



REPUBLIC OF ZAMBIA
MINISTRY OF COMMERCE, TRADE AND INDUSTRY



THE NATIONAL EXPORT STRATEGY (NEST) 2018

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Foreword



It is my honour to present Zambia's National Export Strategy (NEST) covering the period 2018 to 2022. The Strategy has been developed to actualise trade policy pronouncements with a view of enhancing Zambia's export performance and attaining the Vision 2030 of becoming a prosperous middle-income economy.

The promotion of export trade is key to enhancing productivity, employment creation and the attainment of sustainable and inclusive growth. Therefore, the development of the NEST has been necessitated by the need to have focused interventions with measurable targets in promoting the development and growth of Zambia's export base, which currently is dominated by a few mineral-based products. Approximately 70% of Zambia's export earnings are drawn from export of raw copper and headways have been made in increasing the contribution of non-traditional exports. Non-traditional exports have been dominated by raw or semi processed products. Yet, Zambia is richly endowed with resources that provide vast opportunities for value addition and product diversification for both the traditional and non-traditional sectors. The current situation of over dependency on export of commodities in their raw form is not sustainable in the long run and the country risks remaining at the bottom end of development.

Sustainable Development Goal No. 8 places emphasis on inclusive and sustainable growth. As such, respective countries have a duty to ensure that mechanisms and programmes that are being developed aim at actualising such pronouncements.

As a contribution to the national agenda of diversifying the Zambian economy and creating incomes and jobs to achieve sustainable development, the NEST seeks to address challenges in both the goods and services sector in a coordinated and systematic manner. To achieve this, the NEST identifies areas of strategic focus and spells out interventions to tackle bottlenecks related to market expansion, trade facilitation, production, access to finance and in more general terms, wealth and job creation. The objective is to enhance the competitiveness of Zambia's exports at regional and multilateral levels, while creating opportunities for expansion of the productive base.

It must be stated that the successful implementation of the NEST is dependent on buy-in from stakeholders and having in place the necessary frameworks for collaboration to facilitate implementation, monitoring and evaluation of set goals. Therefore, coordination, monitoring and evaluation are key components of this Strategy. Specific institutions have been identified to take the lead in the implementation of specific

interventions while the Ministry will have an oversight responsibility for the monitoring and evaluation of this Strategy.

I, therefore, appeal to the business community and various arms of Government to partner with my Ministry so that we make a difference today and lay the right foundation to ensure a better future for generations to come.

Hon. Christopher Yaluma, MP

MINISTER OF COMMERCE, TRADE AND INDUSTRY

Acknowledgment



The National Export Strategy is a product of the Ministry of Commerce, Trade and Industry prepared as part of the overall national policy thrust to develop a competitive and diversified economy.

The NEST is an outcome of extensive consultations with key stakeholders from the public sector, private sector, academia and Non-Governmental Organisations.

Therefore, I, on behalf of the Government of the Republic of Zambia, wish to express gratitude to all institutions and individuals that provided valuable input and comments which made it possible for the Ministry to produce this strategic document.

The publication of the NEST would not have been possible without dedication by members of staff and financial support from the European Union through the COMESA Regional Integration Capacity Building (RICB) Project for the consultative process for which the Ministry is grateful. The Ministry is also thankful to the support received from the Trade Related Facility Project (TRF).

It is the Ministry's expectation that this document will be owned by all stakeholders and will serve as an important guide for the development and expansion of Zambia's export trade in order to increase earnings and contribute to the prosperity of the nation as a whole.

Kayula Siame

Permanent Secretary

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

Working Definitions

Agro Processing: The conversion of primary agricultural produce by manual, mechanical or biochemical means into a new product by changing the size, shape, composition, nature or quality of such produce.

Bilateral Trade: This is a trade arrangement between two nations.

Cooperative: An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs as well as aspirations through a jointly-owned and democratically controlled enterprise and whose activities are not prohibited by law.

Cross-cutting issues: These are issues that should be addressed with horizontal interventions, in order to enhance export potential for all economic sectors.

Duty Free: This term is used to describe a situation where goods enter a market without being subjected to import duties or tariffs.

E-commerce: This is the use of electronic and traditional delivery systems such as postal network to facilitate the process of trading in goods and services using electronic payment system and technologies such as the Internet.

Economic Resources: This includes physical, technical, human and financial resources.

Foreign Investor: A person who makes direct investment in the country and who, in the case of a natural person, is not a citizen or permanent resident of Zambia and (in the case of a company) is incorporated outside Zambia.

Everything But Arms: The name given by the EU to the package it offered to the Least Developed Countries (LDCs) in 2001, to eliminate quotas and tariffs on all their exports into the European Union-except arms and ammunition (as in weapons).

Export Earnings: These are the earnings of a company or country that are generated through the export of goods and services.

Free-Trade Area: A group of countries that adopt free trade (zero tariffs and no other trade restrictions) among themselves, without necessarily changing the trade barriers that each member has for countries outside the group.

Harmonized Standards: A complete product international classification system, formally known as the ‘harmonised commodity description and coding system’, that is organised in a particular framework and that employs a numbering or coding system consistent with its organisation arrangement.

Generalised System of Trade Preferences: It is a concept developed within UNCTAD to encourage the expansion of manufactured and semi-manufactured exports from developing countries by making such goods more competitive in developed country markets through tariff preferences.

Industrialisation: The act of transforming or value addition, on a commercial scale, of raw materials into finished or semi-finished products and includes the assembling of inputs into finished or semi-finished products.

Industry: The goods-producing segment of the economy. In this respect, it includes agriculture and mining which are collectively referred to as the primary sector. It also includes manufacturing and construction activities which are referred to as the secondary sector. Additionally, the term ‘industry’ denotes services which constitute the tertiary segment.

Intellectual Property: Refers to creations of the mind such as musical, literary, and artistic works; inventions; and symbols, names, images, and designs used in commerce, including copyrights, trademarks, patents, and related rights.

Investment: Contribution of capital, in cash or in kind, by an investor to a new business enterprise, to the expansion or rehabilitation of an existing business enterprise or to the purchase of an existing business enterprise from the State.

Investor: Any person, natural or juristic, whether a citizen of Zambia or not, investing in Zambia in accordance with the Zambia Development Agency (ZDA) Act.

Manufacturing: The act of transforming on a commercial scale, raw materials into finished or semi-finished products and includes the assembly of inputs into finished or semi-finished products.

Multi-Facility Economic Zones: These are specific geographic areas or premises with the highest quality of physical and social infrastructure that attract investments in manufacturing and act as engines for economic growth, wealth and job creation and increase foreign exchange earnings.

Multilateral Trade: This is trade beyond the regional trade dimension. It follows the approach to conduct trade based on cooperation, equal rights and obligations, non-discrimination and the participation as equals of many countries regardless of their size, or share of international trade (multilateralism). Multilateralism is the basis of the rules and principles embodied under the World Trade Organisation (WTO).

Non-Traditional Exports: This is a product cluster that consists of exports other than copper and base metals such as cobalt.

Non-Tariff Barrier: This is a phrase that describes government measures other than tariffs that restrict trade flows such as quantitative restriction and import licensing.

Proudly Zambian: This is Zambia’s “Buy Local Campaign” aimed at promoting the consumption of quality locally produced goods and services for wealth creation and employment generation.

Quota Free: This is a term used to describe a situation where there are no quantitative restrictions on goods being imported or exported.

Regional Trade: This is trade within a geographical region. It could be in the form of a regional trade arrangement such as a Free-Trade Agreement, Customs Union or Common Market. Zambia’s regional trade arrangements are within the framework of COMESA and SADC.

Rules of Origin: This is a criterion for establishing the country of origin of a product. Often based on whether production (processing) leads to a change in tariff heading (classification) or in the level of value added in the country where the good was lastly processed.

Sector-specific issues: These are issues that are critical for the priority sectors and require specific interventions.

Support infrastructure: Services and supplies needed to sustain an organisation in its day-to-day operations such as communication, labour, power and transport.

Target Sector: Sectors identified in this document as priority sectors for investment promotion, these include: Manufacturing (Food Processing, Wood and Wood Products, Leather and Leather Products, Textiles and Garments, Engineering Products, Mineral Beneficiation, Pharmaceuticals), Construction, Agriculture, Tourism, Education, Energy, ICT and Health.

Tariff: This is a duty or tax levied at the border on imported goods.

Technical Barriers to Trade: Trade restrictive effect arising from the application of technical regulations or standards such as testing requirements, labelling requirements, packaging requirements, marketing standards, certification requirement, origin marking requirement, health and safety regulations and sanitary and phytosanitary regulations.

Trade Facilitation: The simplification and harmonisation of international trade procedures, with trade procedures being the activities, practices and formalities

involved in collecting, presenting, communications and processing data required for the movement of goods in international trade.

Trade in Services: This term refers to the supply of services on commercial terms to residents of another country. Services are intangible products such as banking, education or consultancy.

Value Addition: Any step in the production process that improves the product or service for the customer and results in a higher net worth.

Value Chain Cluster: The full range of business or economic activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), and commercialisation, delivery to final customers and final product disposal after use.

World Trade Organisation: This is an international organisation that deals with discussions, negotiations and resolution of trade issues covering goods, services and intellectual property. Its essential functions are administering and implementing the multilateral and plurilateral trade agreements that constitute it, acting as a forum for multilateral trade negotiation, seeking to resolve disputes, overseeing national trade policies and cooperating with other international institutions involved in global economic policy-making.



Acronyms

AGOA	African Growth Opportunity Act
ASEAN	Association of Southeast Asian Nations
AIDS	Acquired Immune Deficiency Syndrome
BRICS	Brazil India China & South-Africa
BRRA	Business Regulatory Review Agency
BAZ	Bankers Association of Zambia
BOZ	Bank of Zambia
BOP	Balance of Payment
CAZ	Cotton Association of Zambia
CBZ	Cotton Board of Zambia
CDT	Cotton Development Trust
CCPC	Competition and Consumer Protection Commission
CEEC	Citizens Economic Empowerment Commission
CIF	Cost Insurance and Freight
CFTA	Continental Free Trade Area
COMESA	Common Market for Eastern & Southern Africa
CSO	Central Statistical Office
DRC	Democratic Republic of Congo
EAC	East African Community
EBA	Everything But Arms
EDF	European Development Fund
EIZ	Engineering Institute of Zambia
ERB	Energy Regulation Board

EIA	Environmental Impact Assessment
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
FoB	Free on Board
FDI	Foreign Direct Investment
FRA	Food Reserve Agency
FTA	Free Trade Area
GDP	Gross Domestic Products
GRZ	Government of the Republic of Zambia
GSP	Generalised System of Preference
HS	Harmonised System
HIV	Human Immune Deficiency Virus
IAPRI	Indaba Agricultural Policy Research
ICT	Information Communication Technology
IP	Intellectual Property
MoA	Ministry of Agriculture
MRTAS	Mega-Regional Trade Agreements
MCTI	Ministry of Commerce Trade and Industry
MoGE	Ministry of General Education
MoHE	Ministry of Higher Education
MoF	Ministry of Finance
MoFL	Ministry of Fisheries and Livestock
MoJ	Ministry of Justice
MLNREP	Ministry of Lands, Natural Resources and Environmental Protection
MoLG	Ministry of Local Government

MTC	Ministry of Transport and Communication
MoTA	Ministry of Tourism and Arts
MWS	Ministry of Works and Supply
MFEZ	Multi-Facility Economic Zones
MMMD	Ministry of Mines and Mineral Development
MSME	Micro Small and Medium Enterprise
MTEF	Medium Term Expenditure Framework
NEST	National Export Strategy
NGOs	Non-Governmental Organisations
NTB	Non-Tariff Barriers
NTE	Non- Traditional Exports
NTP	National Trade Policy
PACRA	Patents and Companies Registration Agency
PPPs	Public Private Partnerships
REC	Regional Economic Communities
RCEP	Regional Comprehensive Economic Partnership
RICB	Regional Integration Capacity Building
R & D	Research and Development
SADC	Southern African Development Community
SDG	Sustainable Development Goals
SCCI	Seed Control and Certification Institute
SMEs	Small and Medium Enterprises
TFTA	Tripartite Free Trade Area
TTIP	Trans-Atlantic Trade and Investment Partnership
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change

UNZA	University of Zambia
WCO	World Customs Organisation
WTO	World Trade Organisation
ZABS	Zambia Bureau of Standards
ZACCI	Zambia Chamber of Commerce and Industry
ZARI	Zambia Agriculture Research Institute
ZAM	Zambia Association of Manufacturers
ZCF	Zambia Cooperative Federation
ZCSA	Zambia Compulsory Standards Agency
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZDA	Zambia Development Agency
ZEGA	Zambia Export Growers Association
ZEMA	Zambia Environmental Management Authority
ZIPAR	Zambia Institute of Policy Analysis and Research
ZNFU	Zambia National Farmers Union
ZRA	Zambia Revenue Authority
ZRL	Zambia Railways Limited
ZTA	Zambia Tourism Agency
ZMA	Zambia Metrology Agency

Executive Summary

This National Export Strategy covers both trade in goods and services and sets out a strategic vision to structurally transform and diversify Zambia's export base and enhance the export sector's competitiveness at both regional and multilateral level. This is aimed at contributing towards sustainable and inclusive socio-economic development. Among objectives outlined towards the attainment of this strategic vision include product and market diversification, value addition and enhanced productivity at firm level, and increased contribution of non-traditional exports to export earnings.

These will be attained through actions under the following thematic areas:

- (i) **Thematic Area 1: Policy and Regulatory Environment:** Creation of an enabling policy environment that supports and sustains export development;
- (ii) **Thematic Area 2: Product development:** Developing new products and improving existing ones;
- (iii) **Thematic Area 3: Trade Support Network:** Building capacity and enhancing coordination of trade support network to ensure that the network is responsive to the needs of the export sector;
- (iv) **Thematic Area 4: Market Penetration and Development:** Securing of markets and supporting penetration of key identified products and services in these markets; and
- (v) **Thematic Area 5: – Trade Facilitation:** Addressing trade facilitation-related constraints to improve the flow of goods and services.

The Strategy has been developed taking into account the global, regional and national developments. It is also informed by analysis of strengths, weaknesses, opportunities and threats in each area identified for purposes of making informed interventions. To address the identified bottlenecks in both trade in goods and trade in services, a multi-pronged approach has been adopted, based on the International Trade Centres' four-gear train system model that seeks to address: (i) **border-in** issues to increase exporters' competitiveness, capacities and competencies; (ii) **border** issues to reduce transaction costs; (iii) **border out** issues to increase market penetration, and (iv) **development** issues to increase employment and reduce the levels of poverty, tackle income-related concerns. These pillars provide key parameters, through which, export competitiveness will be realised.

Quick win issues will be addressed in the short term while the rest will be addressed in the medium to long term to ensure that momentum is not lost on promoting the growth

of Zambia's export sector. To this end, a clearly outlined implementation plan is contained in section 5.0 of this document.

With regard to trade in goods, the following areas of focus, as highlighted in section 3.1 have been identified: primary agriculture with specific focus on cereals and legumes, cotton and its products; the horticultural and floricultural sub-sector and animal products. Agro processing with specific focus on the food sub-sector; the textiles sub-sector; the leather and leather products sub-sector; the wood and wood products sub-sector; building materials; engineering products; and non-metallic minerals and gemstones.

Emphasis is placed on building and consolidating, in the short term, selected high growth sectors that have potential and currently contributing to Zambia's export earnings to ensure that they sustain and expand their presence in both regional and multilateral markets. The particular challenges and opportunities of these sectors are specifically and expressly covered in the Strategy.

The Strategy also identifies opportunities for strengthening sectors with potential for growth and export expansion in the medium to long term. To that effect, the Strategy proposes a strategic programme to further develop these sectors and realise their export potential. This is in a quest to address the existing concentration of exports which are mainly driven by traditional mineral products that account for more than two-thirds of the total exports.

The Strategy observes that non-traditional export products are concentrated within engineering and foundry (23 percent), followed by primary agriculture products (18 percent), processed and refined foods (14 percent), industrial mineral-related products (14 percent) and chemicals and pharmaceuticals (10 percent). These products collectively account for 80 percent of total NTEs. Despite the importance of these products in NTEs, they constitute a small share of manufacturing industry in Zambia, which currently is dominated by food and beverages production. The categories of products broadly classified under horticulture, floriculture, wood, textiles, leather and animal products each contributes a marginal 1 percent to NTEs. Handcrafts and garments record the least exports accounting for less than a percent of total NTEs. The major market for Zambia's traditional mining exports has consistently been Switzerland, while China has emerged as second largest destination¹. The major market for NTEs is highly concentrated within the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC) regions with the Democratic Republic of Congo (DRC) and South Africa accounting for the largest share. These are followed by Zimbabwe, Malawi, Kenya and Egypt. The Strategy projects that the value of NTE exports can further be increased if challenges affecting trade necessitated by among other things changes in policy direction and volatility of the exchange rate are addressed.

The identification of the core products prioritised in this National Export Strategy is based on a thorough analysis of the customs data from Zambia Revenue Authority (ZRA) and the Central Statistical Office for the period 2007 to 2015. A scoring

¹ Metal exports reported as destined for Switzerland often end up in China.

criterion, based on ranking of products within and across years according to strategically identified sub-sectors, was used to objectively classify products in accordance with their observed performance and potential.

In terms of services trade, the following areas of focus as highlighted in section 3.2 have been identified: transport services; financial services; educational services; and the tourism sector including creative industries.

The Strategy recognises the services sector as a new frontier for promoting sustainable growth and development. The sector has exhibited potential to promote sustainable economic growth despite Zambia currently being a net services importer. For instance in 2013, services imports amounted to US\$ 1,460 million compared to US\$ 585 million in export receipts. The share of services in GDP increased from 51 percent in 2010 to 55.6 percent in 2014. The Strategy notes that domestic services dominate Zambia's total services contribution to GDP. The construction, transport, communication, business and education services are cited as among the key contributors to Zambia's GDP. The Strategy notes that enhancement of services sector exports has potential to contribute more to Zambia's GDP. Therefore, key sectors have been identified to further enhance the sector's performance.

The criterion used in the identification of the core services sectors prioritised in this Strategy is based on a thorough analysis of the Bank of Zambia (BoZ) Balance of Payment (BoP) statistical information and other sector policy documents. A set of measures, which formed the basis for shortlisting sectors, were drawn and these measures assisted in arriving at the identified services sectors of this Strategy. The first measure used was to vet the sectors against their potential to contribute towards job creation and poverty reduction. Further, the recent trends in the global trade and focus on trade in services as a new frontier for sustainable growth and development and advances in technology also underpinned the projection and focus of the sectors identified in this Strategy.

Lastly, the Strategy in section 4.0 outlines coordination and management mechanisms which include institutional frameworks, support networks, service delivery networks, resource mobilisation and the governance mandate, among others.



1.0 Introduction

The Government of the Republic of Zambia has placed export development at the centre of its economic diversification agenda. It is the aspiration of the Zambian Government to create an enabling environment that fosters economic growth and development for the benefit of the Zambian population. This is in keeping with the national vision, which envisages the attainment of the status of a prosperous middle-income nation by 2030.

To this end, policy reforms and initiatives are being undertaken. These reforms, coupled with initiatives at the regional and multilateral level, have seen Zambia and its trading partners maintain an open trade regime, thus creating market and value chain opportunities in partner countries and regions. The reforms have also contributed to positive real growth rates of 6.5% on average, single-digit inflation and a stable macroeconomic environment attained in the period 2010 to 2014 with significant improvement in Zambia's trade balance. Alas, slow growth rates, a negative trade balance and double-digit inflation were recorded in 2015 and part of 2016 due to plummeting copper prices. However, inflation was brought to single digit by close of 2016 and 2017 to 7.5% and 6.6%, respectively. More broadly, the competitiveness of the export sector has remained low due to various productive and supply side constraints.

These constraints do not, however, negate Zambia's capacity to increase its export competitiveness. This National Export Strategy (NEST) has, therefore, been developed to address the identified challenges affecting export competitiveness. This is through spelling out sectoral interventions that will result in enhanced production and productivity, trade expansion regionally and globally, while creating opportunities for domestic trade growth.

The NEST focuses on both trade in goods and trade in services with clearly identified challenges, proposed intervention and outcome indicators which measure progress at every stage of implementation.

The NEST includes two sets of strategic issues:

- Sector-specific issues, which are critical for the priority sectors and require specific interventions; and,
- Cross-cutting issues which should be addressed with horizontal interventions, to enhance export potential for all economic sectors.

A multi-pronged approach is proposed to address binding constraints along value and supply chains of the different key sectors identified to have export potential. In this regard, the International Trade Centre's four-gear train model on promoting international trade competitiveness has been used. The model emphasizes on addressing;

- ***Border-in issues:*** Measures aimed at increasing exporters' competitive capacities and competencies;
- ***Border issues:*** Measures aimed at reducing time and transaction costs at the border;
- ***Border out issues:*** Measures aimed at increasing market access and penetration;
- ***Development issues:*** Measures aimed at maximising the impact of the NEST on poverty alleviation.

The NEST also seeks to promote interventions that will assist the private sector to develop production networks and supply chains with the regional economy in order to take advantage of production unbundling, diversification and value addition. Therefore, the immediate imperative is to improve international competitiveness and allow the exploitation of regional and global export markets where Zambia is enjoying preferential access.

The NEST does not only recognise Zambia's specific difficulties such as poverty levels, limited export base, domestic market size and geographical position, but it also takes cognisance growing opportunities in regional and international markets.

The NEST proposes a mid-term review to be undertaken after two and half years of implementation for the necessary adjustments to be made.

1.1 Vision

A structurally transformed, diversified and competitive export sector anchoring Zambia's socio-economic development.

1.2 Rationale

Zambia has placed export development at the centre of its economic diversification agenda. To this end, nationwide policy reforms and initiatives are being undertaken. The reforms have contributed to positive real growth rates of 6.5% on average, single-digit inflation and a stable macroeconomic environment attained in the period 2010 to 2014 with significant improvement in Zambia's trade balance. However, slow growth rates, a negative trade balance and double-digit inflation was recorded in 2015 and part of 2016 due to plummeting copper prices. However, inflation was brought to single digit by close of 2016 and 2017 to 7.5% and 6.6%, respectively.

The National Export Strategy (NEST) has been developed to address the identified challenges affecting export competitiveness through various mechanisms to enhance the export sector's contribution to Zambia's socio-economic development.

1.3 Guiding Principles

The pursuit of the objectives of the NEST shall be guided by the following principles:

- **Vision 2030:** The Strategy will operate within the national socio-economic development agenda and shall be aligned to the national development objectives outlined in the Vision 2030;
- **Regional Integration:** Implementation of the Strategy shall take into account the adherence to regional and global best practices in export development and the practices of Zambia's major trading partners. The Strategy shall place importance of domestic and international trade in stimulating economic growth and poverty reduction. By expanding exports, Zambia will earn additional incomes which can finance the importation of goods such as machinery, raw materials, and intermediate inputs needed in domestic production processes;
- **Diversification:** The Strategy shall place importance of economic diversification away from the existing high level of dependence on a few commodities. Emphasis is therefore placed on attracting investments for product diversification as well as diversification of export market destinations;
- **Fair Trade (fairness):** The Strategy recognises various Government measures and strategies aimed at minimising anti-competitive practices in the economy, to ensure fair trading practices and to protect the welfare of domestic consumers;
- **Multi-Sectoral Approach:** Government shall collaborate with private sector, cooperating partners, Non-Governmental Organisations (NGOs), and other stakeholders in implementing the Export Strategy;
- **Transparency:** The Strategy shall ensure a transparent and consistent technical regulation framework that creates an enabling policy environment which supports and sustains export development and does not constitute unnecessary barriers to trade;
- **Human Rights:** A human rights-based approach is about empowering people to know and claim their rights and increasing the ability and accountability of individuals and institutions responsible for respecting, protecting and fulfilling rights. Based on this principle the Ministry shall endeavour to uphold Human Rights during implementation of this policy for the benefit of its clients.
- **Gender Inclusiveness:** The Strategy shall ensure that all programmes are gender/youth sensitive and gender/youth inclusive.

1.4 General Objectives

To enhance the export sector's contribution to Zambia's socio-economic development.

1.4.1 Specific Objectives

- *To diversify the range of exportable products and enhance value addition in them;*
- *To take full advantage of existing markets and identify and develop new markets;*
- *To promote sustainable growth at firm level through addressing the existing and potential new threats to production and exports; and,*
- *To enhance the contribution of the non-traditional export sector to job and wealth creation and export revenue generation.*

To attain the above objectives, action will be required along the following thematic areas:

- **Thematic Area 1: Policy and Regulatory Environment:** Creation of an enabling policy environment that supports and sustains export development;
- **Thematic Area 2: Product development:** Developing new products and improving existing ones;
- **Thematic Area 3: Trade Support Network:** Building capacity and enhancing coordination of trade support network to ensure that the network is responsive to the needs of the export sector;
- **Thematic Area 4: Market Penetration and Development:** Securing of markets and supporting penetration of key identified products and services in these markets; and,
- **Thematic Area 5: Trade Facilitation:** Addressing trade facilitation-related constraints to improve flow of goods and services.

1.5 General Targets of the Strategy

- Zambia's total exports to grow by 15% in value annually; and,
- Zambia's total NTEs to grow by 25% in value annually.

1.5.1 Sector Specific Targets

1.5.1.1 Trade in Goods

- Exports of primary agriculture products to grow by 30% annually;
- Exports of animal and animal products to grow by 7% annually;
- Exports of processed foods sub-sector to grow by 20% annually;
- Exports of textile and garments to grow by 15% annually;
- Exports of leather and leather products to grow by 12% annually;
- Exports of wood and wood products to grow by 20% annually;

- Exports of building materials to grow by 5% annually;
- Exports of engineering products to grow by 15% annually;
- Exports of gemstone products to increase by 10% annually;
- Exports of non-metallic minerals to grow by 25% annually; and,
- Exports of horticulture and floriculture products to grow by 10% annually.



1.0.1.1 Trade in Services

- Increase exports of services earnings by 12% by 2021;
- Increase services' contribution to national employment by 8% by 2021; and,
- Increase services' contribution to GDP by 5% by 2021;



2.0 Situation Analysis

2.1 Global Context

The global economy is increasingly becoming complex and interdependent. This has resulted in unprecedented expansion in international trade and an emergence of new drivers of global trade and investment, drawn from among developing countries. Notable of these are China, Brazil, India and South Africa. The international community has continued to pursue common programmes at the multilateral level in an effort to expand global wealth with the aim of reducing the incidences of global poverty while addressing environmental related challenges.

There is an increasing call to find innovative, integrated and common solutions to global problems, while respecting the sovereignty of states in defining their national strategies and policies. Thus, global collective action to address cross-border challenges (such as tax evasion and avoidance, illicit capital flows, global value chain operations, macroeconomic policy coordination, global trade rules, climate change and sovereign debt prevention and resolution) has become imperative as a means of strengthening the decision-making process at the multilateral level.

In addition, several initiatives have been adopted in the recent past with specific focus on addressing the challenges faced by developing and least developed countries. These initiatives include the following:

- The comprehensive 2030 Agenda for Sustainable Development adopted at the United Nations Sustainable Development Summit held in September 2015, where global leaders and the international community committed themselves to ending poverty in all its forms and dimensions;
- The Addis Ababa Action Agenda, which complements and supports the means of implementation for the 2030 Agenda, which was adopted in July 2015;
- The outcome of the twenty-first Conference of the Parties to the United Nations Framework Convention on Climate Change where global leaders agreed to limit global warming to 2°C and pursue efforts to limit it to 1.5°C of December 2015.
- The Tenth Ministerial Conference of the World Trade Organisation held in December 2015 with several key decisions adopted including, commitment to eliminating agricultural export subsidies; enhancement of export competition rules, expansion of the plurilateral Information Technology Agreement to include new products and an affirmation to facilitate trade in services for least developed countries.

Other notable initiatives include those adopted under the United Nations Conference for Least Developed Countries in 1981, the Istanbul Programme of Action in 2011 and United Nations Landlocked Developing Countries Vienna Programme of Action in 2014.

Several unilateral initiatives are being implemented by both developed and developing countries to facilitate trade. Notable of these include the Generalised System of Preferences (GSP) maintained by major developed countries, the Everything But Arms (EBA) Initiative maintained by the European Union and the African Growth and Opportunity Act (AGOA) by the United States of America. Developing countries like China, India and Brazil have also developed schemes to facilitate access by least developed countries into their markets on preferential terms.

All these initiatives and platforms provide an opportunity for the global leadership to reflect on global problems and define global solutions thus contribute towards a multilateral trading system that is growth rewarding for participating countries. Further, these initiatives also re-enforce the critical role of trade and development and interrelated issues of finance, technology and investment for inclusive and sustainable development.

It is, however, noteworthy that the global economy has gone through difficulties in the recent past due to the after effects of the financial and growth challenges experienced by major economies, which are yet to be resolved. Global growth is at its modest level with fluctuating oil and commodity prices, volatile capital flows and unstable foreign exchange and stock markets.

The global economic system remains unbalanced, with wide socio-economic gaps both between countries and within social groups and communities. Globally, one billion people are still living under extreme poverty. The policy space for countries (especially the least developed among them) to pursue national development programmes is getting narrower and prospects to successfully conclude balanced trade agreement especially under the WTO framework are far-fetched, as countries increasingly resort to protectionist tendencies.

Several challenges have arisen, especially in the area of trade and investment as countries move towards the creation of mega Free Trade Areas and the adoption of complex investment protection and promotion agreements. Currently, there are approximately 3,000 international investment agreements. Concerns have been raised about their lack of consistency with national development priorities and lack of coordination with other policy areas and objectives, including industrialisation, macroeconomic stability and sustainable development.

The conclusion of negotiations between the United States and the European Union under the Trans-Atlantic Trade and Investment Partnership (TTIP) on the one hand will make up nearly 30 percent of world merchandise trade, 40 percent of global trade in services, and as much as 45 percent of the world GDP. Once concluded, this Agreement is expected to cover market access (*on both goods and services*), regulatory coherence and cooperation (*e.g. technical barriers to trade, sanitary and phytosanitary measures*) and the rules (*e.g. intellectual property rights, sustainable development, labour, environment, customs and trade facilitation*).

On the other hand, the Association of Southeast Asian Nations (ASEAN) composed of Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam is negotiating with 6 other major Asian economies (i.e. Australia, China, India, Japan, New Zealand, and South Korea) to establish Regional Comprehensive Economic Partnership (RCEP).

This will be the largest bloc by its population (over 45 percent of the world population) accounting for nearly one-third of global GDP and its coverage is envisaged to go beyond trade liberalisation to cover investment, intellectual property, dispute settlement, and economic and technical matters. No African countries are participating in the mega-regional negotiations that involve their major trading partners and they face trade diversion from these markets. It has been argued that African countries could face greater competition in their export markets as well as investment diversion.

On the positive side, there may be a growth stimulus that enhances economic opportunities for Africa in these trading partners. What, therefore, has been recommended as a remedy for African countries is to promote structural transformation to place the continent onto a more sustainable industrial development path. There is considerable potential to grow intra-African trade and investment through Regional Value Chains especially that the African Continental Free Trade Area has been launched and will become effective once 22 countries deposit their instrument of ratification. Therefore, Zambia and other African countries need to upgrade their industrial capacity, including technological capabilities if they are to participate more gainfully in Regional and Global Value Chains.

Besides these mega developments, the decision by Britain to exit from the European Union, one of the longest standing regional blocs, puts a challenge on the regional integration agenda. Given the country's economic strength, this development has infused intense speculation in the region and other blocs including SADC and COMESA. The resultant immediate impact of the decision on Britain has been in form of instability in stock markets and foreign exchange. It is, however, unclear on whether this scenario will be sustained in the medium and long term.

Therefore, despite these associated challenges facing the global economy, the global market remains a viable market for both traditional and non-traditional products. Zambia also remains a source for key products in the extractive and agro-based sectors.

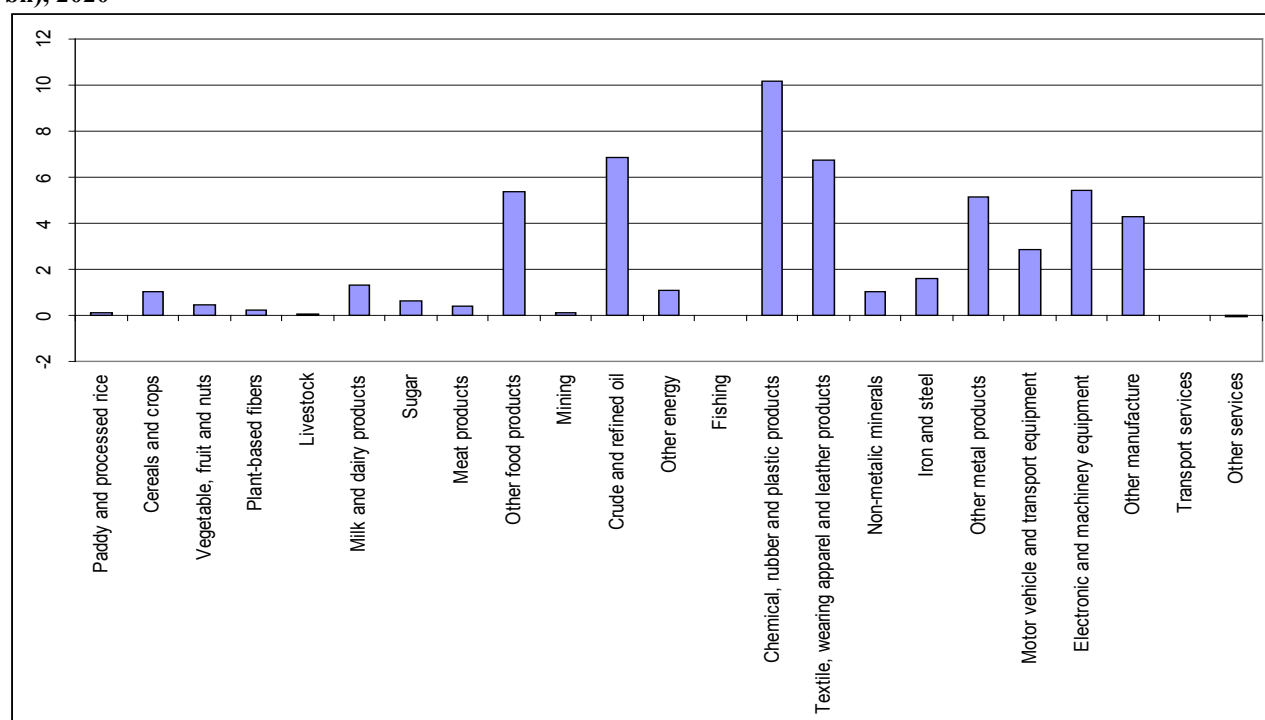
2.2 Regional Outlook

At the African continental level, progress is being made towards increasing intra-Africa trade and integration of African economies into one market. This is for purposes of harnessing the continent's rich endowments and improve Africa global trade, which is dominated by exports of commodities with low value addition. Among the specific interventions outlined by African leaders include the introduction of an Integrated High Speed Train Network; hastening the process for the creation of a Continental Free Trade Area (CFTA); the African Passport and free movement of people; capitalisation of opportunities in the aviation sector within the framework of the implementation of

the Yamoussoukro Decision on the Unification of African Air Space; implementation of the Grand Inga Dam Project; the Pan-African E-Network, and the creation of an Annual Consultative Platform for policy dialogue involving a wide range of stakeholders, among others. Africa is also championing an integrated approach to the continent's development by promoting the trade agenda, while tackling infrastructure bottlenecks and creating an environment for industrial sector growth. This approach is also the focus of regional economic communities such as SADC and COMESA to which Zambia is a member.

It is predicted that industrial products (i.e. chemicals, textile, metal products as well as electronic, machinery and transport equipment) would drive more than two-third expansion in intra-African trade in the coming years. The figure below is a projection of anticipated changes in intra-Africa trade, following the creation of mega free trade areas, which may require attention, for Zambia's export strategy to keep in synch with developments at the regional and multilateral levels.

Figure 1 Changes in intra-African trade following MRTAs combined with CFTA, by sector (USD bn), 2020



Source: ECA (forthcoming). AU/TI/TD/AMoT/MRTA

2.3 National Context

Zambia is a Landlocked Least Developed Country with a population of approximately 15 million people. The economy is predominantly driven by the production and export of copper and cobalt. Copper and cobalt account for approximately 70% of Zambia's export revenues. The Government has over the years adopted policies and programmes aimed at diversifying the economy and reducing the dependence on Copper such as the

Rural Industrialisation Strategy, and the Job Creation and Industrialisation Strategy among others.

In terms of economic growth, the Zambian economy has experienced strong growth in past years, with real GDP growth averaging about 6% per year in the period 2006-2014. This economic performance was largely driven by growth in construction, transport, communications and mining. However, slow growth rates were recorded in 2015 and 2016 due to plummeting global copper prices. *(See Table below).*

Table 1 Economic growth Trends

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP growth (p.a.)	7.90	8.35	7.77	9.22	10.30	5.62	7.57	5.13	5.02	2.9	3.4	3.9

Source: CSO

In 2017 real GDP growth stood at 3.9%, representing a marginal improvement compared to 2016. The continued improvement was largely because of good performance in agriculture, energy, non-mining industries, and services. In agriculture, the production of most crops increased in 2017. The maize harvest rose from 2.9 to more than 3.6 million tonnes in 2017, due mainly to a 21% increase in the area planted. For subsistence farmers, average productivity improved by 4% to 2.2 tonnes per hectare while larger farmers were able to produce 5.2 tonnes per hectare and commercial farmers up to 10 tonnes per hectare.

Non-mining industries, on the other hand, such as energy and construction, also performed well in 2017. The exceptional rainy season increased water levels at the Kariba Dam reservoir, which resulted in most hydropower generation plants to return to full capacity. Domestic electricity generation improved by 22.5% in 2017, while electricity exports increased by 37.1% to 1.1 TWh. The large imports that were needed to meet demand in 2016 were reduced to 0.8 TWh from 2.1 TWh, transforming the country into a net exporter of electricity (African Economic Outlook 2018).

In services, the best performing sectors included education, transport and storage. Education grew by 7.7% and has been a strong performer for the last six years. Its growth was largely due to Government efforts to expand education but also to the opening of more private schools. Similarly, transport and storage grew by 7.3% facilitated by the expansion of construction, mining and trading. Conversely, communication and information contracted by 12%, due to a slowdown in outgoing calls as consumers shifted to data services (African Economic Outlook 2018).

The Government is still optimistic that real GDP growth of over 7% is still tenable and the role of trade in achieving that has been identified. And for trade to play a significant role, a number of productive and supply side capacity constraints which need to be addressed have been identified. These constraints are both external and internal and can be categorised under the following headings:

- a. Production-related constraints;
- b. Trade and investment facilitation-related constraints;
- c. Market access-related constraints; and,
- d. Support infrastructure and institutions.

Table 2 Constraints Affecting Zambia's Trade Competitiveness

Production-related constraints	Trade and investment facilitation/Support services-related constraints
• Poor and/or costly economic infrastructure services (i.e. including telecommunication systems, roads, railways, utilities, borders and airports); • Limited availability of critical production inputs at competitive prices, due to high transport costs and inadequate market leverage; • Limited access to and high cost of capital compared to competitors; • Limited access to innovative production technology, limited technical know-how; • Limited access to information technology for product design, input sourcing and manufacturing processes; • Weak management and technical skills; • Scarcity of skilled labour and inadequacy of local entrepreneurship with significant export experience; • Weak capacity in product designs and packaging that are not appealing to consumers in export markets and, in certain instances, do not meet international specifications; • Poor information on foreign markets requirements (health, safety, environment, quality and social standards), and on the	• Weak, inefficient or costly trade-related infrastructure, including storage and refrigeration facilities; • Inefficient, lengthy and costly transit of goods in and out of Zambia; • Limited capacity to acquire and analyse information on foreign market opportunities, and inadequate knowledge of international business practices; • Limited export marketing experience, including negotiating skills; • Inadequate knowledge of rules of origin, design, health, safety and environmental standards in trade agreements and foreign markets; • Inefficient customs? Administration and other trade-related administrative procedures; • Inadequate or costly capital for the financing of exports, investment or other links with foreign firms; • Limited knowledge of import and export administration; • Ineffective government and private sector export and investment promotion services; • Limited application of information technology to market research, transaction management and links with buyers, suppliers, shippers and others;

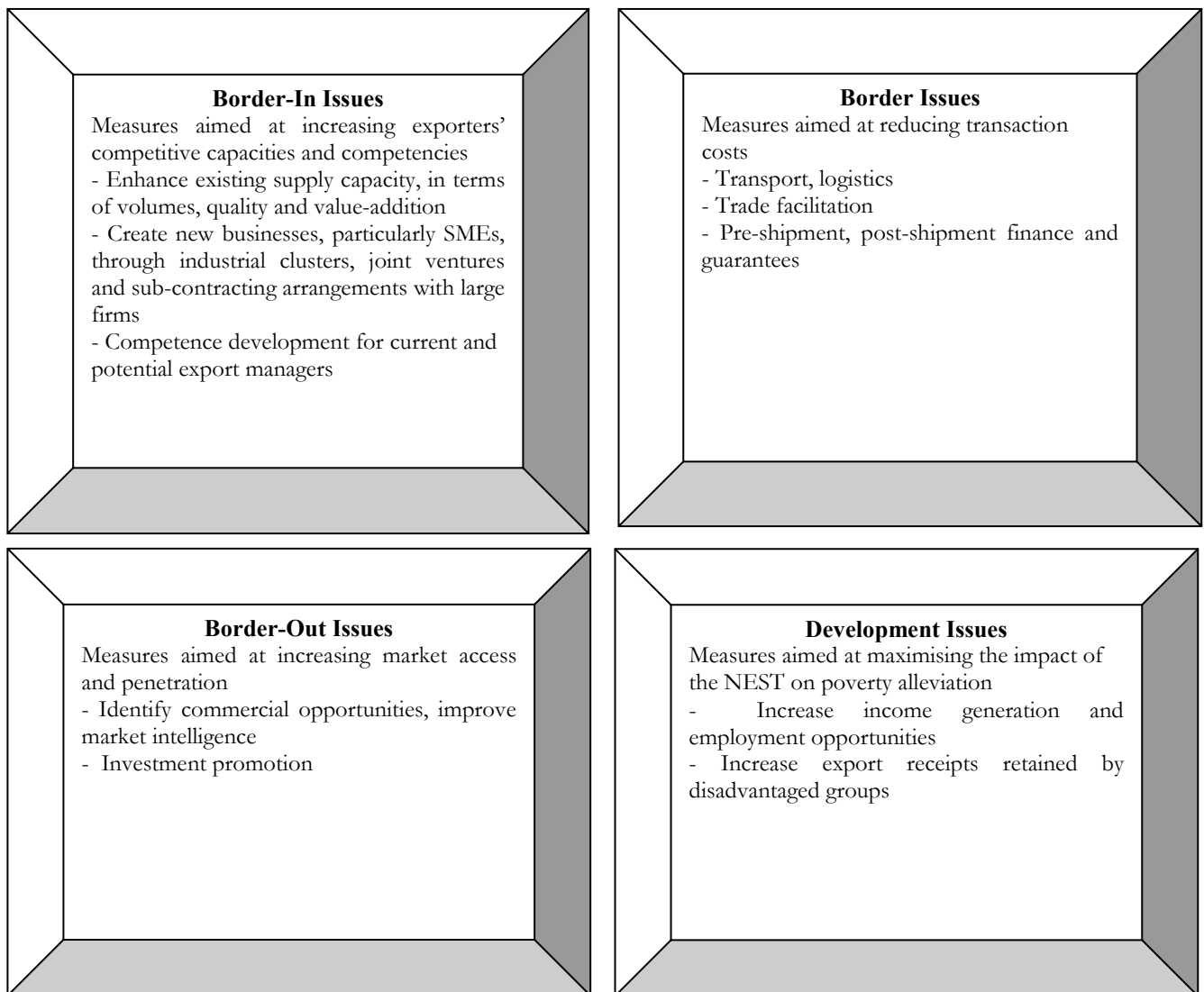
provisions of regional and multilateral trade agreements; • Poor national quality infrastructure, including lack of an internationally-recognised accreditation system; • High concentration of FDI (a valuable source of capital, technology and training) in few sectors; • Limited availability of efficient business support services.	• The lack of competent business associations and trade services firms to help enterprises identify markets, assemble financing, process export sales and manage transactions.
• Market access-related constraints²	• National Quality Infrastructure³ and Rules of Origin RoO
• Sanitary and Phytosanitary measures, • Technical regulations, • Non-mandatory international standards, • Restrictive rules of origin; and • Non-Tariff Barriers (NTB).	• Poor participation in international standard setting activities, • Limited national test laboratories and accreditation system, • Rules of origin constraints are particularly severe for potential value-added industries which heavily rely on imported inputs.

² Note: Market access is essential to the success of any trade development strategy. New market opportunities help trigger investment and entrepreneurial activity and generate new business for suppliers and service providers that may currently have little direct involvement with the external sector. Being an LDC, Zambia is entitled to market access in developed countries under a number of GSP schemes. Zambia is also a party to regional Free Trade Areas. As such, tariff barriers do not constitute a strategic issue for Zambia, with few exceptions in the region and overseas.

³ Note: Major export markets maintain SPS standards that are higher than those currently recognised by international standard-setting bodies. In particular, systems of traceability being put in place by developed countries, which covers the complete food chain from the farm to table, are difficult to comply with by small producers. Technical regulations are a key entry barrier for Zambian products into overseas markets, by preventing such entry or imposing significant costs for exporters.

3.0 Sector Performance

This NEST adopts the International Trade Centres' four gear train system namely Border Issues, Border-In issues, Border-Out Issues and Development Issues. These pillars provide key parameters, through which, exports competitiveness will be realised.



3.1 Trade in Goods

3.1.1 Introduction

Zambia's merchandise trade as a percent of GDP averaged 65.6% between 2007 and 2015. The trade balance on merchandise goods strongly emerged from a narrow surplus during the financial crisis and recorded a substantial surplus up to the close of 2012.

Zambia exports more than four thousand products into the region and overseas markets. Over the period 2007 to 2015, the country exported 4,358 products with an annual average export value of ZMW40.17 billion into 183 countries. The major exports are dominated by exports of traditional mineral products that account for more than two-thirds of the total exports while the remainder accrues to non-traditional exports. Non-traditional export products are concentrated within engineering and foundry (23 percent), followed by primary agriculture products (18 percent), processed and refined foods (14 percent), Industrial mineral-related products (14 percent) and chemicals and pharmaceuticals (10 percent). These products collectively account for 80 percent of total NTEs. Despite the importance of these products in NTEs, they constitute a small share of manufacturing industry in Zambia that is dominated by food and beverages production.

The categories of products broadly classified under horticulture, floriculture, wood, textiles, leather and animal products each contributes a marginal 1 percent of NTEs. Handcrafts and garments record the least exports accounting for less than a percent of total NTEs. The major market for Zambia's traditional mining exports has consistently been Switzerland while China has emerged as second largest destination⁴. The major market for NTEs is highly concentrated within the COMESA and SADC regions with DR Congo and South Africa accounting for the largest share. These are followed by Zimbabwe, Malawi, Kenya and Egypt.

Prior to the 2008 global financial crisis, the Netherlands and the UK were significant overseas markets for NTEs. However, in the post-recovery period, the importance of these markets has diminished a factor that explains some of the dismal performance of floriculture, horticulture and handcrafts NTEs. The average picture across the years shows that the deterioration in the trade balance is driven by the importation of petroleum, chemical, pharmaceuticals, animal products, textiles, garments, building materials, agriculture and non-metallic minerals. Worse deficit overshadows the surplus recorded mainly in engineering and foundry, primary agriculture and industrial mineral-related products.

Further, various productive and supply side challenges have contributed to the decline in exports. Given this situation, the sector selection was cautiously done and it was informed by a scientific method and approach.

⁴ Metal exports reported as destined for Switzerland often end up in China.

3.1.2 Identification of product sectors

The identification of the core products prioritised in this Strategy is based on a thorough analysis of the customs data from Zambia Revenue Authority (ZRA) and the Central Statistical Office for the period 2007 to 2015. Tradable products are typically named in conformity with the World Customs Organisation (WCO) Harmonised System (HS) convention. The ZRA, through the ASYCUDA system, collects the necessary customs information on trade such as the physical address, type of trade flows – whether it's an import or export and their associated Cost Insurance and Freight (CIF) and Free on Board (FoB) respectively, country of origin and destination. The chosen period of analysis is sufficiently long to reveal emerging trends and changing dynamics in Zambia's import and export portfolio. A scoring criterion, that involved ranking products within and across years according to strategically identified sub-sectors, was used to objectively classify products based on their observed performance and potential.

The products identified as high performers were assigned to the group of products that is more amenable to short-term strategic interventions. And the products identified as moderate performers were assigned to medium-term strategic interventions group. The products identified as poor performers, including products which have not been actively exported, were assigned to a group of long-term strategic interventions that can help to generate and sustain export productivity and competitiveness.

3.1.3 Primary Agriculture

Agriculture is a major economic activity in Zambia. In 2015, its contribution to the country's Gross Domestic Product (GDP) stood at 8.1 percent. This sector covers crop and animal including livestock and aquaculture.

In 2015, export earnings from primary agriculture totalled US\$ 415.02 million from US\$ 372.70 million in 2014 representing an increase of 11.35 percent. Primary agriculture contributed 20 percent to the total non-traditional export earnings in 2015. The major export markets were Zimbabwe, Malawi, South Africa, Germany, Switzerland, Kenya, Tanzania, Mauritius, Singapore and China. The main export commodities under primary agriculture include cereals and legumes, cotton and its products, floriculture and horticultural products, tobacco and coffee.

This section of the Export Strategy will focus on the following:

- Cereals and Legumes;
- Floriculture and horticultural products; and
- Animal and Animal Products.

3.1.4 Cereals and Legumes

Strategic objectives

- Promoting investment in cereals and legumes production;
- Modernise and commercialise the cereals and legume production; and,
- Improve access to established markets and penetrate new markets.

Table 3 SWOT Analysis for cereals and Legumes

<i>STRENGTHS</i>	<i>WEAKNESS</i>
• Abundant land and water resources • Organic products • Existing producers • Existing support institutions	• Limited support infrastructure such as storage • Weak interface between complementary policies and government institutions (i.e energy and taxes) resulting in implementation incoherence • Limited legal and regulatory frameworks resulting from non-enactment and implementation of the bills/Acts • Limited levels of compliance to standards and accreditation requirements among producers • Limited capacity for cereal and legume producers to effectively participate in marketing arrangements • Limited knowledge and understanding of the challenges and opportunities that exist (both upstream and downstream) on cereal production and trade • Limited capacity of public institutions to manage and monitor marketing arrangements • Absence of an integrated branding infrastructure at key institutions of learning (e.g. TEVETA institutions) to promote skills development • Limited appreciation of smart production methods and how to minimise post-harvest losses to enhance trade competitiveness • Absence of production processes informed by consumer priorities, needs and demand levels • Limited value addition interventions to support and sustain export diversification • Limited institutions offering finance
<i>OPPORTUNITIES</i>	<i>THREATS</i>
• Availability of established and new markets	• Disease and pests • Climate change • inconsistency in policy • Prevalence of NTBs • Commodity price volatility and competition

Strategic Actions

- Review and streamline policies affecting cereals and legume production and marketing;
- Revitalise inter-agency/ministerial platforms for dialogue to ensure policy coherence;
- Push for the enactment and full implementation of the Credit Act, Marketing Bill and Commodity exchange bill;
- Review standards and accreditation requirements for cereal and legumes producers and develop programmes that would facilitate compliance through using existing institutions i.e. ZABS, ZCSA, ZMA; Undertake inter-country business linkages programmes to promote market cooperation and integration;
- Review production and marketing arrangements for cereal and legumes;
- Support annual trainings facilitated by national, regional and international marketing institutions to build a resilient carder of marketers for cereal and legumes;
- Review capacity and strengthen agriculture co-operatives and associations to promote better and effective policy dialogue;
- Promote Zambia's participation in regional and global value chains to enhance skills development, knowledge transfer and facilitate access to inputs;
- Support development of business incubators to promote competitiveness of farmers involved in the sub-sector;
- Assess the capacities of ZARI, SCCI and other research centres on technology development i.e. plant breeding, good agricultural practices etc. seed production and certification with a view to strengthening their operations; and
- Encourage product diversification and promote value addition.



3.1.5 Floriculture and Horticulture Sub-sector

The floriculture and horticulture sub-sector has potential for further export growth in the medium to long term. The main export markets are; South Africa, the United Kingdom, Netherlands, and Germany.

This section of the Strategy will focus on promoting exports of floriculture and horticulture products.

Strategic objectives

- Promote export growth of the sub-sectors; and
- Improve access in established markets and penetrate new markets.

Table 4 SWOT Analysis Floriculture and Horticulture Sub-sector

<i>STRENGTHS</i>	<i>WEAKNESS</i>
• Favourable climatic conditions for floriculture and horticulture • Abundant suitable farming land • Availability of labour • Established institutional framework • Existing producers	• High transport and logistical costs • Inadequate market infrastructure and cold chain systems • Weak supportive legal and regulatory framework to retain and support export growth • Absence of effective institutional framework that promotes strong vertical and horizontal linkages to promote coherent and sustainable actions on key challenges facing the sector • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments in the sector to steer effective trade (domestically) and export competitiveness • Limited institutions offering affordable finance
<i>OPPORTUNITIES</i>	<i>THREATS</i>
• Availability of export markets	• Existence of NTBs • Private standards and consumer lobbying in destination markets • Competition from other producers • Climate change • Inconsistent power supply

Strategic Actions

- Strengthen the capacity of the MCTI and ZDA to monitor and consolidate trade data for the sector;

- Build capacity of farmer groups/ cooperatives in the sector through intense training and procurement of relevant equipment;
- Establish quality control systems for key producers using existing institutions i.e. ZABS, ZCSA, ZMA and carryout sensitisation on conformity requirements;
- Undertake an inventory of the sector's production and export capacity and develop capacity-building programmes for the sub-sector;
- Assess infrastructure capacity gaps and engage partners for support to address the gaps; and,
- Promote investment in the sector through packaging better incentives.



3.1.6 Animal and Animal Products

In 2015, the sector recorded total export earnings of US\$7.08 million compared to total earnings of US\$9.60 million in 2014, a decrease of 26.31 percent. The total export earnings of animal products accounted for 0.4 percent of Zambia's total NTEs earnings. Poultry and poultry products dominate exports in this subsector and the main export markets are SADC and COMESA. Other products with potential for export in the medium to long term include fish, bovine fresh milk, goats, sheep and swine and their products.

In this regard, the section of Strategy will focus on promoting exports of fish, bovine, goats, swine, poultry and their products.

Strategic objectives

- Enhance extension services in order to improve the quality and quantity of animals and their products;
- Improve existing support infrastructure in order to increase exports;
- Enhance the capacity of producers to meet sanitary requirements to increase exports; and,
- Commercialise and modernise animal and fish production for exports.

Table 5 SWOT Analysis Animal and Animal Products

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
• Abundant pasturage and good climate • Existence of farmers • National priority in the diversification agenda • Existence of support institutions	• Weak supportive legal and regulatory framework to retain and support export growth; • Limited capacity of industry players to produce competitive and tradable products; • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance; • Lack of adequate investments in the sector that steer effective trade (domestically) and export competitiveness; • Limited institutions offering affordable finance
<i>OPPORTUNITIES</i>	<i>THREATS</i>
• Availability of established and new markets • Opportunities for value addition and diversification	• Emergence of NTBs • Occurrence of diseases • Private standards and consumer lobbying in destination markets • Competition from other producers • Climate change • Limited power supply • High certification costs (HACCP, GMP, ISO 9000, BRC and IFS for processed food)

Strategic Actions

- Undertake consultations with Ministry of livestock and Fisheries on the legal and regulatory framework governing the Animal sector with a view to revising/updating the legal and regulatory framework to support export growth;
- Assess the existing capacity for animal feed production with a view to ascertain production levels to support the growing demand;
- Build capacity of selected farmers on a series of integrated subjects including quality/standards management, grading technics, (HACCP, ISO, SPSs), animal husbandry practices;
- Building capacities of training centers for animal husbandry through procuring equipment and improve their curricula with a view to enhance the operations and training being offered;
- Strengthen institutional engagement between MCTI and Ministry of Livestock in mainstreaming of trade concepts in disease free zones to support the growth of export sector;
- Undertake an assessment of the status of the sector's challenges including diseases and their effect on trade, and enter into collaborative arrangements with partners to address challenges in the sector;
- Undertake an inventory of animal breeding centers and build their capacity with the view to enhancing operations and increase animal stock to improve trade;
- Assess capacity of abattoirs and facilitate capacity building programmes to improve sanitation and product quality for domestic and export markets;
- Undertake capacity development for sub-sector players (i.e. aquaculture, poultry, ruminant etc) through provisions of specialised training (using existing models) and procurement of equipment to the sub-sector's export competitiveness;
- Develop cold storage facilities and enhance transport systems;



3.1.7 Agro Processing (Processed Foods Sub-sector)

The Processed Foods sub-sector has generally performed well and demonstrated potential for further export growth. The major export commodities which are the products of interest in this category are sugar and confectionaries, non-alcoholic beverages, soya bean flour and meal, maize flour and related products, natural honey, milk and milk products, fresh vegetables, fruits and related products. The current main export markets are the Democratic Republic of Congo, South Africa, Namibia, Switzerland and Zimbabwe.

This section of this Strategy will focus on sugar and confectionaries, non-alcoholic beverages, natural honey, fresh vegetables, fruits and related products.

Strategic objectives

- Increase product diversification for exports;
- Promote investment in the sector; and
- Improve quality, branding and packaging of products.

Table 6 SWOT Analysis for Processed Foods Sub-sector

STRENGTHS	WEAKNESS
• Availability of Non-GMO products • Favorable investment environment (e.g. MFEZ) • Established Manufacturing companies	• Non availability of certain inputs locally • Insufficient power supply • Poor packaging and branding • High cost of production • Weak value chain linkages • Limited access to finance
OPPORTUNITIES	THREATS
• Availability of existing and new markets	• Emergence of NTBs • of NTBs • Competition from other producers

Strategic Actions

- Zero rating import taxes on critical inputs to reduce the cost of production;
- Build capacity of players in the sub-sector to meet international standards and market requirements;
- Promote product diversity;
- Strengthen linkages among sector players domestically and regionally by encouraging joint ventures and other forms of partnerships;
- Promote investment in the sub-sector to support value addition; and
- Undertake regular market surveys in existing and potential markets on consumer preferences and statutory requirements.

3.1.8 Textiles and Garments Sub-sector

The Zambian textile sub-sector has potential to stimulate national economic growth and rural development owing to good climate, abundant arable land, labour availability and good water resources. In 2015, the textiles and garments sub-sectors recorded combined export earnings of US\$12.61 million compared to US\$11.17 million recorded in 2014 indicating a decrease of 12.85 percent. The main export market destinations for these products are Singapore, Zimbabwe, Malawi, United Kingdom, Congo DR and South Africa. The main export products include sacks, bags, twine, cordage, rope and cables of sisal and tarpaulins, awnings and sun-blinds, of other textiles.

This section of the Strategy will focus on the textiles and garments sub-sector.

Strategic objectives

- Promote value addition in the sub-sector;
- Support cluster development and promote investment in the sector; and
- Improve access in established markets and penetrate new markets.

Table 7 SWOT Analysis for Textiles and Garments Sub-sector

STRENGTHS	WEAKNESS
• New investments in ginneries • Availability of cotton • Existence of support institutional structures • Existence of MFEZs	• Weak value chain linkages (limited availability of weavers etc) in the sub-sector • Weak collaboration among support institutions • Absence of a supportive legal and regulatory framework to retain and support export growth • Limited capacity of industry players to produce competitive and tradable products due to obsolete technology, limited skills and knowledge on key contemporary issues • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments in the sector that steer effective trade (domestically) and export competitiveness • Limited institutions offering affordable to finance
OPPORTUNITIES	THREATS
• Availability of established and new markets	• Competition from other producers • Volatile global commodity prices • Consumer lobbying

Strategic Actions

- Undertake comprehensive capacity-building programmes in at least three categories:
 - (a) Core skills and knowledge in machinery assembly, product development, and manufacturing operations;

- (b) Professional skills and knowledge in operations and market development; and,
 - (c) Specialised skills and knowledge in Environmental, Social and Governance compliance and management, as well as entrepreneurship and organisation development.
- Support the development of a cluster-based centre of excellence to facilitate access to production facilities, where ginner, weavers and fashion designers could tap into common utilities and services;
 - Promote south to south cooperation to support the collaboration of the textile and garments value chain actors;
 - Provide incentives to support and increase cotton production⁵;
 - Increase Government funding for extension services to support cotton production;
 - Strengthen institutional collaboration among all players in the sectors including Cotton Development Trust (CDT), CAZ, the Cotton Board of Zambia (CBZ) and non-governmental organisation (NGOs) through bi-annual meetings;
 - Support cotton research and technology generation through the revitalisation of the Cotton Development Trust (CDT);
 - Support cotton seed genetic purity determination through biotechnology and build capacity in cotton seed research and technology of the Seed Control and Certification Institute (SCCI);
 - Support the CBZ to develop and prepare a pricing mechanism for cotton that benefits and protects both producers and buyers in the sub-sector;
 - Promote establishment of backward and forward linkages (value addition) in cotton sub-sector in order to maximise the export potential of the sector;



⁵Note: Loyal cotton growers constitute about 25% of all cotton growers but produce more than half of the total national crop

3.1.9 Leather and Leather Products

The Zambian textile sub-sector has potential to stimulate national economic growth and rural development owing to good climate, abundant arable land, labour availability and good water resources. In 2015, the textiles and garments sub-sectors recorded combined export earnings of US\$12.61 million compared to US\$11.17 million recorded in 2014 indicating a decrease of 12.85 percent. The main export market destinations for these products are Singapore, Zimbabwe, Malawi, United Kingdom, Congo DR and South Africa. The main export products include sacks, bags, twine, cordage, rope and cables of sisal and tarpaulins, awnings and sun-blinds, of other textiles.

This section of the Strategy will focus on the textiles and garments sub-sector.

Strategic objectives

- Promote product development and value addition;
- Promote investment in leather tanneries in the country;
- Expand the supply of high quality hides and skins; and,
- Improve access to established markets and penetrate new markets.

Table 8 SWOT Leather and Leather Products

STRENGTHS	WEAKNESSES
• Availability of skin and hide • Existence of MFEZs • Existence of support institutions	• Low quality hides and skins • Lack of availability of data on the existing quantities of leather hides and skins in the country • Low value addition and product diversity • Limited tanneries • Weak value chain linkages • Absence of a supportive legal and regulatory framework to retain and support export growth • Limited capacity of industry players to produce competitive and tradable products due to limited skills and knowledge on key contemporary issues. • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments that steer effective trade (domestically) and export competitiveness in the sector • Limited institutions offering access to finance
OPPORTUNITIES	THREATS
• Availability of established and new markets	• Emergence of NTBs • Smuggling of skins and hides • Prevalence of diseases

Strategic Actions

- Develop, review and enforce the relevant laws, regulations, guidelines, standards and codes of practice pertaining to leather and leather products;
- Organise exhibitions for the sector to promote business linkages and consumer awareness;
- Identify and develop an inventory of players at every segment of the leather value chain;
- Capacitate SMEs to participate in regional and global value chains;
- Facilitate the formation of cooperatives for the sector; and
- Establishing clusters of tanneries in selected zones to promote value addition.



3.1.10 Wood and Wood Products Sub-sector

Zambia is well endowed with forest resources that play an important role in the development of the national economy and in improving the living standards of people. This sector recorded an increase of 11.06 percent from the previous year rising from US\$10.01 million in 2014 US to \$11.12million in 2015. The main export commodities in this sub-sector include value-added wood products (pallets, doors etc.). The top performing markets were China, South Africa, Democratic Republic of Congo, Zimbabwe and Malawi.

In this regard, the focus of this section of the Strategy will be on value-added wood products.

Strategic objectives

- Promote production of value-added wood products for exports;
- Promote sustainable forest management; and
- Improve access in established markets and penetrate new markets.

Table 9 SWOT Analysis Wood and Wood Products Sub-sector

STRENGTHS	WEAKNESSES
• Availability of wood • Established wood processing companies • Existence of MFEZs	• High cost of production • Low levels of afforestation and reforestation • Limited investment in processing high-value and high-quality products • Absence of a supportive legal and regulatory framework to retain and support export growth • Limited capacity of industry players to produce competitive and tradable products • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Inadequate investments that steer effective trade (domestically) and export competitiveness in the sector • Limited institutions offering finance
OPPORTUNITIES	THREATS
• Availability of established and new markets	• Deforestation • Smuggling of logs • Climate change

Strategic Actions

- Strengthen implementation of legal provisions to curb smuggling of raw wood products;
- Build capacity on afforestation and reforestation among players in the industry;

- Promote competitiveness through providing specialised training in value addition, standards and quality requirements and strengthen systems to meet required accreditation requirements;
- Build capacity through procurement of commercial equipment for SMEs to support mass production of value-added wood products;
- Strengthen market penetration through promotion of market linkages among the players;
- Improve capacity of established wood processing companies to meet requirements of key markets;
- Create platforms for dialogue among players in the value chain so as to strengthen linkages; and,
- Engage relevant Ministry to explore the possibility of offering tax incentives on selected wood-processing equipment



3.1.11 Building materials

In 2015, the sector's performance fell below the 2014 level of US\$70.6 million by 62.11 percent down to US\$26.75 million. The building materials sector was largely dominated by exports of portland cement (excluding white), other hydraulic cements, plates, sheets and strips of agglomerated or reconstituted mica, natural steatite, talc, not crushed or powdered and cement clinkers. The main export markets for Zambia's building materials are COMESA and SADC.

In this regard, the focus of this section of the Strategy will be on cement and its products.

Strategic objectives

- Improve access in established markets and penetrate new markets; and
- Promote value addition and product diversification.

Table 10 SWOT Analysis for building materials

STRENGTHS	WEAKNESSES
• Availability of raw materials/inputs • Established industry	• Limited power supply • High cost of production • Limited export product diversity • Absence of a supportive legal and regulatory framework to retain and support export growth • Limited capacity of industry players to produce competitive and tradable products • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments in the sector that steer effective trade (domestically) and export competitiveness • Limited institutions offering affordable finance
OPPORTUNITIES	THREATS
• Availability of established and new markets • Recent expansion of investment in the sector • Emergence of clean technology for cement production	• Emergence of NTBs in target markets • Increased competition from low-cost producers • High cost of clean technology • Main raw material being a wasting asset

Strategic Actions

- Promote effective implementation of existing policies and legal framework to support development of the sub-sector;
- Promote skills development through strengthening of the curricula and provisions of opportunities for training; and,
- Undertake trade promotion missions and participation in trade fairs;

3.1.12 Engineering Products

The main markets for the sub-sector are South Africa, Democratic Republic of Congo, United Arab Emirates, Kenya and Botswana. The total export earnings from the sector declined by 22.5 percent from US\$511.4 million in 2014 to US\$396.17 million in 2015. The sector lost its status as the top performing sector to primary agriculture in 2015. The top products exported from the sector are wire of refined copper, telephones for cellular networks or for other wireless networks, electric conductors, parts of machinery, aluminium wire and parts of pumps for liquids.

This section of the Strategy, therefore, will focus on value-added engineering products.

Strategic objectives

- Increase the production of value-added engineering products in order to exploit regional and international markets; and,
- Promote investment in the sector.

Table 11 SWOT Analysis for Engineering Products

STRENGTHS	WEAKNESSES
• Availability of raw materials • Availability of skilled labour • Existence of MFEZs • Established industry	• High cost of production • Absence of a supportive legal and regulatory framework to retain and support export growth • Limited capacity of industry players to produce competitive and tradable products • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments that steer effective trade (domestically) and export competitiveness in the sector • Limited institutions offering affordable finance
OPPORTUNITIES	THREATS
• Availability of established and new markets • Opportunities for value addition and diversification	• Increased competition in the destination markets • Dependence on volatile international copper prices

Strategic Actions

- Effectively enforce existing laws/rules to address sub-standard imported products;
- Institute legal reforms specifically on import duties to address the high cost of inputs in the sector;
- Develop industrial clusters to support exporting companies and to create synergy effects which will help future exporting companies develop;

- Build capacity of some industries to start producing key materials such as copper sheet, zinc ingot, and ferrous raw materials; Promote business linkages programmes in both old and new markets to enhance growth of the existing and new exporting companies;
- Develop systems for quality and standards adherence among players in the industry so as to help manufacturers establish a brand image in the regional markets;
- Educate players in the industry on national and international quality standards for engineering products;
- Undertaking reforms to address existing constraints (both soft and hard infrastructure) so as to improve production capacities of the existing exporting players; and,
- Provide avenue for exporting companies and supporting local industries to exchange business information;



3.1.13 Non-Metallic Minerals and Gemstones

In 2015, export earnings recorded were US\$53.32 million representing a 13.42 percent reduction from US\$61.82 million recorded in 2014. The sub-sector contributed 2.8 percent to total export earnings in 2015. The major export markets for non-metallic mineral products from Zambia are Congo DR, Malawi, Zimbabwe, South Africa and China. The main export products in this sector were slaked lime, quick lime, hydraulic lime and natural manganese ore.

For gemstones, in 2015 the export earnings recorded were US\$62.72 million representing a 77 percent reduction from US\$273.84 million recorded in 2014. The sector made a contribution of 11.4 percent to total export earnings for 2015. The major export markets for Gemstone from Zambia are Singapore, India, China, South Africa and Israel. The main export products in this sector were articles of precious or semi-precious stones, quartz, rubies, sapphires and emeralds, as well as non-industrial diamonds and imitation jewelry. Gold is also another product that has potential for exports and what is affecting the performance of the sector is non-availability of tools to underwrite regulation.

This section of the Strategy will focus on gemstones and gold.

Strategic objectives

- Strengthen the regulatory framework for gold and gemstone mining and trade; and,
- Promote value addition of gemstones products for exports.

Table 12 SWOT Analysis for Non-Metallic Minerals and Gemstones

STRENGTHS	WEAKNESSES
• Availability of high quality gemstones and gold deposits • Simplified export documentation requirements • Existence of MFEZs	• Inadequate support infrastructure • Low investments in the two sub-sectors • Limited lapidaries and downstream value addition • Offshore auctioning of gemstones • Absence of a supportive legal and regulatory framework resulting in inadequate monitoring system • Limited capacity of industry players to produce competitive and tradable products • Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance • Lack of effective investments that steer effective trade (domestically) and export competitiveness in the sector • Limited institutions offering affordable finance
OPPORTUNITIES	THREATS
• Local auctioning of minerals • Availability of established and new markets	• Competition from low-cost producers • Illegal mining and smuggling

Strategic Actions

- Develop guidelines for the gemstone sector/gold mining;
- Undertake an inventory of legal and regulatory frameworks for trade in mineral products;
- Promote skills development among SME producers and traders;
- Facilitate the development lapidaries through collaborative arrangements with countries that have experience in the sector;
- Address health and safety issues among SMEs;
- Develop mechanisms for mineral beneficiation for SMEs and Government;
- Undertake an inventory of mine cooperatives with a view to organise them;
- Attract foreign investments (or work through a Public Private Partnership Arrangement) to address key challenges of basic infrastructure faced by small mining companies;
- Support and encourage investment in alternative energy generation among industry players and provide incentives;
- Promote investment in value addition and related activities; and,
- Encourage financial institutions to diversify and relax interest rates to support growth of the sector.



3.2 Trade in Services

3.2.1 Introduction

Zambia's merchandise trade as a percent of GDP averaged 65.6% between 2007 and 2015. The trade balance on merchandise goods strongly emerged from a narrow surplus during the financial crisis and recorded a substantial surplus up to the close of 2012.

The services sector has emerged as a new frontier for promoting sustainable growth and development in developing countries and is considered as an important enabler for the growth of other economic sectors. For this reason, promoting efficiency in the services sector is essential for catalysing the growth of other sectors, thereby contributing to economic growth. This sector accounts for two-thirds of global output and slightly less than half of world employment. In 2012, global services exports were estimated to have reached US\$4.4 trillion. At domestic level, the sector has exhibited potential to promote sustainable economic growth despite Zambia currently being a net services importer. For instance, in 2013, services imports amounted to US\$1,460 million compared to US\$585 million in export receipts.

The share of services in GDP increased from 51 percent in 2010 to 55.6 percent in 2014. The construction, transport, communication, business and education services are among key contributors to Zambia's GDP. This sector has witnessed increased FDI inflows and growth in the recent past because of reforms undertaken and is now contributing significantly to job creation, income generation and the production of goods.

The enhancement of services sector exports has potential to increase its contribution to GDP. Trade in services has, however, grown at a slow pace with available data revealing that Zambia's services imports are dominated by transport, business services and travel. Transport services imports increased from US\$474.2 million in 2010 to US\$825.3 million in 2015 from the total import services which stood at US\$1,416.8. Imports of business services, on the other hand, stood at US\$148 million of total services imports. Overall, services exports and imports increased from US\$570.8 million and US\$887.5 million in 2010 to US\$861.5 million and US\$1416.8 million in 2015, respectively (See figure below).



Figure 2: Imports and Exports of Services



Source: BOZ

It, therefore, becomes inevitable for Zambia's export strategy to promote services exports as one of the important means to achieve the envisaged diversification of exports.

3.2.2 Identification of product sectors

The criterion used in the identification of the core services sectors prioritised in this NEST is based on a thorough analysis of the Bank of Zambia (BoZ) Balance of Payment (BoP) statistical information. A set of measures, which formed the basis for shortlisting sectors, were drawn and these measures assisted in arriving at the identified services sectors of this Strategy. The first measure used was to vet the sectors against their potential to contribute towards job creation and poverty reduction. Job creation and poverty reduction are key Government priority actions and therefore any sectors which have a high probability to contribute towards the realisation of these Government actions was considered key.

The second measure used was an assessment of the extent to which the sectors have been liberalised and the existence of a legal and institutional regulatory framework given that a sound legal and institutional framework is key to promoting predictability and fairness in trade. The third measure used was to assess the performance of the sector against the ***“Four Modes”*** of supply from the context of how trade can further be promoted. The modes include;

- Mode 1: Cross-border supply;
- Mode 2: Consumption abroad;
- Mode 3: Commercial presence; and,
- Mode 4: Movement Presence of natural persons.

Therefore, those sectors which showed high receptivity levels to the principles contained in the modes and those sectors that positively met the aforementioned

measures were selected as priorities. Further, the recent trends in the global trade and focus on trade in services as a new frontier for sustainable growth and development and advances in technology also underpinned the projection and focus of the sectors identified in this Strategy.

3.2.3 Services Sector in General

The promotion of trade in services offers greater scope for up surging export revenue. With the emergence of global supply chains, services have become an important component for the smooth functioning of these supply chains. Companies worldwide are outsourcing their services and this is increasingly providing the necessary demand for service exports. It is, therefore, important for the Strategy to outline interventions that are critical to enable the services sector to exploit the existing and emerging markets.

Priority Sectors

The Strategy will focus on the following priority sub-sectors:

- Transport services;
- Financial services;
- Education services;
- Tourism; and,
- The creative industries

3.2.4 Transport Services

The transport sector is the second most important sector for developing countries after tourism and is an essential part of supply chains. This sector covers road, rail, air, inland waterways, maritime and pipeline transport. Other services auxiliary to the transport sector include maintenance and repair, selling and marketing services, reservation services, cargo storage and handling, warehousing, freight and forwarding and ground handling. Other associated services include supply chain logistics and supply chain management services related to the movement and storage of goods and information flow, as well as shipping and border-related services.

In this regard, this section of the Strategy will focus on passenger and cargo (road and rail).

Strategic Objectives

- Support the development of coordinated transport network; and
- Promote the export of transport services; and,
- Promote regional cooperation in the transport sector.

Table 13 SWOT Analysis for Transport Services

STRENGTHS	WEAKNESSES
- Established support institutions - Availability of skilled manpower - Central Geographical location	- Limited infrastructure. - High operational costs - Limited bulk storage facilities - Weak enforcement of supportive legal and regulatory framework to retain and support export growth - Limited capacity of industry players to produce competitive and tradable services due to limited skills and knowledge on key contemporary issues. - Absence of empirical knowledge on the effects of existing challenges in the sector on trade performance - Lack of effective investments in the sector that steer effective trade (domestically) and export competitiveness - Limited institutions offering affordable finance
OPPORTUNITIES	THREATS
- The rise of regional and global value chains requiring efficient transport services - Existing transport agreements with neighbouring countries - Regional programmes for corridor developments.	- Operator licensing restrictions - Regional instability - Competition from other players

Strategic Actions

- Introduce and complement existing standards for passenger transport to improve passenger safety and comfort of buses; access provision for the physically challenged; and introduction of departure and arrival schedules for all operators;
- Introduce and conduct training for bus crews in customer relations, courtesy, luggage handling, enroute information dissemination, care for the elderly and unaccompanied minors, care for the physically challenged, care for ailing travellers, among others;
- Introduce and publicise, at all bus stations, in buses and related public places, a Passenger Rights Charter regarding right of fare refund, remedies for late departure and/or late arrival, unruly conduct by crew; right to lodge complaint to service provider or station manager;
- Improve bus station and bus stop infrastructure by constructing proper, modern stations on Public-Private Partnership;
- Expand passenger transport services to new destinations in foreign markets
- Promote the use of local transportation by foreign nationals;
- Encourage local transport service providers to set up in foreign markets;

- Support the export of transport services;
- Strengthen enforcement of regulations through increased awareness programmes and capacity building;
- Promote upgrading and modernisation of transport infrastructure facilities and systems
- Initiate setting up of a national airline or flag carrier to address the problem of air connectivity
- Undertake market and competition assessment in key markets to determine impediments in both domestic and foreign markets for operators;
- Leverage investment to build support infrastructure (both soft and hard) for transport services;
- Promote investment in product diversity and related activities; and,
- Encourage financial institutions to diversify and relax interest rates to support growth of the sector.



3.2.5 Financial Services

The financial sector plays an important role in the export diversification process by exporting services such as insurance, letters of credit etc. in addition to facilitating exports in the goods sector through trade finance. Zambia's financial sector is comprised of banking, insurance and pensions, stock exchange and other non-banking financial institutions. This sector has experienced rapid growth due to technological progress, regulatory reforms and expansion in trade globally and should be repositioned to provide financial services in the export market.

This section of the Strategy will focus on banking, insurance and stock exchange.

Strategic Objectives

- Promote diversification of financial services, and,
- Promote the export banking services

Table 14 SWOT Analysis for Financial Services

<i>STRENGTHS</i>	<i>WEAKNESSES</i>
• Liberal policy environment • Presence of legal and regulatory framework • Presence of public and private investment in the sub-sectors • Availability of skilled personnel	• Low financial inclusion • Absence of reinsurance companies • Limited investment in insurance services • Lack of export trade financing and insurance • Some banks not accepting letters of credit • Inadequate flow of information on availability of trade finance to both small and large scale exporters • High lending rates by banks to businesses
<i>OPPORTUNITIES</i>	<i>THREATS</i>
• Growing demand for financial services in the region • Signatory to international agreements related to trade in services	• Risky undertakings • Financial crisis • Cyber crime • Threats of capital flight • Competition

Strategic Actions

- Undertake policy reforms to improve financial inclusion and reinsurance;
- Encourage service providers to deepen their services in rural and peri-urban areas to improve financial inclusion;

- Undertake a study to determine the actual cost structure of financial services with view to find remedies on how to reduce the cost of the services;
- Promote diversification of financial services;
- Encourage regular interactions between financial institutions and other relevant stakeholders to review the relevance of the products to the needs of the markets;
- Promote investment in insurance services and stock markets with view create complementarity within the sector;
- Encourage financial institutions to invest in innovation and reduce interest rates and charges
- Encourage product diversification in the financial services sector; and,
- Limited institutions offering access to finance.

3.2.6 Education Services

Educational services include primary, secondary, tertiary education. Advancement in technology has created opportunities to liberalise educational activities which has witnessed an increase in private sector investment.

Global trade in educational services is huge and is estimated to be between US\$ 40 and 50 billion per annum. The potential to increase profitability in the global market is vast following the dismantling of barriers under the WTO General Agreement on Trade in Services (GATS) commitments. Global tertiary enrolments reached 170 million in 2009 and are forecast to grow by 21 million between 2011 and 2020. Collaborative research is also estimated to continue on their growth paths in years to come.

Zambia has in the recent past increased net enrolments in secondary schools and institutions of higher learning and has improved pupil-teacher ratio at primary school level. In addition, the government has invested heavily in infrastructure for secondary schools and tertiary education. There has also been an increase in private sector participation in this industry. Many tertiary institutions are increasingly enrolling foreign students and are diversifying their product range; including the move towards distance-based learning arrangements.

Strategic Objectives

- To promote and maintain high standards in the education sector; and,
- Promote exports of education and research services.

Table 15 SWOT Analysis for Education Services

<i>STRENGTHS</i>	<i>WEAKNESS</i>
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• Availability of skilled personnel • Existence of both private and public learning institutions • Public and private sector investment in education	• Limited funding to public institutions • Frequent and abrupt closures of public universities • Limited facilities • Inadequate investment in research and technical institutions • Limited linkages in the sector
OPPORTUNITIES	THREATS
• Increasing demand for good quality education in the region and beyond • Ease mobility of natural persons in the region	• Security • Restrictions on qualification recognition • Study/work permit restrictions • Restrictions on the online transmission of course materials • Competition from other learning institutions.

Strategic Actions

- Encourage hosting of annual education management conference with innovative themes in areas such research, business development and international marketing etc;
- Streamline the procedures of acquiring study and work permits;
- Devise programmes to facilitate extensive IT upgrades and online courses;
- Initiate exchange programmes with reputable universities for broader knowledge and skills acquisitions for students and lecturers;
- Standardise the national education system so as to develop a common marketing brand that targets international students;
- Undertake market surveys to understand the perception and needs of foreign students;
- Design and implement research partnership programmes between universities and Government and private sector so as to make educational services relevant to market needs;
- Develop a compendium of research publications (both applied and academic) and reposit them both online and in key public libraries;
- Facilitate investment for development quality infrastructure for educational services;
- Promote investment in product diversity and related activities; and,
- Encourage financial institutions to diversify and relax interest rates to support growth of the sector.

3.2.7 Tourism Sector

Tourism offers great potential for economic growth and job creation. International tourism accounts for 30 percent of global trade in services and about 10 percent of global gross domestic product (GDP). Accommodation, transport, food and beverages, entertainment and leisure are major components of this sector. Other closely interlinked sectors include education, infrastructure, customs, communications, agriculture security, health, immigration and culture.

The Government has identified tourism as one of the priority growth sectors of the national economy, because it has the potential to be a major contributor to socio-economic development. The Tourism Sector continued to record positive growth during the period 2009 to 2016, in terms of the international tourist arrivals. In 2016 there was an increase of 2.6 percent from 2015 in tourist arrivals. This section of the Strategy will focus on the aforementioned major components of the sector.

Strategic Objectives

- Promote consumption of tourism products by foreign nationals;
- Address bottlenecks affecting the competitiveness of the sector; and
- Diversify the tourism products in order to enhance export revenue.

Table 16 SWOT Analysis Tourism Sector

STRENGTHS	WEAKENESS
• Abundance of natural touristic endowments • Conducive weather conditions • Availability of hotels and lodges • Political and economic stability	• Lack of national airline • Inadequate marketing of Zambia as an attractive tourist destination • Poor accessibility to some tourism sites • Limited support infrastructure and facilities • Inadequate qualified human resource
OPPORTUNITY	THREATS
• Availability of natural, historical and cultural attractions • Demand for tourism services • Increased investment in the sector • regional level collaboration	• Dependence on nature based tourism • Climate change • Poaching • Competition in the sector • Security issues

Strategic Actions

- Undertake policy and legal reforms on key bottlenecks (e.g. loopholes in tax remittances etc) facing the sector;
- Provide and establish an incentive scheme to encourage more charter services targeted at tourists;
- Design and implement culture based tourism programmes;

- Provide incentives to the private sector to increase the accommodation capacity to cater for all tourist classes;
- Design and implement programmes to increase the number of quality stop- over places for food and drinks and with modern facilities;
- Revitalise the curriculum of tourism training programmes and related subjects so as to improve the quality of service provision among the existing and new players in the sector;
- Promote programmes to deepen e- booking , ticketing, payments and marketing among players in the sector;
- Undertake market intelligence studies for specific market segments including Adventure tourism (for backpacker/over-lander markets, EU market, USA market, South African market, Asian markets (China and Japan especially) and regional tourism
- Attract foreign investments (or through a Public Private Partnership Arrangement) to address key challenges of basic infrastructure faced by players in the tourism sector;
- Mobilise funding from national, regional and international finance corporations to facilitate development of quality support infrastructure for tourism sector; and,
- Encourage financial institutions to diversify and relax interest rates to support growth of the sector.



3.2.8 Creative Industries

The creative industry is among the fastest-growing economic sectors with great potential for growth and economic prosperity, especially for countries with rich traditions of art, music, dance, literature, film, and other forms of creative assets. World exports in this sector, which, comprise the creation, production, marketing and distribution of products and services resulting from human creativity has grown exponentially to reach US\$ 592 billion in 2008. Further, figures show that creative services exports jumped to \$172 billion in 2011, up from \$163.8 billion in 2010, and a near tripling in terms of value from the 2002 total of \$62 billion. South-South trade of creative goods amounted to nearly \$60 billion. Zambia's total trade on creative goods amounted to \$2.3 million in 2008, yet the bulk of the resource in this sector remain untapped and not well documented. Recent development and expansion in technology has given rise to talented young people in the film, music and other forms of creative art works, which require to be harnessed for this sector to play an important role in Zambia's economic development.

This section of the Strategy will focus on film, music and literature, among others.

Strategic Objectives

- To promote the sustainable development of the creative sector and make the sector become a major contributor to Zambia's economic development.

Table 17 SWOT Analysis for Creative Industries

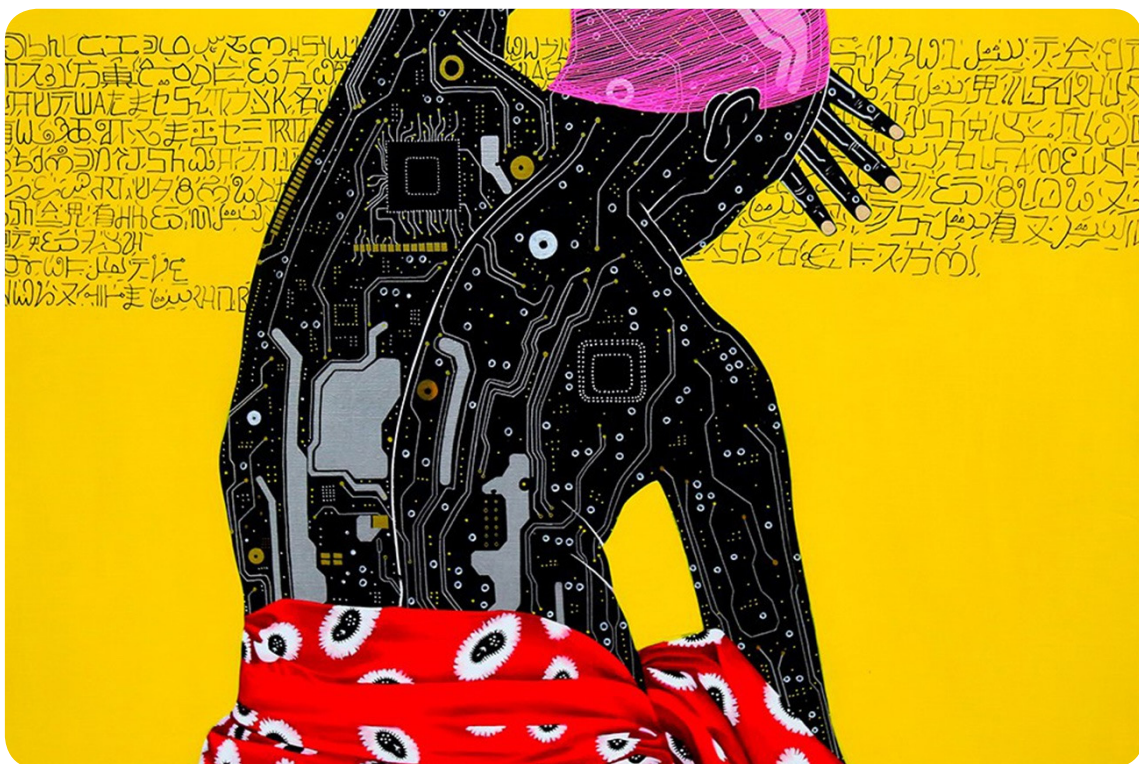
STRENGTHS	WEAKENESS
• Rich historical and cultural heritage • Growing interest among youths in the sector • Innovation • The developed film policy and digital migration policy • Linkage with tourism.	• Fragmented institutional frameworks to govern and coordinate the sector • Weak institutional capacities and production infrastructure • Inadequate/lack of training facilities/promoters • Lack of data on the scope and depth of the creative sector in Zambia.
OPPORTUNITY	THREATS
• Growing demand for creative works • Large number of youths and rural population involved especially in crafts production and trade. • Technology advancement, such as digital migration, to support the growth of the sector	• Unfair competition • High rate of piracy

Strategic Actions

- Undertake national baseline survey to understand the scope and depth of the creative industry so as to development a database and tools that will be used to measure the performance of the sector; Support development of a policy and

strategic plan for the sector so as to profile the competitiveness and investment opportunities of the sector ;

- Strengthen the regulatory framework governing the sector and support enforcement of existing IP laws;
- Educate players and consumers on key existing legal instruments (e.g. IP law) to promote adherence to the law;
- Support the adherence of the law on folklore and intangible heritage through conducting consumer awareness programmes;
- Support the mass production of local content
- Build capacity and provide assistance on how to market the products being developed;
- Create coordinating structures for the development of creative industries so as to streamline interventions in the creative sector;
- Undertake a capacity-building needs of for the sector in areas such as managerial skills, research, packaging and creative entrepreneurship;
- Develop a national database for creative services to guide policy interventions and the development of the sector;
- Facilitate triangular cooperation to increase product diversity and market coverage;
- Facilitate investment to support both soft and hard infrastructure to promote export growth in the sector;
- Encourage financial institutions to develop low interest sector specific financial products to support the sector.



4.0 Strategy Coordination and Management

4.1 Introduction

The NEST is the culmination of a process involving consultations with various stakeholders, both public and private. The effective implementation of the Strategy is key to the achievement of the vision of the Strategy and indeed its contribution to the goals of the country's development framework and the Vision 2030. The NEST, therefore, includes institutional and operational arrangements for implementation, communication and consultation.

4.2 Institutional Framework and Coordination

The institutions involved in the coordination and management of the Strategy will be the Service Delivery Network and the Strategy Support Network, both composed of public, private sector non-governmental organisations.

4.2.1 Strategy Support Network

The Strategy support network includes relevant government ministries, statutory bodies and agencies, private sector, associations and other cooperating partners.

- Government ministries(MCTI, MCT, MoF, MoA, MMMD, MTENR)
- Statutory bodies and agencies (ZRA, ZDA, ZABS, FRA, CSO, ERB, ZEMA, ZTA, CCPC, ZCSA, ZMA etc.)
- Associations (ZACCI, ZCSMBA, ZNFU, ZAM, NGOs)
- Exporters and Importers

4.2.2 Service Delivery Network

The services delivery network in Zambia includes institutions that provide services to exporters e.g. telecommunication, banking, insurance, customs, immigration, transport networks, certification and standards bodies etc. There will be need for coordination among all these stakeholders.

4.3 Overall Coordination

Among the institutions in the Strategy Support Network, the Ministry of Commerce, Trade and Industry, being in charge of trade policy formulation and monitoring, will take the lead in the coordination of the Strategy with Zambia Development Agency (ZDA) as the lead implementing Agency. Sector Specific interventions will be led by respective line ministries and agencies, with the Ministry of Commerce, Trade and Industry playing an oversight role.

4.4 Monitoring and Evaluation

This Strategy shall be operationalised through an implementation plan. The Ministry will serve as the principle institution responsible for the monitoring and evaluation of the NEST on behalf of the Government of the Republic of Zambia.

This Strategy will be subject to a mid-term review and final review after 2.5 and 5 years of implementation respectively. This is to ensure that implementation of the NEST remains focused to attain the desired results, deliver on strategic objectives and provide evidence based on research and knowledge required for more effective performance management.

4.5 Resource Mobilisation

Resource mobilisation is critical for the successful implementation of activities in the Strategy. The NEST activities will be funded under the National Budget and linked to Zambia's Aid for Trade agenda to ensure that resources necessary for the implementation of the NEST are available.

4.6 Public Sector

4.6.1 Governance Mandate and Policy Instruments

There are various public policy instruments which this Strategy is aligned to. These include among others:

- Seventh National Development Plan (7NDP)
- Commercial and Trade Policy
- Private Sector Development Reform, Industrialisation and Job Creation
- Fiscal Policy
- Monetary Policy
- Agriculture Policy
- Tourism Policy
- Engineering Policy
- Timber Export Policy
- TEVETA Policy
- Citizens Economic Empowerment (CEE) Act

- ZDA Act
- Vision 2030

5.0 Implementation Plan

IMPLEMENTATION PLAN FOR THE NATIONAL EXPORT STRATEGY

A. TRADE IN GOODS

LEGUMES AND CEREALS										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Target	Implementation					Budget	Imp agency
				YR 1	YR 2	YR 3	YR 4	YR 5		
Capacity development	Limited capacity for cereal and legume producers to effectively participate in marketing arrangements	Undertake series of trainings on cereal marketing i.e. cereal production, entrepreneurial skills etc.	At least two trainings held annually for cereal producers Ten trainings held by end of the Strategy implementation cycle							ZIM, MCTI
	Limited knowledge and understanding	• Undertake value chain analysis	• Study reports produced							MCTI, ZDA, CCPC, IAPRI

	challenges in the sector on trade performance	on cotton production and trade – given that cotton production in Zambia is rain fed.	undertaken																
	Lack of effective investments in the sector that steer effective trade (domestically) and export competitiveness	- Promote investment in cotton farming and production - Promote investment in value addition	% increase in investment levels on fish farming and value addition																ZDA, MCTI

LEATHER AND LEATHER PRODUCTS										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Target	Implementation					Budget	Impl agency
				YR 1	YR 2	YR 3	YR 4	YR 5		

	sector on trade performance	Identify and develop inventory agents at every segment of the leather value chain	Inventory of agents undertaken																
	Lack of effective investments in the sector that steer effective trade (domestically) and export competitiveness	Attract foreign investors in the tanning sector by establishing clusters of tanneries so as to reduce production cost Promote investment in value addition	% increase in investment levels on fish farming and value addition																ZDA, MCTI

ANIMAL PRODUCTS										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Tar get	YR 1	YR 2	YR 3	YR 4	YR 5	Budg et	Impl agency

	challenges in the sector on trade performance	chain and based on the findings institute remedial actions																		
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BUILDING MATERIALS										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement /Output Indicator/Target	Implementation					Budget	Impl agency
				YR 1	YR 2	YR 3	YR 4	YR 5		
Capacity development	Limited capacity of industry players to produce competitive and tradable products due to limited skills and knowledge on key contemporary issues.	Support and encourage investment in alternative energy generation among industry players and provide incentives	Number of alternative energy sources developed							MCTL, MoE
		Promote skills development through strengthening the curricula and	Curricula strengthened and number of candidates							

[illegible]

TOURISM SERVICES										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Tar get	YR 1	YR 2	YR 3	YR 4	YR 5	Budg et	Impl agency
Policy, Legal and regulatory framework	Absence of a supportive legal and regulatory framework to retain and support export growth	Undertake policy and legal reforms on key bottlenecks (e.g. loopholes in tax remittances etc.) facing the sector;	Reforms undertaken							MoJ MCTI, MTA, ZTA
		Provide and establish an incentive scheme to encourage more charter services targeted at tourists	Incentive scheme developed							
Capacity development	Limited capacity of industry players to produce competitive and tradable services	Design and implement culture based tourism programmes;	Increase on community tourism programmes							MCTI, MoF, MoF, MoTA, MoLG

CREATIVE INDUSTRIES										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Tar get	YR 1	YR 2	YR 3	YR 4	YR 5	Budg et	Impl agency
Policy, Legal and regulatory framework	Absence of a supportive legal and regulatory framework to retain and support export growth	Strengthen the regulatory framework governing the sector and support enforcement of existing IP laws	Reforms undertaken							MoJ MCTI, MoTA
		Educate players and consumers on key legal instruments governing the sector (e.g. IP) to conjure adherence to the law	Number of players and consumers educated							

CROSS CUTTING ISSUES – TRADE IN GOODS										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement/ Output Indicator/Target	Implementation Targets					Budget	Imp agency
				YR 1	YR 2	YR 3	YR 4	YR 5		
Improve trade facilitation to support export competitiveness	Absence of commercial logistics and distribution centres for Zambian traders	Feasibility study to establish commercial logistics and distribution centres for Zambian traders in strategic locations	Study produced							MCTL, MoT, ZRA, ZRL
			Study produced and number of locations recommended							
	Limited OSBPs	Replication of OSBPs concept at key border areas	At least three OSBPs established at key borders operational							
			Number of OSBPs and reduction of clearing time							
	Absence of Dry ports in key strategic countries and limited utilisation of existing ports	Establishment of Dry ports in key strategic countries and improve utilisation of existing ports	Number of dry ports established and utilisation increased by 50%							

uptake and utility of technology to support exports	and utility of technology resulting in low exports	private sectors use of ICT tools through public awareness	private sector players using ICT										
				Quality of the decisions made by the working group and TEVETA									
Strengthen coordination, collaboration, and networking among players (exporters, policy makers etc.) in order to promote implementation on coherence that results growth of the export sector	Absence of export councils in each sectors that promotes growth of the export sector	Develop sector export councils to promote exports	Export Councils established in each sector At least three Export Councils Operational										

C. Cross Cutting Issues

CROSS CUTTING ISSUES – TRADE IN SERVICES										
Action Area	Existing challenge	Proposed intervention	Indicators of Achievement /Output Indicator/Target	Implementation					Budget	Imp agency
				YR 1	YR 2	YR 3	YR 4	YR 5		
Strengthening the policy, institutional and governance mechanism for trade in services to promotes competitiveness	Weak regulatory and institutional framework for services	Strengthen the domestic regulatory and institutional framework for services trade through reviewing and harmonisation of the regulations	Efficacy of the regulatory and institutional framework and quality of the reviewed and harmonised regulation							MoF, MCTI, ZRA, Sector Regulators – BOZ PIA

ss of the sector	Absence of a baseline for services trade	Undertake a baseline survey for services trade so as to document the present policy, regulatory and institutional status of the sector. The baseline should also produce an inventory of the inventory of measures affecting the growth of the services sector in general and trade in services in particular, sector by sector and in relation to target markets, to underpin dialogue and negotiations.	Baseline survey produced										
ss of the sector	Absence of an integrated mechanism that monitors trade	Devise mechanism to periodically monitor services	Mechanized devised and systems harmonised										



REPUBLIC OF ZAMBIA