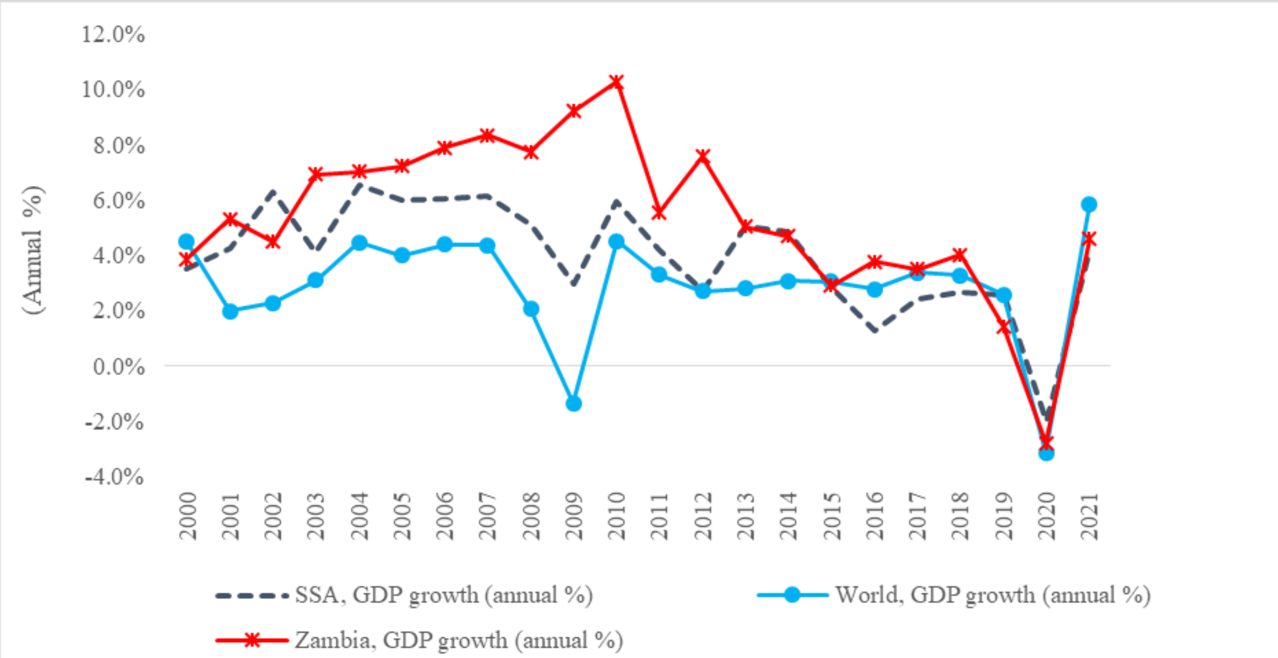
10.3. Impact of the COVID-19 Pandemic on Zambia

10.3.1. Impacts on Macroeconomic Aggregates

Among the key indicators through which the impact of COVID-19 on economic growth is observed are real Gross Domestic Product (GDP) growth and the sectoral breakdown of real GDP growth before and during COVID-19. This assessment considered these two indicators in turn.

In terms of overall real GDP growth, Zambia generally performed better than the average performance of Sub-Saharan Africa and the world over the period 2000-2021, particularly during the sub-period 2003-2013, with an average real GDP growth rate of 7.5 percent per year over the sub-period compared to growth rates of 5.0 and 3.1 percent per year, in Sub-Saharan Africa and the World respectively (Figure 10.3). Zambia's real GDP growth rate steadily increased from 3.9 percent in 2000 to a peak of 10.3 percent in 2010 before it gradually declining to 1.4 percent in 2019, the year before COVID-19 hit.

Figure 10 3: GDP Growth and GDP Per Capita for Zambia and Sub-Saharan Africa (SSA)



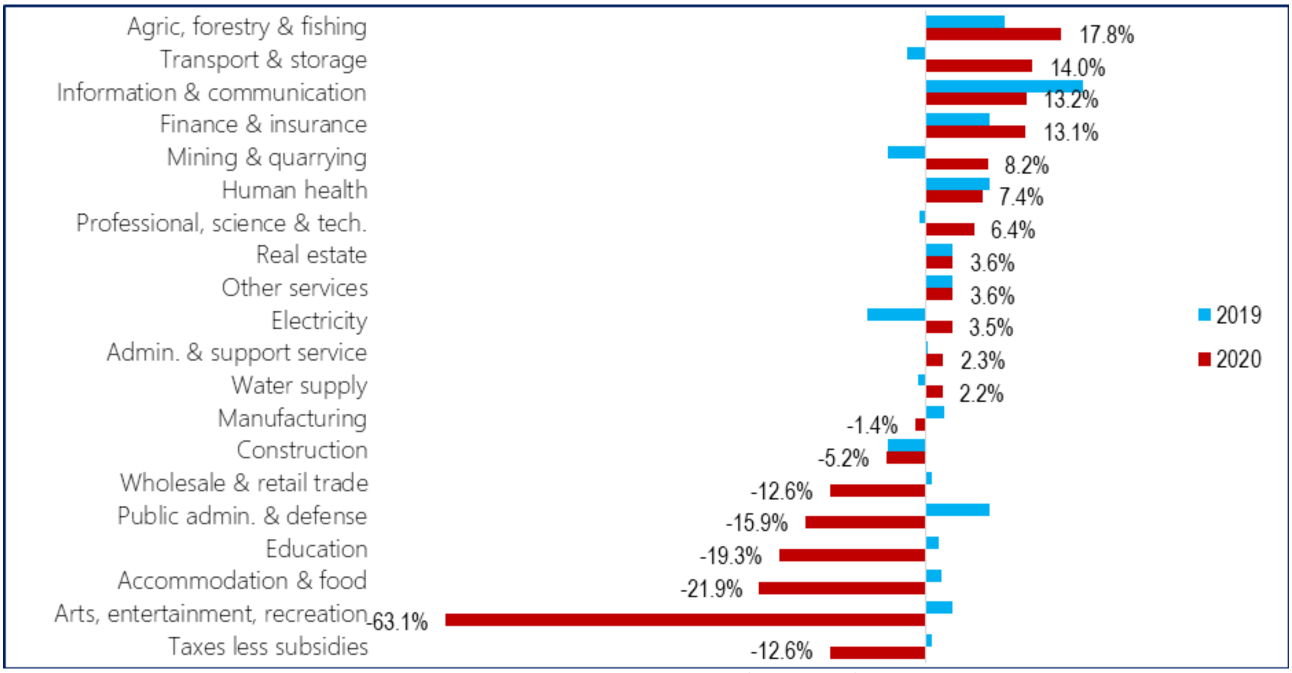
Source: constructed from World Bank, World Development Indicators (WDI) database[16]

The impact of COVID-19 on real GDP growth in 2020 is abundantly clear and strikingly different from other global crises in that in adversely affected all world economies: the Zambian economy contracted by 2.8 percent whereas Sub-Saharan Africa and the world contracted by 2.0 and 3.1 percent, respectively. As world economies made adjustments in the wake of the pandemic in 2021, economic recovery varies widely: the world's rebound was strongest, with a growth rate of 5.9 percent; Zambia was in between with a growth 4.6 percent; and Sub-Saharan Africa brought up the rear posting 4.1 percent growth.

16WDI, https://databank.worldbank.org/source/world-development-indicators#

Figure 10.4 shows the real GDP growth rate performance of Zambia's 20 sectors during 2019 (pre-COVID-19) and 2020 (during COVID-19), comparing sectors in terms of whether they gained and lost during COVID-19 in 2020 relative to 2019. The study used a simple analysis bases on a threshold of ±5 percent real growth rate to distinguish between significant and non-significant effects of COVID, both positive (+) and negative (-). In terms of winners during COVID-19, 12 sectors recorded positive growth rates, of which six sectors posted significant positive growth in 2020. The top-5 sources of the positive growth were agriculture, forestry & fishing (17.8 percent); transport and storage (14 percent); Information & communication (13.2 percent); Finance & insurance (13.1 percent); and Mining & quarrying (8.2 percent). The agriculture, forestry & fishing sector's strong growth performance during COVID-19 was underpinned by the "forced" substitution of imported foods and other agricultural products for local production, reflecting strong for agricultural import substitution in Zambia based on some form of protections measures or others.

Figure 10 4: Real GDP Growth Rate (%) Winners and Losers in 2020 in Zambia



Source: constructed from data supplied by Zambia Statistical Agency (Zamstats)

The negative growth performance of Transport & storage in 2019 and the subsequent growth rebound during COVID-19 in 2020 were both associated with the misfortunes (negative growth) and strong showing (positive growth) in the Mining & quarrying sector in 2019 and 2020, respectively. The goings on in the Mining & quarrying sector thus have a strong bearing on growth performance in Transport & storage. It must be noted that the rebound in the Mining & quarrying sector's growth in 2020 did not necessarily have to do with COVID-19.

The growth of the Information & communication sector was strong during COVID-19, but relatively weaker than the outcome during the pre-COVID-19 year (2019); whereas the growth in Finance and insurance was stronger during COVID-19 than in the pre-COVID-19 year despite the heightened risk of non-performing loans and bad debts during COVID-19. As earlier indicated, the TMTRF, as a well-target medium-term private sector development mechanism, most likely significantly enhanced the financial sector's stability and resilience; hence the strong growth showing. The lesson here is that well-target private sector development mechanisms can support stability, resilience, competitiveness and growth.

Zambia had a smaller number of loser sectors than winners on real GDP growth during COVID-19. However, the magnitudes of adverse growth effects were notably much larger than the growth gains during COVID-19. Out of the eight sectors that experienced negative growth in 2020, seven recorded significant levels of contraction. The Arts, entertainment & recreation shrunk by a staggering 63.1 percent in 2020 (compared to 3.6 percent positive growth in 2019), designating the sector as the worst hit by COVID-19. This was followed by the Accommodation & food sector, which contracted by 21.9 percent in 2020. Given the importance of both Arts, entertainment & recreation and Accommodation & food for the tourism industry as well as for youth employment, it will be important to explore the options for establishing special post-COVID-19 economic recovery facilities for tourism and the youth, women and PWDs, ongoing fiscal constraints from the high debt overhand and debt distress notwithstanding. This calls for research and studies to determine the feasibility of targeting post-COVID-19 mechanisms and facilities towards tourism, small-scale cross border trade, youths, women, etc. as priority sectors/areas.

The Education recorded negative 19.3 percent growth in 2020, which, though alarming given the importance of the sector for enhancing the pool of human resources, including STEM skills, is not surprising considering the extent of school closures and other restrictiveness policy measures during COVID-19. Going forward, it will be critical to establish the extent of COVID-19-related long-term damage to the education system and more importantly, how educational and skills development outcomes have been set back in Zambia, with a review to establishing long-term rehabilitation or recovery and enhancement interventions in the sector.

Wholesale and retail trade, which has a significant bearing on domestic, cross-border and international trade as well as on jobs given it accounted for the largest share (25.9 percent) of total employment on average among the sectors between 2017-2021), contracted by 12.6 during COVID-19 in 2020.

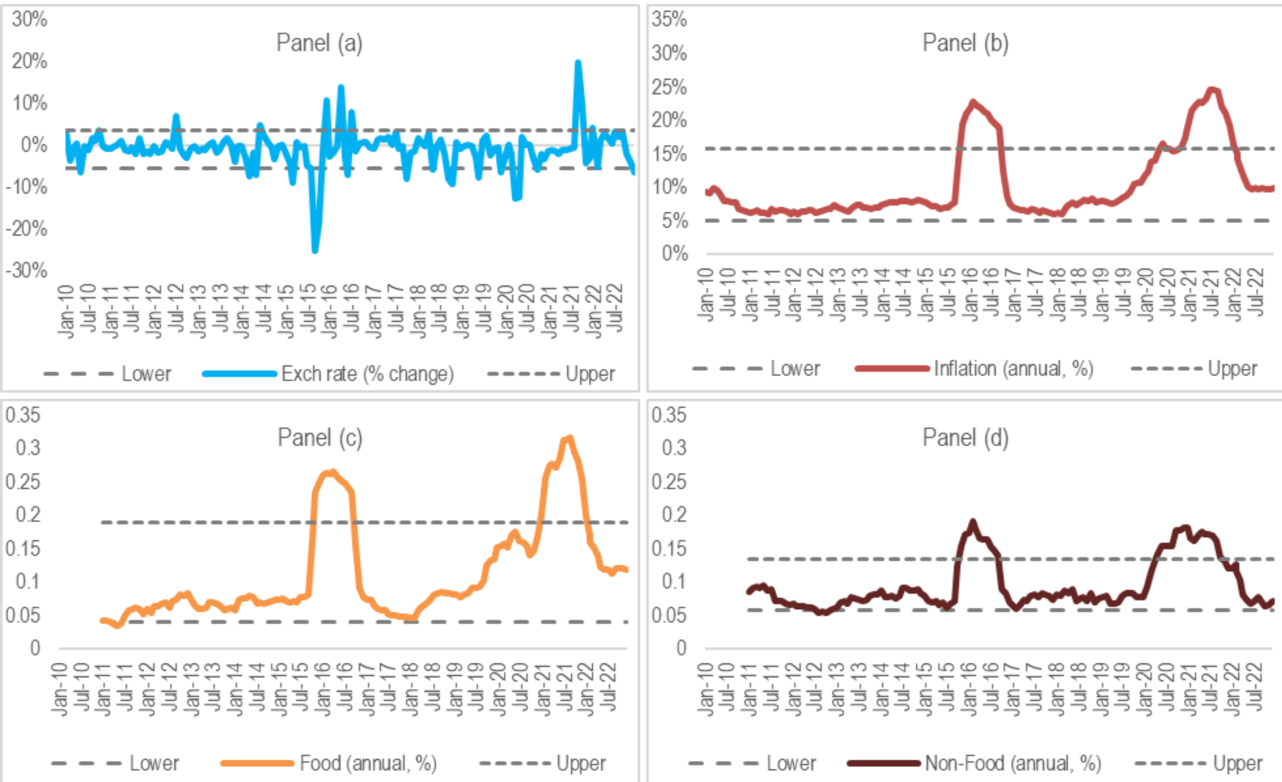
The Public Administration and defence sector declined by 15.9% while Taxes less subsidies contracted by 12.6 percent, the latter having been driven by the earlier highlighted COVID-19 related budgetary reallocations, public finance outlays to contend with the pandemic and tax concessions to support businesses.

The Construction sector shrunk by 5.2 percent in 2020 after having contracted by 5 percent in 2019. The peculiar growth outcomes in this sector would require to be explored in more detail, particularly given the massive public sector-led infrastructure drive and heavy concomitant public expenditure on construction services during most of the period 2012-2020. The 2020 contraction is however unlikely to be strongly correlated with COVID-19.

The assessment drew on two indicators – inflation (commodity price movements) and exchange rate movements – to determine the effects of COVID-19 on macroeconomic stability. Overall, the advent of COVID-19 in Zambia in March,2020 does not appear to have had any lasting destabilising impacts on exchange and price stability indicators. The local currency, the Kwacha, depreciated markedly weakening by 13 and 12 percent, respectively, at the onset of the pandemic in March and April,2020 before appreciating by 2% in May (Figure 10.5, Panel (a)); thereafter, the exchange rate remain within the "lower" and "upper" bounds of stability for the rest of the period, except in August and September,2021 when the Kwacha appreciated by 20 and 10 percent, respectively (mainly due to positive sentiments during and just after the Presidential and Parliamentary elections).

Regarding commodity price movements, well before the COVID-19 episode set in, the rate of inflation was already on a steady upward trajectory, having risen from 8 percent in May,2019 to double digits at 11 percent in September and then to 14 percent in February and March,2020 (**Figure 10.5 Panel (b)**). The overall increase in inflation was mainly driven by increasing food commodity prices and rising food inflation (Panel (c)) while non-food inflationary pressures were modest (Panel (d)). The advent of COVID-19 exacerbated the food inflationary pressures, giving rise to an episode of price instability May to December 2021.

Figure 10 5: Exchange Rate Movements and Inflation, Jan 2011-Dec 2022



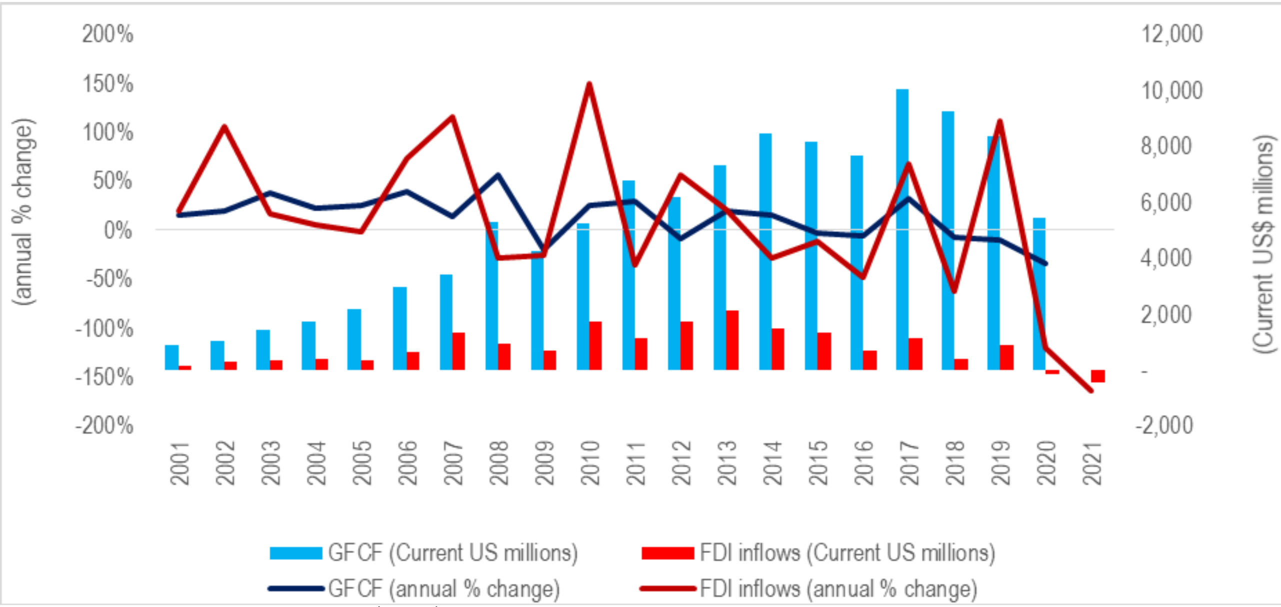
Source: constructed from BOZ Fortnightly Statistics

The formation of fixed capital in the domestic economy through public and private investments, including Foreign Direct Investment (FDI) from abroad is critical for building productive capacity, enhancing trade competitiveness and supporting economic transformation. Domestic capital formation is measured through an indicator called Gross Fixed Capital Formation (GFCF). This assessment tracks the evolution of Zambian's GFCF as well as FDI inflows in order to observer the impact of COVID-19 on these two indicators.

Over the period 2001-2021, Zambia's GFCF steadily increased from US$859 million in 2001 to a period peak of US$10 billion in 2017 starting to decline to US$5.4 billion in 2020 (Figure 10.6). Essentially, from 2018, 2019 and 2020, GFCF contracted by 8, 10 and 35 percent, respectively, reflecting that capital formation was already on a downward trajectory by the time COVID-19 hit, but the pandemic certain worsened the decline significantly.

Over the same period, annual FDI inflows increased from US$145 million in 2021 to a high of US$2.1 billion in 2013 and then declined to US860 million in 2019 before turning negative as capital flight or reverse inflows (-US$173 million in 2020 and -US$457 million in 2021). The 2020 reversal is explained in that FDI, with a relatively more erratic growth trend than GFCF, readily withdrew from Zambia as the pandemic escalated globally; rather than bring more to Zambia, foreign investors preferred to take out what they had invested in previous times. Furthermore, bearing in mind that Zambia defaulted on its external debt service obligations during COVID-19 in November 2020, partially due to the weight of the health, social and economic effects of the scourge, the default exacerbated the negative investor sentiments from the pandemic, causing a larger FDI inflow reversal.

Figure 10 6: Capital Formation and Foreign Investment Trends in Zambia, 2001-2021



Source: constructed from UNCTAD (2022)[17] and UNCTADStats database[18]

More broadly, the erratic trend of FDI inflow growth suggest that foreign investors are quite semimetal about where in the world to make their investments. Ensuring an economically strong, business friendly and politically stable as well as more recently, adhering to environmental, social, and governance (ESG) (or sustainable investment) principles is crucial for attracting and staining FDI within any given economy.

17UNCTAD (2022) "World Investment Report 2022: Global foreign direct investment flows over the last 30 years", © United Nations Conference on Trade and Development (UNCTAD), 9 Jun 2022, https://unctad.org/data-visualization/global-foreign-direct-investment-flows-over-last-30-years

18UNCTADStats database, https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx

10.3.2. COVID-19 Effects on Trade

In order to determine the effects of COVID-19 on selected goods (exports and imports) trade and selected services trade in Zambia, this assessment drew on data in the Bank of Zambia Analytical Annual-Balance of Payments (**BOP**) Table, which presents the data in millions of US dollars in current (nominal) values. Using the BOP Table data, the assessment computed nominal annual percentage changes for selected BOP items over the period 2000-2022. The average and standard deviation as well as the lower and upper bounds (or thresholds) defining indicator stability were also calculated. The lower and upper bounds were compared, indicator-by-indicator, with respective outcome values in 2020 (COVID-19 main effect year) and 2021 (COVID-19 lagged effect year). The results are presented in Table 10.2 (limited the time series to 2018-2019 for expository purposes).

Firstly, in relation to goods trade, only goods imports experienced a significant negative shock during the COVID-19 year (2020), contracting by 26 percent compared to an average expansion of 12 percent per year over 2000-2022. It should be noted however than prior to the onset of COVID-19, in 2019, goods imports had also contracted markedly, by 24 percent, suggesting underlying BOP problems, possibly to do with competition for foreign exchange from external debt service payment obligations. The significant adverse shock on unencumbered reserves, with a contraction of 42 percent in 2020, also lend support to the argument of significant competition for foreign current to settle external debt service obligations. A key lesson is that robust macroeconomic buffers and macroeconomic stability are both important for sustaining imports, particularly essential commodities during an externally driven crisis.

Table 10-2: Changes (%) in Selected Exports, Imports and Memorandum Items in the BOP

Goods	2018	2019	2020	2021	2022	Avg	Stdd Dev	Lower	Upper	2020 vs. Lower	2020 vs. Upper	2021 vs. Lower	2021 vs. Upper
Goods exports	10%	-20%	10%	40%	3%	15%	27%	-12%	42%	No	No	No	No
Copper exports	9%	-25%	17%	43%	-3%	18%	33%	-15%	51%	No	No	No	No
Cobalt exports	-6%	-63%	-75%	-53%	-100%	3%	90%	-87%	93%	No	No	No	No
Non-Traditional Exports (NTEs)	16%	-5%	-4%	38%	23%	13%	22%	-9%	35%	No	No	No	Yes
Gold exports	-5%	33%	12%	-5%	-10%	32%	64%	-32%	96%	No	No	No	No
Goods imports	17%	-24%	-26%	33%	27%	12%	21%	-9%	33%	Yes	No	No	No
Services	2018	2019	2020	2021	2022	Avg	Stdd Dev	Lower	Upper	2020 vs. Lower	2020 vs. Upper	2021 vs. Lower	2021 vs. Upper
Services exports	10%	6%	-45%	-5%	77%	9%	28%	-19%	37%	Yes	No	No	No
Transportation exports	10%	-21%	8%	45%	3%	15%	28%	-12%	43%	No	No	No	Yes
Travel exports	14%	10%	-50%	-5%	111%	9%	31%	-22%	40%	Yes	No	No	No
Services imports	14%	-9%	-32%	24%	44%	11%	22%	-11%	32%	Yes	No	No	No
Transportation imports	14%	-15%	-37%	39%	27%	9%	20%	-11%	29%	Yes	No	No	Yes
Travel imports	25%	7%	-22%	6%	103%	14%	27%	-13%	41%	Yes	No	No	No
Insurance & Pension Services imports	-3%	-7%	-47%	-72%	-54%	98%	431%	-333%	528%	No	No	No	No
Memorandum Items	2018	2019	2020	2021	2022	Avg	Stdd Dev	Lower	Upper	2020 vs. Lower	2020 vs. Upper	2021 vs. Lower	2021 vs. Upper
Copper Export Volumes (mt)	3%	-20%	11%	-3%	-1%	7%	12%	-5%	18%	No	No	No	No

Copper Prices (Realised) (US$/ton)	6%	-6%	2%	52%	-4%	11%	27%	-16%	38%	No	No	No	Yes
Unencumbered Reserves	-25%	0%	-42%	23%	115%	19%	40%	-21%	59%	Yes	No	No	No
Gross International Reserves(total)	-25%	-8%	-17%	132%	9%	13%	43%	-30%	56%	No	No	No	Yes

Notes:
Avg. = the mean (taken over 2000-2022)
Stdd Dev = Standard Deviation (taken over 2000-2022)
Source: constructed from Bank of Zambia Analytical Annual-Balance of Payments (BOP) Table[19]

Non-traditional exports (NTEs) experienced a significant positive shock in 2021, increasing by 38 percent compared to annual average growth of 13 percent over 2000-2022. Some of the specific export products underlying the strong NTEs growth performance in 2021 are highlighted further below in relation to the Revealed Comparative Advantages (RCA) analysis.

In terms of the services trade experience during COVID-19, overall services exports, travel services exports, overall services imports, transportation services imports and travel services imports registered significant adverse shocks of varying extents while none of the services recorded a positive shock during the pandemic (Table 10.2 above). Given the interrelationship between human mobility and services trade, it was to be expected that the COVID-19 pandemic, which prompted stringent movement restriction as a matter of public policy, would impose significant adverse shocks on this form of trade. Pre-emptive strategies, measures and mechanisms that support the continuation of (safe and secure) human mobility during crises is important for sustaining services export and import trade.

This assessment drew on the UNCTADStat RCA[20] for Zambia to identify whether any of Zambia's exports, out of the 259 product lines had an annual average RCA > 1 over the period 2010-2021 and for those that did, to determine if any products suffered positive or negative shock (improvements or deterioration, respectively) in comparative advantage Table 10.3 presents the summary of RCA > 1 products that experiences significant adverse and position shocks during the COVID-19 year (2020).

In summary, during COVID-19, Zambia experienced significant deterioration in its revealed comparative advantage across five out of the top-50 products. The five products were: (i) [689] Miscellaneous non-ferrous base metals for metallurgy; (ii) [263] Cotton; (iii) [061] Sugar, molasses and honey; (iv) [699] Manufactures of base metal not elsewhere specified (n.e.s.); and (v) [523] Metallic salts & peroxysalts, of inorganic acids. Given the particularly high annual average RCA on Non-ferrous base metals (16.85), Cotton (9.85), and Sugar, molasses and honey (7.44), the three products are of relatively high strategic importance in Zambia's international export trade profile. It will therefore be crucial to explore and determine the root causes of the significant deterioration in comparative advantages of these products and formulate and implement corrective measures, which are likely to be necessary since by 2021, neither of the three sectors had rebounded by 2021.

19Bank of Zambia, www.boz.zm
20UNCTADstat (2023) calculated and publishes an RCA "based on Ricardian trade theory, which posits that patterns of trade among countries are governed by their relative differences in productivity. Although such productivity differences are difficult to observe, an RCA metric can be readily calculated using trade data to "reveal" such differences. While the metric can be used to provide a general indication and first approximation of a country's competitive export strengths, it should be noted that applied national measures which affect competitiveness such as tariffs, non-tariff measures, subsidies and others are not taken into account in the RCA metric" (p.1).

On the other hand, Zambia experienced significant improvement in its revealed comparative advantage across 13 of the top-50 products during COVID-19. Out of the 13, eight products – (i) [274] Sulphur and unroasted iron pyrites (32.72); (ii) [223] Oil seeds & oleaginous fruits (incl. flour, n.e.s.) (21.44); (iii) [047] Other cereal meals and flour (14.46); (iv) [284] Nickel ores & concentrates; nickel mattes, etc. (16.57); (v) [211] Hides and skins (except furskins), raw (8.91); (vi) [283] Copper ores and concentrates; copper mattes, cement (5.75); (vii) [671] Pig iron & spiegeleisen, sponge iron, powder & granu (2.82); and (viii) [971] Gold, non-monetary (excluding gold ores and concentrates) (1.99) – maintained their respective improved RCA positions in 2021. The case of Gold is particularly noteworthy as Zambia did not have a comparative advantage in the commodity before COVID (annual average RCA has been 0.90 < 1), suggesting that the COVID-19 period shifted Zambia's comparative advantage in Gold.

Table 10-3: Summary of RCA COVID-19 Analysis of Top-50 Products for Zambia

SICT 3-digit products	2018	2019	2020	2021	Avg.	Stdd Dev	Lower	Upper	2020L	2020U	RCA Rank (of 259)
-1	-2	-3	-4	-5	-6	-7	-8	-9	-10	-11	-12
[689] Miscellaneous non-ferrous base metals for metallur.	15.36	6.13	7.31	5.37	16.85	7.28	9.57	24.12	COVID	Not	3
[274] Sulphur and unroasted iron pyrites	15.08	23.39	32.72	18.99	11.11	9.6	1.51	20.72	Not	COVID	6
[223] Oil seeds & oleaginous fruits (incl. flour, n.e.s.)	6.56	16.38	21.44	19.48	10.06	7.02	3.04	17.08	Not	COVID	7
[661] Lime, cement, fabrica. constr. mat. (excluding glass, clay)	9.11	16.62	17.31	18.4	10.04	4.75	5.29	14.79	Not	COVID	8
[263] Cotton	6.26	7.22	4	5.5	9.85	4.4	5.46	14.25	COVID	Not	9
[061] Sugar, molasses and honey	6.91	9.08	4.85	6.29	7.44	1.38	6.06	8.82	COVID	Not	10
[047] Other cereal meals and flour	1.87	3.23	14.46	10.22	6.48	5.09	1.38	11.57	Not	COVID	11
[284] Nickel ores & concentrates; nickel mattes, etc.	0	5.44	16.57	10.8	4.85	6.05	-1.2	10.91	Not	COVID	14
[211] Hides and skins (except furskins), raw	5.62	5.25	8.91	7.1	4.4	3.03	1.37	7.43	Not	COVID	15
[351] Electric current	4.16	4.5	5.4	2.84	3.62	1.47	2.15	5.09	Not	COVID	16
[283] Copper ores and concentrates; copper mattes, cemen	0.5	0.77	5.75	2.75	1.99	2.02	-0.03	4.02	Not	COVID	25
[699] Manufactures of base metal, n.e.s.	1.1	0.5	0.27	0.38	1.65	1.1	0.55	2.76	COVID	Not	29
[671] Pig iron & spiegeleisen, sponge iron, powder & granu	1.95	2.45	2.82	2.01	1.39	0.84	0.55	2.23	Not	COVID	32
[345] Coal gas, water gas & similar gases (excluding hydrocar.)	2.42	..	..	..	1.26	1.49	-0.23	2.75	Not	COVID	36
[676] Iron & steel bars, rods, angles, shapes & sections	1.13	0.97	1.15	0.89	0.93	0.19	0.74	1.11	Not	COVID	39
[971] Gold, non-monetary (excluding gold ores and concentrates)	0.68	1.15	1.99	1.82	0.9	0.51	0.39	1.42	Not	COVID	40
[523] Metallic salts & peroxysalts, of inorganic acids	1.16	0.86	0.4	0.62	0.88	0.48	0.4	1.36	COVID	Not	41
[248] Wood simply worked, and railway sleepers of wood	0.39	0.92	0.98	0.78	0.52	0.26	0.27	0.78	Not	COVID	50

The RCA on [661] Lime, cement, fabrica. constr. mat. (excluding glass, clay) improved to 17.31 in 2020 and further to 18.40 in 2021 compared to an annual average RCA of 10.04 on the product over 2010-2021. It will be important to establish the underlying drivers of the observed sustained increases in Zambia's comparative advantages and determine if those factors are product-specific or can be extended to other sectors.

In contrast to Lime, the RCAs for [351] Electric current, and [676] Iron & steel bars, rods, angles, shapes & sections, which had significantly increased during 2020, declined below their respective annual average levels in 2021.

Overall, tracking the evolution of revealed comparative advantages of various projects lines and determining the drivers of the changing revealed comparative advantages, with or without crises, will be important for understanding the right product-specific policy measure required to enhance export competitiveness. Policy-relevant RCA analysis exercises should be done frequently (annually) and the results present to relevant stakeholders in both the public and private sectors for validation and utilisation of knowledge.

10.4. Perceptions of COVID-19 Related Trade Costs and Opportunities

Broadly, regarding trade, the various stakeholders consulted reaffirmed many of the findings and observations from the descriptive statistical analysis. In terms of trade benefits and opportunities, the stakeholders noted the accidental benefits from COVID-19 such as the growth of the ICT sector (expansion of e-Commerce as well as domestic and international courier and freight services; the holding of virtual meetings and trainings, which sustained some businesses; etc.), improvements in a small portion of manufacturing particularly the manufacture of hygiene products (soaps, hand sanitizers, fumigants, etc.), and improvements in agriculture outputs which was explained from a microeconomic point of view as people losing jobs and economic opportunities in other industries like tourism had to migrate to farming. The stakeholders noted the high demand for food and related healthy lifestyle products and were variously able to demonstrate with examples how this had led to price escalation in the related products. The respondents also provided insights on the social benefits from COVID-19, as shown in Table 10.4.

On the other hand, the trade costs or challenges of COVID-19 were described as extensive. Reportedly, these included massive losses of jobs and economic opportunities, which extended to trade opportunity losses as economies slowed down due to movement restrictions and closed borders. Tourism, cross-border trade and education were said to be among the hardest hit by the COVID-19 pandemic.

While some import substitution was seen, particularly in agriculture, this is anticipated to be temporary as there is no strategy to lock-in the "go-local" move that was prompted by the pandemic. COVID-19 also reminded Zambia that the country is a huge market for medicines and non-medical pharmaceuticals; however, the manufacturing and other business opportunities presented by the pandemic were largely missed by Zambia since the pharmaceutical industry is very small.

Table 10 4: SWOT Analysis of COVID-19 related trade perception

(

A). Strengths/Positive Effects/Benefits: • Government offices largely open or on rotation. • Public sector jobs were generally maintained; no job cuts. • Increase in use of ICT due to social distancing requirements supported the local ICT industry significantly; virtual meetings helped to sustain workplace productivity; online training also helped businesses (new way of supporting business development should be embraced); virtual school, esp. in urban areas helped to maintain education outcomes; ICT/social media helped to maintain social connections; increased use of mobile money helped to keep the economy going; e-government was improved. • Farming sector benefitted from import substitution/ going local on farm produce; many people also resorted to farming (farming seems to have low entry barriers in Zambia and could be an esp. plan B buffer in the future). • e-Commerce expanded during COVID (freight companies were busy); culture of paying before receiving goods caught on in Zambia; traders got skills upgrade (knowhow to work in and use online platforms; exposure to online information systems (with schedules, prices, visuals on quality of goods, etc.). • Pharmacy businesses thrived during COVID-19; traditional herbalists also flourished; certain businesses that might be frowned upon (e.g., coffin making) did well; innovations in welding, tailoring, etc. were also seen during the pandemic.	**(B). Opportunities/ Potential Benefits:** • Door-to-door foods (and other commodity) supplies/ courier/ micro-deliveries/etc. initiated during COVID-19; should be encourage and supported to continue. • New company registrations increased as private sector lost jobs and economic activities and sought to establish new livelihood avenues. • Social solidary and family bonding opportunities due to stay-home, work-from-home, school closure, etc., policies. • Health and public health requirements (face masks, sanitizers, soaps, fumigation, protective gear, etc.) promoted local manufacturing and other industries; public health and hygiene policy measures should be maintained to enhance preparedness and business opportunities for selected industries; COVID-19 was a wakeup call for Zambia to be more self-sufficient. • Demand for healthy foods increase agricultural production and returns. • Virtual meetings have persisted. • COVID-19 farmer relief initiatives through CPs and NGOs have continued after COVID-19, implying more attention to agriculture. • Domestic tourism became vibrant as COVID-19 started to lift. • Tourism people who migrated to farming/agric. now hold dual jobs or economic activities; also innovations in tourism such as e-Commerce of curios by curio makers.
(C). Weaknesses/Negative Effects/Costs: • Private sector largely closed down, especially tourism and small-scale cross-border trade (safeguards to help small businesses and traders incl. SSCBTs to reboot will be necessary); • Large numbers of private sector jobs were lost, especially in tourism, private school teaching, etc.; also some public sector jobs were lost (e.g., Zambia Airports Corporation (ZAC)) • Disruption of import supply chains, especially on non-essential commodities; imported goods became expensive. • ICT expansion came with vices like escalated mobile money scams; in most Government departments, workers had to subsidise their employers by using their own data bundles for meetings and other office work. • Alarming news about COVID-19 from social media caused social stress; there were delays in sensitisation which created information asymmetries. • The requirements to cross borders with COVID-19 test certificates, quarantine at own cost, and then COVID-19 vaccination certifications increased the costs of border crossing and trading across borders, this dampened both trade and human mobility. • The health system in Zambia is still very weak and could hardly cope during COVID-19; isolated incidences of forced vaccinations through workplace programmes; it seems the pharmaceutical [medicines and non-medical health supplies] industry in Zambia (and Africa) is quite weak as vaccines, test kits, most protective equipment, etc. was imported from off the African continent.	**(D). Threats/Potential Costs:** • Social challenges/risks ("cabin fever", GBV, tempers, etc.) from stay-home, work-from-home, school closure, etc., policies. • Stigma from COVID-19, including fear of being labelled and workplace discrimination of "non-essential staff" increased; fear of stigma and denial both cause self-medication and delays in people presenting themselves to health facilities. • Threats of increasing inequalities emerged, e.g., the ICT expansion benefits urban areas the most since, for example, e-schooling was impractical in rural areas. • The widespread loss of life in Zambia and globally may have had as yet undetected negative side effects on individuals and societies. • Mealie meal became expensive post-COVID-19 whereas during COVID-19, it was much more affordable. • The migration to local content such as in agriculture appears to be temporary. The import substitution that happened during COVID-19 has not been nurtured and sustained, especially from a policy and interventions point of view ("we are going back to business as usual") • Lapses in hygiene practices are already being seen, which means the preparedness of infectious diseases is already weakening. • Few detailed, sector-specific studies have been done to determine post-COVID-19, what the short and long-term effects of the pandemic were (if studies have been done, they are not publicised and not used in policymaking or business practice changes), e.g., in transport and logistics, what was really the additional cost for transporters of compliance with COVID-19 cross-border requirements? These things need to be looked at.

10.5. Recommendations

From the foregoing, the policy, regulatory, institutional and structural measures for mitigating any lingering adverse COVID-19-related trade effects and for harnessing COVID-19-related trade opportunities are presented in the Action Matrix and comprise the following:

Trade, Trade Facilitation and Trade Development

i. Enhance post-COVID-19 medium-term private sector financial stabilisation and development mechanisms (similar to TMTRF), to foster private sector recovery trade competitiveness, growth and build resilience
ii. Institute pre-emptive strategies, policy measures and mechanisms for ensuring the continuation of safe and secure human mobility during health and other crises, towards sustaining export and import trade in services
iii. Undertake research and studies to determine the feasibility of targeting post-COVID-19 mechanisms and facilities towards tourism, small-scale cross-border trade, youths, women and PWDs as priority sectors/areas.
iv. Continuously track the evolution of Zambia's revealed comparative advantages on its various export projects lines to determine and harness the drivers of change, both during and outside a crisis, towards instituting product-specific policy measure to enhance export competitiveness.
v. Enhance local content policies and programmes to build resilience and sustain the gains in the agriculture, forestry & fisheries sector made during the COVID-19 pandemic.
vi. Undertake research and studies to determine the business environment, investment attractiveness and trade competitiveness position of Zambia, towards instituting policy measures to enhance FDI inflows to Zambia.

Education/Skills Development

a) Enhance public and private investments and programmes in STI, R&D, STEMs education and skills development, towards building productive capacity for trade competitiveness and economic transformation.
b) Undertake research and studies to establish the extent of COVID-19-related long-term damage to the education system and to educational and skills development outcomes in Zambia, towards establishing corrective measures.

Economic Sectors

a) Ensure the Zambia Comprehensive Agriculture Transformation Support Programme (CATSP) includes robust measures for both import substitution and export-orientated production during crisis periods such as the COVID-19 pandemic. This includes productive capacity building measures and information sharing mechanism (about cross-board, regional and international markets and how to access them).
b) Explore feasible options for building the productive capacity of the pharmaceutical sector in Zambia to respond more rapidly to health crises such as COVID-19 and to capitalise national, regional and international markets for medicines and non-medical supplies.

5.6. Conclusions

This Assessment aimed to determine the key implications (effects and impacts) of COVID-19 on Zambia's economy and trade, and to establish the main opportunities associated with the pandemic in Zambia. It has been observed that at the macroeconomic level, Zambia experienced notable economic growth decline although some sectors grew more during the pandemic than before it. Sectors associated with human mobility and physical human interactions (tourism, education, small-scale cross border trading, etc.) were particularly hard hit during the scourge. Zambia did not have the inherent latent (or excess) productive capacity required to respond quickly and adequately to the business, trade and economic opportunities presented by COVID-19.

The price (inflation) and exchange rate instabilities seen during COVID-19 predated the pandemic although the pandemic did exacerbate the instabilities. Generally, these instabilities petered out relatively quickly during the COVID-19 episode. The importance of fiscal stability and an attractive business environment in promoting capital formation, FDI inflows, trade expansion and development was well demonstrated.

In terms of trade specifically, goods exports were generally sustained with no major COVID-19-related impacts or effects while imports were significantly adversely affected as international and regional supply chains were disrupted. On the other hand, most services trade, both exports and imports trade, was adversely affected during the pandemic. The Zambian economy had no in-built safeguards or resilience mechanisms to help sustain trade in services during the pandemic.

In terms of competitiveness, the analysis of Zambia's RCA (Revealed Comparative Advantage) showed that some products, which were of significant strategic importance to the country, given the comparative advantage that were historically building into them, lost ground significantly during the pandemic. Essentially, the country's comparative advantages in some products were eroded. However, Zambia gained comparative advantage in many more products than it lost. Understanding where the gains in comparative advantage came from and what drove them will be import for the country, particularly given the strong commitment to economic transformation.

CHAPTER 11: CLIMATE CHANGE AND TRADE POLICY DIAGNOSTIC FRAMEWORK

11.1. Introduction

The impacts of climate change study on trade assessed the trade and climate change nexus at country level; key vulnerabilities and impacts on trade and economy to rising temperatures, changing precipitation, and greater frequency of extreme weather events; regulatory gaps in the climate and trade policy environment; areas where trade and environmental goods can play a key role in supporting mitigation and adaptation to a changing climate, as well as emerging constraints; and recommendations of climate-relevant trade policy options. It is intended to support the relevant ministries, public sector, civil society organisations, non-governmental organisations, private sector, researchers and policymakers to identify key vulnerabilities in trade caused by extreme climate events. The 8th National Development Plan (8NDP) 2022–2026 proposes development action, focusing on programmes and development to create an enabling environment for a green economy. Implementing ambitious Nationally Determined Contributions (NDCs) to achieve climate goals, can help them exploit new trade opportunities. As countries formulate policies for recovery from the COVID-19 (coronavirus) pandemic, the various funders are supporting their efforts to embark on a green, resilient, and inclusive development path, setting the foundation for future robust and sustainable growth and development (**World Bank, 2022**).

11.1.1 Country Background

11.2. Trade and climate frameworks

a. National legal and policy framework

The Zambian government ratified the United Nations Framework Convention on Climate Change (UNFCCC) in May, 1993. This has been domesticated through various policy and legal frameworks. The country's environmental policies are anchored on vision 2030 environment and natural resources objective, "To create a productive environment and well conserved natural resources for sustainable socioeconomic development by 2030." The Vision coincides with the 2030 Agenda for Sustainable Development, which aims to 'end poverty, fight inequality and injustice and tackle climate change through the pursuance of the Sustainable Development Goals (SDGs). The strategic development area will involve the mainstreaming of green interventions, including climate change adaptation and mitigation measures (**GRZ, 8National Development Plan, 2022**). In order to prevent economic losses resulting from impacts of climate change, the Government has integrated climate change concerns in its policies, programmes, plans and strategies to support a low carbon and climate-resilient development pathway and the attainment of the middle-income status envisioned in the country's Vision 2030.

The government, in conjunction with the United Nations Development Programme (**UNDP**) and the Global Environmental Facility, produced the country's National Adaptation Programme of Action on Climate Change (**NAPA**) in September 2007. The main environmental Act of Zambia is the Environmental Management Act enacted in 2011. Zambia, through the Climate Change Facilitation Unit (CCFU) subsequently produced a National Climate Change Response Strategy (**NCCRS**), in 2010, as well as a National Policy on Climate Change (NPCC) in 2016. The NCCRS was based on the 2007 NAPA and outlines a number of possible adaptation projects and programmes for different sectors, also identifying relevant organisations, and providing rough cost estimates and output timelines[21] .

In 2021, Zambia created the Ministry of Green Economy and Environment (MGEE) with a green economy policy mandate. Furthermore, Zambia has established various institutional arrangements to spearhead the fulfilment of its commitments under the UNFCCC. The Institutional arrangements for climate change implementation is established in the National Policy on Climate Change of 2016 through an inter-ministerial coordination structure. The Policy establishes the Council of Ministers chaired by the Vice President of the country, which is the supreme decision-making body in overseeing Climate Change interventions in the country. It provides policy guidance on climate change programming, mainstreaming, resource mobilisation, monitoring and evaluation. The Steering Committee is the advisory body to the Council of Ministers on policy and programme coordination and implementation. The Technical Committee on Climate Change comprises representatives from relevant Ministries including MCTI.

From 2022, MGEE, under the green economy and climate change programme, was to undertake interventions to promote climate resilience and green economy practices in the country. The ministry would facilitate the development of a green growth strategy and development of mainstreaming guidelines for green economy and climate change. It also planned to embark on mainstreaming green economy and climate change actions into all the sectors, provincial and district plans. Therefore, mainstreaming guidelines were developed for use by the various institutions. In addition, through the Climate Change Coordination and Implementation sub-programme, the Ministry will undertake the review of the National Policy on Climate Change, development of climate change legislation, implementation of the Nationally Determined Contribution, support towards the Enhanced Transparency Framework and green economy and climate change awareness programmes. .

11.3. National Policies and Legal Frameworks on Trade

There is a strong nexus between trade and climate change. In this regard, government has developed legal and policy frameworks to create an enabling environment for trade economy and climate change. These policies are presented in Table 11.1.

21van Rooij J (ed). 2014. The coordination of climate finance in Zambia. African Climate Finance Hub.

Table 11.1: Relevant existing Laws and Policy on Trade and Climate Change in Zambia

Other existing climate change and green economy enabling environment	
• National Disaster Management Policy and Operations Manual, 2015 • National Climate Change Learning Strategy, 2021 • Handling Of Carbon Markets and Trading in Zambia, 2022 • National Policy on Environment	• Statutory Instrument (SI) No. 66 of 2021, The Forest (Carbon Stock Management) Regulations • Eighth National Development Plan, 8NDP (2022-2026) • Zambia's Nationally Determined Contribution (NDC) (2015 updated under COP26 in 2021)
Existing national trade policies and enabling environment:	
• National Trade Policy, 2018 • National Industrial Policy,2018 • National Export Strategy • National Investment Promotion Strategy • ZDA Strategic Plan, 2018-2021 • Strategic Plan and Balanced Scorecard 2018-2021 • National Trade Policy 2018 • National Policy on Climate Change • ZDA Strategic-Plan-2018-2021	• Micro Small and Medium Enterprise Development Policy – 2008 • National Aquaculture Trade Development Strategy and Action Plan 2020 – 2024 • Industrial commercial and trade policy • Investment Promotional Strategy • National Industrial Policy • National Local Content Strategy • National Export Strategy
Existing economic sectors' enabling environment:	
• The Second National Biodiversity Strategy and Action Plan (NBSAP-2) (2015-2025) • National Strategy to Reduce Deforestation and Forest Degradation (2015-2030) • The National Investment Plan to Reduce Deforestation and Forest Degradation (2018—2022) • The revised National Forest Policy (NFP) (2014) • The Forest Act, 2015 (No. 4 of 2015). • Revised National Water Policy (2010) • The IWRM-WE[22] Implementation Plan 2007-2030 • The WRM Act 2011 • National Energy and Electricity Acts • Urban & Regional Planning Act, 2015 • Environmental Management Act (2011) • Environmental Management Licensing (Regulations), 2013	• Tourism and Hospitality Act (2015) • Climate change gender action plan (ccGAP) • Land Act Cap 184 No. 20 of 1996 • Revised National Agriculture Policy (2012-2030) • The National Agriculture Investment Plan (NAIP) (2014-2018) • Agriculture (Fertilisers and Feed) Act, Cap 226, 1966 • ambia Climate Smart Investment Plan, 2023 • Animal Health Act • Agriculture Marketing Act • Trade (Import and Export regulation) • Dairy Industry Development Act No. 22 of 2010 • The Wildlife Act, 2015 (No. 14 of 2015) • Fisheries policy • Mining policies

Despite these policies and legal frameworks, the issues of climate are not adequately addressed in most of the trade policies and strategies as Table 11.2 indicates. The National Trade Policy and Industry policy have an indication of climate change and refer to Conference of Parties COP21, UNFCCC, UNEP and 7NDP but do not comprehensively provide for a green economy action plan or programmes. In relation to trade policies and national climate change objectives, the study found that the tariff structure still favours emission-intensive industries as there are no low emission industries incentives or direct high tariffs for high emission industries for trade.

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Table 11-2: Trade Policies and Climate Change Considerations

MCTI-Trade Policy instrument	Climate change	Mitigation and adaptation
National Export Strategy, 2018	Only identifies climate change as a threat to agriculture, forest and tourism production and export	Nil
National Industrial Policy, 2018	Under the Environment and Climate Change Section, the policy necessitates the development and implementation of necessary measures to ensure cross-cutting issues such as environmental sustainability are incorporated in the promotion of industrial development; refers to Environmental Management Act, 2011 and EIAs.	Narrowly refers to adaptation interventions and investment using green and clean technology without any further minutiae (detail)
National Investment Promotional Policy	Identifies climate change as a threat to the country abilty to attract local and foreign direct investment	Nil
National Local Content Strategy-2018-2022	Nil	Nil
National Trade Policy, 2018	Under the Environmental Safety and Protection section, Policy necessitates the development and implementation of necessary measures to ensure cross-cutting issues such as environmental sustainability are incorporated in the promotion of industrial development; refers to Environmental Management Act, 2011 and EIAs.	Narrowly refers to adaptation interventions and investment using green and clean technology without any further minutiae. Institutional and Implementation Framework does not include green economy and environmental institutions.
Strategic Plan and Balanced Scorecard, 2018	Nil	Nil
ZDA Strategic Plan, 2018	Nil	Nil

a. Regional and International Framework

SADC Member States, being conscious of the principle of common but differentiated responsibilities and respective capabilities under the UNFCCC, seek to undertake mitigation actions that contribute to the achieving of the ultimate objective of the Convention, that is, to stabilise greenhouse gas concentrations. The major shortcoming of the current interventions across the African continent is that there has been little harmonisation and streamlining of climate change approaches and responses. Another shortcoming is that climate change responses are largely donor funded on project basis and the resources available are often inadequate to support the priority needs of the region (**WomenConnect, n.d.**). The regional framework is shown in Table 11.3.

Table 11.3: Regional Policy Framework

Zambia is a signatory to, and has ratified he following trade agreements:	
• East and Southern Africa (ESA) – EU Economic Partnership Agreement (EPA); • African Continental Free Trade Area (AfCFTA).	COMESA-EAC-SADC Tripartite Free Trade Area (TFTA); and
Regional trade and climate change agreements with a climate change and trade nexus	
• African Union Climate Change Strategy, 2020 - 2030 • SADC Climate Change Strategy and Action Plan, 2015 • Regional Green Economy Strategy for Sustainable Development and Action Plan (2015) • SADC Policy Paper on Climate Change, 2011 • COMESA Climate Change Strategy • COMESA Carbon Neutrality Project 2024 • Climate Proofing the COMESA Medium-Term Strategic Plan 2021-2026	• · SADC framework includes: The Infrastructure Development Master Plan; the SADC Industrialisation Policy; the Regional Agriculture Policy; the SADC Science, Technology and Innovation Climate Change Response Framework 2020; the SADC Resilience Framework; and the Protocol on Environmental Management for Sustainable Development (2014), the Protocol on Forestry and Revised Protocol on Shared Water Courses and SADC Regional Indicative Sustainable Development Plan (RISDP) • Other Climate Change Frameworks in Africa: African Union African Union Development Agency AUDA/NEPAD; African Risk Capacity; African Development Bank (AfDB); African Regional Standards Organisation (ARSO); UNECA/Africa Climate Policy Centre (ACPC); United Nations Environment Programme (UNEP); United Nations Development Programme (UNDP) and the Regional Green Economy Strategy and Action Plan for Sustainable Development.

Regional liberalisation efforts, such as the African Continental Free Trade Area (AfCFTA), can act as an institutional anchor to lock-in some of these country-specific efforts that are aligned with fostering sustainable growth. For AfCFTA to be effective, it needs to promote sustainable trade, enabling businesses to adapt effectively to climate change, while minimising the impacts on the environment. Environmental provisions in trade agreements can be effective in improving environmental welfare but need to be specific and legally binding. Recent research shows that countries with stringent environmental regulations particularly benefit from greener trade, enhanced by environmental provisions in preferential trade agreements (COMESA, 2020).

11.4. International Environmental Treaties and Agreements

Zambia is a signatory to a number of international environmental conventions, treaties and protocols (Table 11.5) whose provisions are, to a large extent, aligned with the Acts and policies outlined above.

Table 11-4: International agreements and treaties on environment and climate change

International Instruments/Agreements	
• World Trade Organisation (WTO) • Duty-Free Quota-Free (DFQF) Schemes including the Generalised System Preferences (GSP): As an LDC, Zambia has DFQF Market Access Schemes with the following countries: o USA – AGOA. o European Union – EBA and GSP+; o China DFQF Scheme for LDCs o South Korea DFQF Scheme for LDCs; o Canada DFQF Scheme for LDCs; and o India DFQF Scheme for LDCs	• The United Nations Framework Convention on Climate Change (UNFCCC) ratified in 1997 • Kyoto Protocol to the United Nations Framework Convention on Climate Change, adopted 1997 • Paris Agreement on Climate Change (Nov 2015) • African Convention on the Conservation of Nature and Natural Resources (Algiers, 1968), (Maputo, 2003) • 2030 Agenda for Sustainable Development

The Kyoto Protocol includes emission trading, Joint Implementation, and the Clean Development Mechanism (**CDM**)) to help parties meet their obligations and achieve their emission reduction commitments in a more cost-efficient manner. Emission trading allows parties to buy emission credits from other parties. These emission credits may be the unused emission allowances from other parties, or they may be derived from Joint Implementation or CDM climate-mitigation projects. Paris agreement **Article 6.2**: Creates the basis for trading in GHG emission reductions (**or "mitigation outcomes"**) across countries. **Article 6.4:** Establishes a mechanism for trading GHG emission reductions between countries under the supervision of the Conference of Parties – the decision-making body of the UN Framework Convention on Climate Change. Article 6.8: Recognises non-market approaches to promote mitigation and adaptation. It introduces cooperation through finance, technology transfer, and capacity building, where no trading of emission reductions is involved.

11.5. Country Trade Structure and Transport Routes

Zambia is open to domestic and foreign trade; and her trade policy aims to diversify its economy and the export base to build a resilient economy (**Trademarkets, 2022**). As observed in Chapter 4, the country's exports are concentrated in primary goods comprising copper and articles thereof, gold, food and beverages and raw tobacco. These are mainly exported to Switzerland China, South Africa, Democratic Republic of the Congo, and Singapore (OEC, 2022) (ZDA, 2023). The top imports of Zambia are refined petroleum, crude petroleum, capital equipment, nitrogenous fertilisers, and mixed mineral or chemical fertilisers, imported mostly from South Africa, China, United Arab Emirates, Congo DR, and India (OEC, 2022). (**Zambia Trade Portal, 2022**) (**UNcomtrade, 2020; ZDA, 2023**).

The imports and exports transit through many of Zambia's neighbours. While improvements have been made at key trade routes, border crossings, the cross-border movement of goods remains low. This, combined with insufficiently developed and maintained network of primary, secondary and tertiary roads, creates steep transportation costs (Trade Administration, 2022). Infrastructure development remains a major challenge to growth, economic diversification, and human development in Zambia. Areas for development in this sector include; improving and expanding the rail network to reduce the burden placed on road infrastructure; and constructing additional inter-provincial and inter-district roads to open up the country through the Link Zambia 8000 project is estimated cost of $5.6 billion, seeks to transform the country from land-locked to land-linked which will include the main economic roads. Zambia is expanding collection of road tolls on major roads to fund road maintenance and broaden financing options for road infrastructure development (USTrade, n.d.).

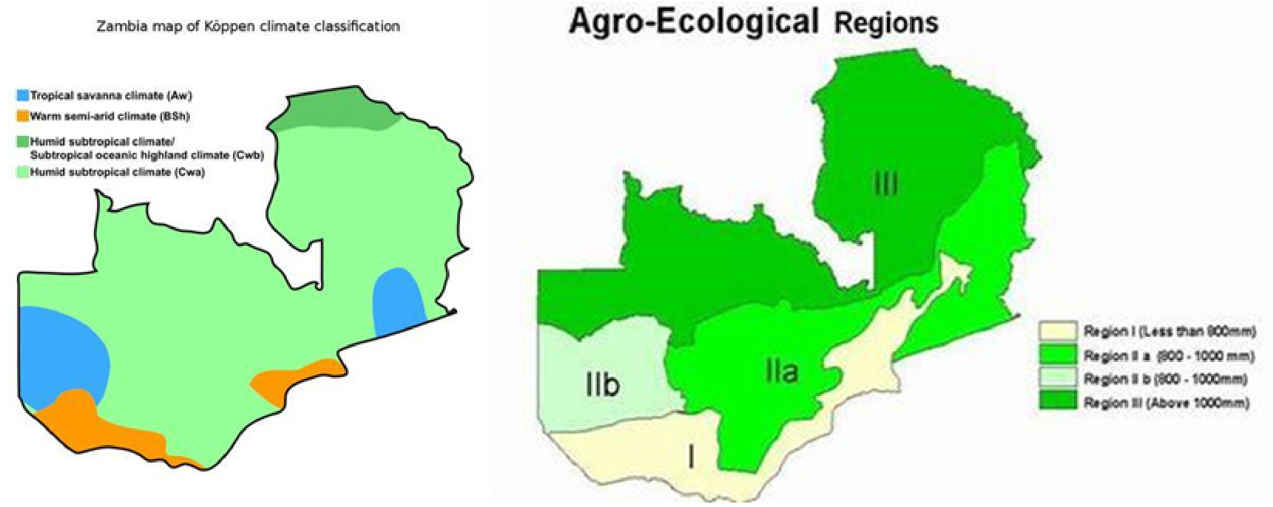
11.6. Country Climate Structure

Zambia has three distinct Agro-Ecological zones (AEZs), which are distinguished by varying rainfall, temperatures, and soil types (**see Figure 11.1**). AEZ I, which covers most of the country's Southern and Western Provinces, is a drought-prone area charactersed by low rainfall (< 800 mm/year) and a short, hot growing season of 60–90 days. AEZ IIa and IIb cover much of Zambia's eastern, central, and western regions and have the country's highest agricultural potential with growing seasons of 90–150 days. AEZ IIa has slightly higher rainfall (800–1,000 mm/year) than AEZ IIb (600–800mm/year). AEZ III covers the northern regions of the country, with 1,000–1,500 mm of rainfall each year and the growing season lasts 140–200 days (Braimoh et al. 2018) (MTENR, Initial National Communication Under United Nations Framework Convention on Climate, 2002). Mean annual temperature across Zambia is ~21°C (**MTENR, 2002**). The highest temperatures (22–27˚C) occur during the hot dry season, and coolest (15–20˚C) during the cool dry season (McSweeney, 2011). The high-level information for Zambia's climate zones and its seasonal cycle for mean temperature and precipitation for the latest climatology, 1991-2020 are shown in the figure 11.1 below. Zambia's climate is characterised by three distinct seasons: i) a cool dry season lasting from June to August; ii) a hot dry season between September and November; and iii) a wet season between December and May (MTENR, Initial National Communication Under United Nations Framework Convention on Climate, 2002).

Variability in annual average temperature and precipitation across regions within the country

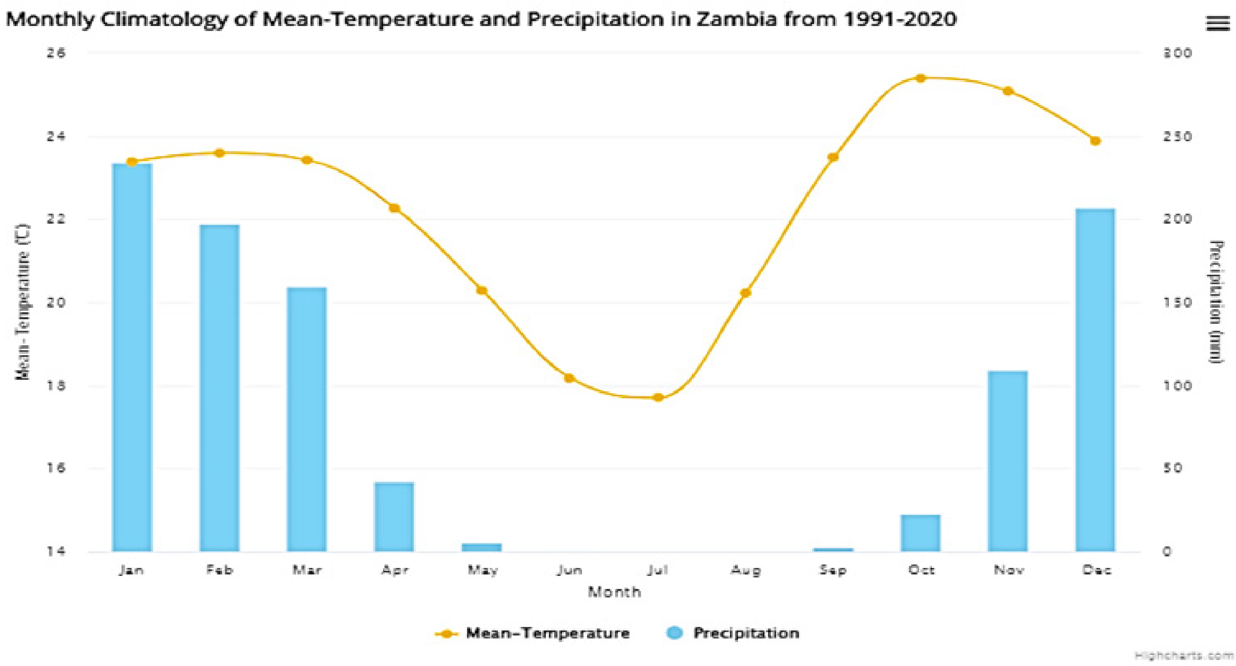
Rainfall varies across the country according to latitude with a downward gradient from north to south of the country (MLNREP, 2014) (Mendes D, 2014; Nkhoma & Otieno, 2017). On average, Zambia experiences two to three drought years in a decade and floods on an annual to biannual basis (Groen & Jacobs, 2012). The central and southern regions of the country are particularly prone to droughts and floods, while the northern region has relatively stable climatic conditions (**Thurlow J, 2009**).

Figure 11.1: Mean annual rainfall across Zambia[23] under the Köppen-Geiger climate classification system (Left); Climate Agro Ecological Zones (right)



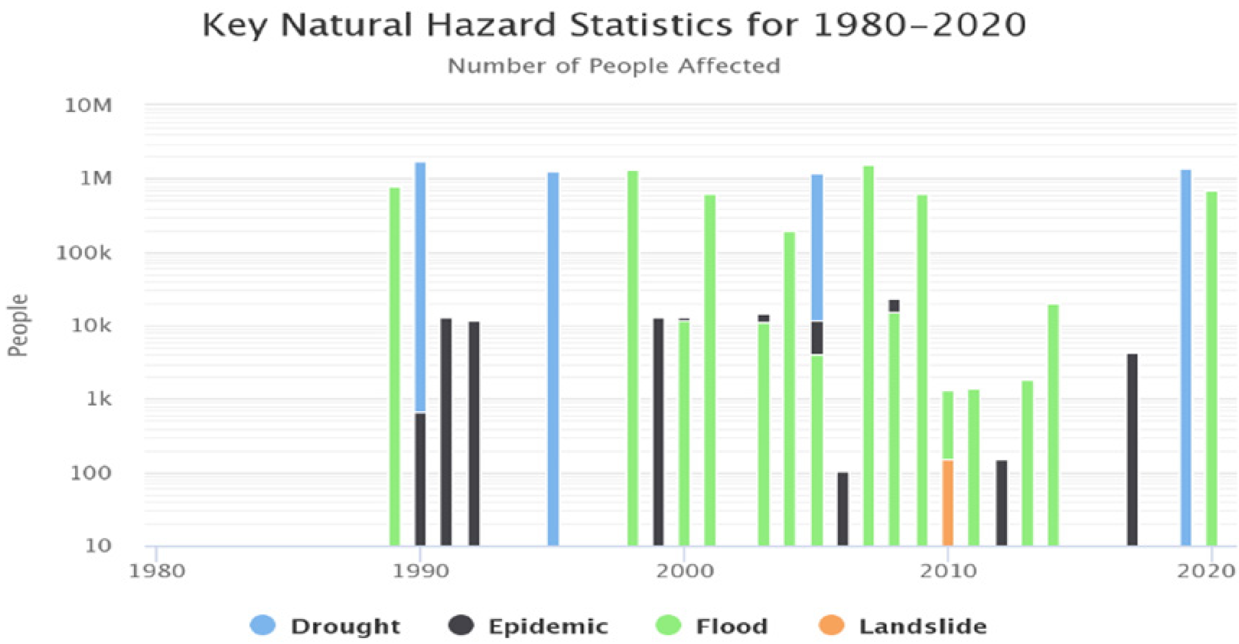
The mean annual rainfall over Zambia has decreased at an average rate of 1.9mm per month (2.3%) per decade since 1960. The last five decades have also been characterised by a trend towards delayed onset and earlier cessation of rainfall (MTENR, 2007). This has resulted in shorter rainy seasons with more intense rainfall and floods over the last 20 years (Nkhoma & Otieno, 2017). Records from 1960 to 2003 show a rise in mean annual temperature of 1.3°C, an average rate of increase of 0.29°C per decade (McSweeney, 2011). The average climatic conditions and climate variability across Zambia are shown in the figures 11.2 and 11.3 below.

Figure 11.2: Zambia- Average Monthly observed Climatic Conditions (left); Zambia current Temperature Conditions, World Bank



23Thurlow J, Zhu T, Diao X (eds). 2009. The impact of climate variability and change on economic growth and poverty in Zambia. International Food Policy Research Institute (IFPRI).

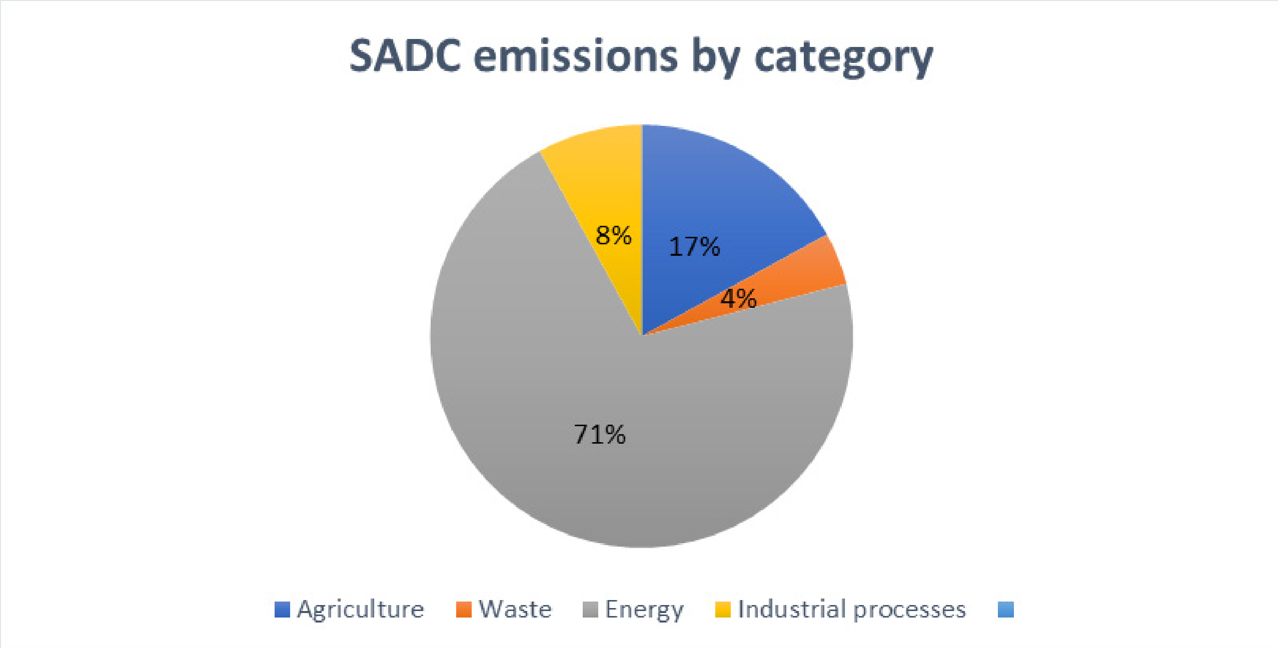
Figure 11.3: Key hazard statistics and average annual natural hazard occurrence in Zambia-1980-2020



11.7. Regional Greenhouse Gas Emissions

The key sectors in mitigation in the region comprise land use, land use change and forestry (**LULUCF**), energy, agriculture, industrial processes, transport, waste and human settlements. The bulk of the emissions were from the energy sector, in particular fossil fuel burning accounting for 71 percent, agriculture accounting for 17 percent, industrial processes accounting for 8 percent and waste accounting for 4 percent as depicted in Figure 11.3[24] . According to FAO, the annual deforestation rate (for agricultural expansion, energy production and logging activities) in the SADC region amounts up to 0,46 percent per year (2005-2012 period), resulting in high biomass losses and carbon emissions (SADC, Climate change strategy and action plan, 2015; COMESA, 2020). Using 1994 as the base year, the total (annual) GHG emissions for SADC (for the 15 countries) is almost 500,000 Gg (about 500 million tons) (SADC, Climate change strategy and action plan, 2015), Despite the low emission levels in the SADC region, there are opportunities for member states to implement mitigation actions in various sectors. The sectors with the greatest potential for mitigation include the energy and LULUCF. The region recognises that actions to mitigate climate change should be carried out in a manner that promotes sustainable regional economic growth, ensures environmental integrity and fosters social equity. Various policy instruments to encourage GHG mitigation are already in place within the region. Article 6 of the Paris Agreement allows countries to voluntarily cooperate with each other to achieve emission-reduction targets set out in their Nationally Determined Contributions (NDCs). (**Figure 11.4**)

Figure 11 4: Share (%) by sector of SADC GHG emissions, SADC CCSAP 2015



11.8. The NDCs and Impacts of Trade on Climate change.

Trade impacts climate change through the various key economic sectors of mining, industries, agriculture, forestry, and energy. An example of this is how deforestation is promoted by trade activities. According to Forest Watch 2021, in 2010, Zambia had 22.4Mha of tree cover, extending over 30 percent of its land area. In 2021, it lost 201kha of tree cover, equivalent to 74.9Mt of CO_2 emissions (Forest Watch, 2021). Numerous studies have documented and confirmed that global trade, in its existing form, causes deforestation and other associated environmental damage, with 80 percent of deforestation occurring due to trade and agriculture. This is mainly due to the exchange of products, known as 'forest-risk' commodities that require the stripping of trees and vegetation for space to produce the goods. Common Zambian examples include primary agriculture produce for processing and manufacturing industries, wood and wood products, cattle rearing for dairy produce (**World forests, 2021**). Due to the charcoal production, Zambia is one of the most important countries at global level for deforestation with the annual deforestation rate estimated at 276,021 hectares per annum in 2021 (**WTO, 2022**). At the same time, it can provide the solution based on alternative sources of energy (Ragazzi, 2016). When a country enters international markets, local prices get closer to international prices. So, if trade liberalisation brings local agricultural prices upwards, deforestation will increase. Countries like Zambia that have comparative advantage producing agricultural goods and timber products are the ones that will potentially be more affected by increases in trade (WTO, 2010). One of the main drivers of deforestation in Zambia is the expansion of agricultural land for increasing production areas and for shift cultivation due to poor crop management practices (**Masikati, 2021**).

The NDC reference indicator has been quantified based on national total greenhouse gas (GHG) emissions with 2010 as the base year. Zambia's total GHG emissions are projected to grow by 42 percent from approx. 120million tonnes in 2010 to 170million tonnes in 2050. The net emissions will increase from -16,538.2Gg CO2 eq to 67,843.0 Gg CO2 eq. in 2050 (GRZ, TNC, 2020).

The NDC was submitted with a conditional pledge of reducing GHG emissions by 25% (20,000 Gg CO2 eq.) by 2030 against a base year of 2010 under the Business As Usual (BAU) scenario with limited international support or by 47 percent (38,000 Gg CO2 eq.) with substantial international support (GRZ, NDC, 2020).

In Zambia LULUCF and agriculture account for a combined 95.8 percent of Zambia's emissions. Energy accounts for 2.6 percent and industrial processes and product use account for 1.4 percent. Ninety-three (93) percent of LULUCF emissions are caused by burning biomass while the remaining 7 percent are produced during the conversion of forest to cropland or other land use. Within the agriculture sector, burning of savannah contributes to 59 percent of emissions, followed by emissions from enteric fermentation (13 percent), manure left on pasture and manure management (12 percent), cultivation of organic soils (10 percent), and the use of fertiliser (5 percent) (CIAT and the World Bank 2017; MoA/WB, 2019).

Key mitigation sectors:

Zambia enhances its NDC by broadening the scope of sectors under mitigation by adding transport, and coal (production, transportation and consumption) (GRZ, NDC, 2020). Zambia has focused its efforts on sectors with the greatest mitigation potential, with the greatest likelihood of rapid implementation, aligned where possible with the GHG inventory key category analysis, as the country progressively transitions to an economy wide approach. The mitigation actions are focused on three key categories and emerging sectors include:

- Energy-categories include Energy industries, manufacturing industries and construction, transport, and other sectors.
- Agriculture Forestry and Other Land Use (AFOLU)-categories include livestock, land and aggregate sources and non-co2 emissions sources on land
- Waste-categories include solid waste disposal, biological treatment of solid waste, Incineration and open burning of waste, and wastewater treatment and discharge.

11.9. Country Vulnerability and Hazards

Vulnerability measures the exposure, sensitivity, and ability to cope with climate-related hazards within a country. Readiness evaluates those portions of the economy, governance and society that affect the speed and efficiency of adaptation. The country's vulnerability is exacerbated by its dependence on the exploitation of its natural resources, particularly through agriculture, forestry, and mining (CIF, 2022). The 2020 University of Notre Dame Global Adaptation Initiative index ranked Zambia as the 41st most vulnerable country to the impacts of climate change out of 182 countries. This indicates a low adaptive capacity. Climate change and variability has led to adverse effects such as droughts, floods and extreme temperatures on key sectors including energy, agriculture, and water (GRZ, 8NDP, 2022). Due to being landlocked, Zambia also faces highest transportation costs in the Southern Africa region (Trade Administration, 2022). Inadequate and weak infrastructure coupled with a large proportion of the population is rural and poor, makes Zambia highly vulnerable to natural hazards, especially floods (World Bank, Climate Knowledge Portal, 2021).

About one sixth of the Zambia's rural population depends heavily on forests and non-forest resources for their livelihood and contribute approximately 20 percent to rural household incomes. However, charcoal and fuel wood production, including clearance of forest land for agriculture and settlement expansion has resulted in high rates of deforestation and increased greenhouse gas emissions (GRZ, 2020). The country's annual deforestation rate was estimated at 276,021 hectares per annum. It has been projected that climate change impacts could slow the development process of the country and could cost Zambia approximately USD$13.8 billion loss in GDP.

Projected Climate Change

Projections from model simulations show that Zambia is likely to experience extreme frequency in temperature and rainfall changes. The estimates of the rainfall or precipitation predicting future precipitation over Zambia is relatively difficult and inconclusive with different models producing notably different results (**Gannon, et al.**). Most studies using GCMs predict a continued drying trend over much of Zambia (**FAO, 2017**) while a small portion of the central, northern and eastern parts of the country are projected to experience increased or unchanged rainfall (FAO, 2017). Changes in mean seasonal rainfall are projected to be large, experiencing a 5 to 20% decrease in the length of the rainy season by the year 2050 with increased frequency of flash floods (**MLNREP, 2014; McSweeney R, 2011**).

Zambia will continue to experience rising temperatures in the future, based on several climate change models (FAO, 2017, B Hamududu, 2019). Projections predict average temperatures across Zambia to increase by 0.6°C -1.8°C by the 2030s, 1.2°C- 3.4°C by the 2060s, and 1.6°C- 5.2°C by the 2090s (**McSweeney C, 2008**). The increase in temperature is projected to be slightly more rapid in the southern and western regions of the country (**GRZ, 2017**).

11.10. Climate change impacts on economy, markets and international trade

Trade under agriculture, processing industries and energy are affected by extreme events due to climate change impacts on tradable goods and services, as well as auxiliary services and infrastructure such as roads and energy as shown under the study and various sectors' researchers. The current, observed climate change impacts on the domestic economy and international trade are shown in Table 17.7. The projected impacts of climate change take into consideration adaptive capacity, exposure, vulnerability levels and projected climate change. These impacts are on production, supply chains, transport and on consumers.

According to the WTO World Trade Report 2022, a rise of 1°C has been found to reduce the annual growth of developing countries' exports by between 2.0 and 5.7 percentage points. Economic growth can also help climate change mitigation efforts. A recent report from the World Bank says that investing an average of 1.4 percent of GDP annually could reduce emissions in developing countries by as much as 70 percent by 2050 and boost resilience (World Bank, 2022). Climate change is likely to have an impact on trade through various channels such as productivity and transport and logistics.

Impact on productivity - Zambia is a significant food exporter and has a comparative advantage in agricultural production (World Bank 2020b). However, its agricultural production is mainly rain-fed and is vulnerable to climate change and may lose its comparative advantage in the production of some agricultural products. However, its comparative advantage in the production of others may be enhanced. Competitiveness effects are also likely to occur (UNCTAD 2021). Zambia has experienced perennial climate shocks with widespread effects on the economy. For example, a prolonged drought in 2018 and 2019 contributed to reduced energy supply and reducing GDP growth from 4.0 percent to 1.4 percent over the two years.

Table 11 5: Climate Change Risk Assessment on Domestic Economy and International Trade, DTISU 2023

SN	Economic sector impacts	Floods- Drought- High temperature	
		Observed impacts	Projected impacts
1.AFOLU Category (C Gannon, Turner, I Kumar, & Chanda, nd) (Campbell, et al., 2010) (GRZ, National Investment Plan to Reduce Deforestation and Forest Degradation (2018-2022), 2017) (AfDB, 2021) (MTENR, Formulation of the National Adaptation Programme of Action on Climate Change, 2007) (MoA/WB, 2019)			
1	Increased loss of crops and low productivity, low trading opportunities and changes in trade patterns; low food supplies and high prices especially staple/traditional foods; In the most extreme climate change scenario, the projected maize yield is 3.3 MT/ha, 15 percent lower than without climate change. Reductions in primary agricultural production can trickle down and affect productivity in downstream sectors, such as food processing and leather manufacturing, by reducing the availability and increasing the prices of primary inputs (UNCTAD 2021, 12	High	Very high
2	Increase in Inundation of land and resources leading to: Livestock drowning; Loss of or lack of produce; Impeded Road infrastructure and transport to and from markets; Increased export prices; Limited economic activities; Lack of regional imports for sale if the other country is affected by floods or drought; Increased importation of food	High	Very high
3	Low forest regeneration rates; Increased Forest degradation and land use changes; Increased wildfires affecting produce and trade infrastructure, agriculture fields, pasture, forest resources and increased soil erosion; Increased GHG emissions and loss of carbon sinks	High	Very high
4	Increase in soil erosion and loss of nutrients/ deterioration; Land use changes due to shift cultivation; Increased GHG emissions; Loss of forests and their ecosystem services and economic benefits for trade and domestic economy.	High	Very high
5	Increased loss of pasture and lack of regeneration of fodder areas; Low animal nutrition levels and health; Stunted animal growth; Low livestock production rates; Low marketing livestock and livestock products; Increased human animal conflict	Medium	High
6	Increase in plant weeds, pests and diseases; Low production rates; Leads to costly production which affects trade cost and pricing	High	Very high
7	Increase in livestock pests and diseases, High livestock maintenance costs.	Medium	Very high
	Increased animal fatigue; increase in livestock drowning events; Low livestock production rates; Low marketing livestock and livestock products.		
	Low meat and produce standards for international trade as well as local trade		
8	Increased animal drowning rates at crossing, dambos; Increased animal loss	Medium	High
9	Limited fishery activities; Low fish production rate; Loss of breeding areas	Medium	High
	Fisheries produce an estimated 70,000 – 80,000 metric tonnes of fish per annum. On employment contribution, about 20,000 people are directly employed in the industry and 250,000 are involved in fish processing, trading and subsistence fishing. The sector's contribution to Gross Domestic Product (GDP) is estimated at 3.8% and it is the third largest employer after crop production and mining (MACO, 2008). Breeding areas and baby fish are amongst the most sensitive and highly exposed to the negative impacts of coastal development, pollution, sedimentation, destructive fishing practices and climate change. Fish tend to live near their tolerance limits of a range of factors; as a result, increased temperature and acidity, lower dissolved oxygen and changes to salinity can have deleterious effects (Roessig et al., 2004). In particular the changes in climate which will have an impact on the fisheries in Zambia will be characterised by alterations in average temperature and primary production (Nyanga, 2016). The current national demand for fish is estimated at 120,000 tonnes per annum but only about 70,000 tonnes is supplied leaving a deficit of 50,000 tonnes which is supplied through imports (Fishakathon 2016).		

2. Energy Category (McSweeney C, 2008) (C Gannon, Turner, I Kumar, & Chanda, nd) (Funder M, 2018) (USAID, 2010) (ZESCO, 2023)			
Transport and Markets			
10	Limited market access- damage to infrastructure, roads and transport; goods cannot reach the customers and customers cannot reach the markets; market access limitation; changes in markets and source of goods for trading which can be costly on the traders; Loss of perishable goods awaiting access to markets. Climate change impacts have continued to pose a huge cost to the Zambian treasury with regards to maintenance and rebuilding of infrastructure as a result of damages ((PMCR-OPED, 2022) (McSweeney C, 2008).	Medium	Very high
	For the period 1996-2017, the total cost of direct rainfall-related damage to road infrastructure alone was estimated at K2,205 million and annual estimates of indirect costs of climate change (temperature and rainfall) related damages to the road infrastructure network amounted to K295 million of which, K210 million was attributed to rainfall events while K85 million was due to the rise in temperature. This cost is projected to increase to K303 million by the year 2030 calling for climate resilience plans and harmonised Public Asset Management Policy (PMCR-OPED, 2022).		
Manufacturing industries, Construction, Water Resources, Mining & Energy			
11	Limited supply of goods for processing and trade due to low productivity rates in various economic sectors; low comparative advantage	High	Very high
12	Low surface and groundwater levels; Increased water supply demand. Low production and economic activities	High	Very high
13	Reduced energy supply due to low water levels for HEP; Increased demand for energy; Low economic production; Low investments; The generation of electricity in 2019 reduced by 7% to 10078 GWh from 10847 GWh in 2018. Production at Kariba North Bank and Kafue Gorge power stations reduced by 16% and 6% respectively due to low water levels at Kariba and Itezhi-tezhi dams due to the 2018/2019 droughts.	High	Very high
14	Mining and construction effects: Increased mass movements affecting mining activities; Increased safety incidents affecting the finances; Low energy supply affecting production and trade; Affects the stability and cost of water and energy supplies for production; Weather deteriorated roads for transportation to markets; Increased cost of mining and exportation; Restricted mining access; Lowered slope stability and effectiveness of infrastructure and equipment, and the availability of transportation routes; Low production rate due to flooded mines; Rising temperatures will increase energy demand to cool underground mines and surface facilities. Greater demand and rising prices (driven by limited supply of natural gas, the imposition of carbon taxes, and expensive alternative energy sources) will add to costs. Energy rationing may lead to permanent decreases in production, affecting profits and commodity prices	Medium	High
15	Industrial components: Low raw material supply; Slower construction works. Low productivity and trade; Rising temperatures will increase energy demand to cool equipment and surface facilities. Greater demand and rising prices (driven by limited supply of natural gas, the imposition of carbon taxes, and expensive alternative energy sources) will add to costs; Energy rationing decreases in production, affecting profits and commodity prices	High	Very high
3. Waste Category			
16	Floods affect waste treatment collection businesses and waste treatment sites; Increased waste mass transfer and pollution	Low	High
Social and health (C Gannon, Turner, I Kumar, & Chanda, nd)			
17	Increased heat fatigue; Increased human health impacts and diseases.	High	Very high
	Increased risk of heat-related illnesses; and inhibit decision-making, increasing the likelihood of injuries, accidents, and fatalities and decreasing productivity; Increased incidence, prevalence, and geographic reach of tropical diseases such as malaria, yellow fever, cholera, and schistosomiasis, with consequences for workforce health; Low labour force and productivity. High migration rates e.g., south to north of Zambia		
18	Increased disaster management budget by government and private institutions; Affect national budget and foreign direct investment	High	Very high

11.11. Adverse Climate Conditions and Trade-related Infrastructures

Effects on transportation: Transportation, specifically trade-related transport and communication services also could be adversely affected by extreme weather events. Water level rise may submerge some transportation infrastructure at the international ports and road, rail crossings and in lowlands such as bridges, roads, and railways. Although the transport sector is likely to be affected substantially by extreme weather events and contribute heavily to greenhouse gas emissions, it also plays a crucial role in supporting Zambia's overall development strategy and supports its export and import networks. Continued repairs and maintenance are necessary to keep domestic and international link road networks functional. Maintaining such infrastructure could be difficult in conditions of higher rainfall, more flooding, and rising temperatures (World Bank 2020b).

In addition to domestic infrastructure, Zambia is landlocked and is transforming itself into a land-linked country by carving out new import and export trade routes such as the new Angola-Zambia links such as operationalising the Bilateral Trade Agreement that was signed in 2016. The volume of Zambian transit cargo that is handled by the ports, for instance the port of Dar es salaam is one of the main ports and gateways to the rest of the world for Zambia. The cargo handled by the port for Zambia doubled from 1.1 million 2020-2021 to 2 million tonnes in 2022 (Zambian Eye, 2022). Sea-level rise is projected to lead to the loss of a sizable proportion of the northern and eastern coastlines due to a combination of inundation and erosion, with consequential risks for port infrastructure (World Bank 2021). The routes, designed by Regional Economic Communities, connect Zambia with Southern Africa Development Community seaports. Zambia has no seaports but a major port on Lake Tanganyika and minor facilities enabling inter-regional trade. The international maritime business is conducted via the ports of Durban in South Africa, Dar es Salaam in Tanzania and Walvis Bay Port in Namibia (Marine Insight, 2022) (SADC, 2015). Another policy framework relevant is the SADC Protocol on Transport, Communications and Meteorology which aims at ensuring that the transport sector remains competitive and sensitive to emerging issues such as climate change (SADC, 1996).

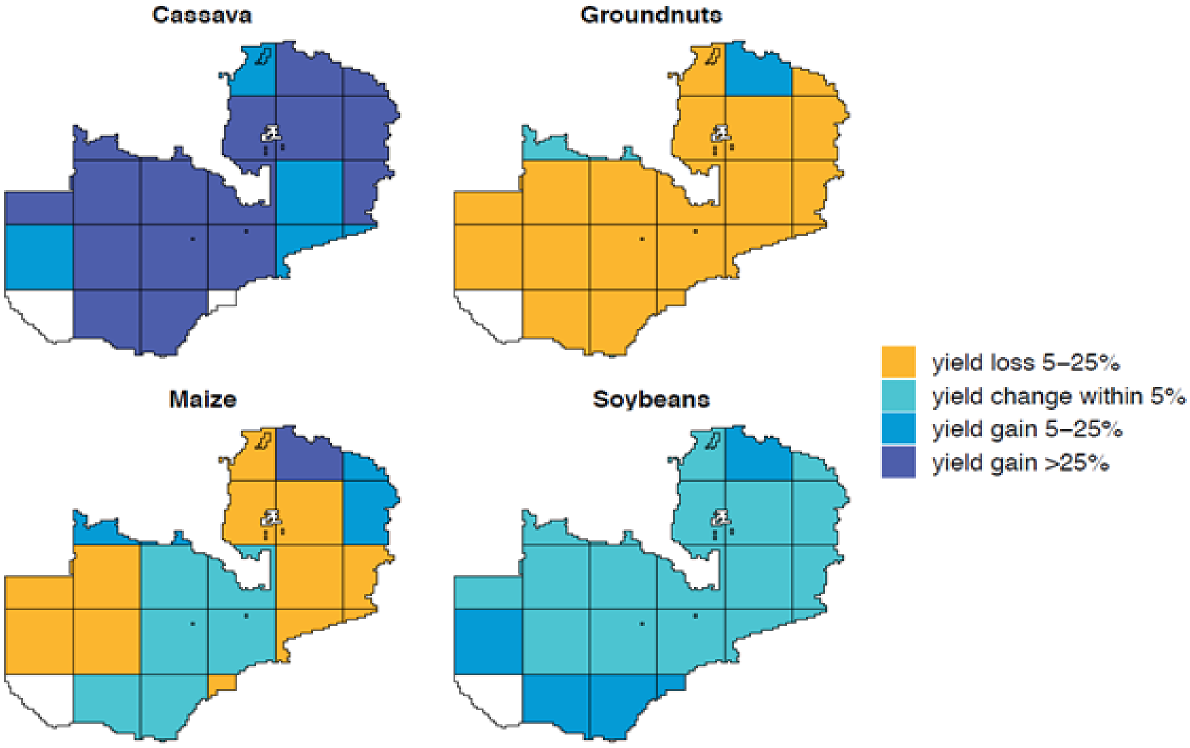
11.12. Domestic distribution of climate change impacts

These impacts are experienced in all parts of the country. The different Agro-ecological regions lead to different products and exposure levels to extreme events as earlier indicated in terms of observed and projected climate and impacts. The varying climatic conditions also influence the supply chain, availability of raw materials, industrial activities and trade patterns. In this regard, the export markets are subsequently affected by extreme events under climate change.

Box 1: Climate Change Impacts in the different Regions of Zambia (MoA/WB, 2019)

- Highest net incremental benefits across AEZs are evident for rice (US$163/ha), followed by soybeans, groundnuts and cowpeas (US$97/ha, US$79/ha, US$65/ha); lowest for beans (US$ -3.2/ha).
- In contrast with drier AEZs, net incremental benefits in AEZ III are negative for maize and beans (US$ -79/ha and US$ -24/ha) but highest for cassava (US$74/ha).
- For maize, highest benefits are found in AEZs I, IIa and II, where average incremental benefits are US$30/ha (MoA/WB, 2019). Through 2050, cropland area is projected to expand in the southern and southwestern regions of Zambia, at the expense of 0.9 million ha. of mainly forest area since 2010. In 2010, 65 percent of the total land cover of Zambia consisted of forested area; agricultural land accounted for over 30 percent of the total land cover, of which only 2 percent was cropland. Under BAU, cropland area is projected to expand by almost 917,000 ha. with total agricultural land (cropland and grassland) growing by almost 2.2 million ha. The impact of climate change on crop yields are assessed with two crop models and 5 General Circulation Models (GCM). Figure below presents simulations of average change in crop yield for a selection of subsistence crops for the 2010-2050 period. Climate change is expected to contribute to a negative yield shock (represented by a median value lower than zero) for six crops: groundnuts, maize, millet, potatoes, sorghum and sweet potatoes, whereas the yield effect is positive for barley, dry beans, cassava, rice and soybeans. Figure below shows the geographical distribution of the yield shock for Zambia's four most important crops. Maize is mostly produced in the Eastern Province, where yield loss is expected to be between 5 percent and 25 percent. In the Northern Province, where maize production is limited by the high acidity of the soils, climate change offers potential yield gains. For the other three crops, potential yield change is more evenly distributed over the country. Groundnut yields are projected to decrease in all areas of the country.

Changes in Crop Yields due to Climate Change across Zambia, 2010-2050, in %



Sources: IIASA; Crop models simulations presenting the average of 2 crop models and 5 GCMs, using area harvested in 2000 as weights. Data are for subsistence farming systems. No data is available for the white areas.

This study found that the domestic distribution of climate change effects also affects other key sectors of trade such as mining, construction, the manufacturing industry, and energy. Effects on mining are felt in the main mining regions of the country such as the Copperbelt and the North-western Provinces due to reduced energy supplies, in some cases flooding. Manufacturing industries are dotted around the country but are mainly in Lusaka and Copperbelt Provinces. Raw materials are obtained from all around the country to feed the manufacturing industries. Climate change affects construction works and energy all around the country.

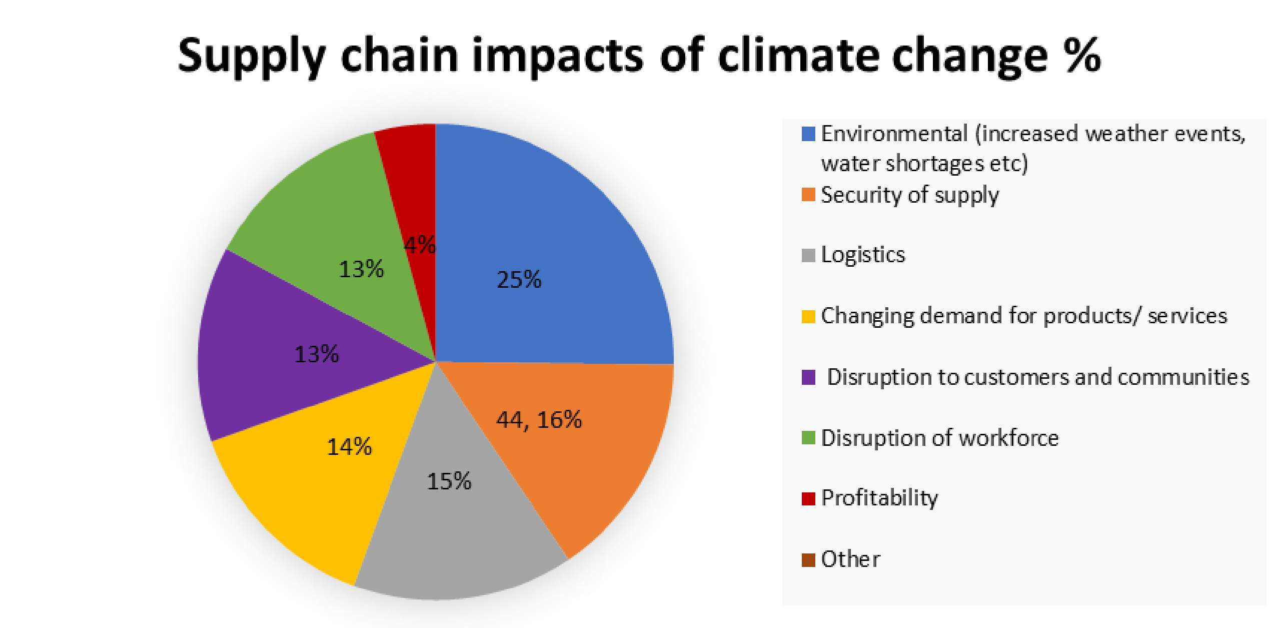
11.13. Market access and creation

The study instituted the following climate change impacts on market access and creation opportunities and constraints:

- Provides opportunities where there is complete damage to crop production and there will be a ready market to sell produce.
- Innovation is underway; the neglected ideas are explored- diversification of production and trade. New systems of marketing such as e-Commerce are explored.
- Forests as carbon sinks are being planted, leading to carbon fund opportunities under AFOLU.
- When the damaged infrastructure is being rehabilitated, more employment opportunities through contractors.
- Creates market for trading: Increase in imports to sell in Zambia and to export food to drought or flood affected areas, leading to new markets.
- There is a need to take advantage of the current small population, as the future has a high projected population and more extreme projected climate extreme events, and more impacts. Therefore, mitigation and adaptation measures will be more costly, straining trade. The goods will be more costly leading to loss of market.
- Transport challenges due to damaged roads and physical trade infrastructure, where goods cannot be taken to the markets. This also leads to loss and spoil due to lack of storage facilities especially for the rural and small to medium scale traders. Briefcase buyers go to buy at exploitative prices because farmers cannot get to the market.

A study by Gcom (2021) showed that impacts of extreme climate events on international trade supply and demand chain are as summarised in Figure 11.5 below:

Figure 11 5: How Climate is Impacting Global Supply Chains (Gcom, 2021)



11.14. The regional economic consequences of climate change impacts

11.14.1 Regional Vulnerability and Hazards

As already noted, Zambia depends on COMESA and SADC member states for its access to regional and international markets. Climate change affecting these regions also affects her trade competitiveness. The climatic conditions of the Southern Africa region vary from arid in the west through semi- arid and temperate areas in central zones to semi-arid in the east, with a few sub-humid areas in the central regions (**SADC, 2010**). The region has been experiencing a warming trend over the past few decades and is vulnerable to extreme weather events such as droughts and floods that are projected to worsen by 2050 (Davis et al 2014,). The region is highly vulnerable to a number of severe negative impacts arising from the adverse effects of climate change and has low capacity to adapt (**SADC, 2015**).

Projected climate

Climate data from the SADC region indicate a general warming of over 0.5°C and a decline of 5% in annual average temperatures and rainfall, respectively. Incidence and severity of extreme weather events including droughts and floods have been worsening, whilst inter- annual rainfall variability characterised by a lengthening of the midseason dry spell and sporadic intense rainfall events has been experienced. The region's inherent vulnerability to external shocks is likely to be compounded by high population, growth rates, high levels of poverty, low levels of education, inequitable access to resources and services among different societal groups, skewed regional migration, and HIV and AIDS among others (SADC, 2015, COMESA, 2020). The regional impacts are presented in Table 11.8.

Overall, the climate change is likely to reduce agriculture productivity, reduce energy and industrial production which will be compounded by negative effects on infrastructure, Transport and Trade among others.

Table 11-6: Climate Change related Challenges, Vulnerable Sectors and Vulnerability within the SADC countries.

	Global warming and climate change impacts and vulnerabilities in the SADC region	Angola	Botswana	DRC	Lesotho	Madagascar	Malawi	Mauritius	Mozam-bique	Namibia	Seychelles	South Africa	Swaziland	Tanzania	Zambia	Zimbabwe
Challenges associated with climate variability, global warming and climate change	Increased incidence of droughts															
	Decrease in rainfall															
	Seasonal shifts in rainfall															
	Increase in the impacts by cyclones															
	Localised floods															
	Overflowing of large rivers															
	Lakeshore flooding															
	Decline on lake levels															
	Decreased / varying river flows															
	Wildfires															
	Landslides in mountainous areas															
	Sea level rise															
	Saltwater intrusion															
	Coral reef bleaching															
	Water scarcity															
Vulnerable sectors	Biodiversity loss															
	Health / disease outbreaks															
	Infrastructure															
	Coastal ecosystems, cities															
	Fisheries															
	Agriculture and food security															
	Livestock															
	Tourism															
Vulnerability context	Urbanisation															
	Poor infrastructure															
	Gender equality															
	Dependence on climate-sensitive resources															

Source: Adapted from Global Environment Change and Human Security 2008, National (climate change) Adaptation Plans and National Communications (to the UNFCCC).

11.15. The impacts of climate change on changing trade patterns

Climate change is altering comparative advantages and market dynamics in various sectors to the detriment of LDCs and major manufactured products importing countries like Zambia, increasing the costs of production and worsening the country's terms of trade and balance of payments (**UNCTAD 2021**). From the study, the current and observed climate change impacts on the trade patterns are shown in Table 11.7.

Table 11.7: Climate Change Risk Assessment on Trade Patterns, DTISU 2023

		Floods, dry spells, high temperatures	
SN	**Economic sector impacts**	**Observed impacts**	**Projected impacts**
1	o Change in the composition of goods:		
	o Changes in the types agriculture goods exported, e.g. maize exports might reduce, the type of maize species exported and produced might change, the quality of produce might be altered due to change in climate		
	o Manufacturing industries might receive different raw material composition which could alter the final products or require additives		
	o This may lead to loss of markets		
2	o Change in goods, new goods:		
	o New goods might be introduced due to failure to produce the traditional goods due to changing climate		
	o This may create new markets and alternatives in sectors such as energy, agriculture, manufacturing, and mining		
3	o Reduced volume of goods:		
	o This may affect agriculture, manufacturing, mining and energy sectors.		
	o It may lead to loss of market, reduced production and trade.		
	o It may also lead to creation of new/ different products and markets.		
4	o New markets and export destinations		
5	o New import sources		
6	o Affected road transport and infrastructure affecting transport of goods especially by road freight		
7	o Impacts on energy intensive industrial components production-low energy which would mainly affect manufacturing and mining industries.		

Zambia export goods (nature-based, manufactured goods and agricultural products) and services (transport services) are in emissions and energy-intensive sectors. The production of agricultural goods and transportation services has led to the degradation of natural capital and ecosystems, while also leading to a significant increase in mobility. Climate change will have a direct impact on the costs of production, while external trade policies will have an indirect impact on costs, as the country's main trade partners begin to impose carbon border adjustments or carbon border taxes. Climate change will affect export destinations and import sources as countries are affected by extreme events. Floods will limit road access to some markets and, therefore, may lead to change in markets. The droughts and floods in the region may create markets for crops in countries that are able to maintain production. Further, climate change events affect the quantity of goods for trade, resulting in changed trade patterns. Innovation may result from extreme events leading to new products. Different parts of the country might be affected differently by climate change and changes in trade patterns. Traditional markets and sources of imports change with climate extremes due to changes in production or lack of access. This leads to price fluctuation on the market. There is a lack of continuous production due to seasonal production and climatic conditions. This leads to inconsistent quantities for trade and changes in the composition of trade. Routes change due to extreme events that affect transport infrastructure and transport modes.

11.16. The role of trade in fostering climate mitigation and adaptation policies

11.16.1 Green economy situational analysis

In pursuit of the economic transformation agenda, it is imperative that development pathways are sustainable. The 8NDP prioritises measures aimed at promoting green growth, safeguarding the environment and natural resources, enhancing climate change mitigation and adaptation as well as strengthening disaster risk reduction (GRZ, 8DNP, 2022). In the past few years, Zambia has been on a road to transition from a 'brown economy' to a 'green economy'. The key aim for such a transition is to eliminate the trade-offs between economic growth and investment and gains in environmental quality and social inclusiveness (IIED, 2015). Under the key strategic development area in Zambia, the target economic transformation and job creation drivers are agriculture, tourism, manufacturing and mining; the enablers are transport and logistics, technology, water, infrastructure, skills and energy (GRZ, 8 NDP, 2022). Several green growth initiatives have been undertaken in Zambia in order to meet the NDCs objectives. Commerce and trade play a central role in diffusions of green goods and services, technologies and production methods (UNCTD, 2011). Low competitiveness of LDCs in relation to trade can be turned around by green growth offering competitive advantage to countries that commit to policy innovations (UNCTAD, 2015).

The 2022 National budget showed under customs and excise tax, a reduction of customs duty on solar streetlights and solar charge control units, reduced to 0 percent from 15 percent and 25 percent respectively. This is to encourage usage of alternative energy sources and increase of customs duty on floor and wall tiles imported from outside the COMESA and SADC regions from 5 percent to 25 percent to promote local resources and production; under value added tax, was zero rated on solar charge control units and solar streetlights. Excise Duty on coal at the rate of 5 percent was introduced. This measure is intended to discourage the use of coal which is harmful to the environment (BDO, 2022). Under the 2023 National budget: VAT includes standard rate selected energy-saving appliances and equipment and zero rating on energy- saving bulbs and removal of 15 percent customs duty on gas cylinders. This measure is intended to make the use of liquefied petroleum gas affordable to safeguard the environment and diversify the energy mix. Customs duty on electric vehicles and electric motorcycles has been reduced to 15 percent and 25 percent respectively. This measure is intended to encourage the use of eco-friendly motor vehicles. This will, in addition, reduce the heavy dependence on fossil fuels.

Other budget measures include reinstatement of Excise Duty on petrol and diesel, increase in Carbon Emission Surtax on motor vehicles and motorcycles of various engine capacities by 10 percent, introduction of Excise Duty at the rate of 15 percent on various plastic articles, introduction of Selected Goods Surtax at the rate of 5 percent on imported coal (BDO, 2023). There are foretastes and evidence of green growth at ground level in Zambia, show the country's greatest green interventions extant in the AFOLU and energy categories. Additional tariffs on some environmentally-related goods with reference to the ZRA 2023 National Tariffs Booklet are shown in the table below. These are not definitely indicated as environmental goods in the booklet (ZRA, 2023).

Table 11.8: Updated Environmentally related Tariffs, ZRA 2023[25]

HS Code	Description of Goods	Stat. Unit of Qty	Custom Duty Rate	Excise Duty Rate	VAT Rate[26]	Remark
11.17.2	Biological control agents used in agriculture	No.	free	-	S	Act 25 of 2022
31.01	Animal or vegetable fertilisers, whether or not mixed together or chemically treated; fertilisers produced by the mixing or chemical treatment of animal or vegetable products.	Kg	Free	-	Z	
31.02	Mineral or chemical fertilisers, nitrogenous, phosphatic	Kg	Free	-	Z	
39.01	Polymers of ethylene, in primary forms	Kg	Free	-	S	
39.15	Waste, parings and scrap, of plastic	Kg	15%	-	S	
44.01	Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms.	Kg	40%	-	S	
44.02	Wood charcoal (including shell or nut charcoal), whether or not agglomerated.	Kg	40%	-	S	
84.01	Nuclear reactors; fuel elements (cartridges), non-irradiated, for nuclear reactors; machinery and apparatus for isotopic separation.	Kg	5%	-	S	
8419.12.00	Solar water heaters	kg	Free		Z	
84.32	Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers.	-	Free		Z	
85.49	Electrical and electronic waste and scrap.	Kg	15%		S	
	Foods not chemically modified	Litre/Kg	5%		S	

11.12.2 Opportunities and Constraints for trade to contribute to adaptation and mitigation.

Opportunities The growth of a green economy can be expedited in many ways as stipulated in the 8NDP which focuses on climate change mitigation and adaptation with climate projections. The rise in international demand for environmental goods and services will create a market during the transition (OECD, n.d.) (WTO, 2021). Nearly 20 years ago, the WTO launched negotiations on liberalizing trade in environmental goods and services under the Doha Round. These negotiations were held to liberalize trade, promote development, and better preserve the environment, leading some to label the Doha Round as a potential triple win (de Melo and Solleder 2020b). WTO membership gives Zambia a seat at the table where the global rules for environmental goods and services are negotiated, has and an opportunity to propose in the negotiating list the environmental goods and services for which it has a comparative advantage. Many of the climate-friendly technologies involve products are being discussed in the Doha negotiations. These include such as wind and hydropower turbines, solar water heaters, photovoltaic cells, tanks for the production of biogas, and landfill liners for methane collection. Environmental goods and services can cover a range of areas, including air pollution control, renewable energy, water and waste management, environmental monitoring, assessment, and analysis, environmental consulting, remediation and clean-up services, cleaner technologies, and carbon capture and storage (UNEP/WTO, 2009).

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- WTO membership enables Zambia to diversify its export products and markets, which is imperative for coping with climate shocks on trade. This provides Zambia a forum for reaping the benefits of special and differential (S&D treatment to which Zambia is entitled as a low-income country. The S&D treatment is critical for securing more time for transitioning to green standards set by its main trade partners as well as for accessing resources (monetary and technical) for the transition. WTO membership drives the liberalisation of trade in environmental goods and services through tariffs and commitments encompassed in the accession process. The WTO liberalisation provides an opportunity to tie domestic reforms for building a green economy with the WTO agreement. It provides a forum for eliminating trade measures and barriers, such as agricultural subsidies and tariff escalation, in the country's main export markets, factors that threaten Zambia's economic diversification of production. The multilateral trade system (underpinned by the WTO) has generally performed poorly in the liberalisation of environmental goods and services, as evidenced by the delayed progress of the Environmental Goods Agreement (EGA) negotiations (UNCTAD 2021).

- The WTO's Environmental Database (EDB) contains all environment-related notifications submitted by WTO members as well as environmental measures and policies mentioned in the Trade Policy Reviews of WTO members[27] . Further to the EGA, WTO members announced on 17 November 2020 their intention to intensify work on trade and environmental sustainability at the WTO by organising four structured discussion groups. The Trade and Environmental Sustainability Structured Discussions (TESSD) are intended to complement the work of the Committee on Trade and Environment and other relevant WTO bodies and to support the objectives of the Marrakesh Agreement Establishing the WTO, which predicts a global trading system that protects and preserves the environment in accordance with sustainable development. The Ministerial Statement adopted in 2021 sets out future work for the initiative in the four working groups' areas such as trade and climate change, trade in environmental goods and services, circular economy and sustainable supply chains and subsidies (WTO, 2021; WTO, 2022). Willing members agree to (WTO, 2021):

- Intensify their work on areas of common interest and to identify concrete actions that participating Members could take individually or collectively to expand opportunities for environmentally sustainable trade in an inclusive and transparent way, consistent with their obligations.

- Launch dedicated discussions on how trade-related climate measures and policies can best contribute to climate and environmental goals and commitments while being consistent with WTO rules and principles.

- Explore opportunities and possible approaches for promoting and facilitating trade in environmental goods and services to meet environmental and climate goals, including through addressing supply chain, technical and regulatory elements.

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- Identify and compile best practices, as well as explore opportunities for voluntary actions and partnerships to ensure that trade and trade policies are supportive of and contribute to: (i) achieving a more resource-efficient circular economy; (ii) promoting sustainable supply chains and addressing the challenges and opportunities arising from the use of sustainability standards and any related measures, in particular for developing Members; and (iii) promoting and facilitating access to environmental goods and services, including encouraging the global uptake of new and emerging low-emissions and other climate-friendly technologies;

- Identify challenges and opportunities for sustainable trade, including for developing and least developed Members, and encourage enhanced collaboration among participating Members in strengthening capacity building and technical assistance on trade and environmental sustainability, including through Aid for Trade.

- Support continued discussions on the environmental effects and trade impacts of relevant subsidies and the role of the WTO in addressing these;

- Adopt the Roadmap, and take steps to advance work, and commit to review progress after one year, to take stock and with a view to adapting the TESSD work plan.

- In addition, the dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade made substantial progress at a meeting on 25 May 2022, introducing the coordinators' draft vision on the way forward and elements for a potential outcome at the 13th Ministerial Conference (MC13) to be held in February 2024.The goal of these negotiations is to achieve a multilateral binding instrument on reducing plastics pollution by 2024. . The principles include enhancing collaboration and cooperation with other international organisations to prevent duplication of work, addressing challenges encountered by WTO members, and ensuring transparency (WTO, 2023). Among the priorities are collaborating with the World Customs Organisation (WCO) to support amendments to the Harmonised System (HS) for traded goods to ensure more effective monitoring and regulation of plastics trade, promoting the adoption of sustainable and effective non-plastic substitutes, alternatives and re-use systems and facilitating access to technologies for environmentally sound waste management (WTO, 2023).

- Most WTO Agreements seek to regulate NTMs. Manufacturers and traders of the product can bring more clarity on what non-tariff measures are the most important, both in a positive and negative way. Addressing NTMs affecting environmental goods requires examining technical regulations and conformity assessment procedures. Interested parties in tracking regulatory developments related to environmental goods can register with ePing [1]. Improving national quality infrastructure in developing countries is important so they can meet and demonstrate compliance with product specifications in export markets; facilitate imports of environmental goods (WTO, 2022)[28].

[28]Home - ePing SPS&TBT platform (wto.org)

- In 2023, the Zambian Circular Economy (CE) Study was conducted, and found that the country generates large volumes of waste which contain significant value. To capture this value, waste materials and products need to be separated and recovered into circular systems, which can contribute to growth of the economy, job creation, climate change mitigation and green growth. This study identified ten opportunities which, when combined present an economic opportunity estimated at US$712 million through capturing available raw materials for sale to existing markets, conversion into energy or manufacturing into valuable end products; in particular to substitute imports with locally produced alternatives. The main target CE sectors include Agriculture, municipal solid waste and manufacturing (AGS, 2023).

- For equity reasons, to live up to the principle of common but differentiated responsibility (CBDR), it could be optimal to vary carbon prices by region considering the trade-off between equity and efficiency. Simulations with the WTO Global Trade Model show that if seven hypothetical regions are assumed to set higher carbon prices than the rest of the world, they would face a reduction in output in Emissions Intensive Trade Exposed (EITE) sectors in 2030. The losses are projected to be limited in most regions if these regions would introduce Border Carbon Adjustment (BCA). BCA can prevent carbon leakage; meta-analysis techniques show that there is a statistically significant difference in estimated carbon leakage with and without BCA (Branger and Quirion, 2014). BCA could contribute to the decarbonisation of value chains by helping firms to be more transparent with regard to the emissions embodied in the products they trade (WTO, 2022).

- Constraints: Zambia has made efforts in domesticating international environmental commitments as well as implementing domestic policies and legislation. Constraints have been around low financial resources, costly transition, inadequate technical expertise, political challenges or will (choices) and fragmented policies and legislation. These lead to the observed limited incentives on green production, high import duties on green technologies and inadequate information and environmental awareness (UNEP, nd). There are questions on who will bear the costs of transitioning and who will benefit? There is a likelihood of falling into more debt from international funders. Green growth policies may not take into consideration the pro-poor communities. This study found that institutional barriers to trade exist in relation to the projected green economy transition in various key trade sectors. This is because there are no climate change focal officers in respective sectors, but only in the MGEE.

- Another constraint relates to the low regulatory capacity for greening standards, quality control and conformity assessment of tradable products..There is limited publicly available information on the green economy and the new Ministry is yet to develop strategies and comprehensive polices on the green economy and transition. International environmental laws seem to be forced on LDCs such as Zambia and limit trade. A culture and practice on relating cost of production to the cost of minimising environmental degradation and exploitation of natural resources to the greatest possible extent is farfetched (UNEP, 2011).

- The low levels of production, the destruction of trade-relevant infrastructure and the rising costs of raw materials due to climate change, affect trade performance leading to BoP problems that reduce the competitiveness of goods and services.

- Supply chains are long and complex, with sources of carbon emissions entering at multiple points and with many possibilities of substitution occurring along the way. There is no broad consensus on how to calculate the carbon footprint of a product. There has been no global agreement on trade and the environment.

- A group of mainly high-income WTO members have instead negotiated a plurilateral agreement, the Environmental Goods Agreement (EGA). However, they failed to reach agreement on what constitutes a green good. Since then, plurilateral negotiations have not resumed. Nevertheless, green liberalisation is likely to resurface in a new round of plurilateral negotiations and in regional and bilateral trade agreements.

- Waivers on tax and incentives on green products and services are still limited. At the same time, the cost of acquiring greening equipment and green production remains prohibitive for the average population, unless incentives and subsidies are imposed. LDCs hardly participate in the WTO negotiations of environmental goods and services, and conducting a cost-benefit analysis is critical, as is examining the country's interests and how best to secure and promote them.

- Amendments by the World Customs Organisation to the Harmonised System Nomenclature for classifying goods have made significant strides in classifying environmental goods. A few countries, including some low and middle-income countries, have removed all tariffs on their imports of environmental goods[29]. The barriers to trade in environmental goods are mostly nontariff barriers and eliminating them should be a top priority. Nontariff barriers include local-content requirements, specifically requirements that incentivise the use of locally sourced materials, cumbersome certification and licensing procedures, and price controls. Zambia can access some environmental goods markets at lower duties or duty-free under unilateral preference programs, such as the African Growth and Opportunity Act (AGOA) of the United States, and the Generalized System of Preferences (GSP) applied by many high-income countries.

- Countries that cannot provide traceability in the value chain and the necessary trading infrastructure, such as certification and inspection services to ensure that the product is genuinely environmentally preferable, may be excluded from overseas markets even if they are competitive in the sustainable production of the goods. These requirements increase the cost of compliance and can easily become barriers to trade, especially for LDCs. Testing and conformity assessment procedures are often lengthy and more costly for importers than for domestic firms and thus restrict trade in practice (de Melo and Solleder 2020a). Such measures tend to be particularly burdensome for LDCs, whose exporters tend to be smaller and less able to absorb these additional costs (through the WTO) (OECD 2017).

- Adaption to climate change, environmental goods and green economy knowledge is further constrained by lack of knowledge among the stakeholders, including traditional leadership and communities. This is compounded by limited research in this area by local advocacy and research institutions.

[29] World Customs Organisation (wcoomd.org)

BCA may on the other hand adversely affect the terms of trade of regions facing them. BCA constitutes a levy on imports and would thus reduce the global demand for imported goods, thereby driving down prices of such goods and deteriorating the terms of trade of exporters facing BCA. The projected negative terms-of-trade effects tend to be concentrated in countries exporting energy-intensive goods to countries that impose BCA mechanisms (Weitzel, Hübler and Peterson, 2012).

11.17. Recommendations

i. Build climate change capacity and green economy programmes and initiatives for relevant stakeholders and traditional leadership.
ii. Support research and institutional development for technology development of environmental goods and climate change
iii. Lower import tariff and nontariff barriers and liberalisation of environmental goods and services.
iv. Examine technical regulations and conformity assessment procedures to address NTMs affecting environmental goods
v. Formulate green standards and certification.
vi. Develop mutual recognition of accreditation systems through regional, multilateral and bilateral agreements.
vii. Improve access to financing through rationalizing the ever- growing number of funds.
viii. Negotiate for reduced conditionalities for access to green funds to meet NDCs
ix. Involve the private sector and other non-state actors in climate change and green issues.
x. Create incentives for low emission industries and transition from high emission technologies.
xi. Develop strategies for competitive environmental goods using sustainable consumption and production measures.
xii. Take part in WTO's TESSD to negotiations to advocate for sustainable trade-related measures suitable for developing countries.
xiii. Promote uptake of environmental goods and technologies through high tariffs on dirty products and technologies.
xiv. Identify, in conjunction with private sector and non-state actors, investment priorities that support environmental goods production, standards and certification.

CHAPTER 12: TRADE OPPORTUNITIES AND CHALLENGES FOR WOMEN AND YOUTH

12.1 Introduction

Globally, trade has become one of the economic activities that has attracted the attention of many stakeholders due to its capacity to enhance the inclusiveness of the most vulnerable groups of people in developing countries. A focus on women, youth and people with disabilities (PWDs), who are often insufficiently targeted or generally excluded in most development interventions, is crucially significant to attaining trade and development outcomes. In Zambia, it enhances the leveraging of trade opportunities for the attainment of the country's Vision 2030 - a prosperous middle-income country - and global aspirations as espoused in the sustainable development goals (SDGs). The mainstreaming of gender, youth and PWD is also a formidable pillar to the success of Zambia's efforts if the country is to contribute to the attainment of the African Union's (AU) Agenda 2063.

Identification of challenges for youth, women and PWDs to participate in trade is crucial in developing interventions to seize opportunities for traders/entrepreneurs, employers and women and men alike especially when involved in international trade. The challenges faced by women, youth and PWDs in trade include gender-based inequalities and inadequate mainstreaming of gender, youth and people with disabilities in trade. The World Customs Organisation (WCO) underscores the need to support gender equality for several reasons. Firstly, gender equality in Customs and trade is a fundamental basis of human rights as outlined in the 1948 UN Declaration of Human Rights. Secondly, gender equality serves as a formidable catalyst for attaining the SDGs-inspired sustainable socio-economic and environmental development. The World Trade Organisation (WTO) also strongly recognises the significance of women's economic empowerment[30]. As such the Informal Working Group on Trade and Gender's objectives and work pillars include removing barriers women face in trade; monitoring trade and gender policies and programmes; making gender-responsive trade policies; applying gender lens to the WTO; reviewing analytical work on trade and gender and making Aid for Trade work for women[31].

Realisation of inclusive trade-led national development across all sectors, therefore, calls for the design of resilient and sustainable responses to effectively address these challenges and tap into the opportunities therein.

12.2 The State of Women, Youth and Persons with Disabilities in Trade

Zambia's Preliminary Report of the 2022 Census of Population and Housing reveals a higher female population at over 10 million compared to the over 9.6 million for males. Women participation in the economy is significant, with women constituting 48 percent of the labour force, and owning about 36 percent and 42 percent of small businesses and micro enterprises, respectively. However, women in business face numerous challenges, one of which is lack of access to finances, gender inequality,

[30]see: https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/MIN22/24.pdf&Open=True
[31]see: https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/L/1095R1.pdf&Open=True

discrimination, and inequitable access to education. The 2015 National Youth Policy, in keeping with the African Youth Charter, defines a "youth" as a male or female person aged between 15 and 35 years. In the 2021 Labour Force Survey (LFS), the percentage distribution of the Labour Force for youth aged 15 to 34 was 56.7 percent and 50.6 percent for rural and urban respectively. The youth face a myriad of challenges, including lack of and limited or unequal access to education, skills development, entrepreneurship and decent employment opportunities. As female youth constitute a larger proportion of the overall female population, this exacerbates the gender gap in trade and investment promotion. Inclusive youth-targeted interventions, therefore, are most likely poised to also impact the female segment of the population and gender mainstreaming in general.

A vulnerable group that has been completely left out in trade discussions are the people with disabilities. About 15 percent of the world's population have disabilities, and 80 percent live in developing countries, and yet disability inclusion is not on the agenda. Trade liberalisation and trade agreements increase employment and business opportunities for everyone, including those with disabilities. The Zambia National Disability Survey 2015 (2018) (ZamStats and Ministry of Community Development and Social Services, 2015, 2018} shows that prevalence of disability was estimated to be 10.9 percent among adults (18+ years). It was higher in urban than in rural areas, and higher among females than among males. In rural areas, subsistence farming was the main primary source of income, followed by wage/salary, while in urban areas, wage/salary was the main primary source of income, followed by non-registered informal business.

Government recognises the need to put in place affirmative policy responses to redress the status of women, the youth, and persons with disabilities. The Seventh National Development Plan (7NDP) pointed out that addressing gender inequality requires a holistic multi-sectoral approach through interventions, including the scaling up of women's economic empowerment programmes, affirmative action for women and gender mainstreaming. The Plan also stressed the need for the gender equality and youth participation in its implementation through increased economic opportunities and entrepreneurship for women and youth-owned or led small and medium-sized enterprises (SMEs). Zambia's trade is also supported by the National Industrial Policy of 2018 which strongly acknowledges that gender is an "economic issue" and that gender inequalities "impede economic growth, industrial activities and frustrate efforts to reduce poverty" levels. However, these plans will only materialise if they are fully implemented. The translation of policy into effective action requires addressing resource constrains, and institutional weaknesses of key implementing and regulatory institutions, which have for many years operated in an uncoordinated manner and sometimes with indistinct mandates and modalities. Existing strategies and policies, if implemented, are well-intentioned on promoting women, youth and PWDs in trade.

For example, expediting implementation of sector-specific strategies, such as the Zambia – Zimbabwe MoU, a Common Agricultural Industrial Park (CAIP), would unlock the constraints to women and youth's participation in both primary agriculture and agro-processing sectors. The CAIP envisages to focus on the cotton, soya beans, maize, sugar, livestock (dairy and leather), wheat, rice, and horticulture agro-processing value chains in both Zambia and Zimbabwe. The CAIP will open up opportunities for MSMEs through rural transformation centres (RTCs) – located in rural areas where the vast majority of women and youth already live.

12.3 Trade Challenges for Women, Youth PWDs

The major challenges to trade common to women, youth and PWDs generally revolve around lack of knowledge, skills, capacity and finance among others as highlighted below:[32]

12.3.1 Lack of or limited employment, education and training: despite being the majority of the population, women and the youth are faced with the limited education and training opportunities available to them which if successfully accessed, would over time empower them to effectively get involved in trade but the situation seems to have worsened with the COVID-19 pandemic. In 2022, the World Bank's Human Capital Index summarised that "a child born in Zambia just before the pandemic will be 40 percent as productive when she grows up as she could be if she enjoyed complete education and full health". Such a productivity rating is lower than the 48 percent average for low middle income countries and highlights the education and training challenges Zambia faces (**World Bank (2022**).

Without employment, education or training there can never be meaningful productivity among the vulnerable groups. The deficiency in knowledge and skills which come with education and training would impede these groups from participating in and benefiting from international trade thereby depriving the country of the opportunity to realise trade-led development.

12.3.2 Lack of information and knowledge: this manifests in terms of, for instance, failure to understand and benefit from trade initiatives such as the Simplified Trade Regime (STR) including the usage of Trade Information Desks and Officers (**TIDOs**) at designated Customs ports across the country. Consequently, most women and youth cross border traders engage in smuggling of assorted goods and use dangerous routes/foot paths and crossing points in the quest to avoid Customs. This practice of illegal practices and businesses extends to both SMEs and individual traders.

The lack of information is also a reflection of inadequate dialogue structures that takes into account the specific needs of women, youth and PWDs. Effective dialogue involving the disadvantaged groups will go a long way to ensuring implementation and monitoring of policies and strategies.

A female trader anonymously called "Wonder", for example, disclosed the following:

I am a civil servant, but I also trade across borders. A few years back when I was based in Copperbelt, my sisters and I used to send finkubala [caterpillar/edible worms] to our sister in Namibia who would sell for us at a huge profit which we shared. We used to give the bags of finkubala to a truck driver who would hide them in the middle of the truck surrounded by other goods so that we don't pay at the border. We were also told it is difficult and more expensive to obtain papers [SPS certificates and other export permits] if you want to export [formally]. Later on, we also identified another lucrative business. We started buying skin-bleaching creams and lotions from Congo and send them to Namibia and Botswana. You know such creams are illegal in these countries. We used to send them across with people crossing the Zambezi River with canoes. We used to make a lot of money. It is a business which is by far more profitable than finkubala (Wonder, 2023 February, Kasama).

[32] The challenges were mainly identified by various stakeholders that participated in the provincial shareholder consultations and key informants interviewed.

The PWDS also tend to lack awareness of the incentives and provisions for PWDS, such as import duty exemptions in the Customs and Excise Act and the respective tariff books published annually. Most PWDs are unaware of the existence of such incentives which would enable them import the necessary assistive devices, equipment and vehicles to enhance their productivity for export. Where some PWDs are aware of such schemes, there are tendencies to abuse such schemes thereby breaking the law hence being penalized by Customs officers or Revenue Authorities in general. For example, whereas the law permits a PWD to import a relevant vehicle duty free over a specified period and use it accordingly, some PWDs have conflict with Customs Officers when upon importation, the PWD decides to re-sale the vehicle and change the ownership thereof.

Most women, youth and PWDs also lack the skills with which to correctly identify a viable export market for their goods. The deficiency in market analysis skills makes it hard to explore regional and international markets beyond the famous Kasumbalesa border which most traders interviewed are aware of and have accessed before.

12.3.3 Sexual exploitation and abuse (SEA): particularly among women and youth (female youth), there exists resentment to trade across borders due to SEA they have experienced or heard from others. Sexual exploitation here entails "any actual or attempted abuse of a position of vulnerability, differential power or trust, for sexual purposes. This could be in exchange for attention, affection, food, drugs, shelter, protection, other necessities and/or money." Abuse therefore "consists of anything that individuals, institutions or processes do (or fail to do) that directly or indirectly harm children or adults, or damages their prospect of a safe and healthy development[33]." In this regard, some women traders who before COVID-19 used to travel to countries like China explained how their male counterparts they met whilst travelling were hostile both in their sentiments towards women and how they offered to help out in exchange for sexual favours. Others also noted that some Customs officers do not make encouraging sentiments when dealing with female and young traders probably due to the stereotype that men are better and more knowledgeable cross border traders than women.

12.3.4 Lack of investment and operational capital for export development: majority of the youth, women and PWDs complained that capital under the CEEC is difficult to access and largely too bureaucratic which makes it so hard to access thus difficult to propel export-oriented production. Some traders noted the possibility of accessing some capital through the Constituency Development Fund (CDF). However, they observed the need for the government to further depoliticize CDF and make it accessible to all. Furthermore, there is lack of access to information about the CDF and how to apply for it, especially outside major cities and towns in Zambia. Although in fewer circumstances some Stakeholders indicated the possibility of obtaining trade and export promotion support from Development Bank of Zambia (DBZ) and Zambia Development Agency (ZDA), most traders are unaware of any such support. Furthermore, they are unsure about the mandates of such institutions and question why for instance, ZDA is not present country-wide but in selected provincial centres in addition to the headquarters in Lusaka and Copperbelt offices.

[33]Humanitarian Leadership Academy (2022), The Leaner Journal. Available at www.humanitarianleadershipacademy.org

There is also limited awareness of any gender financing schemes. Gender financing is one such cardinal approach for unlocking new markets and availing investment opportunities which collectively strengthen the competitiveness of women-led businesses in Zambia. However, it appears that in patriarchal societies like Zambia, when a woman from a marginalized community wants to start or grow her business, the odds of securing a business loan from a traditional financial institution are heavily stacked against her.

Moreover, stakeholders acknowledge the need for the government to ensure that whoever accessed investment and loan opportunities such as through CEEC pays back to avail resources for others to also borrow. It was observed that those that accessed CEEC funds in the past tended to deliberately fail to pay back because no repercussions from the government were evident. The CEEC information and application form also tend to be in English and not in the various languages of the people around the country who need such information.

12.3.5 Low quality and poor standards of products for exports: this challenge is one of the major hindrances to exports especially in agricultural products and textile and garments. Some traders noted that whereas flexibility in the Congolese market exists as it admits assorted products they produced, it is difficult for the same products to be exported to other countries such as South Africa which in the past have denied access for Zambian products such as honey on account of not meeting the standards. This, in the Stakeholders' view, is also a major reason for Zambia's failure to maximize benefit from international trade schemes such as the African Growth and Opportunity Act (AGOA) which provides duty-free access of several African products to the United States of America market. Stakeholders lamented the lack of skills and technology to improve quality of the products they produced so they can be exportable at least to neighbouring countries where it is easier for SMEs to do so.

12.3.6 Low production volumes and lack of structured aggregation/collection centres for export promotion: besides the global market, the AfCFTA is opening up a wide market for Zambia. This requires versatile production that enhances the supply-side to effectively meet the demand. The youth, women and PWDs noted their failure to fully exploit the Congolese market due to inadequate production capacity. This resonates with the observation in Zambia's National AfCFTA Implementation Strategy that "the greatest limitation to export is not market opportunity but limited domestic supply capacity[34]". Women, youth and PWDs lack capital investments for mass production and value-addition technology hence the low volumes cannot sustain exports. For example, most of those in agriculture production and export to Congo rely only on rain-fed agriculture where intensification is unachievable due to lack of irrigation technology and mechanization. Beyond the farm, they have no processing capacity to add value to the produce before export. Additionally, there is a lack of aggregation or collection centres (bulking centres) where individual producers and SMEs would deposit their products to leverage on each other's efforts and collectively export reasonable volumes and the respective benefits that arise therefrom.

[34]Humanitarian Leadership Academy (2022), The Leaner Journal. Available at www.humanitarianleadershipacademy.org

12.3.7 Perceived and actual harsh cross border trade environment: despite the free movement of people, goods and services, SMEs still face a number of bottlenecks such as bribes in the chain of trade and this discourages most of them because in most cases they spend more in the process than the profits they realize. Some of them indicated that, even in CDF and CEEC there are a number of bottle necks and this hinders productivity and trade.

12.3.8 PWDs-specific challenges: people with disabilities remain a forgotten category of people in trade especially international trade. The neglect of PWDs in development and trade interventions is also a reflection of society. Stakeholders observed that there are cultural beliefs that perpetuate stigma and discrimination against PWDs. Some argue that PWDs cannot be productive and as such they should be kept indoors to avoid the burden of ferrying them from one place to another

12.3.9 Inappropriate Infrastructure: tends to constrain most PWDs from participating in international trade because of accessibility and safety concerns. At national level, most infrastructure including public buildings such as trade promotion institutions, border posts or customs ports are restrictive to PWDs such as those using wheelchairs. This is aggravated by the lack of PWD skills among border agency staff, such as sign language and highly-developed, flexible communication skills. It is an acknowledged and established fact that most small-scale cross-border trade is done by road using public transport. Public transport is in most cases not user friendly for PWDS and this adds to difficulties faced by PWDs' quest to venture into cross-border entrepreneurship.

Although Zambia has over the years enacted disability policy and legislation such as the Persons with Disabilities Act, number 6 of 2012, stakeholders consider the mainstreaming efforts and implementation to be at variance with the statutes and policies. Moreover, during consultative processes, the PWDs tend to be ignored thereby losing out on the invaluable contributions they would make not just to resolving their challenges but to national development also. The situation of PWDS is exacerbated by a general lack of assistive devices besides the earlier highlighted infrastructural constraints such as lack of ramps and elevators. Converting important information into braille for the benefit of the blind is also considered a cost thus a disincentive for the PWDs' participation in trade. There is also hardly any border official with sign language skills to aid anyone in need so that trade is facilitated.

12.4 Trade Opportunities for Women, Youth PWDs Opportunities

Despite the diverse challenges women, youth and PWDs in trade encounter, there are opportunities which if leveraged would not only economically lift these categories of people in trade but also provide a key panacea to the inequalities they face. Some of the key and common opportunities include:

12.4.1 Existing trade-related political will and institutional change: this provides opportunities particularly from the institutional framework-side. That is, the creation of a specific ministry – the "Ministry of Small and Medium Enterprise Development" in September 2021 with a mandate of promoting "the Development and Growth of Cooperatives, Small and Medium Enterprises in order to create jobs and wealth across the country" will be fundamental towards building the country's trade productive capacity. This complements the Ministry of Commerce, Trade and Industry (MCTI) in addressing the challenges that women, youth and persons with disabilities in trade face. The political will at the highest level of government in support of trade-led growth and development has transcended into the treasury support to businesses such as through tax amnesty and various concessions in the last two years. This has also included the treasury reduction of fees payable to the Patents and Companies Registration Agency (PACRA) as announced in the 2023 National Budget. Following this pronouncement, PACRA had exceeded its annual registration target by over 25 percent having registered 22,000 business names and 14,000 limited companies. This was attested by various stakeholders who noted how easy it has now become to register a company or business name and thus rated PACRA's efficiency highly. What is crucial beyond company and business names registration is ensuring what Zambia Development Agency (ZDA) espouses as "potential made possible". Political will has also resulted in the establishment of the Public-Private Dialogue Forum (PPDF) that provides a window of opportunity to deepen consultations on various aspects aimed at creating an enabling environment for business and trade to flourish.

12.4.2 Development partners' trade-enhancing efforts: Through development partners such as the International Trade Centre (ITC), Zambia has implemented the SheTrades project, which aims to increase the participation of women-led businesses in trade by improving their competitiveness and strengthening their market and investment linkages focusing on agricultural and textiles and apparel value chains. The WTO's Enhanced Integrated Framework (EIF) project in Zambia also has been a window of opportunity for women, youth and PWDs. It has endeavoured to enhance Zambia's exports of non-traditional goods by supporting cooperatives improve their productivity on the one hand, and on the other hand strengthened the MCTI's capacity to coordinate efforts towards trade mainstreaming. The European Union Delegation in Zambia is supporting COMESA and Zambia to implement several initiatives such as STRs that significantly prioritise women in trade among others. These cooperating partners including the World Bank, African Development Bank (AfDB) and bilateral development partners such as GIZ and SIDA among others provide trade opportunities ameliorating the bottlenecks that women, youth and PWDs face. They also enhance the capacity of Customs Authorities and other border agencies to facilitate trade.

12.4.3 Composition of and contribution to National Population: Zambia and the surrounding countries have recently experienced population growth. This can be leveraged both from the supply and demand sides of trade whereby such a population segment is a source of productivity and constitutes a larger share of the market respectively whether at the local, regional and cross border level. Among the total populations of the women, youth and PWDs, the majority are youth who are energetic and potentially productive in different sectors of the economy. Stakeholders interviewed across the country view trade, whether locally or cross border, as one of the major enablers for Zambia's attainment of her inclusive development without leaving anyone behind. Increasing trade opportunities will also make persons with disabilities enjoy equal opportunities and rights that are fundamental for attaining global and national development by 2030.

12.4.4 High demand of livestock and fisheries and products thereof: Livestock and fisheries development has potential amidst high population growth, provides another major opportunity women, youth and PWDs can exploit for domestic trade and export development. Locally, as well as continentally in the African Continental Free Trade Area (AfCFTA) market, the population is increasing and creating demand for fisheries, poultry and other livestock. The AfCFTA single market consisting of 55 Member States of the African Union (AU) has an estimated 1.3 billion people with a combined

GDP of about USD3.4 trillion. The potential jobs include fish production and packaging especially in locations such as Luapula Province which has vast natural water bodies which could be used to boost the production of fish either in cages or fish ponds along the rivers and lakes. It is in such initiatives where Stakeholders consider government and development partners' support necessary to unlock the untapped potential so that women, PWDs and youth are empowered for fish exports.

12.4.5 Digital trade: with advances in science and technology including telecommunication and internet technology, entrepreneurs around the country continuously seek opportunities in this space save for the connectivity challenges in some locations. Most stakeholders interviewed observed that e-Commerce provides limitless opportunities which women, youth and PWDs could leverage for effective trade. It is an opportunity that helps to reduce dependence on physical trading which is costly and time consuming thereby improving profitability of their businesses. e-Commerce could make most SMEs penetrate into regional markets especially once Zambia starts to trade under the AfCTA. During a focus group discussion in Luapula, one of the youths disclosed that he and his friends have invested in mobile money along the DRC and Zambia border points. Through this, people have been helped by reducing on moving with hard cash. Traders now can easily withdraw their money right at the border and after selling their merchandise they can equally deposit money through mobile money booths thereby reducing the risk associated with carrying huge sums of money to their homes. It has also helped most informal traders who do not own bank accounts by encouraging them to securely save their money and reduce the exposure to thefts. The Covid-19 pandemic brought to fore possibilities and opportunities to optimise trade promotion and facilitation using digital applications[35]. For example, during the Covid pandemic in-person trainings transitioned to virtual trainings with increased number of participants. The COVID-19 pandemic also served to emphasise the fundamental importance of digital skill building in women.

Some women traders in Kasama and Chipata for example, disclosed how they are able to send money abroad to relatives or people they have established business relationships with in neighbouring countries to purchase assorted merchandise on their behalf. This has reduced the costs and time associated with travelling as the merchandise is sent by public transport. However, scepticism about directly transacting with people and companies' abroad advertising via social media still exists among most traders. Those who consistently utilize digital payment platforms to pay for their merchandise ordered abroad noted they took the risk in the early stages by first ordering less expensive merchandise. It was until they had transacted with the same person or company on many occasions that they developed trust and started ordering bigger consignments which equally entail making larger payments.

12.4.6 Digitalisation of Customs Clearing Procedures: some women and youth traders noted how useful digital Customs platforms for the clearance of goods are. A stakeholders disclosed how easy it had become to cross the Nakonde border when you submit your documents online before getting to the border. She disclosed that she had helped friends to process the pre-declaration documents. The pre-declaration process does not take long and one saves money by avoiding paying the middle-men. Furthermore, those that have managed to develop mastery of the online pre-declaration system, have seized the opportunity assist and teach fellow traders at a fee the border processes and procedures. Some traders noted that the pre-filling of declaration documents will not only enhance SMEs trading

[35]EIF Empower Women Power Trade, "Transforming the economic live of women in Least Developed Countries -2 years on"

opportunities but also enable them to submit the required documents for imports before the goods arrive at the port or border and this will speed up the release of goods by customs and increase the overall trading time. Furthermore, digitalisation offers women traders some form of protection from sexual abuse as it reduces physical interactions.

12.4.7 Mining, as a source of export earnings for the country also, remains a major opportunity for women in Zambia. They are mainly involved in artisanal mining of industrial minerals and gemstones. Despite the challenges such as lack of access to capital and technology, Zambian women in mining provide impact stories. For example, in the early 1980s, Kaingu Namaku, a gemstone mine owner and global champion of women in mining, established the Association of Zambian Women in Mining (**AZWIM**). To date, AZWIM continues to bring to the fore the opportunities artisanal mining avails. The association has enabled female emerald miners to gain international recognition when they compete in key events. The association's winning of a contract to supply 135 kg of emeralds to a Canadian company in 2011 also remains phenomenal to date[36]. Opportunities in this sector remain inexhaustible, and with the right financial, technical and export development support, more women can gainfully participate. The increased employment of women in various positions including engineering, department heads, laboratory technicians, truck drivers, heavy equipment operators, control-room operators and blast-supervisors among others, is an encouraging phenomenon for women to acquire knowledge and skills they can potentially deploy in respective trade opportunities as entrepreneurs.

12.5 International and Regional Trade Architecture for Women, Youth and PWD

The international and regional trade architecture comprises several protocols and policies aimed at supporting, financing and expanding trade within and amongst member countries by ensuring that vulnerable groups in society such as women, youth and PWDs are not left behind.

12.5.1 International Architecture

12.5.1.2 Women: At the global level, the Informal Working Group on Trade and Gender of the WTO is engaged in addressing women and trade issues. It has, since its establishment, in September 2020 brought together WTO members and observers to consolidate their efforts to raise women's participation in global trade. Among the four pillars of the Informal Working Group on Trade and Gender is sharing best practices on how Member States are removing barriers women face in world trade[37]. This informal working group builds on the Joint Declaration on Trade and Women's Economic Empowerment that was endorsed during the 2017 WTO Ministerial Conference in Buenos Aires by endorsing. The declaration underscores the necessity to help women reach their full potential in the world economy by addressing challenges they face in trade and to encourage policymakers to adopt strategies that promote gender mainstreaming.

More recent global efforts on gender inclusion in trade have their genesis in the Convention on the Elimination of All forms of Discrimination against Women (CEDAW) adopted by the United Nations

[36]see: https://www.iisd.org/system/files/publications/igf-women-asm-challenges-opportunities-participation.pdf
[37]see: https://www.wto.org/english/tratop_e/womenandtrade_e/iwg_trade_gender_e.htm

(UN) General Assembly in 1979. The CEDAW re-enforced the 1948 UN Declaration of Human Rights by mandating state parties accepting such a convention to commit to proactively champion measures that end all forms of discrimination against women in every sphere of life including trade. It is a basis for the realization women's equal access to education, health and employment, and gender mainstreaming. Towards this end the UN Women has been championing for the needs of women and girls around the world to be expeditiously met to attain Vision 2030 and the SDGs.

12.5.1.2 Youth: For the youth, the major global frameworks include the United Nations Convention on the Rights of the Child (CRC) adopted in 1989, the World Programme of Action for Youth (WPAY) to the Year 2000 and beyond adopted by the UN in 1995. The CRC sets out the human rights of every person under the age of 18 and is the most complete statement on the children's rights treaty in history. The World Programme of Action for Youth (WPAY) provides a policy framework and practical guidelines for national action and international support to improve the situation of young people. It contains proposals for action, aiming at fostering conditions and mechanisms to promote improved well-being and livelihoods among young people[38]. The WPAY focuses in particular on measures to strengthen national capacities in the field of youth and to increase the quality and quantity of opportunities available to young people for full, effective and constructive participation in society. Governments and the public sector are expected to promote schemes aimed that encourage and support enterprise and employment programmes for young people.

12.5.1.3 Persons With Disabilities: The United Nations Convention on the Rights of Persons with Disabilities seeks to promote, protect and ensure the full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities, and to promote respect for their inherent dignity[39]. The Convention recognises that Persons with disabilities are faced with various barriers that may hinder their full and effective participation in society on an equal basis with others. State parties are expected to provide, as appropriate, technical and economic assistance, including facilitating access to and sharing of accessible and assistive technologies, and through the transfer of technologies.

12.5.2 Regional Architecture

The SADC Protocol on Trade (1996), as amended in 2010, is one of the most important legal instruments guiding SADC's work on trade. The agreement aims to reduce customs duties and other barriers to trade on imported products from among SADC Member States. The Protocol envisioned the establishment of a Free Trade Area in the region. The Protocol has formulated a comprehensive strategy on gender and developed; a toolkit to support its Member States to mainstream gender across their policies, including in trade-related areas. The SADC Industrialisation Strategy further integrates gender as an enabling requirement and provides the basis for a program to promote women's economic empowerment.

The trade architecture in Africa is now anchored on the agreement of the African Continental Free Trade Area which entered into force on 30 May, 2019. Ensuring that the Agreement is implemented

[38]World Programme of Action for Youth (WPAY), https://www.un.org/esa/socdev/unyin/documents/wpay2010.pdf
[39]Convention on the Rights of Persons with Disabilities, https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-rights-persons-disabilities

in a gender-responsive manner is now more crucial than ever. With the adoption of the AfCFTA, African countries acknowledged the importance of achieving gender equality in order to promote structural transformation. This is because evidence shows that women are more likely than men to be negatively affected by the health, socioeconomic and trade repercussions of COVID-19 and other economic threats like climate change as the majority of women are in agriculture. It is hoped that the gender and youth will not be marginalised in the implementation of the AfCFTA, as has been the case with previous regional agreements Women and youth are disadvantaged owing to their lower participation and lower wages in export-oriented sectors of the economy, their limited access to productive assets and opportunities, including education, income, credit and their limited involvement in trade negotiations[40].

To take advantage of the opportunities presented by the AfCFTA, Zambia has developed the national AfCFTA Strategy and Implementation Plan for Zambia. The strategy is guided by and complements aspirations elaborated in Vision 2030, Seventh National Development Plan, National Trade Policy, Micro, Small and Medium Enterprise Development Policy, National Industrial Policy, National Quality Policy, National Intellectual Property Policy, National Investment Promotion Strategy, and National Local Content Strategy. Building on these key national pronouncements, the strategy seeks to create more economic opportunities for Zambian entrepreneurs for job and wealth creation, poverty reduction, enterprise development, and the empowerment of women and youth. In this regard, the strategy underscores specific and tailor-made training and enterprise development support targeting women and youth participation to increase economic opportunities to these groups.

12.6 Resources for promoting women, youth and PWDs involved in trade.

There are several resources which women, youth and PWDs can leverage for their productive participation in international trade. There is need to sensitise women, youth and PWDs on these resources, which include the following:

Table 12.1: Selected useful resources

Type of resource	Description	Source and possible benefits
Information	Zambia Trade Information Portal (ZATIP)	https://www.zambiatradeportal.gov.zm/; beneficial for information on exporting and importation procedures and support
Capacity building	International Trade Centre (ITC) e-learning platform	https://intracen.org/resources/e-learning; has several trade courses
	Women's Entrepreneurship Access Centre (WEAC)	https://weaczambia.org/, an entrepreneurial community for women and youth supported by the United States of America's Department of State
Trade finance	Zambia Export Development Fund (ZEDF)	https://www.zda.org.zm/zambia-export-development-fund/; provided by Zambia Development Agency (ZDA) to support export firms
	United States African Development Foundation (USAIDF)	https://www.usadf.gov/; financing opportunities for women/ youth entrepreneurs

[40]Gender-responsive implementation of the Agreement Establishing the African Continental Free Trade Area: Defining the role of the regional economic communities, Economic Commission for Africa, 2021

12.7 Case studies of Women and Youth-led Enterprises with Export Potential

Despite the various regional and international Conventions and Protocols that the Zambia is signatory too, notwithstanding domestic policies and strategies, women and youth entrepreneurs involved in different ventures have seize opportunities presented in the midst of the divergent challenges and opportunities. This is illustrated by the two case studies of challenges and opportunities facing women and youth entrepreneurs below.

Case Study 1: Kasenga Agricultural Solutions (KAS)

Case Study 1 is an account of a female entrepreneur who is yet to enter the export market. KSA was founded by a female youth - Siphiwe Lukama. Whilst she worked in formal employment, Siphiwe saw an opportunity in Kasenga area where her parents lived on a 75 acre piece of land with abundant trees and vegetation. She purposed to establish a company which would enhance environmental sustainability, harness the forest's ecosystem and harvest valuable honey from it.

Siphiwe's motivation to sustainably exploit the forest came from her mother's profession. Siphiwe observed that: "My mother's profession was essential in this! She worked in the Forestry Department until her retirement. Environmental sustainability is her passion, and I drew inspiration from there. In terms of how this company has been able to score progress thus far, my late dad was the inspiration and the operational arm. He was the operations man on site whilst I lived in the city and visited frequently. Since his demise, operations have slackened making me come to live right here to ensure the vision for this company does not fade away (Siphiwe, 2023 April).

In 2020, Siphiwe left formal employment to concentrate on business. With the small capital available, Siphiwe started with processing and selling smoked foods such as fish and chicken. In 2021, her honey processing and packaging idea began to materialise. She enrolled on an USAID supported entrepreneurship accelerator programme, the Women's Entrepreneurship Access Centre (WEAC) which promotes entrepreneurship for women and youth. Upon completion of the programme, where she emerged among the top five participants, the United States African Development Foundation (USAIDF) awarded her USD 25000. This financing opportunity enabled her to consolidate and expand the business. She was able to, among others, build a factory, buy equipment, and beehives. She also contracted Kasisi Agricultural Training Centre to train 25 women members of Tigwilizane Women's Cooperative from within the Kasenga area's in bee keeping skills and empowered each with five beehives.

KAS sources raw hone from its own production, the community of Kasenga and from Mwinilunga District, over 800 kilometres from her factory. Siphiwe says, "We cherish giving the women who depend on rain-fed agriculture or simply maize farming, such as the ones we trained, an alternative source of income. Our goal in the future is to train 500 women annually by focusing on Kasenga area, Eastern Province as well as North-western Province where we are sourcing honey. Besides this, our business, as a strategy, cherishes value addition – we add value to the honey in a number of ways (Siphiwe, 2023 April).

KAS currently produces raw honey and processed honey with different flavours. Regarding market and business opportunities growth potential, the Kasenga honey brand is accessible in some retail markets such as coffee shops and local supermarkets located in Lusaka. Siphiwe has continued seeking opportunities to grow her company's local market by visiting and networking with supermarket leaders in Lusaka. She also sees opportunities within SADC and broadly AfCFTA.

In July 2022during the African Union's (AU) mid-term Summit held in Lusaka, KAS recorded some good sales of its honey products. Notwithstanding that the company is yet to enter the export market. KAS plans to enter the export market once sufficient product certification and relevant export permits are obtained. In May 2023, Siphiwe will attend a one month-long women in agriculture business event in USA supported by the USAID. Siphiwe notes that "this provides an opportunity to bring with her some products to show-case as well as network with potential clients and establish an export market"

Photo credit @ Kaleng'a, C.W (2023)

KAS faces a number of challenges. A worker whose capacity was developed to make the hives on site and those distributed to the out-growers left employment. This means that the company has to train another employee to replace the previous hive maker. Another challenge relates to the cost of transporting raw materials for making beehives. Such materials which mainly constitute timber off-cuts are sourced about 70 kilometres away from Lusaka's Buseko market. This is coupled by the poor road network to/from Kasenga area, and Kasenga Agricultural Solutions does not have its own vehicle. Siphiwe also faces the challenge of access to affordable finance. Siphiwe says, "although our company has not yet breaking even, this is a low investment business." Growth will require an injection of new investment to propel the company to grow production volumes. KAS was striving to raise funds raise monies to obtain the relevant product certification standards and relevant export permits.

Case Study 2: Travium Foods

Case Study 1 is an account of a female entrepreneur who has already enters the export market. Located in Lusaka's Kalundu area is Travium Foods, an enterprise founded in 2019 by Chileshe Chewe, another female youth, who left her prestigious accounting job to pursue business.

Chileshe's business journey started when she saw an opportunity for the production of honey sachets on the market. With that knowledge, Chileshe mobilised capital from her own savings, saying "I am an accountant by profession. To-date, I leverage on my accounting skills to provide consultancy services to some clients thereby making some additional money to support the Travium Foods business. Having scanned the market in Lusaka, I identified an opportunity when I realised there were no honey sachets which could be conveniently accessed and used by people in different places such as homes, hotels and lodges. With this as a niche I could exploit, I dedicated myself to reading and watching YouTube videos on how I could package honey in sachets. I taught myself how to do all this but also not just how to package honey in sachets, there was the need to add value to the honey so that we don't just sell raw honey. I personally taught all these employees you have seen packaging the honey here" (Chileshe, 2023 April).

Photo credit @ Chewe, C (2023)

Since its establishment, Travium Foods has operated as a business name registered with PACRA, and is now in the process of conversion into a company limited by shares. Although Chileshe is sceptical about bringing on board people who may not sincerely share the company's vision and on-going concern, she has purposed to make Travium Foods an all women-owned and led firm. Currently, Travium Foods' range of products include: raw honey, honey – sweet chili source, honey – lemon and herb marinade, honey – peri marinade and sauce, tomato sauce, brown and white vinegar. Despite being established during the COVID-19 era, the enterprise has accomplished the following: Trained 10 people in Mwinilunga district in beekeeping in 2019; Trained 60 people in Namwala district in beekeeping and empowered them with beehives; Employed 10 full-time employees (8 females and 2 males) who are on site involved in production with a few in marketing and sales; Employed 20 part-time employees working mainly as merchandisers replenishing shelves in supermarkets where Travium Foods supplies its products; Exported some products (mainly marinades and sauces) to USA in 2022 – the products were sent to a distributor; and exports some products (mainly marinades and sauces to South Africa in 2023 (Travium Foods has a running contract with a company in South Africa). Currently, the company is exploring export markets in Dubai (UAE) and Botswana where some pallets of honey sachets were sent in March, 2023.

Raw materials were sourced from the 60 people empowered with beehives in Namwala in 2021, and from Kabompo and Mwinilunga districts in North-western Province. Travium Foods relies on a company in Solwezi to process the honey from Kabompo and Mwinilunga districts thereby ensuring that the employees in Lusaka are fully dedicated to the value-adding side of producing its range of products with the brand name of "Yumbee" – derived from the words "yummy bee". To produce some of the marinades and sources, the honey is blended with chili from out-growers based in Chongwe within 50 kilometres from the Travium Foods factory.

On market and business opportunities growth potential, Chileshe has been able to establish and grow a domestic market among supermarkets mainly in Lusaka. Besides, she attributes her now growing export market to the support she received from cooperating partners. She observed that:

"USAID supported us by sponsoring me to an exposition in the US in June, 2022. Through this, we signed a contract with a distributor who got interested in our products. We have so far been able to ship a container of our products. Similarly, the USAID sent me to another exhibition held in Cape Town, South Africa. A month ago [in March, 2023] we sent a container of our products to a distributor with whom we have a running contract. The distributor in South Africa recommended their reliable shipping company to us – so we use this company to send our consignments. So far, we do not have challenges meeting the demand – our volumes are fine but we need to do more as our business and market grow. Just recently, we also sent some pallets of the honey sachets to Dubai and Botswana with the hope that we establish new markets – these are the only places we have sent the sachets. For South Africa and the US, it is the marinades and vinegars we have been shipping. We intend to ship to the US another full container soon." (Chileshe, 2023 April).

Travium Foods has not reached this level without challenges. Establishing a company during the COVID-19 pandemic, affected the enterprise in many ways including slowing down the establishment of export markets. With the expansion of the business also comes the need to purchase more and better equipment to expand production. This also means renting or acquiring bigger space than where the enterprise currently operates from will be necessary. To export, Chileshe says the process is fairly smooth but requires improvements to make it more efficient. For example, to export to South Africa, several aspects have to be done - she has to process a SADC certificate of origin with ZRA, the ZABS test results, the Health Certificate from the Ministry of Health, and a certificate from the Ministry of Agriculture. Some of these processes are costly, tedious and cumbersome. Chileshe calls for the "need to put these things online or have some kind of one-stop shop like we have PACRA and others at the one-stop shop in town. We also need to have information readily available about who is exporting what and to where so that we could possibly come together and export that way [thereby reducing the export costs". (Chileshe, 2023 April).

12.8 Recommendations

In order to take advantage of the opportunities to trade that vulnerable groups can seize, and also overcome the challenges faced, there is need to purposefully put in measures and responses that invigorated the collective potential of women, youth and persons with disabilities. The following recommendations could be considered:

12.8.1 Overarching recommendations

i. Empower cross-border traders particularly women, youth and PWDs with international market intelligence/identification skills to enable them take advantage of opportunities presented by RTAs such as AfCFTA, COMESA and SADC.
ii. Develop online platforms and skills upgrading programmes among women, youth and PWDs on business development services as well as trade opportunities.
Identify and sign post women, youth and PWDs to relevant training programmes offered by various cooperating partners' online training platforms
iii. Prioritise on-going stakeholder awareness and sensitisation engagement on customs procedures, trade finance, market openness and capacity building
iv. Establish an inclusive DTISU women, youth and PWDs -specific technical working group (TWG) or committee to spearhead monitoring and implementation of the action matrix.
v. Expedite the implementation of key national trade policy-related strategies, such as the National AfCFTA Implementation Strategy and the Zambia-Zimbabwe MoU on a Common Agricultural Industrial Park (CAIP), which are well-intentioned on promoting women, youth and PWDs in trade.
vi. Encourage financial institutions to offer low interest products for women, youth and PWD-owned enterprises.
vii. Promote Trade Finance, financial literacy and inclusion for women, youth and PWDs to enhance the way women, youth and PWDs manage their transactions, expenditures, savings, investments, credit and insurance.
viii. Establish mechanisms with Private Sector Organisations (PSOs) and non-state actors to train trainers among Women, youths and PWDs in PSO-specific skills in order to ensure sustainability.
ix. Introduce tailor-made training in technical and vocational skills and business development targeting women, youth and PWDs using resources from the Skills Development Fund.
x. Prioritise the collection of sex-disaggregated trade data to enhance gender gaps identification and mainstreaming for policy making and implementation.

12.8.2 People with disabilities-specific recommendations

Entrepreneurs who are PWDs require targeted interventions besides the overarching ones presented above. The specific interventions would include:

i. Create partnerships with PWD-focused training institutions, like the Zambia Institute of Special Education (ZAMISE), to develop trade-related skills and knowledge among PWDs.

ii. Train Customs Officers and border officials in PWD-related skills such as sign language and interactions with PWDs to enable them access services at border posts.
iii. Create PWD-friendly infrastructure at border facilities, including ramps, elevators, and braille versions of important documents like the STR list of products, to facilitate easy access for PWDs.
iv. Ensure that PWDs are included in trade promotion activities and provided with adequate resources and appropriate information.
v. Provide incentives to increase access to necessary assistive devices like digital braille devices, laptops, phones, and motorieed wheelchairs.
vi. Negotiate for PWDs interests in trade agreements, preferential market access, and inclusivity on both local and global levels in order to lower costs and ultimately increasing productivity and accessibility for PWDs.

12.9 Conclusion

Women, youth and PWDs are among, if not the most marginalised groups of people in the world, hence the need for deliberate efforts to redress the situation. Doing so will obviously come into conflict with the entrenched socio-cultural and economic norms that are not easy to change. Purposed interventions, as the case studies show, can make a difference to increased participation of women in trade and realisation of the accompanying benefits. Restrictions on their ability to trade range from social practices that inhibit entry into business, lack of access to affordable finance and discriminatory laws and policies.

Unlocking the potentials of marginalised groups will require innovative and targeted interventions, including in digital technology. The Covid-19 pandemic demonstrated how digital technology can benefit businesses, but this can only benefit marginalised groups, especially women where efforts are in place to bridge the gender divide in technology.

CHAPTER 13: LDC GRADUATION AND TRADE POLICY FRAMEWORK

13.1. Introduction

The least developed countries (LDC) category was established in 1971, depicting a special group of developing countries characterised by low-income level and structural impediments to growth, and requiring special measures for dealing with those problems (United Nations, 2008). Countries in the LDC category are eligible to benefit from a number of measures aimed at improving trade, development cooperation and participation in international organisations and processes. When countries record a given level of development, they are required to graduate from the LDC category. This transition makes them ineligible to access some of the developmental support and the benefits from associated measures (UNDESA, 2021).

The General Assembly and Economic and Social Council (ECOSOC) mandates the United Nations Committee for Development Policy (CDP) to review the list of LDCs every three years. The CDP then makes recommendations on the inclusion and graduation of eligible countries using a tri-faceted criteria based on income, human assets and economic and environmental vulnerability[41]. An LDC is eligible for graduation, if: i) it meets two of the three graduation criteria, or ii) its income per capita doubles the income graduation threshold. The graduation criteria should be met at two consecutive triennial reviews of the CDP for a country to be recommended for graduation (Drabo and Guillaumont, 2018; UNDESA, 2021). Therefore, LDC graduation refers to a process by which countries that have achieved certain economic and social criteria are no longer considered to be vulnerable.

13.1.1 Background

Zambia is one of the 46 countries currently designated as an LDC by the United Nations. Notwithstanding, over the past two decades prior to the COVID-19 pandemic, Zambia has experienced robust economic growth, averaging around 8.8 percent per annum (WTO, 2022). However, between 2015 and 2019, the country experienced fragile economic growth at an average annual rate of about 3.5 percent (World Bank, 2021). This growth has been largely driven by the mining sector, which accounts for more than 80 percent of the country's export earnings (IMF, 2021). Following 15 years of socio-economic development, Zambia was classified by the World Bank as a lower-middle-income country in 2011, setting a motivational base for graduation (Trade Economics, 2021).

The criteria for graduation, however, is wider and premised on a socioeconomic and inclusive growth criterion that is aligned to the 2030 Agenda (Akiwumi, 2022; Drabo and Guillaumont, 2018). The agenda 2030 is explicitly grounded in human rights norms and standards, making a rights-based approach central to achieving Sustainable Development Goals (SDGs) and the pledge to leave no one behind. Accordingly, Zambia aspires to become a prosperous middle-income country by 2030 as espoused in national development plans and the Vision 2030.

[41] https://www.un.org/development/desa/dpad/least-developed-country-category/ldc-criteria.html

Zambia met the criteria for graduation from the LDC category for the first time in 2021 upon exceeding the graduation thresholds for Gross National Income (GNI) and Human Assets Index (**Akiwumi, 2022**). Specifically, the country recorded an average Gross National Income (GNI) Per Capita of US$1,411 (the minimum for graduation is US$ 1,222) and Human Assets Index score of 67.1 (whilst the minimum for graduation is 66 (Table 13.1). The CDP will assess Zambia again in 2024. If Zambia meets the criteria yet again, then the country could be recommended for graduation from the LDC group as early as 2027 (**UNDESA, 2021**). Zambia, however, remains economically vulnerable, with an index of 41.7, whilst the maximum for graduation is 32. Table 13.1 shows Zambia's position in line with the progress towards LDC graduation as at 2021.

Table 13 1: Progress towards LDC graduation

Indicator	Graduation Threshold	Zambia's record
Gross National Income (GNI) per capita	US$ 1,274	US$ 1,411
Human Assets Index (HAI)	66 or above	67.41
Economic Vulnerability Index (EVI)	32 or below	41.7

Source: Constructed based on WTO (2021)

While it is evident that Zambia met the graduation criteria from LDC status to developing country status, there is no consensus on the potential impact of LDC graduation on the country's trade and development. Some argue that graduation could lead to increased access to international markets, greater foreign investment, and improved economic opportunities for Zambians (**UNCTAD, 2021**). However, others suggest that graduation could result in the loss of preferential treatment and special support measures currently afforded to LDCs, leading to a reduction in trade and development gains (**World Bank, 2018**).

Several studies have focused on terms and conditions for development assistance and graduation from LDC category (**Akiwumi, 2022; Ministry of Foreign Affairs, Sweden, 2018; UNDESA, 2021**). Yet, few studies have undertaken a distinct impact assessment of LDC graduation on Zambia's trade development and outlook. Moreover, the positive and negative implications of Zambia's LDC graduation remain a key area of debate considering that gains in socio-economic conditions over the years have been arguably eroded due to the COVID-19 pandemic and fragility of economic conditions.

The COVID-19 pandemic and a decline in copper prices have negatively hindered Zambia's economic growth and raised concerns about the country's ability to sustain its progress towards graduation (**UNCTAD, 2021**). Therefore, this justifies a critical inquiry into the impact of graduation on Zambia's trade position and how the country will manage its developmental aspirations without financial and technical assistance. This is important in informing policy on the trade impacts of LDC graduation in the Zambian context.

Given that the broad implications of graduation rest on a self-reliant development process, Zambia must secure effective understanding of the trade and development landscape associated with graduation. Managing a trade and development process that is internally driven will require adequate knowledge of the potential effects of the graduation on the country's holistic development.

13.2. Socio-economic preconditions for Resilience and LDC graduation in Zambia

The potential graduation of Zambia from the LDC group is a multifaceted and complex process that can be evaluated through the consideration of economic and social factors. Fundamentally, economic factors play a critical role in LDC graduation. Zambia's economy and development process is heavily dependent on copper exports, which cumulatively account for more than 70 percent of its export earnings (**World Bank, 2021**). This reliance on a single commodity exposes the country to external shocks, such as fluctuations in copper prices, and limits its ability to diversify its economy. According to UNCTAD (**2021**), Zambia still needs to invest in non-traditional sectors, including manufacturing and services, to promote economic diversification and reduce dependence on copper exports. Furthermore, the country has to increase its competitiveness through improved infrastructure, governance, and ease of doing business. These measures will increase Zambia's export capacity and boost its economic growth, should graduation occur.

Zambia's gross domestic product (GDP) has experienced a remarkable growth since the 2000s, increasing from about USD3.6 billion to USD21.1 billion in 2020, corresponding to an average growth rate of 8.8 percent. This success was motivated by an overall improvement in the country's macro-economic framework, debt relief, heavy investment in the social sectors, and a large increase in mining and agricultural production since 2004 (**WTO and EIF, 2022**). However, in the last five years, Zambia's real GDP growth has since declined drastically from its glorious averages that led to improvement in socio-economic development. Zambia's GDP growth rate consistently declined from 3.8 percent in 2016 to 3.4 percent in 2017. Growth remained fragile with the country experiencing a recession in 2020 before rebounding in 2021 at approximately 2.6 percent and rising further to 3.2 percent in 2022 (**Figure 3.1**).

Although growth of Zambia's economic output has shown some improvement, the country is economically and environmentally fragile (**EVI = 41.7**). This may pose a threat to the country's ability to advance economically and socially if graduation occurs.

However, external assistance to the social sectors, such as health, may not be affected as most of the current sources of external assistance are loans and do not consider the LDC status of the country. The 2022 Ministry of Finance revenue and expenditure estimates shows that approximately K2 billion was external funding, of which 11 percent constituted grants while 89 percent comprised of loans (**Table 13.2**).

Table 13.2: Health Sector External Financing, 2021

Amount	Institution	Type	Programme	Sub-programme	LDC Criteria
K 215,000,000	USAID	Grant	Primary Heath Care Services	Primary Heath Care Services	The United States had indicated in previous assessment that indicated that graduation from the LDC does not impact on bilateral assistance.[42]
K 152,000,000	IDA (World Bank)	Loan	Primary Heath Care Services	Primary Heath Care Services	For a country to access IDA resources, it must be in a situation of relative poverty as indicated by its per capita income falling below the IDA operational cut-off, $1,255 in FY23, and/or lack creditworthiness for IBRD borrowing.[43]
K 49,680,425	India Exim Bank	Loan	Primary Heath Care Services	Infrastructure Development	Operates like an Export Import Bank. No mention of economic status related criteria.[44]
K 203,049,492	Lillypeck Int. FZE	Loan	Hospital Services	Infrastructure Development	Private entity, no criteria[45]
K 252,914,391	INDU COM BANK CHINA	Loan	Hospital Services	Infrastructure Development	Operates like an Export Import Bank. No mention of economic status related criteria.
K 395,577,949	Saudi Fund for Development	Loan	Hospital Services	Infrastructure Development	No mention of economic status related criteria.
K 600,824,307	UK Export Finance	Loan	Hospital Services	Infrastructure Development	Operates like an Export Import Bank. No mention of economic status related criteria
K 49,600,000	The OPEC Fund For International Development (OFID)	Loan	Hospital Services	Infrastructure Development	All developing countries are, in principle, eligible for OPEC Fund assistance, although the least developed countries are given higher priority and have received more than one-half of the institution's cumulative commitments to date.
K 28,200,000	Arab Bank for Economic Development in Africa (BADEA)	Loan	Hospital Services	Infrastructure Development	BADEA provide concessional financing to 40 African countries, with a majority of funds going to LDCs. No strict LDC requirement but the economic situation of a country is considered.[46]
Grand Total:	**K 1,946,846,564**				

Source: Estimates of Revenue and Expenditure (Output-Based Budget) for the Year 1st January 2021 to 31st December 2021, Ministry of Finance.

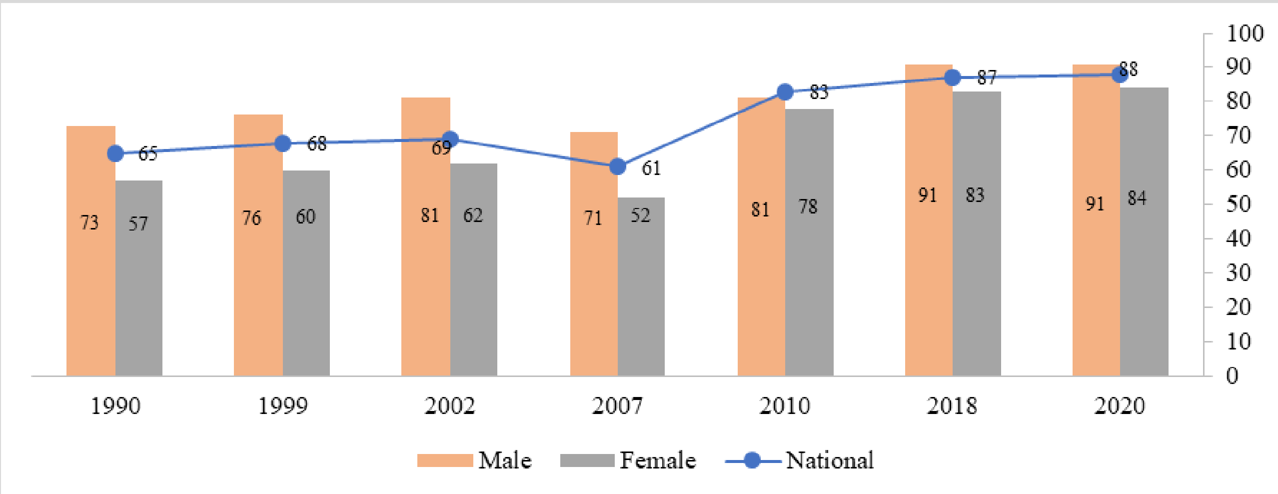
Table 13.2 shows that a large share of Zambia's external financing in the health sector was sourced from entities that do not consider the LDC status of the country. On the other hand, financiers such as the World Bank under the International Development Association (IDA) also consider a recipient country's per capita income a precondition for allocations. If Zambia graduates from the LDC status, the country will still have access to a wide array of credit facilities that support the health sector for different countries in various income brackets, which are currently the main sources of external finances.

[42]https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/CDP-bp-2021-53.pdf
[43]https://ida.worldbank.org/en/financing
[44]https://www.eximbankindia.in
[45]http://lilypeck.com
[46]https://www.badea.org

While on-budget support that comes is provided as loans, many cooperating partners provide off budget support to Zambia. For example, the US government has been supporting Zambia with an annual average grant US$320 million under the PEPFAR for HIV/AIDS, the global fund (HIV/AIDS, malaria and TB) and the Gavi initiative have also been providing more than half the of the Child immunisation budget and HIV/AIDS (**MoH, 2023**). These initiatives are premised on that Zambia is a low income country. The graduation from a LIC to LMIC is likely going to affect this support.

The UN preconditions for LDC graduation also consider the progress a country makes in improving access to education and quality of literacy services as critical to graduation. Zambia has made progress at improving adult literacy rates over the last three decades. In 2020, Zambia's adult literacy rate was 88 percent, an increase by a percentage point from that of 2018. This corresponds to approximately 23-percentage point rise in literacy rates between 1990 and 2021 since 1990, respectively. Yet, the country needs to catch up in terms of recording impressive strides in literacy rates among females (**Figure 13.1**).

Figure 13.1: Adult Literacy Rates, 1985-2020



Source: World Bank Indicators 1985-2020

The Zambian Government has largely championed the financing of adult literacy interventions. This is despite very small allocations in the Ministry of Education budget at around 7 percent in youth and adult literacy financing. In recent times, Zambia's education sector has received external financing from two World Bank loans, namely, the Zambia Education Enhancement Project (ZEEP) and the Keep Girls in School (KGS) project. The ZEEP is an IDA-financed project that began in 2018 with the aim of completing the construction of 82 secondary schools. On the other hand, the KGS project is worth US$65 million, with a purpose of providing bursaries to the girl child. The KGS's target is to provide financial support to 14,000 girls with school bursaries over the duration of the project. Both these projects in the Zambia's education sector are not tied to the country's development status. Given that the country finances its own education sector, and donors do not attach development criteria to literacy financing, the education sector will most likely remain unaffected should the country graduate from the LDC category.

13.3. Trade Impacts of Zambia's LDC graduation

The graduation of a country from the LDC status signifies an important milestone in its development path. The possible phasing-out of international support measures meant for countries in the LDC category could present challenges for graduating LDCs especially in their attempt to continue being integrated into the global economy[47]. Thus, examining the impacts of graduation from the perspective of potential graduating countries like Zambia is important. Specifically, understanding the potential costs of Zambia's graduation on availability of market access opportunities is paramount to sustaining the country's participation in the global trading system.

13.3.1. Impact of LDC graduation and special flexibilities for market access

As a member of the LDC group, Zambia's entitlements include access to market access preferences granted by some of its leading export destinations. The country enjoys non-reciprocal duty-free access provided and for exports under various schemes, such as, the EU Everything But Arms (EBA) agreement and the new European Union-Organisation of African, the African Growth and Opportunity Act (AGOA) and preferences offered by US, Japan, and Canada, among others. Although the WTO provides for some of these benefits could be potentially lost if the country graduated (Trade Economics, 2021). Zambia has

Zambia has been a member WTO since its inception in 1995. By virtue of the country's LDC status, Zambia has enjoyed from significant policy flexibility. In view of their special needs and founded in provisions such as the special and differential treatment (SDT) to LDCs. SDTs allow LDCs to significantly benefit from greater market access opportunities and flexibilities in implementation of WTO rules. They also provide for access to technical assistance designed to strengthen trade capacities. WTO members deepened their support to LDCs with the aim of helping such countries to become more integrated into the global trading system. Overtime, some of the key support that WTO members have extended to LDCs such as Zambia include DFQF market access for LDC products, preferential rules of origin guidelines, and decisions to facilitate services trade from LDCs.

Given their special economic, financial and administrative needs, LDCs also benefit from a great array of flexibilities in the implementation of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement (SAWTEE, 2021). Zambia also enjoys exemptions from the (TRIPS) Agreement under WTO. Benefits include the LDC specific transition period that expires in 2034 or upon graduation and specific transition for pharmaceuticals which expires in 2033. By virtue of being an LDC, Zambia is further exempted from mailbox and exclusive marketing rights. Zambia also enjoys more lenient measures for the use of compulsory licensing.

Within the WTO Agreement on Agriculture, LDCs access greater flexibility in providing their domestic support notifications. This relates to a country informing the WTO of the domestic agricultural support measures that are eminent in the national economy. Ordinarily, countries in the LDC category provide notifications every two years instead of annually. Through access to this beneficial provision,

[47]https://www.wto.org/english/res_e/publications_e/ldc_graduation_e.htm

Zambia's compliance rate for providing agriculture–related notifications within the Agreement stands at 67 percent (WTO and EIF, 2022). The country also enjoys flexibility with respect to export subsidies which stand to be phased out by 2030.

In terms of other institutional support, Zambia might forfeit support it obtains based on its contributions to the WTO. WTO members' contributions to the WTO budget depend on their share in world trade. It is unlikely that Zambia's annual contribution to the WTO would change as a result of graduation. However, if Zambia graduates from LDC category, the country will not be eligible for travel support (travel, accommodation and per diem) to participate in the WTO Ministerial Conferences. This kind of support covers the institutional participation of the trade minister and two high-level government officials from eligible LDCs (**WTO, 2021; WTO and EIF, 2022**).

On the other hand, Zambia will remain eligible for preferences under the US African Growth Opportunity Act (**AGOA**) as access is not dependent on LDC status. Additionally, Zambia is also eligible for preferential market access under the US' GSP scheme, although its duty-free coverage is much lower than that of AGOA (Mulenga 2020; Trade Economics, 2021). The country still has the opportunity to reach out to its trading partners to explore how to continue benefitting from such programmes.

While graduation implies loss of market access preferences and Zambia having to bear tariff increases, the overall burden of this development will depend on whether the country will have access to alternative preferences or will need to pay Most Favoured Nation (MFN) tariffs. The Table 3.3 displays the tariff commitment and applied MFN duty rates by developing country status.

Table 13 3: Tariff commitment and applied MFN duty rates by developing country status

Group	Binding coverage	Bound Duty	Applied MFN (2018/17)
All WTO	80.1	38.3	9
Developed country	99	10.2	4.3
Developing countries	85	33.7	8.4
LDC	63.1	57	11.7
Graduation LDC	76.4	65.8	9.9
Other LDC	59.9	54.9	12.1

Source: WTO, 2021

Alternative preferences can take the form of either non-reciprocal preferences under preferential trade arrangements (PTAs) or reciprocal preferences under regional trade agreements (RTAs) or could be special trade arrangements through negotiations (WTO, 2012). Notably, Zambia continues to look to trading partners within the Common Market for East and Southern Africa (**COMESA**) and the Southern African Development Community (**SADC**). These bodies provide for trade enhancing measures within the regional blocs especially for member states. Consequently, Zambia has fully liberalised trade under both agreements. Moreover, with the recent ratification of the African Continental Free Trade Agreement (**AfCFTA**), Zambia stands to benefit from flexibilities accorded to countries in such blocs by virtue of being in LDC status. The agreement provides flexibilities for LDC member states such as longer tariff phase down schedules (World Bank, 2020). However, other trade-enhancing benefits such as expansion in market access for all countries also accrue to non-LDC states within the AfCFTA, should the country graduate from the LDC category.

13.3.2. Impact of LDC graduation Technical Assistance and Aid for Trade (Aft)

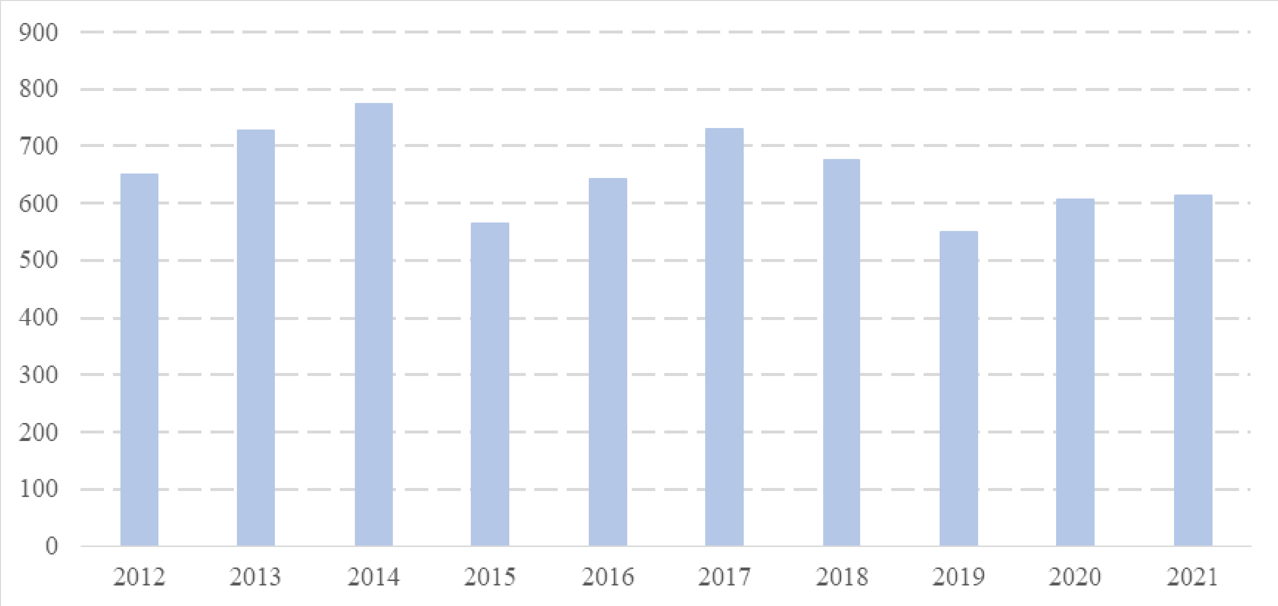
AfT often points to grants and loans which countries in need access from disbursing countries. Normally, LDCs, as countries mostly facing debt distress, prefer receiving Aid for trade in the form of grants relative to loans. This is because loans entail more accrual of debt creating (**SAWTEE, 2021**). This constrains the capacity of such countries to allocate financial resources towards national development priorities.

Notwithstanding, aid for trade received by Zambia has considerably evolved in the last decade. The country experienced a steady increase of disbursements between 2012 and 2021, hitting the highest disbursement recorded in 2014 at approximately USD774.7 million. Aid for trade disbursements sharply declined in 2015 and increased steadily in 2016 reaching an increase of USD731.3 million in 2017. Aid-for-Trade disbursements have, however, remained below this record declining to an all-period low of USD549.37 in 2019 (Figure 4). The European Union, World Bank and African Development Bank have been the top three Aid-for-Trade providers to the country accounting for over 60 percent of total Aid for Trade disbursements. In 2019, over 88 percent of Aid for Trade to Zambia was allocated to energy generation, followed by agriculture, and transport and storage (**WTO and EIF, 2022**). Figure 3 displays Zambia's aid for trade receipts in the last decade. Zambia's leading donors for AfT disbursements between 2012 and 2021 were the IDA, European Union Institutions, African Development Fund (the lending arm of the African Development Bank), United Kingdom and Climate Investment funds respectively (**OECD and WTO, 2022**)

The Enhanced Integrated Fund (**EIF**) is also a specific AfT initiative that Zambia has benefitted from since 2010. Particularly, where over USD7 million has been allocated by the EIF to strengthen Zambia's trade capacity, in areas such as trade institutional strengthening, effective planning, negotiation, improvement of capacity for sustained trade policy education in public universities, and cooperatives.

Furthermore, in supporting productive capacity, EIF has benefitted the agriculture sector and trade, through boosting of the compliance with sanitary and Phytosanitary (**SPS**) requirements for more exports of agricultural products, increased output in the production and export of honey Moreover, the government of Zambia, in partnership with the International Trade Centre (ITC) and the EIF, has been providing training and support to women entrepreneurs running agricultural and textiles-related businesses in Zambia (**WTO and EIF, 2022**).

Figure 13.2: Aid for Trade Disbursements to Zambia, US$ Millions



Constructed based on OECD data.

13.3.2. Considerations for managing Zambia's smooth graduation transition.

The prospect of graduation from LDC category raises concerns related to the potential loss of DFQF access that Zambia enjoys from its largest trading partners. However, understanding the key implications of graduation provides a basis for a smooth transition. Based on lessons from recent graduates such as Vanuatu, Zambia would have the option of also using market access options implied in the GSP+ provisions.

China has indicated that it will continue to provide DFQF access to LDC graduating countries for a period of 3 years after their graduation. Notably, Zambia supplies about one third of China's unrefined copper imports. Zambia's graduation from LDC is unlikely to have a major impact as China's MFN applied tariffs on unrefined copper are around 1.6 percent which is negligible and will have limited impact on China's demand for Zambia's copper (**WTO and EIF, 2022**).

With regard to WTO Agreements, graduating LDCs no longer benefit from LDC provisions (**WTO and EIF, 2022**). Once Zambia graduates from the LDC category, the country will be deemed ineligible to benefits from exemptions under the TRIPS Agreement. Zambia would have to meet notification obligations under the TRIPS council. If Zambia intends to apply the system of compulsory licenses, it would have to notify its intent and the existence of limited manufacturing capacity.

If Zambia graduates from the LDC status, the country will be required to issue notifications on domestic support measures annually. Zambia will also not qualify to for flexibilities regarding export subsidies. In addition, it is expected that graduation from LDC status will impose very limited impacts on Subsidies and Countervailing measures (SCM) and trade facilitation. The SCM Agreement has no provisions relating to LDC graduation. Consequently, in the absence of a decision or clarification, graduating LDCs would not benefit from any anticipated flexibilities. However, the impact of losing access to this flexibility will depend on whether or not a graduating LDC provides any export subsidies (**WTO and EIF, 2022**).

In the event that Zambia graduates from the LDC category, the country will no longer be able to benefit from travel support provided to LDC members and observers for participation in WTO Ministerial Conferences. Currently, there is no transition period in place for extending travel support to graduated countries. Graduating LDCs should prepare to finance their participation in WTO Ministerial Conferences after graduation. This might include loss of support for online technical course offered by the WTO.

With respect to regional trade, the flexibilities provided for LDCs under the AfCFTA will expire at about the same time that Zambia would graduate from LDC status. Therefore, no impact is expected on benefits to accrue from such flexibilities. Further, within the AfCFTA, Zambia has two major trading partners, DRC Congo and South Africa. Enhanced trade liberalisation between Zambia and these countries stands to offer a considerable option for sustaining deeper trade between the COMESA and SADC countries, respectively.

Empirically, provided that Zambia graduates from LDC status, with adequate preparation for the transition, graduation will not result in major changes in Aid-for-Trade flows to the country. This is because Aid-for-Trade allocations depend on different criteria rather than whether a country belongs to the LDC status or not. Notably, Zambia's major AfT, IDA, an arm of the World Bank, does not use a membership to the LDC category as a criteria for lending; instead, it uses an income classification based on GNI per capita with annual adjustments. By implication, AfT disbursements to Zambia will continue for as long as the country meets the income requirements. Furthermore, the African Development Fund, as Zambia's additional AfT sources, uses GNI per capita to determine eligibility for their funds. In addition, Japan being the single largest bilateral donor available to graduating countries like Zambia would consider historic ties in consideration of AfT allocations (**WTO, 2021; WTO and EIF, 2022**)

Zambia also has the European Union as a key source of AfT sources and its support to Zambia will also remain unchanged since aid is determined by other criteria as opposed to a country belonging to the category of than LDC states. These criteria include, but not limited to, a recipient country's needs, regional cohesion and consideration as preconditions for allocating resources to LDCs.

Further, available South–South partners such as the Asian Development Bank do not offer AfT assistance based on the development status of a country. Thus, South- South partnerships offer an expansion of the AfT options for Zambia should the country graduate. Table 13.4 summarises the developing partners available to both LDCs and graduating counties.

Table 13 4: Development Partners for LDCs and Graduating Countries

Development Partners	Description
African Development Bank (AfDB)	The AfDB is a regional development bank that provides financing and technical assistance to its member countries in Africa. The AfDB supports the economic and social development of its member countries by financing infrastructure projects, promoting private sector development, and strengthening governance and accountability. The AfDB also provides concessional financing, grants, and technical assistance to LDCs and graduating countries to support their economic and social development.
Asian Development Bank (ADB)	The ADB is a regional development bank that provides financing and technical assistance to its member countries in Asia and the Pacific. The ADB supports the economic and social development of its member countries by financing infrastructure projects, promoting private sector development, and strengthening governance and accountability. The ADB also provides concessional financing, grants, and technical assistance to LDCs and graduating countries to support their economic and social development.
European Union (EU)	The EU is a political and economic union of 27 member states in Europe. The EU provides development assistance to partner countries in the form of grants, loans, and technical assistance. The EU supports partner countries in their efforts to achieve sustainable development, reduce poverty, and promote democracy and human rights. The EU also provides specific financing and technical assistance to LDCs and graduating countries to support their economic and social development.
United Nations Development Programme (UNDP)	The UNDP is a United Nations agency that works to eradicate poverty, reduce inequalities, and build resilience to crises and shocks. The UNDP provides technical assistance and capacity building support to countries to help them achieve the Sustainable Development Goals (SDGs). The UNDP also provides specific financing and technical assistance to LDCs and graduating countries to support their economic and social development.

Sources: (AfDB, 2020), (ADB, 2020), (EU, 2020), (UNDP, 2020)

Zambia is expected to continue relating with some key development partners (**Table 13.5**) in the event of graduation from LDC status. The country is also eligible for selected flexibilities should it meet the graduation criteria in 2024. For instance, in the event of Zambia's graduation, the country will continue benefitting from the relatively flexible transition periods available for graduated countries under the EIF and STDF for a period of five and three years, respectively (**WTO and EIF, 2022**). Therefore, the country can maximise the use of the available EIF support measures to facilitate a smooth transition that is based on sustainable growth through increased trade post-graduation. The specific flexibilities dedicated exclusively to LDCs and recent graduates, are outlined in Table 13.5.

Table 13 5: Key Flexibilities and Instruments for Supporting LDCs and recent Graduates

Flexibilities	Description
Duty-free and Quota-free Market Access	Developed countries have agreed to provide duty-free and quota-free market access to products originating from LDCs. This means that LDCs can export their goods to developed countries without paying any tariffs or quotas on them. Some of these market access opportunities may still be available to graduating countries, especially those party to the EU-ESA EPA
Enhanced Integrated Framework	The EIF is a multilateral program that supports LDCs to integrate into the global trading system and promotes economic growth and development. The program provides financial and technical assistance to LDCs to strengthen their trade-related infrastructure, build their capacity to trade, and develop their export sectors. The EIF operates through partnerships between LDCs, donors, and international organisations, such as the World Trade Organisation (WTO), the International Trade Centre (ITC), and the United Nations Development Programme (UNDP). Through the established partnerships, the EIF will be available to support graduating countries five years post their graduation.
Special and Differential Treatment	The WTO's Special and Differential Treatment (SDT) provisions provide LDCs with flexibility in implementing WTO agreements and obligations. The SDT provisions allow LDCs to take longer periods to implement certain agreements and provide them with technical assistance and capacity building support. The SDT provisions also recognise the structural constraints and limited capacity of LDCs and provide them with additional flexibility in their trade policies. Some SDT and technical assistance may be also available to graduating countries.
Aid for Trade	AfT includes both grants and loans and aims to prioritise trade facilitation in recipient countries. It also seeks to promote export diversification, international competitiveness and build productive capacities of countries while providing them linkage to global value chains. It is an initiative provided by donors to an array landlocked, developing countries and least-developed countries.
Generalised System of Preferences Plus (GSP+)	Despite negligible levels of trade with potential graduates of the LDC status such as Zambia, the EU's GSP+ being non-reciprocal has no trade liberalisation implications on recent graduates. It allows users to sustain market access without requirement of concessions.

Sources: (UNCTAD, 2020), (WTO, 2020) Trade Economics (2021), SAWTEE (2021); Gay (2020

13.4. Priority areas

To support Zambia's smooth transition from the LDC to developing country status, in terms of trade and development, the Zambian Government and development partners should prioritise and fund specific areas of support as outlined in the action matrix of priority areas of support.

The priority areas of support outlined in the action matrix are interrelated and require a coordinated effort from the Zambian Government and development partners. Key areas of support include export diversification, infrastructure development, human capital development and financial inclusion. Specifically, export diversification and investment promotion are key to increasing Zambia's competitiveness and reducing its dependence on primary commodity exports (**MCTI, 2018**). In addition, infrastructure development is critical to reducing transportation costs, improving connectivity, and increasing investment (**ZDA, 2019**). An improvement in infrastructure will enhance the country's participation in international trade. The country also needs human capital development (**World Bank, 2019**). Human capital contributes to significantly building a skilled workforce that can support economic growth and innovation once the Zambia graduates. Financial inclusion is essential for promoting MSMEs' access to finance, reducing poverty, and promoting inclusive economic growth.

However, to effectively implement these priority areas of support, the Zambian Government and development partners need to address several challenges. These challenges include limited resources, inadequate infrastructure, weak institutions, and limited private sector participation. The Zambian Government and development partners should address these challenges by improving governance, enhancing institutional capacity, and strengthening private sector participation.

Significantly, the action matrix of priority areas of support provides a framework for the Zambian Government and development partners to effectively support Zambia's graduation from LDC to developing country status. However, the successful implementation of these priority areas of support requires a coordinated effort, addressing the challenges, and enhancing institutional capacity. By doing so, Zambia can achieve sustainable and inclusive economic growth that promotes poverty reduction and shared prosperity upon graduation and onwards.

13.5. Recommendations

Arising from the observations made in the above sections, the following actions are recommended:

i. Develop the LDC Graduation Strategy for Zambia, learning from LDC graduates such as Vanuatu.
ii. Mobilise domestic and external resources to support export diversification and competitiveness and investment in infrastructure development, human capital development and financial inclusion for sustained post-graduation development
iii. Strengthen measures to lower trade costs and build supply-side capacity through application of appropriate technologies that enhance trade facilitation.
iv. Provide incentives such as tax breaks, subsidies, and access to finance to promote investment in processing and manufacturing industries.

v. Promote financial inclusion by developing a regulatory framework that supports access to finance for micro, small, and medium-sized enterprises (MSMEs)
vi. Invest in transport, energy, and information and communication technology (ICT) to facilitate trade and investment
vii. Invest in education and training programmes to build a skilled workforce to contribute to economic growth

13.6. Conclusion

Zambia's graduation may result in losing preferential schemes that are reserved for LDCs. Yet, there are schemes such as AGOA which will continue as these do not depend on a LDC classification. On the other hand, Zambia's receipts in Aid for Trade and technical assistance will not be drastically affected if the country graduates from the LDC category in 2024. This is because disbursements in Aid for Trade and related assistance are not entirely dependent on a county's development status. Furthermore, if graduation occurs, Zambia's development partners such as the World Bank and African Development Bank may still be available to facilitate continuity of socio-economic programmes.

In order to overcome potential challenges that may surface if the country graduates, Zambia needs to implement adequate preparatory measures to facilitate the sustenance of socio-economic gains so far. These measures include promoting economic stability through diversification, addressing external debt, promoting environmental sustainability, and improving the business environment. By implementing these measures, Zambia can achieve a sustainable and successful graduation process.

Finally, although LDCs enjoy an expanded SDT relative to developing countries, LDC graduation is expected to have a limited impact on Zambia. Generally, if Zambia graduates, the country will continue to enjoy the flexibilities it received during the instituting of its bound duties. Upon graduation, a wide array of arrangements and benefits exclusive to LDCs will no longer be available to Zambia. While there are transitional arrangements under some of these arrangements, there is need for mitigation of risks associated with loss of benefits.

CHAPTER 14: IMPACT OF DIGITALISATION AND E-COMMERCE

14.1. Introduction

Zambia has adopted information and communication technologies (ICTs) as one of the interventions to strengthen Zambia's integration to regional and global markets. The adoption of Information and Communications Technologies (ICTs) has shown how the use of technology tools makes work less costly and efficient, especially when people must work remotely (**Mwanakatwe, E.M, 2021**). In other areas, digital technologies are the drivers of business processes, eliminating inefficient paperwork processes, thus accelerating and empowering diversified inclusive growth, job creation and poverty reduction. The adoption of digitalisation and e-Commerce is one of the core strategies available to strengthen Zambia's integration to regional and global markets and enable quick and timely access to diverse forms of products, services, pricing, negotiation, purchase, and the facilitation of payments through use of digital financial services.

However, the uptake and application of ICTs is inhibited by digital disruptions that permeate all spheres of the economy. The gaps that contribute to digital disruptions were identified in the UNCTAD (2018) Zambia eTrade Readiness Assessment report and include lack of e-Commerce policy, and limited public-private dialogue in the area of e-Commerce and the digital economy as well as the general weak coordination across organisations, sectors and industries. In response to the gaps that hinder effective utilisation, the country has formulated initiatives aimed at harmonizing ICT systems and infrastructure as contained in the launched Smart Zambia e-Government Master Plan (2018-2030). More recently, the COVID-19 pandemic has presented opportunities to accelerate the rate of digital penetration across the facets of human life.

14.2. ICT Services

14.2.1 Telecommunications and Postal

The telecommunications and postal services subsector comprise mobile network operators (MNOs), data and network service providers, and courier services. Zamtel, the state-owned telco, offers fixed telephone, fixed-broadband over capped ADSL, fibre-optic, and fixed wireless LTE–Time Division Duplex.

In postal services, there are fifty-nine validly licensed service operators in the subsector with Zampost, the state owned postal and courier services provider, being the largest. Zampost offers services including financial, mail, Post Office Box, cars bureau and e-Zampost. The Customs and Declaration System (CDS) that interfaces customs and posts is a system with capabilities to recognise the amount of duty levied on each item with tax implications. The rationale is to recognise tax even before the e-Commerce items reach their intended destinations. However, the underutilisation of the CDS between Zampost and Zambia Revenue Authority (ZRA) has had negative effects in the clearance of e-Commerce items causing delays in speed of delivery. Globally postal services have adopted the use of Electronic Advance Data (EAD) which allows for early communication of the dispatching office of mail to the receiving office to anticipate the mail to be received.

In furthering digital technology reforms, Zampost in 2022 launched the e-Zampost and Zampost Money platforms aimed at fostering a digital transformation in the provision of postal services across Zambia (**ZICTA, 2022**).

14.2.2 Mobile telephone services

The country had a total of 20.1 million mobile telephone subscriptions, translating into 109 mobile phone subscriptions per 100 individuals, but that these figures did not account for multiple phone ownership by individuals, SIM card activity and overall usage. (**ZICTA 2021**) In order to provide updated statistical figures concerning mobile telephone in the country, ZICTA (2022) deactivated over 2 million SIM cards of users across the three network operators, a move that also acted to combat prevailing digital fraud (**ibid. p. 29**)./

Zamtel, MTN Zambia, and Airtel Zambia continue to operate as the three licensed MNOs providing mobile cellular on voice and data services. Airtel Zambia is the current market leader with subscriptions at slightly over 8.3 million followed by MTN Zambia and Zamtel active mobile network subscriptions of 6.8 million and 3.3 million respectively. (**ZICTA, Mid-Year Market report, 2022**). Within the Long-Term Evolution (**LTE**) technologies, MTN Zambia launched its 3G offering in 2011 and 5G network pilot platform in 2022; and Airtel Zambia and Zamtel in 2012 (**ITU, 2018**). The use of mobile commerce has increased rapidly, especially in domestic payments in retail, wholesale, utility, and obligatory payments to the government (https://www.trade.gov/country-commercial-guides/zambia-ecommerce).

14.2.3 Fixed Internet Service

The fixed Internet services market in Zambia is highly concentrated in urban areas despite having over seventeen licensed operators. Zamtel, MTN Zambia and Liquid telecom accounted for nearly 97 percent of the subscription for the fixed Internet services (**ZICTA 2022**). Most of the Internet service providers (**ISP**) prefer to focus on corporate clients than individual users given the strong competition from mobile Internet services. Zamtel accounted for the highest proportion of subscribers at 64.2 percent during the first half of 2022. MTN Zambia and Liquid Telecom trailed with 24.6 percent and 6.5 percent respectively. The internet service market share is generally dominated by MNOs mainly on account of their wider mobile cellular network coverage and subscribers (**ibid. p. 30**).

14.2.4 Private Data Networks

The provision of private data networks has been liberalised and is fully competitive. In this subsector, FibreCom offers reliable broadband services for high-speed data, voice and video communication over fibre technology with the financial sector leading the use of the private data network segment. In addition, most banks and other financial institutions involved in tax revenue collection and pension funds have set-up their own VSAT data network solutions linking branches across the country, and to international links in the case of international banks. However, VSAT technology has proved much more expensive in the long term especially with respect to space segment costs paid to foreign operators/service providers. These platforms are supporting such innovative services such as Mobile and Internet Banking across the country (**ICT policy, 2006**).

14.3 National ICT Infrastructure and Accessibility

14.3 1 Telecommunications and networks

The 7NDP (**2016-2021**) identified ICTs as catalysts for social economic development and source of competitive positioning, but also acknowledged the inadequacy and fragmentation of ICT infrastructure especially in rural areas that continue to hinder the access and utilisation of digital services owing to poor connectivity and communication. This position was confirmed by the IDES Report (**2022**) which identified gaps in digital infrastructure especially in rural areas where the population is often sparsely distributed and the commercial case for investment is not pronounced, as well as the duplication of infrastructure in urban settings such as fibre networks which render the infrastructure economically inefficient (**ibid. p. 17**). The report further identified capacity inadequacies in existing infrastructure to support emerging technologies noting that the majority of the telecommunications sites are still 2G with limited capabilities. Table 14.1 shows the extent of network coverage in the country.

Table 14.1: Network Coverage in Zambia 2015 - 2022

Network coverage	2014	2015	2016	2017	2018	2019	2020	2021	2022
Internet Points of presence (Districts)	-	-	-	-	-	-	-	-	-
PSTN Area average (%)	90	90	91	91	91	91	91	91	90
National Network Geographical by Population (%)	78	78	78	78	78	78	78	78	69.9
Number of Towers				2,426	2,496	3,235	3,225	3,413	3,546
Number of 2G Sites			2,697	2,990	3,412	5,081	4.344	4,557	4,600
Number of 2G/3G Sites			2,354	2,141	2,727	2,906	3,472	3,663	3,756
Number of 4G Sites			192	254	254	202	202	203	201
Number of 2G/3G/4G Sites			254	803	1,212	2,316	2,758	3,055	3,430
Network coverage by Airtel Zambia	42.70%	42.70%	42.70%	42.70%	42.70%	42.70%	42.70%	42.70%	42.70%
Network coverage by MTN Zambia	31.70%	45.40%	44.10%	44.10%	45.10%	44.20%	35.90%	36.30%	37%
Network coverage by Zamtel		27.00%	27.00%	27.00%	49.50%	52%	52.10%	52.10%	52%
Number of active subscribers	10,114,867	11,557,725	12,017,034	13,438,539	15,470,270	17,220,607	19,104,208	20,247,111	19,838,000
Mobile broadband penetration/100 users	24.8	39.2	32.2	47.1	58.2	52.6	57.1	56.3	56.4

Source: ZICTA

Although there has been progress in the use of mobile telephone services, the use of internet services among people has remained low due to limited access to enabling devices such as smartphones (**IDES, 2022**). The report was also supported by the ICT demand-side survey undertaken by ZICTA (2021) which revealed that uptake of ICT services among the population is still relatively low. Evidence from the ZICTA (2021) survey showed that only 14.3 percent of the adult population reported having access to and being able to actively use the Internet. Furthermore, only 53.5 percent of the adult population has access to mobile phones with further 29.6 percent of mobile phone owners having smartphones. Further, the survey (**ibid. p. 2 and IDES. p. 15**) also highlighted a number of disparities in access and usage among groups such as persons living with disabilities, the rural versus urban population and along gender lines. High costs associated with internet connections, poor network connectivity, low levels of digital literacy, lack of mobile devices such as smartphones among the wider population to enable access to mobile internet, and low investments in the telecom infrastructure are some of the factors that continue to contribute to the slow mass uptake of e-Commerce in Zambia (**ZICTA, 2021**). In the recent past, however, there has been an increase in the number of active internet subscriptions which has been attributed to improved data networks, affordable data services and the expansion of networks by operators aggressively competing for customers.

The fragmented nature of ICT infrastructure in Zambia has led to formulation of initiatives aimed at harmonizing ICT systems and infrastructure which are contained in the launched Smart Zambia e-Government Master Plan (**2018-2030**). The Smart Zambia e-Government Master Plan seeks to achieve social and economic transformation by adopting a paradigm shift that entails leveraging ICTs to modernize and simplify the governance and service delivery systems in the public service, create conducive environment for business investment, and enhance the welfare of the citizens (**ibid. p. ii**). Consultations with various stakeholders identified the following issues as factors affecting accessibility to ICT applications;

i. Non-existent Wired Local Area Network (LANs) infrastructure: non-existence of wired LANs at most public institutions workplaces located in rural areas, and, where, they exist, the infrastructure is non-functional. The situation was, however, different from public service institutions located in more urban towns which had the existence of wired LANs at most workplaces.

ii. Poor Mobile Internet services: poor mobile internet services are provided by particularly AIRTEL and ZAMTEL. WLANs with routers in this case are deployed for use in some offices, while informants reported using their own smartphones. At most locations, Telecom liquid, and at times MTN Zambia were ranked more favourable. Mobile internet access is relatively better for users located in most urban areas.

iii. Stable fibre connectivity: private sector institutions and civil society organisations reported having fibre connectivity at their offices. On fibre, it was reported generally that internet connectivity is of acceptable standards whether urban or rural areas.

iv. Backup internet services: key informants based in rural areas reported alternate use of internet service between providers as a solution for backup services. The case was, however, slightly different with urban respondents who in some cases had access to dedicated backup service providers.

v. Intermittent quality of service: rural areas experience frequent intermittency in quality of service with an exception of Liquid telecom. It was felt that intermittency in quality of services bordered on manipulative practices. The situation gets worse as the distances increase away from central trading places within individual districts. Most key informants from academia reported having good quality of service.

vi. Obsolete computers & accessories: Out of the population of approximately 180 key informants, a sample size of 60 of public service workers based in rural areas reported use of obsolete computers. At other times, the computers were insufficient. However, the position was not the same with key informants from private sector institutions and those from urban areas.

vii. Intermittent Power supply: instability in power supply was identified as a challenge besetting optimal utilisation of ICT systems.

14.3.2 Software applications

Software is a core subcomponent of the ICT infrastructure as it allows users to interface with onboard hardware, telecommunications and network peripherals. The software industry in Zambia is growing steadily with both local ICT entrepreneurs competing alongside foreign ones for the development, customization, implementation, and after support services. The establishment of the e-government division in Zambia has strengthened the harmonisation and use of software applications, email and websites within and across MPSAs. Strides have been achieved in the government-to-customer (G2C) e-Commerce models between government and citizens exemplified by the operationalization of the e-services portal, the Zamservices. In general, the software industry in Zambia actively involved in the development of customized software applications including Fintech solutions is on the rise with indigenous local firms proactively involved in the subsector. The Copperbelt University (CBU) software development subsidiary known as CBU-IBIC, for instance, is aggressively engaged in the marketplace on large scale software deployment engagements particularly for quasi-government institutions. Despite growth potential of software industry coupled with new policy pronouncements in general, a myriad of challenges hampers the meaningful growth of local software development houses. Further to the issues under review, stakeholders identified the following as challenges;

i. Use of internet based email services: it was reported that most of public service line ministries based in rural areas are still using their own internet based email addresses such as Yahoo!, Gmail, and Hotmail to conduct government related communication. The situation was slightly different from users located in urban areas, majority of whom have been migrated to Government Wide Area Network (GWAN).

ii. Non-availability of software applications to enable trade and/or business processes: it was found out that different forms of software applications are deployed in facilitating work. Few informants however, reported using specialised software applications for e-Commerce or general trade such as ZRA who use the ASYCUDA world. Informants drawn from other public and private sector institutions stated that they do not have in-house specialised software applications dedicated solely to trade facilitation.

iii. Use of pirated copies of Microsoft Office: it was reported that the use of MS Office applications was common within workplaces; however, majority from line ministries located in rural areas reported using pirated versions of MS Office.

iv. Varying levels of support provided on software applications: key informants both from urban and rural areas, as well as from MPSAs and private sector institutions reported that the nature of software support provided is dependent on the nature of purchase agreements entered into by respective institutions with software providers which could be internal or externally outsourced.

14.3.3 Skills and capacity

Since 2015, the learning of ICTs has been made mandatory in Zambian schools to promote ICT use. However, the initiative has been hampered by many challenges including Internet and network connectivity, inadequate computers and complimentary facilities like reliable electricity (Educational Statistical Bulletin (ESB, 2018). At higher education level, nearly every higher institution of learning is currently running myriads of computer science or Information Technology-related programmes. In addition, tech-hubs and telecom companies like Huawei Academy and Cisco provide industry-specific ICT skills training in telecommunications, networks and software coding on a short and long-term basis. The need to align these programmes to changing market dynamics and national development plans should be at the core of effective delivery.

Sector institutions and bodies such as BOZ, and ZICTA conduct sensitisation programs on use of ICTs within their mandates in collaboration with respective partners. Resistance to these sensitisation programs by some stakeholders is always expected arising out of lack of knowledge of the benefits of technologies and trust related issues over the use of digital platforms by the general populace. However, the growing critical mass of young people with ICT skills and vested interest in ICT related innovations should be equipped with matching entrepreneurial skills in order to turn their innovations into commercial ventures (IDES 2022, p. 20). The consultation process with the various stakeholders identified the following issues as factors affecting skills and capacity;

i. Use of MS Office productivity tools/applications: it was reported that skill levels and competencies in use of MS Office productivity tools varied from individual to individual and from one specific application to another.

ii. Use of e-Commerce and Websites: It was reported that use of ecommerce websites was mostly used for purchase of personal items by some informants while others reported never to have used any online purchase platforms.

iii. Skills in software coding: it was reported that none of the key informants reported possessed skills of computer coding.

iv. Skills for software installation and configuration: it was reported that none of the key informants possessed skills in installing or configuring software application programs and /or operating systems.

v. Skills in computer repair and maintenance: it was reported that none of the key informants possessed skills in computer repair and maintenance.

14.4 Status of Digital Economy in Zambia

Zambia's adoption of ICTs has accelerated the development of the digital economy and an ambitious e-Government programme. There are a number of initiatives that are being implemented to promote digitalisation in Zambia.

14.4.1 E-Government

The establishment of SZI has resulted in a vibrant government online presence and the many forms of ecommerce models that have since emerged between and across inter-government agencies and the marketplace (**Smart Zambia e-Government Plan 2017, p. 12-13**). Along government-to-government (**G2G**) ecommerce models and in order to enhance transparency and accountability within the Public Financial Management (PFM) mechanism, the Integrated Financial Management Information System (**IFMIS**) has already been implemented. The IFMIS is a computerized system designed to support management of public sector budgetary, financial, and accounting operations (PFM handbook, 2017, p. 10). The IFMIS also integrates the Treasury Single Account (**TSA**), a unified structure of government bank accounts through which the government transacts all its receipts and payments.

In shared IT services domain, majority of public institution's previously siloed information portals have been integrated to the Zamservices Portal or Government Bus (**https://eservices.gov.zm/#/service-directory**). This has been done to optimize the use and provision of unified-IT services across MPSAs. At present over 280 different types of e-services facilitating government-2-business in agricultural marketing and veterinary services, seed control and certifications, tourism and wildlife services, immigration, tax payments and cross-border facilitation, business registration and compliance, road tax and vehicle insurance, co-operatives, competition and consumer protection, survey services and lands management, water resource management, environmental management, forestry, police services and, mining and mineral resource management (https://eservices.gov.zm/#/service-directory) among others are e-services available on the Zamportal to facilitate ease of doing business in Zambia. Similar initiatives premised on the shared-services approach have been implemented such as government's official email addresses, e-cabinet, skype-for-business, voice-over-internet, and telepresence using the government-wide area network (**Smart Zambia e-Government Plan 2017, p. 12-13**). In addition, the Zambia Public Procurement Agency (ZPPA) implemented the electronic procurement system (e-GP) aimed at strengthening the supply chain of government agencies providing varieties of raw materials, products, and services essential for the effective running of government.

In essence, the various forms of ecommerce models such as e-payslips for public service workers and e-Health services are curtailing costs associated with bulky printing and delivery of manually driven services. Smartcare, an electronic health record system works to improve continuity of care and clinical management, has replaced the use of manual clinical files patients were previously required to tug-along whenever they sought healthcare services at the next health facility (**e-Health strategy 2017-2021, p. 43**). The post COVID-19 pandemic era has also exacerbated use of e-services in the delivery of educational learning content and regular work meetings. The use, therefore, of Google meet, Zoom, and Moodle for regular meetings and online lessons, is now a common feature across many institutions in Zambia today. Moreover, stakeholders such as the Zambia Research and Education Network (**ZAMREN**), and SchoolNET Zambia are promoting the integration and use of information technologies in teaching and learning in both private and public learning institutions in areas including the setting up of ICT facilities, provision of e-learning platforms, Internet access, capacity building, and are further promoting the coordination of research work amongst learning institutions and linking them within and beyond the borders (**Foley. M, 2016, p. 1-2; & https://schoolnetafrica.net/index.php?id=1457**). The consultations with the stakeholders identified the following issues as factors affecting e-government;

i. Slow pace of integrating software applications across government institutions: it was reported that there is slow pace regarding integrating and harmonizing ICT services across MPSAs through the shared IT services strategy with rural areas being most affected. .

ii. Weak integration of business information flow across regulatory bodies with trade facilitating agencies: it was reported that there is lack of information flow between and across regulatory authorities with trade facilitating institutions such as the Zambia Development Agency (ZDA).

iii. Obsolete and poor state of computers and accessories: it was reported that across public service institutions particularly in rural areas, ICT equipment and accessories are generally obsolete.

iv. High costs of ICT equipment: it was reported that there is high costs of purchasing ICT equipment. The high costs aside from taxes were also attributed mainly to exchange losses incurred when purchasing foreign denominated prices on equipment.

14.4.2 Government E-Procurement (E-GP) System

The e-GP system is established under the Public Procurement Act No. 8 of 2020. The e-GP was developed to strengthen the supply chain of government ministries, bodies, and agencies acquiring a variety of raw materials, products, and services essential for the effective running of government (ZPPA, e-GP System, 2016). E-GP is provisioned on the G2B e-Commerce model within the supply chains. The e-GP interfaces between government procuring entities and private businesses in the exchange of services and value. The benefits of the e-GP system across stakeholders are; (i) easy creation and management of tenders, (ii) greater transparency, through the automated publication of tenders and contract awards, (iii) online submission of tenders through the internet and standalone applications, and (iv) to simplify the publication of information to bidders, suppliers and the general public (ibid. p. 1).

The system comprises modules; e-tendering, e-notifications e-registration, e-evaluation/awarding, and e-contracts management (https://eprocure.zppa.org.zm/epps/home.do) to carter to standard procurement documentations such as electronic requests for information (e-RFI), electronic requests for proposal (e-RFP), and electronic requests for quotations (e-RFQ). Although not every MPSA has migrated to full use of the system, it is expected that directives to institutional-user migration should be complied with before the end of December 2023. Further to these issues, stakeholders identified the following as factors affecting the government e-procurement system;

i. Low usage of system by trained procuring entities: it was reported that the system has faced low usage by trained government procuring entities. The low usage was attributed to lack of system ownership by procuring entities. It was reported that at other times system users keep forgetting user credentials. Resistance to change was also cited as a major reason for low use of the system.

ii. Frequent staff transfers in procuring entities: it was reported that there is frequent staff transfers in procuring entities which does impact overall use and ownership of the system.

iii. Low submission of bids by suppliers through e-GP system: it was reported that there is low submission of bids by suppliers through the system. This was attributed to the low uptake of the system by users. Lack of capacity by suppliers on how to submit bids despite being trained was another challenge that contributed to low submission of bids through the e-GP system. Further, key informants reported that the trend of submitting bids on the last day usually resulted in nullification of such bids which further impacted performance assessment of the system.

14.4.3 Level of ICT Uptake in Trade Logistics and Trade Facilitation

Data from the Zambia Update on WTO Trade Facilitation Agreement Implementation (2019) indicated that the country had made significant progress in addressing the digital divide and promoting open and affordable access to the internet for trade logistics and trade facilitation. This progress was evidenced by the implementation of Electronic Trade Portal (https://www.zambiatradeportal.gov.zm/) by the Ministry of Commerce Trade and Industry (**MCTI**), and the use of the Electronic Single Window (**ZESW**) platform on the ASYCUDA World aimed at facilitating trade by enabling stakeholders obtain trade licenses, permits and certificates, trade import, export and transit permit requirements for Cross Border Regulatory Agencies (**https://zesw.gov.zm/zesw/**). The ZDA also implemented the One-Stop-Shop Integrated System (**OSSIS**) to speed up registration processes for businesses (**ZDA, 2015**). The OSSIS also doubles as a platform to share stakeholder agencies client registration information and permit clients online transactions and receive their certificates authorized from all relevant agencies within two hours (**http://www.daily-mail.co.zm/zda-one-stop-shop-system-launched/**). As highlighted in the Zambia Update on WTO Trade Facilitation Agreement Implementation (2019), the OSSIS has strengthened the governance system of institutions, improved the business climate in the country as companies are registered faster.

The OSSIS has also increased business compliance across institutions and high levels of data integrity as participating institutions now hold consistent data sets (**ibid. p. 6**). In related trade logistics and trade facilitation areas, Zampost in 2022 launched the e-Zampost and Zampost Money platforms aimed at fostering a digital transformation in the provision of postal services across Zambia (**www.zampost.com.zm/agencyServices.html**). E-Zampost is a postal management system that provides digital postal services in the field of e-Commerce, e-government and e-logistics. Zampost Money is a digital e-wallet that enables customers to access financial services in local money transfer businesses as well as other value added services such as bill payment services (**ZICTA, 2022**). Further evidence of initiatives towards the Digitalisation of business processes are reflected in the national plans such as the 8NDP (2022–2026) with key focus to enhancing efficiency and productivity for economic transformation. The 8NDP (2022-2026) placed emphasis on ICTs including rolling out of digital communications infrastructure and launch of a satellite; ensuring that citizens in rural areas are connected to socio-economic services through mobile phones and other electronic devices (8NDP. p. 39) and facilitate additional investments in building digital skills, especially among the youth to provide a sound foundation for innovation, including in science and technology (ibid. p. 39). As medium through which exchange of goods and services is facilitated, payments channels play a critical role in trade logistics and trade facilitation. In this regard, the establishment of the NFS in Zambia and its facilitation of transfer of electronic funds across payment channels has been a huge milestone for trade logistics and trade facilitation by digital technologies in Zambia. The stakeholders further identified the issues below as challenges to ICT uptake in trade logistics and trade facilitation;

i. Non-existence of universal access fund for postal service: it was reported that the universal service fund does not exist in Zambia. As a result, the provision of basic postal services especially in the underserved regions is always compromised.

ii. Non-existent national addressing system: it was reported that it's the absence national addressing system makes sorting of mail for delivery challenging resulting in misrouting of mails.

iii. Non-existent virtual addresses within existing legislation: it was reported that because of its absence, customers are unable to track and trace parcels, and request for change of delivery to their preferred locations other than through the Postal Infrastructure.

14.4.4 National ICT and e-Commerce Policies, Legislation, and Regulation

The policy making mechanisms are important in shaping the ICT sector in Zambia. Given the cross-cutting nature of ICT, MPSAs and non-state actor institutions are the key stakeholders to the policy making processes regarding ICTs. Specifically relevant ministries and ZICTA proactively promote and lead the policy formulation and coordination processes in the sector. In Zambia, the sector comprises two sub-sectors, i.e., broadcasting and telecommunications. Broadcasting is responsible for radio and television broadcasting while telecommunications is responsible for telecommunications and postal services. The Independent Broadcasting Authority (IBA) and ZICTA respectively are the respective regulatory bodies.

To this effect, policies and statutes such as the ICT policy of 2006, ICT Act No. 15 of 2009, electronic government Act No. 41 of 2021, Data Protection Act No. 3 of 2021, Electronic Communications and Transactions Act No. 4 of 2021, and Cyber-security and cybercrimes Act No. 2 of 2021, have collectively been the bedrock supporting the structures of ICT governance in Zambia.

Although the existing policy and regulatory framework in Zambia provides a strong foundation for establishing an enabling environment for sustainable e-Commerce (IDES, 2022, p. 15), the legal and regulatory requirements aimed specifically at supporting e-Commerce are inadequate. This is notwithstanding that e-Commerce holds enormous potential to boost productivity and increase access to new markets as highlighted in both the 7NDP (2017, p. 80-81) and UNCTAD Rapid eTrade Readiness Assessment report (2018, p. 2). The consultation process with the various stakeholders identified the following issues as factors affecting national ICT and c-commerce policies, legislation, and regulation;

i. Non-existent e-Commerce policy: it was reported that the e-Commerce policy does not exist. This makes it difficult to regulate and enforce the law in the e-Commerce space. Further, it was reported that the non-existence of the ecommerce legislation renders non-use of the escrow accounts used to protect consumers in the online purchase cycle thus, exposing them to fraud incidents.

ii. The existing ICT policy is not aligned with the regional Digital Trade Protocols.

iii. National ICT policy does not incorporate themes on emerging technologies.

iv. Duplication of regulatory functions: it was reported that there is duplication of regulatory roles amongst regulators which affect smooth delivery of services.

v. Non-existent regulatory oversight on online baiting: it was reported that there is non-existence of regulations on online baiting and baiting companies.

vi. Absence of online regulatory interactive forum: key informants expressed dissatisfaction over the absence or non-existence of a unified online platform and/or forum where external private stakeholders can directly engage key public institutions concerning the assessment of policy, regulation, and legislative matters affecting digital economy.

vii. Gaps in the existing laws: key informants submitted that the existing pieces of legislation that guide use of e-services and data, i.e., Data Protection Act, Cyber security and cybercrimes Act, and Electronic Communications and Transaction Act, are inadequate to support e-Commerce.

viii. Non-existent e-Commerce legislation: it was reported that there is non-existence of legal provisions guiding use of ecommerce in Zambia.

14.4.5 Digital Innovations and Entrepreneurship

Digital innovations and entrepreneurship fuel Digitalisation of business processes across sectors including trade as highlighted in the IDES (**2022, p. 18**), and hold great potential to drive job creation, and inclusive growth of Zambia's economy (**ibid. p. 18**). Some initiatives exist in Zambia that seek to encourage technology innovations and startups. These initiatives carried out by specific public service bodies and agencies in partnership with non-state actor stakeholders' aim at harnessing digital skills and groom digital talent among especially young people. The initiatives further seek to equip start-ups with business plan evaluation and development, financial linkages, financial management skills, business modeling, and access to business networks. The initiatives include ZICTA ICT innovation programme (**https://www.zicta.zm/news/2022-zicta-ict-innovation-programme**), Technology Business Development Fund by National Technology Business Council (**https://ntbc.co.zm/**), National Institute for Scientific and Industrial Research (**NISIR**) and Huawei's Innovation Fund (**https://english.news.cn/20220323/75ac3c4b477840f0895cf73bbbb187e2/c.html**). In a similar vein, recent policy developments such as regulatory sandboxes separately run by BOZ and SEC have encouraged the emergence of new technologies thus enabling revenue and employment.

Despite these efforts aimed at promoting ICT innovations and entrepreneurship, there is a limited pool of entrepreneurs focusing on innovations outside the financial sector (**IDES, 2022, p. 18**). The uptake of ICTs in the transport sector for bus and taxi reservations and bookings, and the general facilitation of passenger movements on operators like Ulendo and Yango exemplify the rate at which technologies continue to permeate the different facets of the economy. The role of ICT advocacy by civil society organisations is also taking root demonstrated by Panos Institute Southern Africa, Center for Contemporary and Emerging Technologies (**CCET**) to provide informed researched data and matrices within Zambia's digital economy in collaboration with relevant state actor institutions. The disconnect between academia and industry continues to negatively impact unique skill set transfer requirements for transformative innovations. This is exacerbated by a school curriculum that has traditionally been tailored to formal employment (**ibid. p. 18**). In addition, challenges of access to affordable financing such as through venture capital by existing entrepreneurs, limited infrastructure to develop and test prototypes such as physical working space, access to equipment and devices with required capacity, access to Application Program Interfaces (**APIs**) that would simulate real environment and short codes, fast and stable internet connectivity, and cloud hosting space for applications, are some of the issues that continue to stifle growth and uptake of entrepreneurial innovations and, thus, retard the development of Zambia's startup ecosystem (ibid. p. 19). The following were identified as issues impacting digital innovations and entrepreneurship;

i. Low digital education & sensitisation: it was reported that there is low digital education and sensitisation in the communities.

ii. Inappropriate ICT digital skills: it was reported that content in ICT curriculum in schools is not aligned to needs of industry.

iii. Limited software development infrastructure: it was reported that the country lacks a robust infrastructure to develop and test prototypes, including physical working space, access to equipment and devices with required capacity, access to APIs that would simulate real environment and short codes, fast and stable internet connectivity, and cloud hosting space for applications.

iv. Unavailability of ICT infrastructure to support emerging technologies: it was reported that there is lack of modern and robust technology infrastructure such as 5G to support emerging technologies.

v. Limited sources and high barriers to capital: it was reported that Zambia does not have a favourable financing regime for local entrepreneurs as capital markets offer unfavourable conditions such as rigid collateral regime and the general high cost of borrowing.

vi. Limited knowledge on the existence and significance of the government cloud: it was reported that there is generally lack of knowledge regarding the existence and the significance of the government cloud in the Zambian market.

14.4.6 Digital Enabled Payment Instruments

Several reforms have been instituted in the financial sector by BOZ to realign financial systems in the country. Notable financial payment transformations in Zambia within the last fifteen years have been the enactment of the National Payment Systems Act of 2007, implementation of Europay MasterCard Visa (EMV) payment card standards (**BOZ, CB Circular No. 13/2014**), establishment and incorporation of Zambia Electronic Clearing House (ZECH), and its attendant functions, viz., Direct-Debit and Credit-Clearing (DDACC); and the upgrade of the Real-Time Gross Settlement (**National Payment Systems, 2017**).

The National Payment Systems Act of 2017 empowers BOZ to provide for the management, administration, operation, supervision and regulation of payment, clearing and settlement systems. The ZECH facilitates electronic clearing of DDACC, Electronic Funds Transfer (EFT), and Cheque Image Clearing (CIC) between and across registered Commercial Banks. The process of clearing is performed from the clearing centre where each bank's electronic files are encrypted and pooled for onward transmission to the ECH using the public key infrastructure (PKI). The implementation of the NFS allows the switching, and interoperability in the electronic payment transactions conducted across Mobile Money platforms, ATMs and POS systems. The payments cards over the NFS comply with specifications developed by the consortium of Europay, MasterCard and Visa (EMV) and are issued with chip and/or PIN.

Other developments included the authorization of Mobile Money issuance in 2018, and the establishment of the National Financial Switch in 2019. These developments in the financial sector have consolidated Zambia's financial market infrastructures, i.e., both systemically and non-systemically important financial payment systems that continue to deliver services critical to the well-functioning of financial markets. Further, the interoperability in the non-systemically important payments ecosystem comprising Automated Teller Machines (ATMs), Points of Sale (POS) systems, and Mobile Money payment systems has been made possible with the recent establishment in 2019 of the NFS.

The NFS has significantly contributed to reduced transaction costs incurred by local consumers while transacting on the ATM/POS systems. This is because previously the charges also incorporated the switching costs accrued to international switches such as VISA. This interoperability has further made it possible for consumers to transact from one mobile money wallet to another mobile money wallet, and from a mobile money wallet to a bank account, and vice versa. This interoperability has in essence induced financial inclusion, reduced use of paper money, and increased volumes of transactions processed on one single platform resulting in lowered costs, thereby making payment transactions more affordable (BOZ, 2019). Similar to e-wallets, mobile money services adapt the use of Unstructured Supplementary Service Data (**USSD**) technology when processing payment transactions over telecoms infrastructure related to bill payments, funds transfer, and airtime purchases over mobile phones. The consultation process with the various stakeholders identified the following issues as factors affecting digital enabled payment instruments;

i. Differentiated pricing between Mobile Money and Banking platform: key informants identified differentiated pricing between Mobile Money and Banking platform as a challenge. It was observed that the setting of different prices by each service provider over the same product or service on the basis of customer type, and/or time is itself discriminatory practice which disadvantages consumers and directly impacts trade facilitation.

ii. Lack of a digital biometric identity system: it was reported that the continued lack of a digital biometric identity system poses a great challenge in the authentication processes and makes it difficult to protect against online fraud and proof attacks.

iii. Differentiated KYC requirements: key informants submitted concerns over the different KYC requirements for players in the digital payment ecosystem which negatively impact coordinated approaches to combating vices such as fraud, corruption, money laundering and terrorist financing.

iv. Existence of manual business processes: key informants identified the existence of manual processes within the government's business service ecosystem, and in the general economy.

14.4.7 Level of Digital Uptake in Zambia

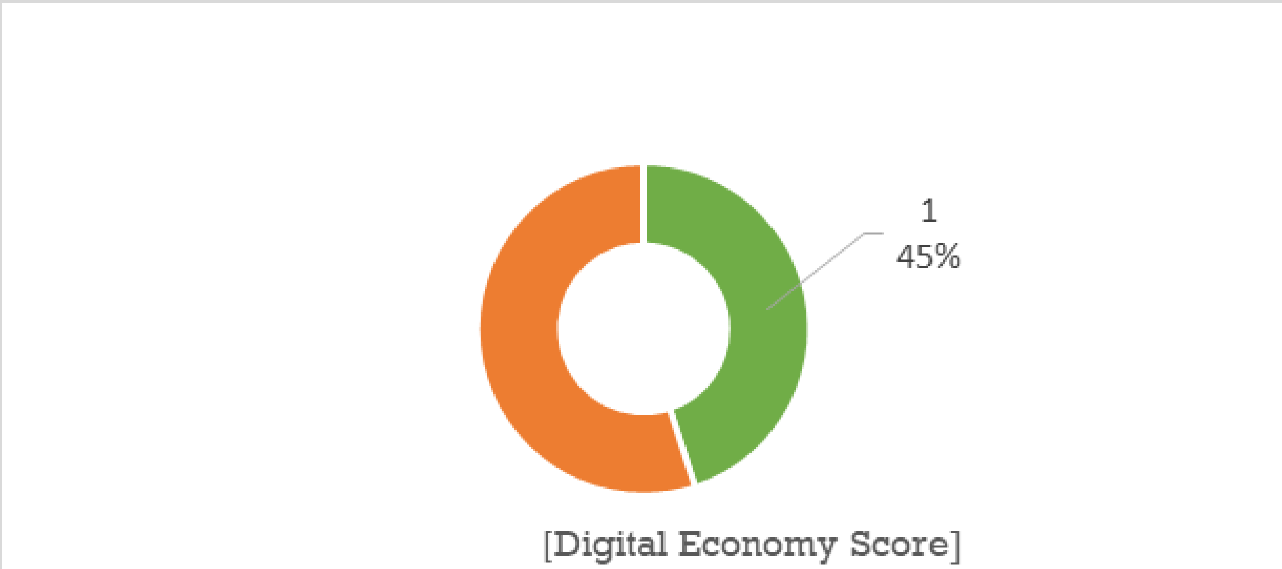
The UNCTAD (2018) Zambia rapid eTrade readiness assessment report puts into perspective the level of uptake of the digital economy in Zambia. Not only did the report identify gaps in the adoption of digital economy, it also provided useful recommendations that would address the e-Commerce and e-trade challenges within the Zambian economy. On the whole, data from national documents that address challenges of digital economy such as the IDES (2022) report shows that much effort is still required to address the issues identified in the earlier UNCTAD (2018) report.

Among the challenges identified were limited capacity of regulators to support start-ups and e-Commerce, inadequate legal and regulatory framework and under-resourcing of technology hubs which hampered skills development for e-Commerce. In the area of trade logistics and trade facilitation, the report identified physical addressing as being weak particularly in the unplanned settlements growing across the country. In similar vein, the report identified long distances, toll fees and many non-tariff barriers as factors that make trade logistics expensive not only in Zambia but across Southern Africa region. The UNCTAD (2018) report highlights challenges of poor connectivity, access to internet and low uptake of digital platforms by especially low income and majority rural populations as factors that inhibit digital payment solutions and ecommerce. Other challenges include inadequate ICT infrastructure and equipment in schools, lack of skills, appropriate policy and regulatory frameworks, and innovation and entrepreneurship. These challenges have contributed to limiting the usage of digital solutions as evidenced by Zambia's Inclusive Digital Economy Scorecard (IDES).

14.4.7.1 Overall Digital Economy Score Stand

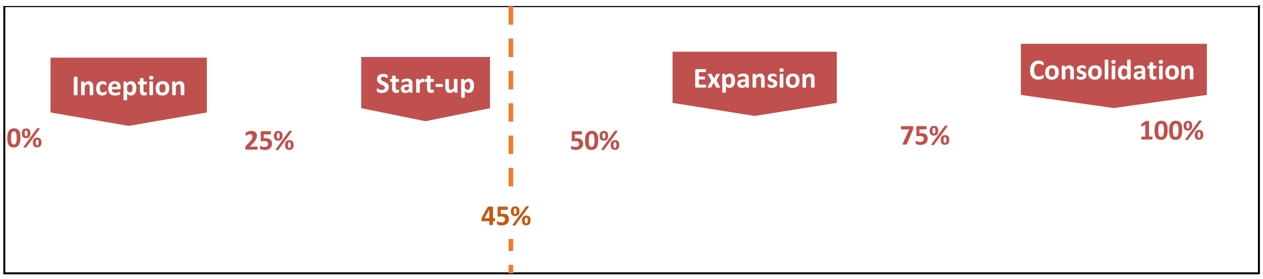
Data from the Inclusive Digital Economy Scorecard (IDES) indicated that Zambia's overall digital economy score stands at 45 percent, i.e., an average score of the digital economy components consisting of, regulatory framework 59 percent, digital infrastructure 48 percent, innovation 34 percent, and skills at 41 percent (IDES, 2022. p. 13).

Figure 14 1: Figure 14.1: Overall Zambia's Inclusive IDES Score, Courtesy IDES Report 2022



The overall digital economy score of 45 percent places Zambia at the top end of start-up phase (**Figure 14.2**) near the limit for transitioning into expansion phase. The score is reflective of the emphasis the government places on advancing digital inclusion, particularly in the financial sector and focusing on the development and advancement of ICTs in national development policies such as the Vision 2030 and the 7NDP (**IDES, 2022**).

Figure 14 2: Phases of an Inclusive Digital Economy, Courtesy IDES Report



Zambia's efforts in growing the digital economy have, so far, relied mainly on increased public-private cooperation, enabling policy and regulation, digitizing government operations and services, and building digital infrastructure (p. 12). Examples of these efforts include drafting of the ecommerce policy[48], various pilots to digitize payments for the national social cash transfer program, identifying ICT as a key pillar in the Seventh National Development Plan (7NDP), implementation of a national financial switch (NFS) to enhance interoperability within the financial sector, and the Bank of Zambia's (**BOZ**) goal to achieve a cashless society by 2030. The 59 percent score on policy and regulation is owed to a number of government ministries and agencies that have undertaken individual efforts to

[48]The e-Commerce policy was still in draft form at the time of this study

promote the digital economy, and several policy initiatives such a tiered Know-Your-Customer (KYC), non-bank e-money issuance and overarching regulatory framework to enforce cyber security (p. 12).

14.4.7.2 Digital Infrastructure

In the area of digital infrastructure, the IDES (2022) places a score of 48 percent indicating that while some advancement have been made, the country's digital infrastructure needs further development to enhance increased access and inclusion (p. 12) particularly to rural populations where 55 percent of Zambia's population currently resides. Priority areas for digital infrastructure include promoting coverage and active use as well as promoting the uptake of digital platforms (IDES, 2022, p. 18).

14.4.7.3 Digital innovation

In the sphere of innovation, the IDES (2022) report indicated that Zambia's innovation ecosystem has seen growth and development over the last two to three years with the emergence and growth of innovation hubs, incubation programs, fintechs and other digitally-enabled start-ups (p. 12). In this regard, the 34 percent score is reflective of the presence of technology and entrepreneurship support for start-ups in the digital economy, but also indicates the need for increased growth and diversification in the innovation ecosystem (p. 13). Identified priorities within the innovation ecosystem include enhancing technology adoption, developing innovation talent, ensuring adequate infrastructure to support innovation, and developing a policy framework that encourages innovation (IDES, 2022, p. 19).

14.4.7.4 Digital skills development

In digital skills development, the UNCTAD (2018) report identified skills gaps particularly in sectors needed for e-Commerce, i.e., web development, applications development, content management, and digital products development, etc. (p. 2). The digital skills component score in Zambia stands at 41 percent (IDES 2022), an indication that foundational skills for building an inclusive digital economy exists but could further be strengthened. Within this score, it was reported that basic skills score is relatively high at 66 percent, while financial and digital literacy skills trail at 20 percent and 38 percent respectively (ibid. p. 19). The relative high score in basic skills attests to the presence of some digital transformation in this regard such as the inclusion of ICT education in primary school curricula to the introduction of digital learning platforms by the Technical Education, Vocation and Entrepreneurship Training Authority (TEVETA) and the Examination Council of Zambia (ECZ) (p. 13). The report identified priority areas including inter alia, to ensure adequate ICT infrastructure and equipment in schools, filling the human resource gap in schools, ensure digital learning programs in schools also cater for persons with disabilities and children in rural areas, conducting surveys on digital skills to gain up-to-date data, increase connectivity to remote areas, and engage service providers to provide affordable internet to the less privileged (IDES, 2022, p. 20).

14.4.7.5 Digital Inclusiveness

Zambia's Digital Inclusiveness Score of 53 percent, indicates that 47 percent of the country's population does not participate in the digital economy. The score is broken down further to indicate the segments of the rural population, women, youth, the elderly, refuges, migrants, the disabled, and MSMEs that do not participate in the digital economy (p. 14). Women, youth and MSMEs have a score of greater than 50 percent, with women inclusion being the highest at 66 percent. The report concluded that the 47 percent of the population who do not participate in the digital economy can be integrated by developing strategies and initiatives that build upon the progress made thus far in achieving inclusion among key segments, i.e., rural population, youth and MSMEs (p. 14) such as increasing access to finance for MSMEs. The report further stated that digital inclusion for MSMEs represents an opportunity to increase visibility, efficiency and connectedness to other market players who in turn can provide critical services such as access to finance and trade markets (p. 14).

14.5 Recommendations

i. Develop and expedite the implementation of the national e-Commerce policy and strategy to guide and protect consumers in the digital space and provide for its enactment.
ii. Update the national ICT policy to reflect contemporary ICT issues, concepts and principles on emerging technologies and align it to the African Continental Free Trade Area Digital Trade Protocol meant to facilitate regional e-Commerce.
iii. Harmonise regulatory functions across regulatory agencies involved in digital economy.
iv. Strengthen regulations on online transactions and e-Commerce.
v. Strengthen collaborative framework between regulators in order to address issues of duplication of roles in the digital economy by regulators
vi. Enact the National Postal Policy as provided for in the National Postal Policy (2020).
vii. Harmonize pricing between Mobile Money and Banking platform by introducing flat fees for all digital transactions across players in the digital ecosystem to remove discriminatory and abusive pricing
viii. Accelerate the establishment of the Integrated National Registration Information System (INRIS): to ease identity and authentication processes for efficiently and effectively combating crime
ix. Enhance system protection mechanisms against cyber-attacks and create coordinated cyber detection and response mechanisms.
x. Ensure stable connectivity between the Zambia electronic clearing house (ZECH) and MNOs to minimise disruptions in financial transactions and value exchange across value chains
xi. Address gaps and strengthen existing laws to strengthen the Data Protection Act, Cyber Security and cybercrimes Act, and Electronic Communications and Transaction Act by addressing gaps while strengthening them to support the rapidly growing digital economy and e-Commerce.
xii. Enact the National Postal Policy as provided for in the National Postal Policy (2020).

The above are recommended as priorities to resolve the problems affecting the digital economy. In addition, implementing the following, though not prioritised could foster efficiency in the sector.

14.5.1. Telecommunications and Networks (Access, Availability and Affordability)

i. Promote coverage and active use by enhancing universal network access, especially in rural areas by making use of co-location, and encourage roaming in the underserved areas.

ii. Expedite expansion communications towers, and fibre connectivity. In a similar vein, enhance efficiency in the management of the national power grid and encourage supplementing with alternative power sources such as renewable energy.
iii. Adopt the use of Free and Open-Source Software (FOSS) software and where possible supplement use of proprietary software with FOSS for government-wide use to reduce the total cost of IT ownership and increase wide use of software applications to as many public service employees as possible. The use of FOSS works to cartel use of pirated versions of software productivity tools especially among public service employees.
iv. Reduce taxes associated with use of ICTs so as to induce corresponding effects on accessibility, affordability and availability. Introduce tax free zones to particularly rural locations to stimulate private sector led telecom initiatives.
v. Develop a universal access fund for postal service to expedite the identification process of physical addresses for customers while implementing the National Addressing and Postal Code System.
vi. Skills and capacity among school going children by aligning ICT curriculum relevant to industry. Increase sensitisation programmes in the area of ICTs.
vii. Expedite migration to use of official government email service especially to public service workers based in rural areas in order to maintain confidentiality over government information.
viii. Expand ICT infrastructure for internet access by exploring alternatives such as use of satellite technology for internet access while placing encryption/decryption of data security concerns as priority.

14.5.2 Software applications

i. Expedite Integration of software applications across government institutions: expedite the integration of software applications across government institutions to achieve maximum benefits from shared IT services.
ii. Adopt the use of Free and Open-Source Software (FOSS) software by use of proprietary software with FOSS for government-wide use to reduce the total cost of IT ownership and increase wide use of software applications to as many public service employees as possible. The use of FOSS works to cartel use of pirated versions of software productivity tools especially among public service employees.
iii. Introduce tax incentives on ICT resources to increase sector player participation and investment in the ICT space.
iv. Implement conducive software development infrastructure capacitate developers with ability to develop and test prototypes, access to APIs that would simulate real environment, and short codes, fast and stable internet connectivity, and cloud hosting space for applications. Expand use of sandboxes standardisation, compliance and credible testing environments for solutions deployed in the e-Commerce market.

14.5.3 Skills and capacity

i. Implement skills development programme by revising education curriculum across all levels of education to ensure content provided is aligned to industry needs.
ii. Undertake sensitisation and awareness programmes in the area of ICTs.

iii. Enhance coordination in ICT digital skills training involving sector specific agencies and regulatory bodies to intensify engagements and collaborations with institutions of learning to provide appropriate digital skills.

14.5.4 National ICT an e-Commerce Policies, Legislation, and Regulation

i. Enact e-Commerce law to guide the use of ecommerce in Zambia.
ii. Expedite enactment of the revised Cyber-security and Cybercrimes Act of 2021.

14.5.5 E-Government

i. Accelerate Integration of software applications across government institutions to achieve maximum benefits from shared IT services.
ii. Enhance integration of business information flows across regulatory bodies with trade facilitating agencies in order to facilitate business registration, compliance and trade facilitation for both private sector and regulatory bodies and agencies.
iii. Upgrade ICT equipment and accessories for public service employees in order to enable them carry out their work activities efficiently.
iv. Revise ICT school curriculum to match skills need for industry
v. Enhance Digital literacy & Sensitisation involving public bodies and agencies and encourage partnerships with private sector, and civil society organisations on this score.

14.5.6 Government E-Procurement (E-GP) System

i. Accelerate migration to e-GP of all procuring entities as per cabinet office directive with a deadline of December, 2023
ii. Incentivise uptake of e-GP system and upgrade ICT equipment and provide reliable internet.
iii. Enhance sensitisation on use of e-GP system and translation of the system into the seven languages widely spoken in Zambia.
iv. Review, update and implement proposed e-GP system functionality changes and enhance the Contract Management Module, Auditor Generals' Module, and Attorney Generals' Module in order to affect overall performance of the system and also to allow payment reconciliation.
v. Accelerate digitalisation and use of ecommerce in the provision of government services while securing the transactions and services through adoption of among others, digital signatures, and encryption.

14.5.7 Uptake in Trade Logistics and Trade Facilitation

i. Update the national ICT policy:
ii. Enforce existing Data Protection Act, Cyber Security and Cybercrimes Act, and Electronic Transaction Act in order to make them relevant to the rapidly changing nature of the digital economy.
iii. Implement universal access fund for postal service in order to enable provision of basic postal services especially in the underserved regions.

iv. Implement national addressing system which will enable effective sorting, eliminate misrouting of parcels and provide efficiency in the delivery of items by courier service providers to customer locations.
v. Adopt use of Post Office as tele-centres and/or Digital transformation centres and improve the Postal infrastructure for the delivery of ICTs, including stable Internet and connectivity to communities to stimulate the demand side of e-services.
vi. Review legislation which will address the use of virtual addresses and will not only improve efficiency in the delivery of mail and parcels but also because virtual addresses are electronically linked to a mobile device, this enables customers track and trace parcels, enforce flexible payments and request for delivery to their preferred locations other than the Postal Infrastructure.
vii. Enable billing statements on bundle consumption across all digital service providers to enhance transparency in the utilisation of the services.
viii. Reduce tariffs on international roaming in order to incentivise the access to Internet and contribute to trade facilitation.

14.5.8 Digital Innovations and Entrepreneurship

i. Implement conducive software development infrastructure that capacitate developers with ability to develop and test prototypes, access to APIs that would simulate real environment, and short codes, fast and stable Internet connectivity, and cloud hosting space for applications.

14.5.9 Digital enabled payment instruments

iii. Accelerate implementation of Centralised Digital E-KYC Data base in order to provide a coordinated approach to combating corruption, money laundering, and fraud.

14.6 Conclusions

Zambia's adoption of ICTs has accelerated the development of the digital economy and an ambitious e-Government programme. However, the fragmented nature of ICT infrastructure in Zambia continues to work against their full potential, calling for consented efforts to overcome the myriad challenges and achieve efficiency and value delivery from ICTs.

These challenges include inadequate national ICT infrastructure, limited accessibility, poor Internet services coupled with intermittent and unreliable power supply. The lack of a national e-Commerce policy and outdated ICT policy legislation and regulation have made it difficult to regulate and promote e-Commerce. This has, for example, led to exposing online customers to fraud by online scammers. It is therefore imperative that the Government develops and implements the e-Commerce policy to guide and protect consumers in the digital space, and provide for its enactment.

While great strides have been made in integrating software applications across government institutions, there is need to speed up the process of integrating and harmonizing ICT services across Ministries, Provinces, and other Spending Agencies (MPSAs) through the shared IT services strategy for public service employees especially those based in rural areas. In addition, there is need to strengthen integration of business information flows across regulatory bodies with trade facilitating agencies in order to facilitate business registration, compliance and trade facilitation for both private sector and

In order to maximise the adoption of digital solutions in trade facilitation, measures must be put in place to promote software development by providing appropriate infrastructure to develop and test prototypes; including physical working space, access to equipment and devices with required capacity.

The adoption of digitally-enabled payment instruments has opened new horizons for trade logistics and trade facilitation. The implementation of mobile money and banking platforms have expanded digital commerce.

CHAPTER 15: TRADE FINANCE AND PROMOTION IN ZAMBIA

15.1. Introduction

Like many developing countries, Zambia recognises that MSMEs are critical economic growth and export diversification. This requires investment in the development of firms and products for export supplemented by trade facilitation programmes such as trade finance to allow for an easy flow of exports and imports. However, access to credit remains difficult in Zambia despite the introduction of many initiatives to promote access to both the production of exports and trade finance.

15.2. Trade Promotion Support

Zambia has over the years designed and implemented several export promotion strategies in order to diversify its exports. The trade promotion activities focus on specialised incentives and improving market access for large exporting firm and support to developing MSMEs into export ready firms and to a lesser extent trade finance. These initiatives are implemented mainly through the through state business and export promotion agencies such as the ZDA, CEEC and the credit guarantees scheme. The state financed agencies have different yet closely related mandates. The CEEC was established to empower citizens with access to low-cost credit and preferential procurement to MSMEs that are citizens owned or influenced or led that are marginalized by the formal financial system either on the basis of lacking collateral, limited knowledge or bankable projects that meet the criteria set by lending institutions. These MSMEs are also supported through complementary services in form of business development support initiatives such as training, mentorship, corporate turnaround services, business plan development, handhold and transfer services and market linkage facilitation and reservations schemes to its members.

Another statutory body, ZDA's provides a range of business development support services to formalize SMES and product quality assurance for domestic and export markets of formalized MSMEs. The agency works in capacity building, product development and business incubation services. The quality assurance aspects include product packaging and labelling with support from the standards bureau and qualifications authority. The agency does not provide credit. Rather it links viable SMEs to banks and other programmes for financing. In addition, the agency facilitates market linkages with local supermarkets and trade information support that includes export services, international trade missions' facilitation, and matching meeting with potential trading partners. The state also runs a credit guarantees scheme that aims at fostering MSMEs' access to credit.

While these services are beneficial, access to trade finance and promotion remains difficult. Most of the MSMEs observed that the state initiatives are not sufficient to meet their capacity building and financial requirements to become competitive in the export markets. While ZDA facilitates MSMEs access to financial institutions, most of them lack collateral and appropriate bookkeeping to access credit from the banks. On the other had CEEC provides loans to MSMEs. However, the interviewed MSMEs observed that the process to access these funds is burdensome and takes too long. In most cases, the funds are inadequate to support substantial investments and is erratically provided. For example, the commission advertises the funds periodically and may not be in synch with the firms' business cycles. Respondents also noted that CEEC and ZDA bodies have remained centralized with limited presence and services to provinces outside Lusaka and the Copperbelt.

Further, government has established the credit guarantees scheme for the SMEs. The essence of the scheme is to de-risk the credit to SMEs. The scheme allows eligible SMEs to access credit from qualifying banking financial institutions. The borrowed funds are guaranteed by the government scheme. In 2022 the scheme had over US$2 million for this purpose.

In addition to state agencies, a number of initiatives both private and donor and government co-financed initiatives have merged in recent years. However, most of the emerging services target specific industries. The rest of the chapter highlights the state of trade finance in Zambia and the policy implications.

15.3. Trade finance

Access to trade finance remains difficult; improvements in supply and demand conditions would increase trade opportunities and diversification.

Zambia's financial system has been expanding rapidly during the 2010's. Still, the share of the adult population having access to access to formal financial services is not exceeding 40%, with a significant difference between urban (33%) and rural areas (10%). If one combines formal and informal financial services, the level of financial inclusion is estimated between 60% and 70% of the adult population. In recent years, financial inclusion had benefitted from a substantial uptake of mobile banking, which is the most used of non-bank financial services. Commercial bank services are mainly used by high-income workers and business owners. There are currently seventeen commercial banks licensed by the Bank of Zambia (Central Bank) and 48 non-bank financial institutions (including microfinance institutions). The World Bank noted the growing presence of fintechs in Zambia, providing innovative payment and credit services, including to SMEs. The well-established presence of foreign-owned banks in Zambia facilitates inflows and outflows of international payments through their own correspondent banking relationships.

The financial sector, like the rest of the economy, was hit-hard by and during the Covid-19 pandemic, and subsequently by external debt issues. According to a recent survey, the pandemic period had been marked by reduced revenue, heightened credit risk, and a rise in non-performing loans in the non-bank sector, in an overall macroeconomic environment characterised by a succession of economic shocks, such as: a recession in 2020, an increase in inflation in 2021 (declining in 2022), and balance of payments difficulties coupled with growing external debt repayment difficulties and a depreciation of the Kwacha's exchange rate. Compared to the pre-pandemic situation, the expansion of the banking industry has been slowed by the deterioration of the country's sovereign ratings – which remains degraded, an increase in the impairment of loans, a general increase in the cost of lending, and difficult access to foreign exchange. According to the World Bank (2021), one year after the outbreak of the pandemic 70% of local businesses still reported depressed demand for their goods and services, while the share of Zambian firms involved in export activities had fallen.

The high share of trade in the economy of Zambia underlines the importance of access to trade finance. The trade to GDP ratio (export plus imports) of Zambia is historically about 70%. Export's financing is essentially linked to exports of copper and cobalt, which account for the bulk of total exports, and to other exports such as cotton, coffee, fresh flowers, tobacco, and electricity. The main imports include oil and gas, vehicles and transport equipment, metals, industrial machinery, construction materials, food. A relatively high share of exports and imports are linked to large contracts, on the export side by exports of commodities (Zambia being one of the world's largest exporters of copper), for which pre-export financing is arranged by international commodity firms and associated international banks. On the import side, some large import items are linked to infrastructure projects (such as road and construction projects), financed by foreign export and import banks and related corporations. In the structure of the country's external debt, bilateral suppliers' credit account for about 30% of the total.

The country's main commercial banks offer in principle a relatively wide array of trade finance products, relative to what can usually be found in Sub-Sahara Africa. Zambia main banks, some of which are local subsidiaries of large international banks, can offer a relatively large choice of trade finance products, relative to what can be seen in other, less developed financial sectors of other countries in Sub-Saharan Africa. This includes import and export letters of credit, import and documentary collection, bills of exchange and promissory notes, bank (performance) bonds and guarantees, pre-shipment finance, all of which are relatively traditional forms of trade finance. Invoice finance can be available at certain banks and non-bank financial institutions, although mainly linked to the mining sector. In such cases, advances may be provided for up to 80% of the export receipt against a confirmed invoice/receivable. The list of financial institutions and of the nature of financial services proposed by these institutions is published by the Bank of Zambia.

The expansion of the range of available trade finance products is in part due to improving banking skills and technology, and in part to a liberal financial and payment's legal environment. There are no foreign exchange controls which affect the mode of payment for international trade – and which would make the use of letter of credit compulsory for example. Corporations are free to use foreign exchange, borrow in foreign exchange, repatriate profits and exports earning in foreign currency. International payments can be made in any currency, including by the main inter-bank payment channels such as SWIFT.

While some banks offer a relatively wide array of trade finance products, in practice the market is dominated by a few traditional trade finance instruments. On the import side, letters of credit can be arranged for the largest importers, while trade loans comprise largely revolving, short-term capital and pre-shipment export facilities. These instruments constitute the bulk of trade finance available in Zambia. Letters of credit provide significant advantage regarding the security of the transaction for all parties. Default rates typically lower than for loans. Because of such security, they are most often much less costly than average interest rates charged on loans. However, securing letters of credit is a laborious process requiring significant reputation and documentation, thereby favouring the biggest, most-established customers, which are able to meet bank's requirements. For this reason, only few letters of credit are issued each year, of rather high value when compared internationally (**Box 1**).

Letters of credit

The use of letters of credit is less a matter of legislation than one related to the security of the transaction for all parties. In a letter of credit, the payment is guaranteed by established banks, which ultimately verify the good's journey through an exchange of compliant documents. Banks can keep track of the merchandise journey, ascertain ownership at any point in time, and effect the payment at the time set by the contract/letter of credit. Since letters of credit are standardized internationally according to the rules of the International Chamber of Commerce, recourse in case of conflict is, in principle, easy. In view of the limited level of default and conflict, payments are normally predictable for all parties. According to the African Development Bank Survey on Trade Finance in Africa, the default rate, while somewhat higher in Africa than in the world's average, remains below the average of other categories of local assets. In other words, trade finance, particularly when structured around a letter of credit, is a safer form of commitment for a bank and the parties to the transaction, in comparison to other forms of loans and payment commitments.

The use of letters of credit has mainly developed around rather large export and import contracts. The country's largest banks offer to arrange both import letters of credit for their corporate customers, as well as export letters of credit if needed. To do so, banks require documents such as confirmed purchase order or pro-forma invoices and the import licenses issued, as well as the property ownership documents for letters of credit pledged against collateral. Letters of credit are generally arranged if secured by a collateral asset (cash, landed property, commodities, fixed depositions, bank and corporate guarantees and bonds). Documentation collections (foreign bills for collection) are also available in Zambia. Like letters of credit, documentary collections are document-based guarantees of payment. Unlike letters of credit, the bank is not required to pay the seller if the buyer decides that it no longer wishes to buy. Hence, documentary collection does not provide for the automaticity of payment from the bank when it is presented fully compliant documentation.

Trade-based lending can also be available in Zambia. Pre- and post-shipment finance, supplier finance and working capital loans for the purpose of exporting goods are in principle available from the main banks in Zambia. However, a large share of corporates faces difficulties in receiving trade loan facilities both on the import and export side. These difficulties are not specific to Zambia, they apply to much of Sub-Saharan Africa. They relate to the consolidation of correspondent banking relationships of international banks in Africa, a heightened perception of risk since the beginning of the Covid-19 pandemic, higher levels of interest rates, and collateral requirements which are difficult to meet for many potential clients.

There are significant opportunities for the expansion of trade finance in Zambia. Some banks are developing creative solutions for expanding trade finance along the mining, logistics, and transport corridors. Some of them are working hard to develop early forms of supply chain finance, be it receivable finance, or structured import finance, around new manufacturing projects (peanut butter, raw material, honey, cash crops) and major imports (oil and gas, grain, fertilisers). Newer forms of trade finance such as supply chain finance are at an embryonic stage of development, though. There are still significant barriers to their expansion, which it comes to available skills in the banking sector, financial literacy and book-keeping from smaller clients, foreign exchange availability and volatility. Also, as often in sub-Saharan Africa, collateral instruments are in short supply, particularly from

SMEs, even though some banks are trying to develop new forms of securities around an analysis of firms' future cash-flows and historical performance. Some banks may replace the lack of certified accounts by management accounts for companies keeping good records and having clear businesses and balance sheets.

Despite such efforts, a large share of SMEs, particularly non-traditional traders, are unable to secure trade finance facilities from banks. As evidenced by two recent studies, the African Development Bank's "Trade Finance in Africa – 2020", and WTO-IFC "Trade Finance in West Africa", continent-wide there is a need to put more effort into reducing barriers preventing SMEs and new market entrants from accessing trade finance services, as well as putting in place reforms and policies that reduce information asymmetry and facilitate credit information sharing. The low share of SMEs could be attributed to the higher risk perception associated with this client segment. First time applicants face significant challenges in meeting banks' lending criteria. Adequate financial infrastructure, including credit information systems, is required to de-risk transactions and enhance banks' ability to supply trade finance. Among the major reasons why banks reject trade finance demands include insufficient creditworthiness and lack of acceptable collateral.

For these reasons, the Government of Zambia has put in place mechanisms to support the distribution of short-term trade finance to non-traditional exporters. Since the turn of the millennium, the Zambian Export Development Fund (ZEDEF), linked to the Zambia Development Agency (ZDA), has been supporting firms' access to trade finance, with the objective of diversifying exports beyond mining products, improving supply and demand conditions for smaller firms, and building capacity for sectors having export project but which are traditionally not considered by the banking sector. Since 2006, ZEDEF has been operating a fund (supported by the European Union), allowing to short-term low-cost trade finance to exporters of non-traditional export products at concessional rates, for up to twelve months. Revolving working capital, pre- and post-shipment loans of $10,000 to $200,000 are available to SMEs mainly, is US dollars and Euros. ZEDEF is currently considering combining short-term facilities with term financing, as demand exist also on longer tenors. While being selective in its projects, to ensure good repayments rates, ZEDEF uses a flexible approach to collateral requirements, so it does not become a make-or-break conditions for new firms. ZEDEF is involved in supporting export projects in agriculture, timber, logistics, services, and handicraft. The capacity building dimension of ZEDEF is important, as it works with professional associations. The Citizens Economic Empowerment Commission also help distributing working capital trade loans (as well as purchase order finance and factoring) to already established and start-up MSMEs and cooperatives in all sectors. Contrary to commercial banks requiring cash and land collateral, loans can be secured using movable and immovable assets such accounts receivable, equipment.

The cost of trade-related lending from banks can indeed be very high, and cash-in-advance payments for trade are not rare. Interest rates for suppliers' credit and working capital for SMEs may reach up 20-25% annually. Tenors are particularly short. Collateral requirements are significant, and corporates are usually requested to provide proper accounting and financial, sufficient turnover requirements, and other know-your-customer (KYC) details. As a result of the above, payments cash-in advance are still relatively common, particularly for small traders who cannot secure trade finance facilities. Zambian businesses pay through or accept credit card payments. For large payments, guarantees from a reputed international bank may have to be obtained.

A promising avenue for expanding the supply of trade finance is to develop factoring and other forms of "SME-friendly" forms of trade finance (credit insurance). For years, factoring has been advertised by the African Import Export Bank (Afrexim Bank) as a valuable solution to expand, particularly for SMEs. Some of the main banks and non-banks started to propose invoice financing in Zambia. Various solutions under which banks aim at meeting the working capital needs of their clients exist. Banks may advance up to 80% of the export receipt. These solutions generally apply to existing customers of banks, companies with properly audited account and those having undergone know-your-customer and other due diligence checks. Factoring is advantageous to companies as delays and late invoicing are not unusual in Zambia, straining corporates' cash flows. While factoring is recognised by Zambia's Banking and Financial Services Act of 2017, detailed regulation may need to be developed and the product be promoted for the purposes of meeting the needs of SMEs.

Expanding new, more modern forms of trade finance in Zambia would require some upgrading of both supply and demand. On the supply side, supply-chain finance and credit insurance requires a good appraisal of credit risk within the supply chain, including both small and large companies. Fintechs may help banks improve their grasps on the creditworthiness of the small actors of supply chains. On the demand side, financial education of firms is required, to improve book-keeping, making compliant applications for trade finance, for improving their ability to match receivables and payables, hence optimising their scarce amounts of cash. One challenge for the viability of import-export oriented industries, such as agri-food and light manufactures is to balance out cash inflows and outflows in very short production cycles. Any maturity mismatch between receipts on their exports (typically paid of a 90 days basis) and imports (to be paid after the issuance of letters of credit, either locally or abroad) may leave the company cash-strapped. Besides, any delay in the process of letter of credit issuance may postpone inputs and hence affect production, and ultimately lead to the dissatisfaction of final buyers. It is, therefore, important to educate banks and industries about the potential of short-term receivable and payable financing. Financial education could usefully extend to authorities, as knowledge of trade finance instruments should also be spread between the Central Bank, the Ministry of Finance and the Ministry of Commerce.

The transmission of knowledge about trade finance products, instruments and processes can be promoted through capacity-building and workshops bringing together banks and corporates. Afreximbank, the International Finance Corporation, in collaboration with local financial institutions, are providers of such capacity building. Increasing contacts and partnership with locally established foreign banks might also help the transmission of know-how and learning by doing. International institutions such as the IFC have considerable experience from other countries in building on-site capacity in local banks regarding the use of modern trade finance instruments.

15.4. Recommendations

i. Promote financial education between banks and SMEs on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products, based on ICC publicly available documentation.
ii. Develop and disseminate information leaflet on the setting up of LC, factoring, supply chain finance, and credit insurance facilities; promote education on the low-risk character of trade finance products.

iii. Establish consultative platform, bringing together local and foreign banks, producers associations, the Ministry of Commerce, Ministry of Finance and the Central Bank to develop low-risk finance instruments, in the context of trade finance facilitation programmes

iv. Conduct SME-focused trade finance training workshop, bringing together firms and banks, and examining together concrete SME-friendly trade finance products which could be promoted locally, including those not requiring extra-collateral with support from WTO and IFC

v. Promote Afreximbank model law for receivable financing /factoring

vi. Introduce measures to enable banks to abandon the double collateral requirements (land and merchandise).

15.5. Conclusion

Although trade finance is essential to increasing the trade volumes of goods and fulfilling large contracts, and scale operations internationally, many firms, especially SMEs in developing countries have remained excluded over many years. Many trading firms face considerable difficulties in receiving trade facilities both on the import and export side. Often banks do not have dedicated funds to finance trade. As a result, letters of credit and other facilities are mainly provided to traders if they have funds against which the letters can be issued, with banks charging arrangement fees to guarantee the trade. In instances where loans are available, collateral remains prohibitive.

Further, procedures and requirements for accessing trade finance are prohibitive to many MSMEs as they lack the requisite capital and collateral to access trade finance. However, there are opportunities to expanding the supply of trade finance by developing factoring SME-friendly forms of trade finance. These efforts would need the development of innovative forms of trade finance with low credit risk within the supply chain. These measures should be accompanied by appropriate education and communication strategies to reach out and build capacity of SMEs, most of whom are not familiar with trade finance issues.

CHAPTER 16 OVERALL CONCLUSION

The review and update of the 2014 Diagnostic Trade Integration Study (DTIS) was commissioned by the Government of the Republic of Zambia, Ministry of Commerce, Trade and Industry. The review was necessitated by the many domestic, international developments and emerging issues that occurred since the 2014 DTIS matrix formulation, including development of the 8NDP, renewed impetus to promoted value chains and value-added products, new dynamics in the global and regional trade arrangements by signing onto the tripartite trade arrangement that brings together COMESA, SADC and ECA, the AfCFTA and ratification of the World Trade Organisation (WTO) Trade Facilitation Agreement (TFA).

During the period 2014 to 2021, the economy faced slow growth and acute vulnerabilities. After a decade of rapid economic growth averaging 6.5 percent, growth slowed down to an average of 2.6 percent between 2014 and 2021. The country is in debt distress and a deep and comprehensive debt treatment to place public debt on a sustainable path. The deterioration in economic growth led to the collapse of GDP per capita and the country got reclassified from a low-middle-income country to a low-income country in 2022. Trade in goods stagnated and remained concentrated not only by product but by destination. The share of non-traditional exports in total merchandise trade declined from 29 percent in 2016 to 24 204 percent in 2021.

The high demand for NTEs in region and continuous liberalisation presents Zambia with an opportunity to diversify its export portfolio. The services sector has remained weak and contributes little to export diversification though over the last decade, services continued to contribute the largest share of GDP and formal sector employment. The services sector accounted for an average of 57 percent of GDP and 54 percent of formal sector employment between 2014 and 2021. Despite being the largest contributor to GDP the country has remained a net importer of services with an average annual deficit of US$620 million. The services export fluctuated from US$850.9 million in 2014 to US$955.6 million in 2018 before dropping to US$525 million in 2021. During the same period, the imports that stood at US$1.6 billion in 2014 declined to US$1.47 billion in 2017 and US$1.3 billion in 2021. As a share of total exports, services accounted for only 7% of the total exports and about 12.5 % of the total imports in 2021. The major imports are transport, distribution and financial services. Its key exports are tourism and transport.

Despite Zambia's services trade regime being relatively more open than its peers in the SADC region, the country has continued to liberalise some sectors. The overall business-enabling environment remained conducive despite the macroeconomic instability. Broadly, the country has strong institutional and legal frameworks for a conducive business environment. However, the flow of FDI substantially reduced during the period under review as the country faced an unstable macroeconomic environment, policy inconsistencies especially in the mining sector, shortage of skilled labour, access to finance and taxation policies. The complementary infrastructure such as the road network and logistics, ICTs, access to land and the incentive structure remained weak with cumbersome investment procedures backed by multiple, fragmented and unautomated institutions involved in business licensing, regulation and registration.

Nevertheless, some important improvements have been made to facilitate the movement of goods into and out of the country. The landlocked nature of Zambia presents an opportunity for country to boost its trade and develop a transport hub for its regional neighbours, this position affects its ability to effectively participate in the world economy by exerting pressure on the quality of its trade and logistics environment. Many institutions, including non-state actors play an important role in making and mainstreaming trade policy making in Zambia. While the responsibility for trade policy trade policy making and implementation lies with the Ministry of Commerce, Trade and Industry, the process remains open to all key stakeholders in the country. Zambia has made efforts in making domestic and domesticating international environmental commitments as well as implementing domestic policies and legislation. Zambia's adoption of digital technology has improved over the last decade presenting a great promise. While, Zambia's financial system has been expanding rapidly during the 2010s, there is still a relatively limited share of the population formally "banked", with a significant difference between urban and rural areas.

What is clear from this report is that the gains for Zambia in its trade diversification efforts will accrue through policies that deepen integration, reduce trade costs, remove non-tariff barriers that restrict trade flows and facilitates the development of green products for exports. The country stands to gain through reinforcing and prioritising reform efforts that continue to deal with the remaining regional infrastructure development issues, capacity development as well as trade facilitation and non-tariff barrier dimension of market access.

The key policy options presented in the 2023 Action Matrix are based on a number of broad policy options. These include the need to reinforce and prioritise the pillars dealing with key trade corridors and regional infrastructure, as well as the trade facilitation and non-tariff barriers; the need to harness digital and e-Commerce as ICT has become a critical input in productivity improvements that is essential for diversification and trade facilitation process. There are also pointers to pursue regulatory reforms that remain fragmented and tailored towards individual trade facilitation agencies.

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ANNEX 1: CHAPTER 2 PROGRESS IN THE IMPLEMENTATION OF THE 2014 DTIS

Identified constraint	Improvement / new action proposed	Were you aware of this action in the matrix?	Did your institution implement this action in the matrix?	Monitoring indicators	Were these targets achieved? If not give reasons	What were the successes and failures in the implementation and give the contributing factors	What are the lessons learnt and what is the way forward?
1.TRADE FACILITATION (TF)							
1.1: Lack of a strategic plan for corridor development.	1. Develop a coherent logistics approach for Zambia with the definition of a core strategic logistics network and the accompanying policy reforms.	YES	YES, but still in developmental stage and still being implemented. Some projects have been done.	Logistics approach defined, with clear prioritisation of Pave 8000 network and necessary policy reforms agreed upon.	The logistics approach was defined and necessary policy reforms were undertaken but being reviewed. Not yet fully achieved because it is still in developmental and implementation stage .Being reviewed due to change of policy.	a) The National Transport Policy and the National Transport Implementation Master plan (2019 to 2028) was developed	1, Need to allocate sufficient resources to the implementation of the various projects under the link Zambia 8000 and complete the projects on this program.
	2. Link strategy to TF Needs Assessment conducted as part of the WTO TF 3. Agreement through the Zambia National Trade Facilitation Committee to ensure coherence and coordination of actions.				The following other targets were achieved or are work in progress: Core road network in a maintainable state,	In 2019. b) Currently the ministry of transport is working with the ministry of commerce in reviewing the logistics strategy. In relation to lack of strategic plan for corridor development, The Ministry is in the process of developing a logistics strategy thorough the Agri-business Trade Project which is being supported by the World Bank. In addition to this Government has prioritised the development of infrastructure through the construction and rehabilitation of roads and bridges. The Road Sector development Plan is within the transport policy.	2.Need to implement agreed policy frameworks and for consistency in the implementation
					Key corridors rehabilitated and maintained,	c) The logistics approach was defined and some necessary policy reforms undertaken but currently being reviewed... d)	3. Need to speed up the review of the necessary policy reforms.
					Commencement of the Link Zambia 8000,		4.There must be regular monitoring of the implementation of the various actions,

Identified constraint	Improvement / new action proposed	Were you aware of this action in the matrix?	Did your institution implement this action in the matrix?	Monitoring indicators	Were these targets achieved? If not give reasons	What were the successes and failures in the implementation and give the contributing factors	What are the lessons learnt and what is the way forward?
					Strategic plans and RSAWP developed timely.	Some projects under the link Zambia 8000 were done like Ndola –Kitwe and Kitwe -Chingola dual carriage ways , The Solwezi-Chingola road and others were done successfully .These were either economically linked routes to other industrial and mining towns or export and import (trade)routes to neighbouring countries borders. Some were linked to farm blocks and national parks.	5. Need to set up an M and E unit in the ministry of commerce and other implementing agencies to regularly monitor, evaluate and coordinate the implementation.
						e)It was envisaged in 2017 that activities under the World Bank agri-business project may include construction of small-scale access, market or rehabilitative "last mile" infrastructure (including rural short link roads, spot improvements, rehabilitation of minor crossing and access roads, storage facilities and common-use cold-chain facilities), and construction of infrastructure facilities to support farmer producer groups, small businesses such as market places, storage facilities or other small-scale initiatives	6..The projects must be undertaken by credible contractors
						d)The RDA reported that the core road network and its definition has been already developed and the RDA is in charge of the core Road network in Zambia	7. Sub sector policies must be linked to each other and Harmonised There is need to develop appropriate legislation for this.
						The length of CRN is 40,088 km in which 27% are paved and 73% is unpaved. The length of non- CNR is 27,217 km and is unpaved.	8.Commence projects only when funds are available
						e) The functions of the RDA are guided by the Public Roads Act No.2 of 2002 and other related statutes such as the Tolls Act No. 14 of 2011.	9. prioritisation regime to be developed based on needs assessment, value for money and linkage to the National Development Plans.

Identified constraint	Improvement / new action proposed	Were you aware of this action in the matrix?	Did your institution implement this action in the matrix?	Monitoring indicators	Were these targets achieved? If not give reasons	What were the successes and failures in the implementation and give the contributing factors	What are the lessons learnt and what is the way forward?
						f) The infrastructure development programmes (Link Zambia 8000, pave Zambia 2000 etc.) are being restructured in alignment with available funding whilst simultaneously prioritising the PPP approach for infrastructure development and maintenance. Physical progress of the Link Zambia 8000 is 16%.	10.Commence projects with mature designs to avoid cost and time-overruns 11. Structured road map for implementation and development of road infrastructure.
						Zambia 2000 equipment to be handed over the Ministry of Youth, Sport and Arts RoadSIP III is under development and shall guide/streamline the planning, operations and development activities of the Agency. g)other successes include: Key corridors rehabilitated and maintained, Road user costs reduced due to good network, Reduced travel times, Reduced accidents and safety on road, ,20% subcontracting policy to Zambians and, Tolling of roads. The main contributing factors to success for the RDA were: Dedicated and well trained workforce, Government support and adherence to the legal requirements. h) The Road Tolling programme has been implemented by the NRFA on the core road network. I) All budgeted revenue targets have been realised by NRFA.	12.Embracing R&D/technology/ innovations for cost reduction 13. PPP /innovative financing mechanisms and private sector involvement in planning and developing infrastructure.
						2.CHALLENGES /FAILURES: a) Some roads were abandoned and others not done due to lack of funds and change of policy. b)Some contracts were terminated for various reasons c) The quality of some road works was poor due to poor workmanship and lack of financial resources.	

Identified constraint	Improvement / new action proposed	Were you aware of this action in the matrix?	Did your institution implement this action in the matrix?	Monitoring indicators	Were these targets achieved? If not give reasons	What were the successes and failures in the implementation and give the contributing factors	What are the lessons learnt and what is the way forward?
						d) Some roads are incomplete like the Bottom road in Southern Province.	
						e) Lack of regular monitoring and coordination between the implementing institution at headquarters and the beneficiaries on the ground.	
						e)Some policy reviews are taking too long there by delaying implementation	
						f) Some institutional reviews were done which created a platform for implementation.	
						g)Some institutions like NRFA are opposed to some actions in the transport policy	
						h) Only 16% progress on the Link Zambia 8000.which is too low.	
						i)Delayed completion and stalled projects	
						j)Questionable quality of end products (sometimes)	
						k)) Projects with no design.	
						l)RDA identified the main reasons for the challenges /failures in the road sector which included	
						Poor funding to the sector,	
						Low Local contractor capacity,	
						Increased demand for paved roads,	
						Lack of stakeholder engagement and buy-in, Scarcity of materials ,changing, Political priorities,	
						Premature failures of roads ,	
						Prioritising new constructions over maintenance of existing infrastructure.	
						J) Not all roads can be tolled due to inadequate economic viability of some road network in specific areas.	

Identified constraint	Improvement / new action proposed	Were you aware of this action in the matrix?	Did your institution implement this action in the matrix?	Monitoring indicators	Were these targets achieved? If not give reasons	What were the successes and failures in the implementation and give the contributing factors	What are the lessons learnt and what is the way forward?
1.2: OSBP benefits are not fully realised.	1. Precede OSBP initiatives by procedural reforms.	YES	YES, the. Electronic payment system is	Time to clear borders decreased by X%	1.Yes,the OSBP initiatives have been implemented in 4 Border posts of Chirundu, Nakonde, Mwami and Kazungula	a).OSBP s established in 4 Border posts of Chirundu, Kazungula, Mwami and Nakonde.	1. Need to work on the challenges in internet connectivity to make it consistently stable.
	2. Precede OSBP by application of electronic payment system by customs.		Implemented in 4 Border posts, Mwami, Kazungula, Chirundu and Nakonde. But the procedural reforms are work in progress.		.Procedural reforms being done and is work in progress.	b) The electronic payment system is implemented in 4 Border posts. Mwami, Kazungula, Chirundu and Nakonde	2. Need to review the software used for the electronic payment system to make it more efficient.
					2. The electronic payment system has been implemented in the 4 OSBPS.	c) Procedural Reforms being done for the 4 OSBPS. The procedural reforms are being worked and implemented with help from JICA and EU. The procedural reforms manual will fully apply to all OSBPs.	3. Need to implement effectively all the procedural reforms .to have significant improvement in time to clear borders.
					3. Time to clear at borders has decreased in the OSBPs but remains worse than the world average.	The main procedural reforms which have been done are:	4. Need to fast track implementation and upgrading to fully operational OSBPs in all major border points in the country, such as Kasumbalesa, which have serious traffic congestion problems.
						i)Joint Border committees with adjoining states have been formed to effectively coordinate the activities at the OSBPs:	5, Need to improve the road network connecting to the OSBPs.
						ii)Expanding of the AEO programme is underway to recognise AEOs	6. Need to build all the necessary infrastructure which is currently not available or in poor state in the OSBPs and ensure efficient and regular maintenance of all infrastructure and equipment.
						of other government agencies and also include clearing agencies	7. It is important to note that it took some time to come up with procedural reforms. The manual is still work in progress partly because of inadequate financial resources.

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						The Authorised Economic Operator programme as a trade facilitation measure recognises compliant stakeholders and rewards them with faster clearance times, few to none physical inspections. ZRA and ZCSA have individually implemented a compliance recognition system for stakeholders	8.Need to identify legal gaps
						iii) Single window provides a better platform for interface with systems of our stakeholder's i.e. electronic single payment and electronic permit system.	that prevent effective implementation of OSBPs
						iv) Mandatory pre-clearance where goods are cleared prior to their arrival to reduce the dwell in time at the Border.	9. Need to identify areas where data harmonisation can lead to greater simplifications for government, trade and physical flow of goods among the regulatory agents.
						v)Customs validation system to verify authenticity of customs documents	10. Need to map the existing border processes so that bottlenecks and inefficiencies can be identified and resolved.
						vi) Self-assessment for faster clearance of goods.	11. To identify current state of competences among participating agencies to figure out capacity gaps and new skill needs.
						vii) Advance tariff rulings. This is a classification of complex goods which is done prior to the arrival of goods to reduce the dwell time at the border.	
						viii)Interfaces with other countries within the region for exchange of import and export data (Botswana ,Tanzania, DRC and Zimbabwe)	
						ix)Electronic rules of origin with Eswatini	
						x) Inland clearance for exports avoiding long dwelling time at the border.	
						xi) Joint cargo inspection by all agencies.	
						xii) As since 2017, sixteen (16) banks are currently on e-payment platform for customs related transactions as well as domestic taxes.	

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						xiii)The National Committee on Trade Facilitation, which among others, ensures that specific gaps identified in the in the implementation of One Stop Border Posts (OSBPs) at priority borders are addressed through relevant agencies, has been established.	
						xiv) The Ministry of Commerce, ZRA and other government agencies are the implementers but there is coordination with COMESA and others.	
						E) Computerization of the Border processes.	
						v) There is some reduction in the time to clear borders. Quicker clearance of goods, traders and trucks. i.e. the minimum average to clear trucks at Nakonde is	
						1 day and 15hr, while at Mwami it is 2hrs and 20minutes. However, import consignments destined into Zambia took longer to clear than transit consignments. i.e. 1 day,15hours and 43 minutes for Nakonde while transits took 1 day5hrs	
						The world average which is the international best practice is 5hrs or less clearing time(Time release study report,2022)	
						g) Clearing time of people reduced as they do both the exit and entry procedures on one side of the border.	
						H) Reduced corruption.	
						I) Implementation of improved technology has played a pivotal role.	
						xvi) With the implementation of the electronic payment system, there is now no need to be physically at the OSBPs to pay taxes to clear goods because of the use of ZRA electronic payment system .The connection of all the Commercial Banks to the Electronic Payment System commenced in 2014 and concluded in 2018.	

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						-Payment can also be done using	
						Mobile Platforms	
						- Payments using Point of Sale	
						VISA/MasterCard systems is available.	
						-Central Bank launched National switch in 2018.	
						xviii) The EPS has also increased revenue since it is easy and quicker to deposit money.	
						xix)) The National Committee on Trade Facilitation, which among others, ensures that specific gaps identified in the in the implementation of One Stop Border Posts (OSBPs) at priority borders are addressed through relevant agencies, has been established.	
						a) However there are still some delays in traffic clearance. The average time to clear borders at Mwami and Nakonde is still worse than the world average of about 5hours.	
						b) There are challenges in internet connectivity and system performance in some OSBPS. Challenges have been noted due to limitations in internet connectivity, payments do not reflect in real time specifically for some borders. Closure time of banking creates difficulty for borders as electronic banking cannot be undertaken after 1400 when bank closes. - Payments using Mobile Platform not fully utilised by border agencies	
						- Few border agencies utilising using Point of Sale VISA/MasterCard systems	
						i)The WIFI connectivity which is being used by the customs validation system is a challenge	

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						ii) The ASCUDAWO (customs electronic system) WIFI is a challenge.	
						c).Human and financial resources are limited or insufficient. Apart from ZRA and Immigration the agencies have very limited number of officers present at the border	
						-Border officers of some agencies operate also as district officers leaving the border operations unmanned.	
						The challenge of operating stand-alone Authorised Economic Operators Programmes like ZRA and ZCSA is that it affects the awarding of benefits to stakeholders defeating it as a trade facilitation measure	
						D).Not all one stop border posts are fully OSBP or have all the required infrastructure.	
						e) Poor road and railway. Network.	
						d)Fraud such as undervaluing of customs declarations and corruption still exists	
						f) Need to quickly complete the development of the procedural reforms.	
						g) Operational hours need to be uniform, In some places officers work from 6hrs to 22hrs and with inadequate staff, while in others they work for 24hrs.	
						h)other major challenges and failures are :	
						i) Mandatory pre-clearance .The challenge is that the penalty for not pre-clearing is not high enough to encourage pre-clearance.	
						ii) CBM .No regulations in place to insure full implementation.	

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						iii) The complexity of the classification of advance tariff rulings requires adequate classification experts who are not enough.	
						iv) Coordination is still a challenge among regulatory agencies.	
						v)lack of automation by some regulatory agencies	
1.3: Poor coordination among border agencies.	Designate an agency with overall responsibility for border coordination and management, and strengthen its mandate to perform its tasks effectively.	YES	YES, but limited coordination.	Traffic flow at border posts improved by X% Bill on coordinated	1. Traffic flow has improved but still need for further significant improvement.	a) The Bill for coordinated border management is in place. This Act is known as the "Border Management and trade facilitation act ,2018".The provisions of this act was /are to provide for coordinated border management and control for efficient movement and clearance of goods :give effect to the provisions of agreements on one stop border posts; provide for simplified arrangements with adjoining States relating to the movement and clearance of goods ,to establish control zones and provide for powers of officers in control zones ;to provide for development, management and maintenance of border infrastructure etc. The act stipulates that the Zambia Revenue Authority (ZRA) is the lead agency at ports of entry and is the responsible for coordinating border operations.	1.There is need to monitor our borders to ensure that there is effective coordination in Border management
				border management in place	2. Yes Bill for border coordination is in place.	b). ZRA coordinate the border activities also in case of any grievances or challenges being faced. The main motivation was the need to fulfill each agencies mandate.	2. There is need for adherence to the implementation of the Bill on Border management by all institutions at the Border.
						c) ZRA generates a code which is used by an agent to clear with all relevant authorities.	3. There is need for the ZRA which is the coordinating agency, to integrate all systems at the Borders to ensure effective coordination.

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						d)ZRA is the lead agency in responsible for coordinating, harmonizing and implementing a national single window system coordinating interagency corporation and ensuring the application of international best practices in Border management and trade facilitation. Regarding the electronic single window, ZRA was working with six (6) agencies in phase one as of 2017, to be connected to ASYCUDA world system to ensure agencies access entries of products of interest from all ports of entry. So far, ZABs has been connected to the ASYCUDA world at Chirundu OSBP while the Ministry of Finance would follow as soon as the connectivity challenges are fully addressed. The Authority is also piloting connection with the Agri-business unit under the Ministry of Agriculture.	4. There is need for sufficient and relevant capacity building at ZRA to be more effective in carrying out its coordinating role.
						e) ZRA has since finalized rollout of the Centralized Processing Centers which are dedicated to process customs clearances for designated ports of entry	
						a) Each urgency had own internal system and mandate's it was somehow difficult initially to reach a general consensus. However there is still limited coordination in practice because the systems access is still not universal and not fully intergrated.eg Not all agencies are using the single window system of the ASQUDA world	
						b) Some of the government agencies not connected to some systems.	
						c) Some stake holders have no knowledge of a specific agency to coordinate .They say if the agency was there, all processes would have been controlled by that agency.	
						D) Poor network and system failure.	

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						e) Fraud such as undervaluing of customs declarations and corruption still exists.	
						f) Some challenges are due to some legal issues.	
						g) limited joint cargo inspections due to lack of adequate inspection facilities.	
1.4: Railways playing small role in movement of international trade.	Prioritise quality of service to major shippers and offer incentives for cooperation between ZRL and TAZARA. Reimburse railways fuel levy charges and	YES	PARTIAL IMPLEMENTATION.	Volume of goods traffic moved by rail increased by X%	1. There was initial success in increasing goods traffic moved by rail but of late there is a dropping trend.	Zambia Railways freight tonnage has generally declined by 24 percent from 959956 tonnes in 2014 to 727715 in 2022.	1. Need to allocate enough resources to improving the railway network and the railway infrastructure.
	update road user charges under COMESA/SADC frameworks				2.Update of road user charges have been done UNDER COMMESA SADC frameworks	a)However ,there was an increase of 63.4 percent from 632,922 in 2016 to 1,034,000 tonnes in 2020 before it dropped to-884771in 2021 and 727,715 in 2022.The increase from 2016 to 2020 was mainly due to the 30% statutory instrument requirement for bulk goods to be moved by rail. TAZARA had registered a modest increase in freight traffic tonnage from 176,163 tonnes in 2019/18 period to 182,302 in 2020/19 and 217,661 tonnes in 2021/20 period also mainly to the 30 percent bulk SI policy of goods by rail during that period. No figures were available for 2022 for TAZARA (Source Annual Reports ZRL and TAZARA)	2. Need to adhere to the 30% statutory instrument to ferry 30% of goods by rail.
				Reimbursement policy approved	3Some stakeholders are saying the reimbursement policy was just discussed but not fully and properly implemented.	b) Initially, there was corporation between ZRL and TAZARA following some incentives.	3. Need for Regular railway network maintenance by railway companies.

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						c) As for TAZARA, Increase in funding from the Governments of Zambia and Tanzania, recruitment of a new management, and intensified marketing has resulted in some progress of cargo transported by rail as more customers are coming back for more service. Transit time has reduced from 20 to 30 days to 3 to 7 working days between Dar es Salaam and Kapiri Mposhi while a reduction in railway accidents has also been recorded.	4. Need to stop vandalism of railway infrastructure.
						d) Zambia Railways has undertaken the following measures to curb its challenges:	5. Need for general improvement in the capacity of the railway systems in both TAZARA and Zambia Railways to carry goods for export.
						i)Track rehabilitation to improve damaged railways	
						ii) Local connectivity to link new customers who are not linked on rail	
						iii)Interchange agreement with contiguous railways- ZRL has signed access agreements with TAZARA to acquire wagons	
						vi)ZRL has signed access agreements with Transnet to acquire wagons	
						v)Acquisition of wagons through finance lease system	
						vii)There is a vision to make railway handle more capacity by partnering with other railways and ensure there is flexibility to reach clients	
						viii)ZRL management has continued engaging cooperating partners, IDC and GRZ to ensure funding in projects	
						xi)Off-loading equipment is being sourced for the Chipata railway station	
						a) Of Late, the statutory instrument of 30% bulk goods to move by rail is not being strictly followed. This has resulted into lower volume of goods moving by railway especially Zambia Railways.	
						b) Poor railway network and.	

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						c)lack of maintenance on our railway infrastructure has limited the impact of this action implementation	
						d).No knowledge of reimbursements of fuel levy charges.	
						e) The existing railway system is very slow and dilapidated.	
						f) There is inadequate rolling stock which has been existing over 40 years.	
						g) Unfair competition by foreign truckers who charge way less in the transportation of goods.	
						h)TAZARA highlighted insufficient recapitalisation by the shareholding government and as well as the introduction of value added tax (VAT) on port services at Dar es Salaam has discouraged customers in using this mode of transportation. It was noted that this issue should be addressed through bilateral engagement.	
						i)Zambia Railway's noted lack of and poorly maintained inter mine connections; j)High cost of transshipment of cargo from road to rail; and inadequate funding which hinders the implementation of most of the plans.	
						k) The corporation between ZRL and TAZARA seems to be no longer very visible or active	
						l) Some stakeholders are saying the reimbursement policy was just discussed but not fully and properly implemented therefore its impact is not clear.	

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						m) TAZARA indicated that railways in Zambia are playing a small role in international trade apart from lack of modernizing the current infrastructure, it is being faster to move cargo by road or air. Among the several challenges of the Zambian railway sector which has made it unattractive mode of transport is that the average speed of locomotives is about 40km per hour which is too slow in modern business and commerce where people and corporates want goods to move in real time speed. Therefore, it is imperative that measures be instituted to ensure that trains start travelling up to speeds of 80km/hour and above. If this was to happen, railway sector may become the preferred mode of transport as the case is in other countries. Slow speed has led to increased transit times averaging for instance, thirty (30) days for cargo to reach Durban compared to 7-9 days by road 18.	
						n) The market share of the railway sector has been going down for many years now. About 6,702,498 tonnes of cargo traffic was moved in Zambia in 2015. Out of this only 511,730 tonnes was carried on the rail. Based on this sample of traffic as the available cargo on the market, the rail has only 8.0% of the market share	
1.5: Increase participation of Zambian fleet in regional trucking.	Engage with neighbouring countries on adopting non-discriminatory practices and common standards.	YES	No. Not implemented successfully.	Proportion of Zambian registered trucks in border traffic increased by X%	Generally not achieved mainly due to continued discrimination and non-adherence to protocols by some neighbouring countries.	a) Neighbouring countries have been engaged frequently on adopting non-discriminatory practices and common standards. 2.CHALLENGES/FAILURES a) This has not been achieved due to stringent and numerous specifications for Zambian truckers to acquire before they qualify.	1. Discriminations continues and no common standards are adhered to. There is need to continue engaging the neighbouring countries to end the discrimination and adhere to common standards.

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						b) The engagement with neighbouring countries has not been generally successful even if a certain low percentage was allowed.	
						c).Zambia had companies like Contract Haulage, Unihaul and others which have now closed. Now we have an increase of many more trucks run by foreigners in Zambia.	
						d) There has been no success achieved here except for the continued engagement with the neighbouring countries, which does not seem to achieve the desired results. The proportion of Zambian truckers in border traffic still remains low and has not increased. This is mainly as a result of the stringent conditions the Zambian truckers are subjected to and that the engagements with neighbouring countries are generally not fruitful.	
						e) Some exporters also prefer to use foreign truckers than the local ones.	
						e) Poor security in some neighbouring countries.	
						f) Poor road and railway network to some border points.	
1.6: Participation in regional initiatives.	Develop clear logistics plans to integrate into potential regional supply chains – for example, key intermediate logistic infrastructure such as establishing storage facilities for grains or infrastructure for extension services for participation in regional value chains.	YES	YES, implemented but limited.	Participation in regional supply chains under COMESA, SADC, APEI	1. Very limited participation. 2. Systems of industrial innovation and technological development still in progress.	a) The participation in regional value chains is limited.	1.There is need to continue to invest into and ensure our value supply chain facilities are well developed and strategically placed to fit into the regional value chains.

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						b) Clear logistical plans to integrate into potential regional supply chains being developed but not fully implemented. For example ,the storage infrastructure for grain and petrol have been built in many provinces but still on going	2. Need to add value to our products other than exporting mostly only raw materials.
						c) System of industrial innovation and technological development to integrated into potential regional value chains being developed.	3. There is need to increase participation by fully implementing the clear logistical plans to integrate into the regional supply chains
						d) As part of ZDA mandate, ZDA has specific plans for trade development such as the N8 export strategy for the 8 neighbouring countries plus south Africa as our priority markets for Zambia's exports.	4. There is need to ensure availability of adequate and stable energy for industrial development.
						e) The Domestic Trade Department under MCTI had reported in 2017 that a committee had been formed to develop rules and regulations governing operations of inter country trade centres. A draft SI was under consideration and the Ministry of Justice had been engaged.	5. Need to continue engaging our neighbours to implement and observe Bilateral, Regional and international protocols and agreements. 6. Need to fully implement the relevant policy frameworks and guidelines such as the National Development Plans linked to participation in regional value chains.
						a) Systems of industrial innovation and technological development not yet fully developed.	7. There are plans to build inter-country trade centres in border areas as an attempt to enhance participation in regional initiatives. One of the borders under consideration is Kasumbalesa
						b) Lacking value-addition to our products.	
						c)limited export products	
						d) Poor road and railway network and infrastructure.	
						e) Insufficient implementation of relevant policy frameworks such as NDPs linked to participation in regional value chains.	

REPUBLIC OF ZAMBIA

EIF Enhanced Integrated Framework