

## **ZAMBIA – TRADE AND TRANSPORT FACILITATION AUDIT**



**Submitted to:**

World Bank

**Submitted by:**

René Meeuws

NEA Transport research and training

**Reference:**

R20040147/30144

**Status:**

final

**Rijswijk, The Netherlands, June 2004**



## CONTENTS

<b>1</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>2</b>	<b>INTRODUCTION .....</b>	<b>7</b>
<b>3</b>	<b>OVERVIEW OF THE ZAMBIAN ECONOMY .....</b>	<b>9</b>
<b>4</b>	<b>TRADE PATTERNS .....</b>	<b>13</b>
<b>5</b>	<b>INFRASTRUCTURE AND TRANSPORT POLICIES.....</b>	<b>19</b>
5.1	Transport and logistics infrastructure.....	19
5.2	Transport policy and the organisation of the transport and logistics sector .....	22
5.3	Regulatory framework for the transport and logistics sector .....	24
<b>6</b>	<b>TRANSPORT AND LOGISTICS SERVICES .....</b>	<b>29</b>
<b>7</b>	<b>COSTS AND DELAYS OF TRADE RELATED LOGISTICS .....</b>	<b>33</b>
<b>8</b>	<b>CUSTOMS AND ADMINISTRATIVE PROCEDURES .....</b>	<b>35</b>
8.1	Procedural and documentary requirements for foreign trade and transport .....	35
8.2	Case Study: The Border Crossing at Chirundu .....	41
<b>9</b>	<b>CASE STUDY: THE LOGISTICS STRATEGY OF KCM LIMITED.....</b>	<b>47</b>
<b>10</b>	<b>CONCLUSIONS AND AND ACTION PLAN .....</b>	<b>51</b>
10.1	Main findings and identified problems .....	51
10.2	Supply chain management constraints .....	53
10.3	Implementation strategy .....	53
10.4	Action Plan – short term measures.....	56
10.5	Action Plan – long term measures.....	57
<b>ANNEX 1</b>	<b>REFERENCES AND INFORMATION SOURCES .....</b>	<b>65</b>
<b>ANNEX 2</b>	<b>DECLARATION ZAMBIA BUSINESS FORUM .....</b>	<b>67</b>
<b>ANNEX 3</b>	<b>FINETUNING ROAD TRANSPORT AGREEMENTS .....</b>	<b>73</b>



## 1 EXECUTIVE SUMMARY

Zambia is a landlocked country with an area of 752,617 km<sup>2</sup> and a population of almost 11 million people and as such depends on cost-effective and efficient road and railway transport links for both its import and export as well as for transit traffic. The main export product is copper which is being transported from the Copper belt to Dar-es-Salam in Tanzania and Johannesburg/Durban in South Africa, both by rail and by road. The main imported commodities are machinery and equipment for the mines and the agricultural sector, chemical products and manufactured goods.

The costs of trade and transport are very high putting the Zambian economy in a disadvantageous position in comparison with some of its neighboring countries. These high costs are caused by physical and non-physical barriers to trade and transport like long waiting times at the borders; excessive checkpoints along the main roads; unbalanced traffic flows; and inadequate infrastructure (transport infrastructure; border crossings; terminals; telecommunication; banking system).

Zambia has the potential of developing the foreign trade of mineral resources, agricultural products and processed commodities. It may attract more transit traffic and becoming a regional distribution centre for all kind of goods and commodities if certain conditions are being met. It is necessary to have a well functioning transport infrastructure network and to remove the physical and non-physical barriers to trade and transport as much as possible. The trade regime and the banking system, in particular, should be further liberalized, and the regulations for the establishment of regional distribution centers and bonded warehouses should be simplified. A pro-active attitude from the Government is needed to promote investments in transport and distribution infrastructure and to guarantee free development of business initiatives in this respect.



## 2 INTRODUCTION

Zambia is a landlocked country and its economy has chronically suffered from high transport costs both for its external and internal trade.

Several transport cost studies have been carried out since 1999 both in Zambia and in the SADC region under various initiatives, but these studies did not present an integrated approach of the logistic chains governing major imports, exports and transit, neither a thorough assessment of the quality of services and the procedural requirements for shipping to, from or through Zambia.

The objective of this Trade and Transport Facilitation Audit (TTFA) is to establish a diagnostic, as comprehensive as possible, on the situation in Zambia in terms of transaction and transport costs and efficiency related to external trade and international transportation services and to provide such an integrated approach.

The area of focus includes:

- Zambian foreign trade patterns.
- Organization and quality of logistics services and infrastructure available to exporters and importers from Zambia.
- Assessment of procedural and documentary requirements necessary to move goods through borders or in transit operations (to and through Zambia).

Ultimately the audit aims at providing a comprehensive understanding of supply chain management constraints in Zambia irrespective of their cause: governance, regulation, private sector practices and organization.

The audit, therefore, focuses on:

- The nature of existing constraints in regulatory, documentary and procedural requirements related to international trade transactions and corresponding transport operations.
- The availability and the organization of transport services to trade in Zambia and obstacles to their modernization and development.
- The transit issues and the potential of Zambia as a regional distribution area.

Based on the identification of the shortcomings, an action plan and an implementation strategy are proposed for the measures to be taken for the short and longer term.





### 3 OVERVIEW OF THE ZAMBIAN ECONOMY

The Zambian economy has always been very dependent on the export of copper accounting for more than 70 per cent of export earnings. Therefore, diversification of exports has always been a key objective in Zambia. The economy has undergone structural changes in the period 1994-2004. The two major sectors of the economy that recorded significant changes are the Mining and Quarrying sector which in 1994 still contributed for 16.7% to the Gross Domestic Product, but in 2003 for only 7.8% mainly caused by decline in the copper prices and the decline in the production of cobalt and coal; and the Wholesale & Retail Trade sector which share in the GDP has grown from 14.8% in 1994 to 18.8% in 2003.

**Table 1** *Shares of GDP by Type of Activity at constant 1994 prices*

Type of Economic Activity	1994	2000	2001	2002	2003(1)
Agriculture, Forestry & Fishing	13.5	17.2	16.0	15.2	15.3
Mining and Quarrying	16.7	6.4	7.0	7.9	7.8
Manufacturing	9.8	10.5	10.4	10.7	10.9
Electricity and Water	3.2	2.9	3.1	2.9	2.8
Construction	5.0	4.9	5.3	6.0	6.5
Wholesale & Retail Trade	14.8	18.3	18.4	18.7	18.8
Restaurants, Bars & Hotels	1.6	1.9	2.3	2.3	2.4
Transport & Communications	6.0	6.3	6.2	6.1	6.1
Financial Institutions & Insurance	8.2	8.2	7.8	7.9	7.8
Real Estate & Business Services	5.0	9.5	9.4	9.5	9.5
Community, Social & Personal Services	8.0	7.7	7.8	7.7	7.5
Other	8.2	6.2	6.3	5.1	4.6
Taxes on Products	12.9	10.9	11.1	10.0	9.3
Total	100.0	100.0	100.0	100.0	100.0

(1) Estimation

Source: Central Statistical Office; the Monthly January 2004.

The increase in the share of the trade sector to GDP could be attributed to several factors including Government's policy of economic liberalization, and in particular the privatization of the trade sector and the adoption of some other trade facilitating measures.

The Gross Domestic Product for 2003 was K2,846.5 billion compared to K2,707.9 billion in 2002, representing a growth of 5.1 percent in real terms<sup>1</sup>. Almost all sectors of the economy grew by significant margins, with the most notable growth sector being construction. The share of the transport and communications sector remained the last ten years at the same level: around 6%.

<sup>1</sup> The exchange rate on December 29, 2003 was 1US\$ = ZMK 4,341.43.

**Table 2** *Growth Rates of Type of Activity at constant 1994 prices*

<i>Type of Economic Activity</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003(1)</i>
Agriculture, Forestry & Fishing	1.6	(2.6)	(1.7)	5.0
Mining and Quarrying	0.1	14.0	16.4	3.3
Manufacturing	3.6	4.2	5.7	7.6
Electricity and Water	1.2	12.6	(5.2)	0.6
Construction	6.5	11.5	17.4	21.6
Wholesale & Retail Trade	2.3	5.4	5.0	6.1
Restaurants, Bars & Hotels	12.3	24.4	4.9	6.9
Transport & Communications	2.4	2.8	1.8	5.0
Financial Institutions & Insurance	(0.6)	0.1	3.5	3.5
Real Estate & Business Services	17.0	3.5	4.4	4.0
Community, Social & Personal Services	(0.5)	5.8	1.6	1.6
Total Gross Value Added	3.4	4.6	4.6	6.0
Taxes on Products	5.2	7.0	(6.8)	(3.0)
Total GDP at market prices	3.6	4.9	3.3	5.1

(1) Estimation

Source: Central Statistical Office; the Monthly April 2004.

The trend of global economic growth will boost the demand for copper, Zambia's main export commodity, causing the prices for copper to jump. Was the price of high grade copper in 2002 70.4 US cents/lb and in 2003 80.3 US cents/lb, on May 28, 2004 the price had risen to 127.8 US cents/lb. The high level of the copper price may encourage further investment in Zambia in the mining sector. Zambia is pretending to increase substantially its production of copper in the coming years. The mineral production of copper is gradually increasing since 1998:

Mineral Production ('000 tons)	1998	1999	2000	2001	2002
Copper	249.0	296.6	256.9	298.8	337.7

Sources: Ministry of Mines and Mineral Development; Bank of Zambia

The production is expected to rise to 382,000 tonnes in 2004, mainly originating from the Konkola Copper Mines and the Mopani Copper Mines. Experts and high-level Government officials proclaim that the production may reach levels up to 750,000 tons in the forthcoming years.

The macro-economic conditions and the regulatory financial framework prevailing in Zambia, however, are still not encouraging business development and the promotion of production and trade. During the 1990s the Zambian Government undertook fundamental and radical economic structural reforms as part of the New Economic Recovery Programme (NERP) launched in 1989. Trade reforms were imposed by problems of the balance of payments, but also by the requirements of the WTO and the various regional integration initiatives (Common Border Initiative, COMESA, SADC, etc.). The government's trade reform agenda included the decontrol of prices, removal of subsidies, removal of exchange controls and floating of the

Kwacha, the removal of quantitative restrictions on imports and exports through qualitative means like licensing, rationalization and reduction of tariffs, the extension of duty drawback schemes to third party exporters and starting the elimination of non-tariff barriers for trade.

Zambia relies heavily on import duties for a significant share of its revenues. The following table shows the dependency of the Government on taxes on import trade:

**Table 3** *External Trade and Government Revenues, 1996-2000 (Kwacha Billion)*

<i>Year</i>	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>
Total imports	1209.2	1503.8	1775.4	1963.3	3165.5
Total trade taxes	243.1	287.9	284.8	338	597
Total Government tax revenues	816.6	1,022.7	1,131.3	1,324.1	1,952.8
Trade Taxes as % of Total Revenue	29.8	28.2	25.2	25.5	30.6

*Source: Ministry of Finance and National Planning, Budget Office, 2002*

This may explain why currently the present tax levels are still quite prohibitive and one of the highest in the COMESA according to the Export Board of Zambia<sup>2</sup>. In 2003 the corporate tax was set at 35% while a 15% withholding tax on dividends and 2.5% property transfer tax were imposed. A 30% personal income tax was also charged. Excise tax stood at 35% with a withholding tax of 15% charged on commercial transactions. VAT at 17.5% was charged on all consumer items. The Zambian interest rates was about 28% in May 2004, but it used to be much higher varying between 44% to 57%, making the cost of borrowing in Zambia the highest in the Southern African region.

Although by 1993 most quantitative restrictions on import, export and local trade were removed, Zambia has not yet succeeded to implement adequate measures to remove non-tariff barriers on trade, investments and production. That should be the urgent challenge for the coming years.

A positive development is the fact that the Zambian business community is becoming better organized and seems to become more able to make the Government adopting facilitating measures for the further development of business and trade in Zambia. The main business organization is the Zambia Business Forum<sup>3</sup>, which is gradually gaining more credibility at the Government and is contributing towards establishing an environment in Zambia, which is more conducive for business and trade. In Annex 3 a declaration from The Zambia Business Forum is

<sup>2</sup> “2002 Exporter Audit Report”; Export Board of Zambia; Lusaka, April 2003.

<sup>3</sup> The Zambia Business Forum represents the cross-cutting business interests of nine of Zambia’s leading business associations i.e. the *Zambia Association of Chambers and Commerce & Industry*, the *Zambia National Farmers Union*, the *Zambia Association of Manufacturers*, the *Chamber of Mines of Zambia*, the *Tourism Council of Zambia*, the *Zambia Chamber of Small and Medium Business Associations*, the *Zambia Federation of Employers*, the *Zambia Indigenous Business Association*, and the *Bankers Association of Zambia*.

attached doing an appeal to individual ministers of the Government of Zambia to take specific measures to improve the business environment in Zambia.

The transport sector is steadily developing in Zambia, although the cost of transport are still very high, contributing to up to 60% of the cost of certain commodities. The main road network is relatively well developed and in relatively good condition. The established road fund is functioning properly. The main problem is the systematic overloading of trucks, which has a damaging effect on the condition of the roads and puts the safety of road traffic at stake. However, in the rainy season, the flooding of the roads (in particular gravel and dirt) and rails in the districts may make them impassable. The Zambian road transport industry is developing, but is facing the high costs of the non-physical barriers along the road: long waiting times at borders; excessive controls and checking procedures; underdeveloped facilities along the road for trucks and drivers; etc.

The railway infrastructure needs rehabilitation and upgrading. The recently formed Railway Systems of Zambia (RSZ), the concession holder of the railway network for that was in the hand of Zambian Railways for a twenty-year period - intends to invest 60 million USD in the rehabilitation of railway infrastructure and rolling stock, of which 40 million USD in the coming five years. It will make railway network operated by RSZ more competitive and lower the existing prices, which are presently at a very high level: 75 USD per ton for transport of copper from the Copper belt to South Africa. A small part of the Zambian railway network is owned by TAZARA, which operates the line between Kapiri Mposhi and Dar-es-Salam. Operational costs on this track are high.

International connections in the aviation are scarce putting obstacles for air freight transport. Customs clearance procedures at Lusaka Airport are very slow and waiting times of four days or more are no exception.

Inland waterway takes mainly place on Lake Tanganyika using the port of Mpulungu. There are plans to link Mpulungu to the TAZARA rail network.

## 4 TRADE PATTERNS

The trade balance of Zambia is developing in a negative direction. Table 4 shows that the deficit had grown from US\$ 153 million in 1998 to US\$ 355 in 2002.

The export increased over the five-year period from US\$ 816 million in 1998 to US\$ 945 million in 2002 (or US\$ 869 million when summing up the figures in the table 4). This was mainly due to the export of copper. The export of cobalt collapsed from US\$ 155 million in 1998 to only US\$ 50 million in 2002, while the export of the so-called non-traditional commodities remained at the same level.

**Table 4** Trade Balance, 1998-2002 (in US\$ million)

	1998	1999	2000	2001	2002
Trade Balance	-153	-149	-221	-339	-355
Exports, f.o.b.	816	756	800	887	945
Metal sector	520	468	746	590	636
Copper	365	372	497	507	510
Cobalt	155	95	80	83	50
Non-traditional exports	296	288	249	311	309
Imports, f.o.b.	-971	-992	-978	-1,253	-1,308
Metal sector	-221	-121	-177	-310	-238
Non metal	-750	-801	-801	-943	-1,070

Source: Bank of Zambia; cited by Export Board of Zambia in 2002 Exporter Audit Report.

Observation: Although this table contains many arithmetic errors, it still illustrates the evolution of the trade balance over five years.

**Table 5** Trend analysis for Zambian exports between 1998-2002

Year	1998	1999	2000	2001	2002
Total NTEs in US\$ million	313.39	304.50	263.63	311.81	368.33
<b>NTE Growth %</b>	<b>-4.89</b>	<b>-2.87</b>	<b>-13.42</b>	<b>18.27</b>	<b>18.12</b>
Total Metal Exports in US \$ million	629.74	468.20	521.10	590.00	559.70
<b>Metal Export Growth %</b>	<b>-22.12</b>	<b>-25.65</b>	<b>11.30</b>	<b>13.22</b>	<b>-5.14</b>
Total Exports Growth %	-17.30	-18.14	1.64	14.91	2.83
NTEs as % of Total Exports	33.23	39.44	33.59	34.57	39.68
<b>Total Exports US\$m</b>	<b>943.13</b>	<b>772.06</b>	<b>784.73</b>	<b>901.81</b>	<b>928.03</b>

Source: EBZ Export Audits 1998-2001 and the Bank of Zambia

The significant growth in the Non Traditional Exports in 2002 can be attributed to the growth in exports of agricultural products, processed food products, gemstones, horticulture/floriculture, chemical and pharmaceutical products, textile and engineering products. Table 6 shows the export earnings by sub sector between 1997-2002 in US\$ million.

The agricultural products exported include cotton and cotton seeds, tobacco, coffee, maize seeds, fruits, vegetables, cereals and spices. The non-agricultural commodities for export include precious stones, copper wire, copper and aluminum waste scrap, metal sheets and bars and sulphuric acid.

**Table 6** *Export by sub sector between 1997-2002 (in US\$1,000)*

	1997	1998	1999	2000	2001	2002
Animal products	3,412.64	4,149.71	4,374.08	3,373.77	3,062.48	5,192.00
Building materials	12,000.96	8,582.73	10,184.70	8,674.06	7,148.31	6,209.84
Chemical products	7,816.07	6,895.49	5,942.17	7,046.98	5,961.84	14,402.28
Engineering	42,420.04	31,672.12	23,211.98	20,605.94	21,253.15	22,209.45
Floricultural products	21,242.15	32,855.48	42,677.14	33,863.39	34,078.18	30,298.12
Garments	258.19	417.41	449.33	394.04	221.07	219.17
Gemstones	14,543.79	11,584.54	13,835.94	15,435.09	20,328.59	37,107.60
Handicrafts	95.52	162.70	208.15	250.75	227.07	378.99
Horticultural	15,859.27	20,557.35	23,871.12	27,355.30	36,383.92	44,907.09
Leather	2,221.49	3,133.94	2,000.00	4,330.99	3,916.46	4,140.00
Non-metallic	541.11	532.08	981.97	1,136.85	878.00	1,397.48
Other	3,021.85	3,090.12	6,500.00	4,359.05	9,152.51	9,772.55
Petroleum oils	1,807.83	6,813.27	6,411.84	439.05	1,641.91	1,423.93
Primary agricultural	90,918.65	62,244.74	72,501.11	37,102.50	51,359.02	76,510.47
Processed	30,851.52	49,407.11	33,034.75	35,553.40	43,008.50	43,747.15
Textiles	50,639.14	42,369.89	36,997.48	36,034.04	34,144.22	25,622.44
Wood products	3,375.75	3,192.44	3,044.30	3,893.34	3,761.68	3,167.11
<b>Sub total</b>	<b>304,773.12</b>	<b>287,661.12</b>	<b>286,226.06</b>	<b>239,848.51</b>	<b>276,533.84</b>	<b>326,705.71</b>
Re-exports	3,882.30	3,656.00	2,685.13	3,958.36	4,230.18	5,658.36
Scrap metal	6,019.26	4,210.20	6,120.06	5,103.83	4,060.72	3,145.12
Mining	3,747.15	12,232.77	3,337.07	7,326.77	17,647.96	25,483.75
<b>Total visible NTE</b>	<b>314,674.68</b>	<b>307,760.09</b>	<b>298,368.32</b>	<b>256,237.47</b>	<b>302,472.70</b>	<b>360,992.94</b>
Electricity	14,813.00	5,627.48	6,127.49	7,390.55	9,341.82	7,338.09
<b>Total NTES</b>	<b>329,487.68</b>	<b>313,387.57</b>	<b>304,495.81</b>	<b>263,628.02</b>	<b>311,807.58</b>	<b>368,331.03</b>
<b>Metal exports</b>	<b>808,595.13</b>	<b>629,740.00</b>	<b>467,563.50</b>	<b>521,100.00</b>	<b>590,000.00</b>	<b>559,700.00</b>
<b>TOTAL EXPORTS</b>	<b>1,138,082.81</b>	<b>943,127.57</b>	<b>772,059.31</b>	<b>784,728.02</b>	<b>901,807.58</b>	<b>928,031.03</b>

*Source: Export Board of Zambia, Exporter audit 1997-2002, Bank of Zambia*

In 2003 the total imports amounted K 7,157,657,000 and the total exports K 4,479,190,000 resulting in a negative trade balance of K 2,678,480,000.

Table 7 shows the imports and exports in 2003 by SITC sections:

**Table 7** Imports and exports by SITC sections in 2003 in K'millions

Section	Product Category	Import	%	Export	%
0	Food & Live Animals	699,097	9.8	342,163	7.6
1	Beverages & Tobacco	9,401	0.1	86,398	1.9
2	Crude Materials, (Exc. Fuels)	271,130	3.8	383,122	8.6
3	Mineral Fuels, Lubricants & Related Materials	599,756	8.4	59,907	1.3
4	Animal & Vegetable Oils, Fats & Waxes	155,933	2.2	1,896	0.0
5	Chemicals	1,367,627	19.1	38,034	0.8
6	Manufactured Goods	1,135,183	15.9	3,400,800	75.9
7	Machinery & Transport Equipment	2,251,469	31.5	98,674	2.2
8	Miscellaneous Manufactured Articles	660,341	9.2	38,704	0.9
9	Commodities & Transactions Nec in SITC	7,733	0.1	29,492	0.7
<b>Total</b>		<b>7,157,670</b>		<b>4,479,190</b>	

Source: Central Statistics Office; the Monthly January 2004-05-30

Table 7 shows clearly that the main import commodities are machinery & transport equipment, chemicals and manufactured goods counting for 66.5% of all import. The major trading partners were South Africa, United Kingdom, Kenya, Japan, China and Zimbabwe.

The export is dominated by manufactured goods (in particular refined copper) with 75.9% of all exports. The major markets for Zambia's exports were United Kingdom, South Africa, Tanzania, Switzerland, India, Japan, China, Kenya, Malawi and DR Congo.

Table 8 shows Zambia's trade with SADC and COMESA countries:

**Table 8** Zambia's Trade with SADC and COMESA Countries in 2003 in K'million

	Imports from (cif)	%	Exports to (fob)	%	Trade Balance
<b>Total</b>	7,157,670	100	4,479,190	100	-2,678,480
<b>COMESA</b>	1,224,438	17	427,159	10	-797,279
<b>SADC</b>	4,743,412	66	1,994,265	45	-2,749,147

Source: Central Statistics Office; the Monthly January 2004

The origin of the import is for 66% the SADC region, in particular South Africa, but also in smaller extent Zimbabwe. From all export from Zambia 45% goes to the SADC region, in particular South Africa.

Also the EU is a major export market for Zambia, as Table 9 shows:

**Table 9** *Main goods exported to the EU from 2000-2002 (in US\$)*

<i>Commodity description</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>
Live trees & other plants; flowers; bulbs roots	4,155,346	8,796,134	5,745,105
Edible vegetables & certain roots & tubers	4,906,926	16,212,521	6,727,640
Coffee tea mate & spices	3,400,128	3,024,193	3,894,342
Sugars & sugar confectionary	4,056,248	6,732,104	8,171,017
Tobacco & manufactured tobacco substitutes	1,457,181	2,320,075	3,387,980
Inorganic chemicals: organic/inorganic compounds	16,012	10	2,017,090
Hides & skins & leather	812,302	1,184,185	1,548,823
Printing products	967,569	679,501	1,970,181
Cotton	13,961,501	16,331,627	7,839,070
Natural/cultured pearls/ semi-precious stones	378,507	1,571,179	2,162,183
Copper and derived articles	230,699,101	364,714,877	292,672,970
Other base metals	33,690,539	93,234,935	94,225,055
Other products	6,385,251	12,862,805	5,789,452
Additional Zambian Special Transactions Tariffs	1,074,970	1,060,265	1,201,640
Grand Total	305,961,582	528,724,413	437,352,548

*Source: Central Statistics Office – Zambia*

The largest share of the export to the EU went to the UK. in 2002 88.66%. The table 10 shows the main destinations of the Zambian exports to the EU:

**Table 10** *Main EU destinations of Zambian exports between 2000-2002 (in USD)*

	<i>2000</i>		<i>2001</i>		<i>2002</i>	
<i>Country</i>		<i>%</i>		<i>%</i>		<i>%</i>
Austria	727,574	0.24	602	0.17	40,504	0.01
Belgium	25,646,530	0.37	9,345,276	17.7	17,066,699	3.9
Denmark	210,503	0.07	109,109	0.04	112,364	0.03
Finland	129,143	0.04	741,446	0.14	5,712,030	1.31
France	201,900	0.07	739,268	0.14	2,586,667	0.59
Germany	12,684,489	4.15	17,583,192	3.33	8,646,397	1.90
Greece	6,489	0.00	9,645	0.00	4,779	0.00
Ireland	146,358	0.05	229,676	0.04	432,027	0.10
Italy	1,226,056	0.40	3,004,002	0.57	2,353,633	0.54
Luxemburg	-	0.00	1,625	0.00	-	0.00
Netherlands	5,443,423	1.70	10,208,594	1.93	11,139,019	2.55
Portugal	4,372,017	1.43	7,814,221	1.40	759,440	0.17
Spain	1,683,314	0.55	1,464,940	0.20	427,944	0.10
Sweden	118,610	0.04	1,728,189	0.33	309,496	0.07
UK	253,357,068	82.01	474,774,548	89.80	387,761,001	88.66
Total	305,961,588	100.00	528,724,413	100.00	437,352,000	100.00

*Source: Central Statistics Office – Zambia*



The total amount of foreign trade and transit traffic to, from and through Zambia is estimated at 3.5 million tons in 2002. The share of road transport was 2.1 million tons (60%) and railways transported 1.4 million tons (40%). The main transport corridors used are those to and from South Africa using the Zambian-Zimbabwean border crossings at Chirundu for road transport (1 million tons) and Livingstone for road transport (500,000 tons) and railways (>1 million tons). Also the transport corridor Copper belt - Port of Dar-es-Salam in Tanzania is used. The TAZARA railways transported 400,000 tons on this corridor in 2002.

Table 11 presents an estimation of the volume of transport flows through the main corridors by mode:

**Table 11** *Transport volume in tons (2002)*

	Road	Railway	Total
Copper belt/Lusaka – Chirundu	1,000,000	0	1,000,000
Copper belt/Lusaka – Livingstone	500,000	1,000,000	1,500,000
Copperbelt/Lusaka – Kazungula	200,000	0	200,000
Copperbelt/Lusaka – Dar-es-Salam	300,000	400,000	700,000
Other	100,000	0	100,000
Total	2,100,000	1,400,000	3,500,000



## 5 INFRASTRUCTURE AND TRANSPORT POLICIES

### 5.1 Transport and logistics infrastructure

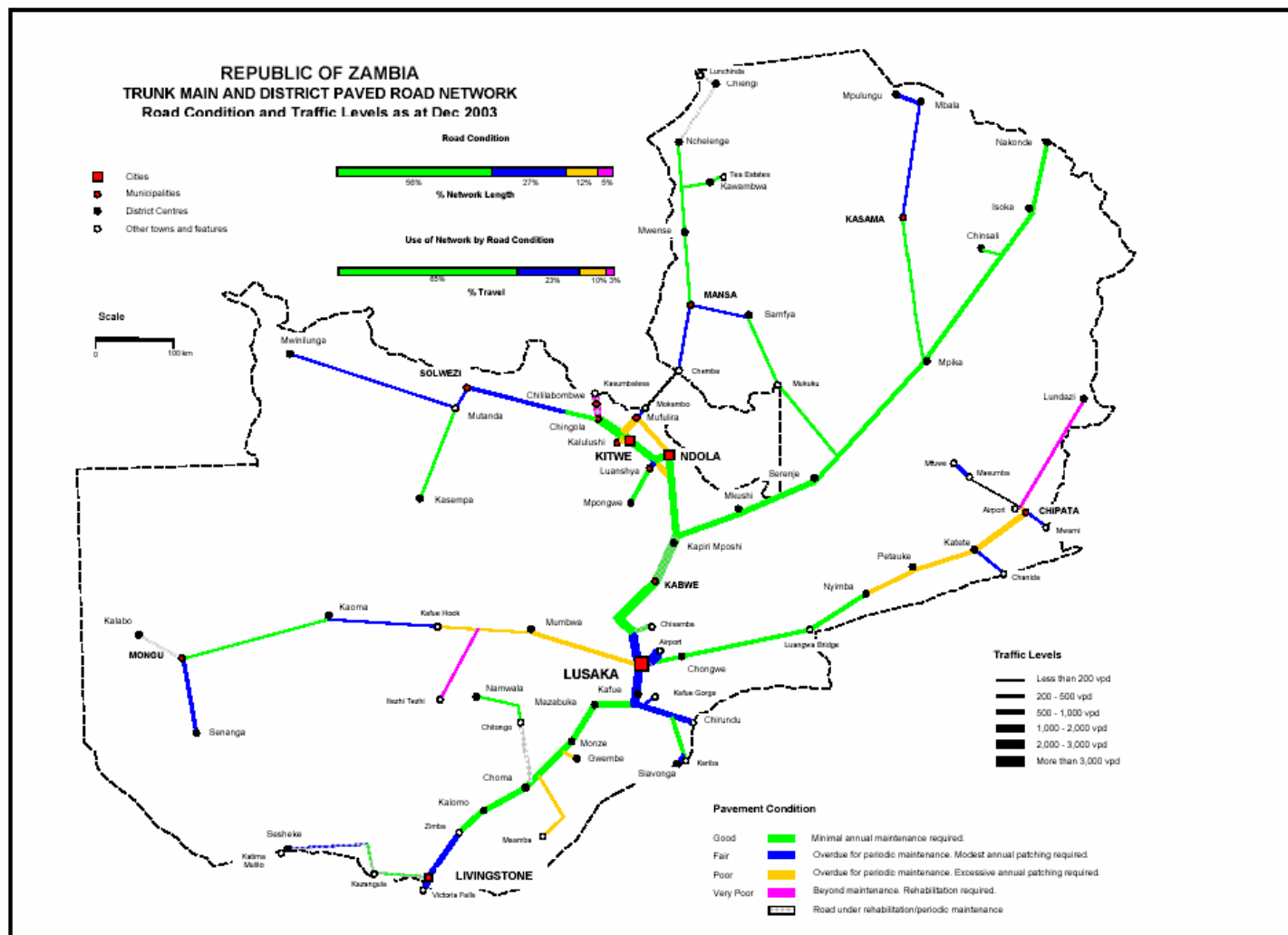
Zambia has a road network of approximately 37,000 km of which 6,476 km are bituminous and surfaced to Class 1 standard. Gravel and earth roads account for 8,478 km and 21,967 km respectively. In addition there are about 30,000 km of not officially registered community roads comprising tracks, trails and footpaths. A large part of this road network was constructed between 1965 and 1975. Since then the road infrastructure has gradually become degraded because of lack of proper maintenance.

In order to guarantee financing of maintenance and rehabilitation of the roads, a National Roads Board (NRB) was established in 1994 to administer a Road Fund. Later, the NRB got additional responsibilities like the management of the ten-year Road Sector Investment Programme (ROADSIP) and co-ordination and management of various donor financed programmes. The ROADSIP was launched in 1997 and aimed to rehabilitate and maintain 50% of the road network between 1997 and 2007. The total costs of the first phase of the programme – 1997-2002 - were US\$ 500 million. As a result of these efforts the condition of the paved road network has improved from 20% good in 1994 to 60% good in 2002. Phase II of ROADSIP was launched in 2003 at a cost of US\$ 800 million.

Routine road maintenance is financed and commissioned by the Road Fund taking into account development issues like employment creation and local construction industry development for poverty alleviation. The source of income of the Road Fund comes from road user charges amounting 3 dollar cents per liter. The disbursement for road maintenance is according the following proportions: 20% for urban roads; 40% for feeder roads; 40% for trunk and main roads.

Most of the road and bridge construction and rehabilitation projects are co-financed by foreign donors: Lusaka city road funded by JICA; Chirundu bridge completed under JICA funding; Monze Zimba road completed under EU funding; Kapiri-Kabwe and Chisamba road works under progress under EU funding; Livingstone-Sesheke road and Katima Mulilo bridge in progress funded by KFW of Germany; Mongu-Kalabo road in progress funded by OPEC/BADEA/Kuwait funding and Lusaka Mongu road being commissioned funded by DANIDA.

The following map on the next page shows the road condition and traffic levels of the Zambian trunk main and district paved road network as at December 2003.



The improvement of the quality road network is crucial for increasing the competitiveness of the Zambian entrepreneurs.

One of the problems is the condition of the dirt roads, which is the majority of the Zambian road network, in the rainy season: they become mud and can become impassable after a few weeks of rain. This seriously affects the commercialization of agricultural products and distribution of commodities in the rural areas.

Another serious problem affecting the quality of the roads is the systematic overloading of trucks, having a devastating effect on the quality of the roads.

The total track length of Zambia Railways Limited is 1,266 km, all single track of 1.067 m (3'6" or Cape) gauge, out of which 948 km main line. The ZRL rail system runs from the border with Zimbabwe at Livingstone/Victoria Falls and onwards to the ports in South Africa to the border with the Democratic Republic of Congo, with branch lines on the Copper belt. The Tanzania-Zambia Railway system which is jointly owned by the Governments of Zambia and Tanzania connects Zambia to the great lakes region and the port of Dar-es-Salam in Tanzania. The track has a total length of 1,700 km from Dar-es-Salam to Kapiri-Mposhi, where it connects to the Zambia Railways system. There is also the Mulobezi Railway line from Livingstone to Mulobezi in the south west of Zambia. There are plans to connect Zambia to the port of Nacala in Mozambique through the implementation of the Chipata-Mchinji Railway Project, but the feasibility of this alternative is doubtful. Another project will study the feasibility to connect the inland port of Mpulungu with the TAZARA railway line. The connection to Beira, Mozambique is not being used.

Zambia lacks an integrated intermodal network facilitating international and national logistics chains along the main corridors. There are very few intermodal terminal facilities for handling of cargo and storage, stripping and stuffing of containers. Some facilities exist in Kitwe and Lusaka, the latter almost not being used anymore.

There are almost no warehousing and regional distribution facilities.



*Lusaka Terminal – May 2004, Lusaka*

## **5.2 Transport policy and the organization of the transport and logistics sector**

Zambia has made firm steps in the liberalization of the transport sector. The road haulage sector is liberalized, although there still exist some legal and institutional constraints for access to the national and international road transport market. Efforts have been made to create an enabling environment to attract private investment in the sector. However, the level of such an investment is still inadequate to meet and sustain the demand for both goods and services. In particular, the rural areas face problems in the commercialization of their products and in access to the main road network.

The Zambian railway network consists of two main systems, namely:

- Zambia Railways Limited (ZRL) which gave operation on their network in concession to Railway Systems of Zambia (RSZ).
- Tanzania-Zambia Railway System.

The restructuring of Zambia Railways Limited is developing according plan and the perspectives for railway transport look very well for the near future. RSZ has committed itself to invest 60 million USD in the coming 20 years, the duration of the concession, of which 40 million USD in the first 5 years. This money will mainly be spent in rehabilitation of the existing network and the rolling stock. RSZ is paying 1.5 million USD concession fee per year.

Integration of both railway systems is priority to guarantee fast and reliable international railway transport. There are plans to link the TAZARA railway line with Mpulungu Port at Lake Tanganyika and with Malawi/Mozambique.

Zambia is a landlocked country and has as such no maritime ports. There are, however, plans to draft a comprehensive maritime policy that will promote private investment in maritime transport to stimulate foreign trade. Zambia has one main inland port in Mpulungu at Lake Tanganyika enabling Zambia to trade with other countries bordering Lake Tanganyika like Tanzania, DR of Congo and Burundi. The harbor was concessioned to a private consortium – Mpulungu Harbor Management Limited (MHML) in September 2000. The port capacity since then has increased to 70,000 tons per year.

The air transport sector is not well developed despite the fact that the Zambian Government has pursued a policy of liberalization of the economy. The air transport sector has not succeeded in attracting investments in airport infrastructure and aviation. There are some local private airlines. Zambian Airways is still a small company. There are plans to revive the airline. Currently, there are 144 airports/aerodromes in Zambia of which the National Airports Corporation manages the four major airports: Lusaka, Ndola, Livingstone and Mfuwe.

It would be interesting to study the feasibility for Zambia of becoming a regional distribution centre for all kind of goods and commodities. Therefore, it is necessary to have a well functioning transport infrastructure network and to remove the physical and non-physical barriers to trade and transport as much as possible. The trade regime and the banking system, in particular, should be further liberalized, and the regulations for the establishment of regional distribution centers and bonded warehouses should be simplified. A pro-active attitude from the Government is needed to promote investments in transport and distribution infrastructure and to guarantee free development of business initiatives in this respect.

Zambia is playing gradually a more important role as a transit country: copper concentrate coming from the Democratic Republic of the Congo is transport through Zambia to South Africa and Tanzania. Some of this transit copper concentrate is processed in Kitwe, after which it is further transported. As Zambia's geographical position is located in the heart of Southern Africa and is sharing borders with eight countries – Democratic Republic of Congo, Angola, Namibia, Botswana, Zimbabwe, Mozambique, Malawi and Tanzania – Zambia could benefit more as a transit country.



*Bonded Warehouse Global Logistics – May 2004, Lusaka*

An important element of the adoption and implementation of a transit strategy is the development of the concept of trade and transport corridors. The most important corridors used at the moment are Copper belt-Lusaka-Johannesburg/Durban via Chirundu and Livingstone; and Lusaka/Copperbelt-Kapiri Mposhi-Dar-es-Salam. New potential corridors would be South Africa/Zimbabwe-Lusaka-Lubumbashi-Angola; Lusaka-Sesheke/Katima Mulilo-Walvis Bay Namibia; linking the TAZARA railways with the inland port of Mpulungu at Lake Tanganyika; Lusaka-Chipata-Lilongwe Malawi-Beira/Nacala Mozambique.

### **5.3 Regulatory framework for the transport and logistics sector**

#### *International regulatory framework*

Zambia is signatory of several international agreements in the transport sector. The most important multilateral agreements are the SADC Protocol on Transport, Communications and Meteorology and Chapter Eleven of the COMESA Treaty on Co-operation in the Development of Transport and Communications. Zambia has also signed bilateral Agreements facilitating international transportation.



### Road Transport

The SADC Protocol on Transport, Communications and Meteorology and the COMESA Treaty contain a road transport facilitation programme, which Zambia already has implemented except for one item: control of overload. It is implementing the harmonized road transit charges (10 USD per 100 km); the maximum axle load limits; the maximum length of the commercial vehicle (22.0 m.); the COMESA carrier license; the COMESA Transit Plates; and the use of the High Frequency X-border Land Mobile Radio Communications System.<sup>4</sup>

Zambia has also signed bilateral Road Transport Agreements with South Africa, Zimbabwe, Malawi, Tanzania and Namibia. These Road Transport Agreements are dealing mainly with the market access in respect of international transport. The SADC Protocol on Transport, Communications and Meteorology is much more explicit than the COMESA Treaty in this respect: Member States shall progressively introduce measures to liberalize their market access policies in respect of cross-border carriage of goods.<sup>5</sup> The SADC Protocol stimulates its Member States to conclude appropriate bilateral agreements in this respect as a step towards implementation of a fully liberalized access to the regional road transport market. The agreements between Zambia and Zimbabwe and South Africa include the use of the Single Permit System. All the agreements should be based on non-discrimination, reciprocity and extra-territorial jurisdiction.

Although important steps are being set, there is still a long way to go before the regional road transport market is fully liberalized. An indication here fore are the recommendations that Lewis made in this respect in a report to the Zambian Business Forum, proving that the above mentioned principles are not entirely implemented in practice.<sup>6</sup> In Annex 4 these recommendations are listed.

### Railway Transport

No proper international agreement concerning railway transport has been identified signed by the Zambian Government.

---

<sup>4</sup> Report of the Seventh Meeting of the Transport and Communications Committee; COMESA; February, 2003.

<sup>5</sup> The SADC Protocol on Transport, Communications and Trade states that this liberalization may go through three stages: "Member States shall introduce the following liberalization phases: Phase 1 Abolition of restrictions on carriers of two Member States to carry goods on a defined route between – (1) such States; or (2) in transit across the territory of another Member State en route to a third Member State or non-Member State: Provided that such transit traffic may only be undertaken if the carrier's vehicle traverses the territory of its home state. Phase 2: Abolition of restrictions on carriers of one Member State to carry goods on a defined route between another Member State and a third Member State or non-Member State, irrespective of whether the carrier's vehicle traverses the territory of its home state; and Phase 3: Abolition of restrictions on carriers of one Member State to carry goods between another Member State and a third Member State or a non-Member State."

<sup>6</sup> General Agreement on Trade in Services; Transport Sector; Report for Zambia Business Forum; George Lewis; May 2004.

### Maritime Inland Waterway Transport

In the past, Zambia has been member of regional and international shipping organizations, recognizing the fact that maritime transport plays an important role in the development of foreign trade. After the liquidation of the Zambia National Shipping Line, it now depends on foreign shipping lines for the transportation of its imports and exports.

### Air Transport

The SADC Protocol on Transport, Communications and Meteorology and the COMESA Treaty, and more in particular COMESA Legal Notice Number 2 of 1999 Council Regulations “COMESA regulations for the implementation for liberalized air transport industry”, pave the way for liberalization of air traffic rights. These protocols are phased in such a way that member countries can gradually open up their air services to other community states. The final purpose should be to apply the concept of “open skies”. Zambia has concluded bilateral agreements and memoranda of understanding with 46 countries so far in this respect to gradually open up its air services.

### *National regulatory framework*

#### Road Transport

The most important component of the national regulatory framework for the road transport sector is the issuance of the Road Service Licenses. It is regulated by the Road Traffic Act No. 11 of 2002. Article 108 of Part VIII ‘Licensing of Public Service Vehicles’ of this Road Traffic Act deals exclusively with the Road Service Licenses. It says that the Director (of the Road Transport and Safety Agency; established by the same act) may grant a road service license to any citizen of Zambia, who applies for such a license.

There are particularities in this article, which give the director the authority to put restrictions to the issuance of a license: “...the Director in deciding whether to grant or refuse or vary a road service license in respect of any route, shall have regard to the following:

1. The suitability of the routes on which a service may be provided under the license;
2. The needs of Zambia as whole in relation to traffic and the co-ordination of all forms of transport;
3. The payment of reasonable wages and observance of proper conditions of service in respect of the drivers and conductors of the applicant employees;
4. The reliability and financial stability of the applicant;
5. Facilities at the disposal of the applicant for carrying out vehicle maintenance and mechanical repairs; and
6. Any previous convictions of the applicant for any offence under this Act.”

The main problem of this article is that it mixes up passenger transport and freight transport. It is highly recommended to separate road passenger transport and road haulage in different acts. Regarding road haulage only qualitative criteria for the admission to the profession of road

transport operator should be applied. These qualitative criteria would be good repute (partly covered by no. 3 and no. 6); proper financial standing (partly covered by no. 4); and professional competence (which is not covered by the present Act). All elements which could result in applying quantitative restrictions should be removed from the Act, in particular no. 1,2 and 5. Article 108 further reads under sub. 12 that a person applying for such a license shall submit to the Director the rate of fares of the proposed services amongst others. In a liberalized road transport sector, the establishing of the rates should be completely left to the operators. Any reference to the fares should also be removed from the Act.

These recommendations are in compliance with the Transport Policy of the Ministry of Communications and Transport as adopted in May 2002 where it is stated that the Government shall encourage *quality* licensing (italics in the official document). However, further under the heading ‘licensing’ the Transport Policy document states appropriate measures should be introduced to ensure balanced distribution of transport services. This seems to refer to some kind of quantitative restriction as well.

#### Railway Transport

Zambia’s railway network consists of two main systems: Zambia Railways Limited (ZRL), which gave its network under a twenty-year concession to Railway Systems of Zambia (RSZ) and Tanzania Zambia Railways (TAZARA), the latter owned by the governments of Zambia and Tanzania. The regulatory structure which facilitated appropriate concessioning of railways could be further elaborated.

#### Maritime and Inland Waterway transport

Zambia has been member of regional and international shipping organizations. After the liquidation of the Zambia National Shipping Line, it now depends on foreign shipping lines for the transportation of its imports and exports. The Merchant Shipping Act mentions the monitoring role of the Department of Maritime and Inland Waterways concerning Zambia’s involvement in maritime shipping activities.

Mpulungu at Lake Tanganyika is the only major inland transit port where important sets of activities are being given into concession.

#### Air transport

Although the Zambian Government has pursued a policy of liberalization of economy, which did result in the formation of private local airlines, air transport has not achieved the highest degree of efficiency partly due to shortcomings in the existing legal framework. Also the transport policy adopted in 2002 mentions the need to formulate policies and regulations that should improve the performance of air transport and maximize economic benefits for Zambia.



## 6 TRANSPORT AND LOGISTICS SERVICES



*Planning and monitoring board of a large logistics company in Lusaka – May 2004*

### Road Haulage

There are no statistical data available about volumes and directions of road haulage in Zambia. Presumably, it is even not mentioned in the official Economic Report 2002 and 2003 in the chapters 'Transport, Storage and Communications' and 'Communications and Transport Sector', respectively. The Transport Policy document from 2002 only mentions that in 1994 approximately 2.2 million tons of imports and exports were transported by roads. It further states that the road transport sub-sector registered an increase in real output of 18.2 per cent in 1998 and that the value added increased from K63.1 billion in 1997 to K74.6 billion in 1998. The main reason that the Governmental institutions do not have data anymore on the performance of the road haulage sector is the privatization of the sector.

Therefore, as it is important to dispose over reliable data, it is recommended that the Ministry of Communications and Transport together with the Central Statistics Office will carry out on regular basis a road haulage survey. Another way of collecting data is to directly link the issuance of the road service license with the obligation to provide statistics on a regular basis to the issuing agency and create a legal basis for this obligation.

According to the trade statistics it is likely to assume that the volume of international road transport has remain the same over the last 10 years taking into account a small modal shift from railways to road. The estimation is that the volume of import, export and transit of goods and commodities carried over road in 2003 was about 2.1 million tons: 1 million tons through Chirundu; 700,000 tons through Livingstone and Kasangula and 400,000 tons through the remaining border posts (Tanzania, Malawi and DR of Congo; Namibia, Mozambique and Angola still play a minor role in international road haulage with Zambia). It is expected that there will be a growth in the volume of road freight transport in the forthcoming years. An indication is the fact that the number of newly registered trucks increased from 304 in 2001; 1,149 in 2002; towards 1,992 in 2003. However, there does not yet exist a reliable database of the operational fleet of commercial vehicles in Zambia. According to the Ministry of Communications and Transport, plans exist to establish such a database.

The Zambian road transport industry is developing considerably. In 1995 it carried out about 20% of all international road transport. Now, in 2004 it is estimated that its share has increased to 50-55%. South African and Zimbabwean truckers are still dominating international road transport to, from and through Zambia.



*Entrance Global Logistics – May 2004, Lusaka*

The level of organization of the Zambian road transport sector is not very high. The Truckers Association of Zambia used to be quite strong, but now lacks strong management. There is also the Federation of Haulers of Zambia (FedHaul), which is a relatively small association of road transport companies in Zambia with 27 members with a total fleet of 600-650 trucks of which 500 on international transport assignments. Some of the major road transport companies are member of this association.

### Railway Transport

The volume of freight traffic transported by Zambia Railways was in 1975 6 million tons, representing 1.4 billion net ton-kilometers. By 1986 the volume was reduced to 4.5 million ton and in 1998 only 1.4 million ton was transported. The main reasons for this decline were caused by inefficiency, excess employment, low productivity, etc. The performance worsened even more rapidly after the first liberalization wave during the 1990s. The demand for quality service had become more and more important and the trucking industry was able to satisfy these demands.

**Table 11** *Volume of freight transport in tons by Zambia Railways Limited 1998-2002*

<i>Year</i>	<i>Local goods</i>	<i>Exports</i>	<i>Imports</i>	<i>Transit</i>	<i>Total</i>
1975	5,500,000	50,000	270,000	381,000	6,201,000
1985/86	2,960,000	593,000	430,000	569,000	4,552,000
1998	817,313	235,439	270,398	89,580	1,412,730
1999	897,003	262,456	248,682	203,727	1,611,868
2000	715,224	208,621	320,001	213,399	1,457,245
2001	784,073	309,790	323,626	248,519	1,666,008
2002	830,000	321,000	455,000	281,000	1,887,000

*Source: Ministry of Communications and Transport/World Bank*

Remarkable is the amount of transit traffic in 1985/86 summing up 569,000 tons.

Since 2000 there is a slightly up going trend. The amount of transported local goods remains the same, although the volume increased to almost 1.9 million tons in 2002. It is expected that from 2005 the traffic volumes will grow again after completion of the rehabilitation of rail network by the concession holder Railway Systems of Zambia.

The track of the Zambia Railways is still relatively slow as maximum speed was reduced to 40-50 km/hour. After completion of the 1<sup>st</sup> stage of the rehabilitation it is expected to raise the maximum speed again. Copper is one of the main commodities that ZRS is transporting.

TAZARA transports more than 500,000 tons per year with an equal share of domestic transport, export and import.

**Table 12** *Volume of freight transport in tons by Tanzania-Zambia Railways Limited - 2002-2003*

<i>Year</i>	<i>Local goods</i>	<i>Exports</i>	<i>Imports</i>	<i>Transit</i>	<i>Total</i>
2002	192,165	189,916	195,479	-	577,560
2003 month 1-11	172,544	172,364	185,672	-	530,580

*Source: Ministry of Communications and Transport*

The operational costs of the TAZARA track from Dar-es-Salam to Zambia are relatively high because of geophysical conditions.

Copper is one of main products that TAZARA is transporting.

#### Air Transport

The amount of cargo handled by Lusaka airport has remained the same since 1997 – around 15,000 ton per year.

**Table 13** *Air transport data Lusaka airport 1996-2002*

Traffic	1996	1997	1998	1999	2000	2001	2002
Cargo handled	8,896	14,100	13,500	15,368	15,763	18,008	15,625
Aircraft movements	34,200	30,593	32,592	21,987	20,059	18,165	33,658
Passenger throughput	355,277	319,054	330,059	320,857	361,832	375,379	393,285

The other important airport for air cargo handling is Ndola in the Copper belt. No performance data, however, have been collected by the Ministry of Communications and Transport.



## 7 COSTS AND DELAYS OF TRADE RELATED LOGISTICS

According to an audit report of the Export Board of Zambia of 2003 the transportation costs in Zambia account for 60% to 70% of the cost of production of commodities, which is very high comparing to other countries in the Southern Africa. It is obvious that this makes the export of Zambian commodities highly uncompetitive.

The costs of road transportation are very high. In the 1990s the average costs charged for road haulage was US\$0.08/ton-km. nowadays freight rates per ton-km are hardly being used anymore. A survey carried out in May 2004 among road transport companies and freight forwarders learned that the differences of prices for international road transport vary considerably:

- Transport of 28 tons of copper plates by road from the Copper belt to Johannesburg: US\$ 2,380; duration of trip 8 days.
- Transport of 28 tons in a container from Lusaka to Durban: US\$ 3,050; from Durban to Lusaka: US\$ 4,660; duration of trip 10 days.
- Transport of 36 tons from Lusaka to Durban in full truck load: US\$ 3,600; from Durban to Lusaka: US\$ 2,160; duration of trip 8-10 days.

The transport of a container with different shipments may be twice as costly as a unified load, for example the transport of copper plates.

South bound transport is considerably cheaper: about 60% of the rate of north bound transport.

Excessive waiting times at the borders are still contributing to the high cost of transportation. In the case study of the border crossing Zambia-Zimbabwe at Chirundu more details can be found on waiting times and economic costs of transport.



*Containers at Global Logistics – May 2004, Lusaka*

The freight rate used by the railways is in ton-km and has varied between US\$ 0.04 and US\$0.05, which used to be 50% of the price of road freight transport. Nowadays, railways have become much more expensive. Transport of copper from the Copper belt to South Africa cost US\$ 75 per ton, which is 80% of the cost of road transport.

## 8 CUSTOMS AND ADMINISTRATIVE PROCEDURES

### 8.1 Procedural and documentary requirements for foreign trade and transport

One of the most important agencies which may facilitate foreign trade and transport is the Customs administration.

Customs administration in Zambia is under the responsibility of the Customs and Excise Division of the Zambia Revenue Authority (ZRA). This division has been undergoing significant changes within the context of a Customs Reform and Modernization Program. This is linked to the implementation of ASYCUDA++.

The Customs administration has 645 staff of which about 200 support staff.

The Customs and Excise Division is responsible under the Customs and Excise Act, Chapter 322, for the following:

- Collection of customs and excise duties and other taxes;
- Licensing and management of registered excise manufacturers;
- Licensing and control of bonded warehouses;
- Regulation and control of imports and exports;
- Facilitation of trade, travel and movement of goods;
- Carrying out of controls on behalf of other government ministries;
- Provision of trade statistics; and
- Protection of society

The Fifth Schedule to the Customs and Excise Act specifies the structure of Zambia's customs tariff, and establishes four duty rates, 0%, 5%, 15% and 25% ad valorem. Zambia's applied import duty rates range from 0 - 5% for raw materials, 15% for intermediate goods and 25% for final or consumption goods, charged on the CIF value (known as the Customs Value). Products subject to alternate/specific duties include: butter, wheat flour, clear beer, and motor vehicles.

Goods from countries of the Common Market for Eastern and Southern Africa (COMESA) are duty free on a reciprocal basis.

Although no general import or export permits are issued by the ZRA, some sensitive goods need an import permit which is issued by ministries or other authorities.

The import of agricultural products, for example, may imply complicated procedures. For certain agricultural products an import permit is needed and the importer is required to obtain a phyto-sanitary certificate prior to confirming an order from the exporter. This phyto-sanitary import permit is obtained from scheduled offices at major ports of entry and the Zambian Agricultural Research Institute at Mount Makulu in Lusaka and most of the provincial centers of Zambia. Once completed, the form must be endorsed by an authorized Government officer, with a copy sent to the exporter for inclusion in the shipment documentation. When the consignment arrives at a port of entry, the phyto-sanitary certificate is examined by a plant inspector stationed at the border. The inspector will test samples to ensure that they meet the Declaration Conditions stated on the Certificate, before allowing the products to be released for entry into the country. If the products do not conform to the Declaration Conditions, the Inspector may decide to quarantine them or require them to be destroyed. A key factor with present arrangements is that phyto-sanitary certificates tend to have a validity period of only one month. As a result, whenever a shipment involves a delivery lead time to a Zambian port in excess of one month, importers are required to obtain an extension to the validity period of the phyto-sanitary certificates.

According to Sec. 32 of the Customs and Excise Act, all imported goods must be cleared at the point of entry through approved customs-clearing agents unless the importer is authorized by the ZRA to self-clear. When the good arrives at the border, the clearing agent or importer submits the following documents to the customs officer:

Goods Declaration Form CE01 that gives a description of the goods being imported, supported by the following documents:

The information on Form CE01 is transferred to the CE20 used for computerized data capture through the Direct Trader Input (DTI) operated by a private agency contracted by ZRA that operates at ports of entry and major customs offices. The CE20 form is specially designed to classify the goods automatically according to the HS Code, and computes customs charges based on the Declaration Form CE01.

Inspections of the consignment will be done according to a risk profile system:

- Green - No inspection;
- Yellow - Inspection of documents;
- Blue - Post audit;
- Red - Physical and document inspections.

When the entry and relevant supporting documents have been registered and accepted by ZRA Customs, a computation is made of the taxes due, to which is added a processing fee. The fee is K32,760 to cover the costs of the ASYCUDA system application and of Necor, a private agency that processes Form CE 20. An invoice is issued for immediate payment for the goods to be released. ZRA Customs may call for a physical examination or additional documentation to ensure that a declaration is correct. When all formalities are concluded and payment has been

made, ZRA Customs will then issue a release order for the goods. According to ZRA, customs clearance can be accomplished within a few hours, provided that all documents are in an acceptable order. Practice shows, however, that often major delays take place because of a variety of reasons.

There are no general export licensing requirements, except for prescribed goods. An export declaration form (Form EXD), however, has to be completed. The categories of goods, which require special export permits, are virtually all mineral and non-traditional exports.

The Gemstones report from 2002 describes an example that export procedures in mining are sometimes rather complicated:

---

*Export procedures in mining*

Each week, Zambia's leading emerald trader has to drive for up to five hours from Kitwe to Lusaka and spend two or more days processing export documentation. These are the steps he has to follow:

- Inspection of goods by a government-approved valuer (undertaken in Kitwe).
- Taking Valuation Certificate to MMMD, Lusaka, and obtaining an Authority Letter to approve the consignment for export.
- Visiting the relevant airline at Lusaka International Airport to obtain an Airway Bill.
- Visiting Customs to complete Form CE20 (Customs and Excise Declaration Form) and submitting it to them.
- Waiting for a computer to print out of a document based on the CE20 Form, and signing it.
- Taking the computer print outs with the goods for inspection and signature by the Customs Officer.
- Obtaining a bank draft for the Customs Fee for Kwa 32,760 from the bank.
- Taking the papers to another customs officer for validating and stamping.
- Taking the papers with the bank draft to the Customs Cashier who issues a receipt for payment.
- Getting the entries checked on the computer by a senior customs officer.
- Getting the papers checked by another customs officer who revalidates and stamps the papers and issues a Release Order.
- Taking the papers and the goods to Securicor, and paying them USD150 to carry the goods to the plane for loading

It is observed by the trader that "in such a long procedure, the paper gets misplaced and it takes long, long time to locate them. My blood boils every week." The work in the customs offices may take 3 to 10 hours to undertake - the time cannot be forecast. The trader uses uniquely colored paper for accompanying documentation so he can easily spot his file as it progresses across desks. Within the past year, computerization was introduced, but seemingly this adds an additional level of bureaucracy rather than reducing steps in the documentation processing.

---

As with imports, export documentation is fairly streamlined. An exporter collects the Export Document (Form CE 20, in 6 copies) from a commercial bank which endorses it to confirm movement of funds (i.e. Letter of Credit or actual payment received). This document is taken to ZRA attached to a commercial invoice and shipment documents. Prior to the goods leaving a border post, ZRA's endorsement (to confirm that the goods have exited Zambia) is required, a copy of which should be at the exit border before goods can be shipped out. Inspections (to ensure that what is contained in the Export Declaration Form EXD is a correct representation of items being exported and to guard against smuggling of prescribed goods, e.g. drugs and those that require permits) are carried out by the ZRA. In other cases, the foreign importer may request such an inspection. Time taken for inspection varies depending on the availability of staff, the packaging and nature of goods, but generally takes a day, according to the Customs and Excise Department if the consignment is not complex.

Duty Drawback Schemes exist in Zambia and it is also possible to manufacture under bond in a bonded warehouse. However, not much use is being made of these facilities as the refunds take too long to be paid and the premise requirements and the bond to be deposited seem to be not very attractive for the manufacturers.

According to the report "Administrative Barriers to Investment in Zambia"<sup>7</sup> the following problems were identified by private sector representatives:

#### *Customs Administration and Policy*

- Changes in staff at customs posts cause delays.
- Tariff levels for specific goods are changed on an ad hoc basis and not communicated in a proper way.

#### *Import Procedures*

- There is still redundancy in the information requirements concerning import procedures.
- Import procedures are still unnecessary complicated.
- Proper application of information technology for information sharing between the various actors is still lacking.
- Application of selectivity and risk-based inspection principles are still not widely implemented.
- Packing lists are not necessary if the commercial invoice has sufficient information.
- Customs services should not ask for a copy of the bill of lading in compliance with the recommendation from the UN Working Party on the Facilitation of International Trade Procedures, as it is only the shipper's responsibility to ensure delivery to the right owner.

---

<sup>7</sup> Republic of Zambia; Administrative Barriers to Investment; Foreign Investment Advisory; March 2004

- Border delays are still frequent. At Chirundu port, counting with 80% of Zambia's import, the delays can be between 2-4 days for trucks. These delays have increased because Zimbabwe authorities have increased the opening hours at their side without proper synchronization with Zambia authorities. Clearance of shipments at Lusaka airport can take up to 4 days.
- There are frequent disagreements between importers and Custom authorities over the classification of goods causing substantial delays.
- The valuation method by ZRA is not always clear and transparent to the importer.
- Document handling by Custom officials are rather poor.

#### *Export procedures*

- There is lack of Customs facilities spread over the country. Endorsement on the export certificates can only be obtained at the Lusaka ZRA office and two other centers in the whole country.
- Regional staff of Customs is not always able to deal with export procedures.
- Endorsement on the export certificates is required on consignment basis resulting in substantial administrative costs for exporters that have multiple and regular shipments.
- The duty drawback schemes suffer from delays in processing claims and in making payments. ZRA frequently runs out of funds to finance claims.

There is a major dispute going on concerning the Removal of goods In Bond (RIB). In 2003 about K255 billion worth of goods removed in bonds were still unaccounted for. In 2003, goods worth K467 billion were removed in bond, but only about K195 billion was realized by the ZRA in taxes. Removals goods In Bonds (RIBs) allow goods to enter the country at ports of entry without the payment of taxes. The goods are given 30 days to stay in the country without paying, after which they have the option of bonding, which can be done in a bonded warehouse for a period of two years without paying taxes. It seems to facilitate a virtual re-exporting of the goods with false stamps from Customs officers 'proving' that the goods made an exit out of Zambia when in reality they have not. Confronted with the loss of revenues due to the evasion of tax collection ZRA tends to restrict the permission for RIBs to certain companies with good repute and proper financial standing. It also has classified seven categories of products which could be stored in bonded warehouses, like some raw materials, spare parts and capital equipment. Perishable products will not longer be allowed to be stored under bond. Finally according to Customs, the costs of stored bonded commodities are: 150-200 USD for the first period; 100 USD for entering in bond; storage costs; and finally 200 USD ex bond.

Customs is aware that many companies have invested in bonded warehouse facilities. Therefore, it intends to introduce the application of these new regulations gradually.

The Zambian Ministry of Trade, Commerce and Industry, however, is opposed to this initiative stating that the RIBs are internationally recognized facilities for trade that should not be abolished; proper law enforcement of existing rules and regulation would be more proper by punishing the violators of these regulations and the tax evasors.

Customs also wants to speed up the transit of raw copper from DRC to South Africa using Zambia as transit. It is not allowed to handle copper in Kitwe anymore, where in fact value added services are taking place by removing sand from the raw copper and purifying the copper concentrate. Customs allow a transit period of only five days. Manica Zambia which is one of the main transporters of copper is in particularly hit by this measure.

Another example showing that Zambia is putting a lot of obstacles to transit traffic occurred in June 2003: the Malawi sugar company reported that the Zambia Revenue Authority at Mwami border demanded US\$11,000 per truck of sugar the company was exporting to the DR of Congo. The company had 11 trucks of sugar and a cash deposit of US\$121,000 was required. At a workshop on the Free Trade Area in Bulawayo in January 2004, the Zimbabwean business community reported that the ZRA was demanding a cash deposit in US\$ of 250% of the value of the goods in transit to the DR of Congo and that refund of the deposit was made in Zambian Kwacha.<sup>8</sup> Obviously, these facts are violating article V of the GATT/WTO regulations and are not very conducive for promoting transit traffic through Zambia.

Clearing agents are licensed by the Zambian Revenue Authority. There are now 208 agents licensed for making use of the bonding facilities and there are 154 bonded warehouses. Most of these agents are very small and lack proper facilities. Therefore, more strict quality requirements for entrance to the market of clearing of goods and management of bonded warehouses should be applied.

The main problems that the private sector is facing with the customs authorities are disputes about valuation schemes; clearing of goods and managing bonded warehouses; and lack of facilities for payment of duties.

---

<sup>8</sup> Progress Report on the Free Trade Area; COMESA; April, 2004; p. 4.



## 8.2 Case Study: The Border Crossing at Chirundu

The border crossing with Zimbabwe at Chirundu, situated 140 km south-east of Lusaka, is the most important border crossing point for road transport. It is estimated that about 80% of all international road haulage to and from Zambia is using this border crossing point with more than 1 million ton cargo per year.



*Chirundu Border – May 2004*

In September 1995 Herbert Burman & Co. Submitted a study in which border problems in Southern Africa were discussed<sup>9</sup>. At that time it was generally accepted by the carriers that delays at Chirundu and Beit Bridge were worse than others. At Chirundu, delays of 2 were not uncommon. In 1995 the situation in Zambia still existed that the goods from north bound traffic had to be cleared at Chirundu, but that all vehicles were obliged to call at Makeni Dry Port – the Inland Port Revenue Authority – near Lusaka to pay duties. Delays at that point could be up to 4 days. On the road between Chirundu and Lusaka the commercial vehicles were still frequently checked after clearance at Chirundu and some categories of commodities had to be escorted to the inland clearance depot causing further delays. The justification at that time was that the Zambia Revenue Authority pointed out to the Federation of Zambian Hauliers (FedHaul) that smuggling was rampant and that almost 95% of all heavy goods vehicles searched had

<sup>9</sup> “Report for FRRFA on Harmonization of Road Transportation and the Problems facing Road Carriers in the SADC Region”; Herbert Burman & Co.; September 1995.

experienced problems with their loads. In the meantime, however, the resulting huge and continuing delays cost the carriers, the exporters/importers, the consumers and finally the country as a whole, a fortune through direct standing costs, loss of productivity, goods not arriving on the right time and in the right condition, etc.

In 1995 the vehicle standing time was estimated at US\$ 224 per day in Zambia. The average delays between Johannesburg and Lusaka were estimated at 8.5 days (Beit Bridge 2.5 days; Chirundu 2 days; Makeni 4 days), in other words with a total standing cost of US\$ 1,904. At Makeni another US\$ 350 per vehicle had to be paid. Together with the standing costs this amounts US\$ 2,254. Assuming a 27 ton load was being transported from Johannesburg to Lusaka, the delays would unnecessarily increasing transport costs by US\$ 83 per ton. From a South African perspective the additional costs would even be higher, as the daily standing cost of an articulated unit was estimated at US\$ 439 in South Africa. This would result in an additional unnecessary cost of US\$ 151 per ton over that route. The average cost for road transportation from Johannesburg to Lusaka was in 1995 US\$ 110 per ton. The costs of the delays were thus almost 150% of the actual transport costs.



*Chirundu Border – Clearance Office (May 2004)*

In May 2004 the situation at Chirundu is changed comparing with the situation in 1995. There is a new bridge built over the river Zambezi permitting to split north bound and south bound traffic over the two bridges. On May 29, there were about 100 trucks waiting for clearance at the border post in Chirundu, some of them for already more than five days. Although new inland clearance depots have been licensed since 1995, all duties have to be paid at the Chirundu border again causing long waiting times.

The opening hours of the border post are from 07.45 h. to 16.30 h. for commercial vehicles. This is not in harmonization with the working hours at Zimbabwean side, which have been expanded recently, causing further delays. The delays of south bound traffic are much less than for north bound cargo. The delays have to do with the type of commodity as well as with the number of different shipments within one load. A Zimbabwean carrier bringing in a container with 21 different shipments was waiting for already 4 days and expected to wait another 2-3 days before the goods would be cleared. A Zambian carrier coming from Chingola with copper plates and on his way to Johannesburg succeeded clearance in one day. The south bound copper transport takes on average 5 days from Lusaka to Johannesburg.



*Chirundu Border – Zambian trucker on his way to Johannesburg (May 2004)*

There are construction works going on in Chirundu to build new facilities for trucks and truck drivers. Presently, there are still no conditions for the drivers to stay and most of the trucks are parked along the roads. It is also planned to open the Chirundu border post for 24 hours per day. However, although the creation of the physical facilities is very important for transport facilitation, it is even more important to remove the non-physical barriers to transport in terms of administrative procedures, financing facilities, application of information technology by merging information systems of customs, border agencies, banks, etc.





*Chirundu Border – Various agents and services (May 2004)*

Also, the situation of redundant checks along the road still exists: checks just outside Chirundu by traffic policy; checks by police at the roads Lusaka-Chirundu crosses the road to Siavonga and Kariba; checks by customs and police along the road in Kafue; checks by road police in the outskirts of Lusaka...These checks are especially focused on trucks and commercial vehicles.

And the prices of transport are lower, but still too high: to transport a container from Lusaka to Durban with 13 tons costs US\$ 2,380, which is US\$ 183 per ton; and with 28 tons US\$ 4,660, which is US\$ 167 per ton. South bound transport is cheaper: US\$ 1,450 for 13 tons, which is US\$ 112 per ton and US\$ 3,050 for 28 tons, which is US\$ 109 per ton.



*Chirundu Border –Old parking place (May 2004)*



*Chirundu Border – New compound under construction (May 2004)*



*Chirundu Border – New compound under construction (May 2004)*

A simple calculation learns that by reducing the average delay at the Chirundu border with one day, the economic gains would be more than 20 million US\$ per year, based on 200 trucks per day and an average standing cost of 300 US\$ per day, which is actually too low.

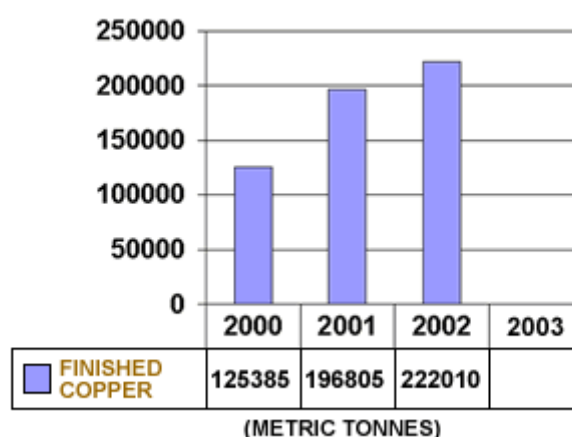
Finally, the website of the Embassy of the United States in Zambia makes mention of very interesting project in Chirundu. Interesting parties are invited to invest in a one stop border crossing facility in Chirundu. According to the announcement two projects are underway and four are under preparation. A total amount of 12 million USD would be needed. The investment would be based on a Build-Operate-Transfer arrangement. It is not clear how this is going to be carried out and which institutions have committed themselves to co-operate (Customs; immigration officials; border police; National Road Authority; phyto-sanitary plant inspectors; etc.

## 9 CASE STUDY: THE LOGISTICS STRATEGY OF KCM LIMITED

The Konkola Copper Mines Limited (KCM) is situated nearby Chingola in the Copper belt in the North West part of Zambia close to the border with the DR of Congo. KCM produces two types of copper cathode. The KBC product is a grade A product from the Tailings Leach Plant tank houses in Chingola. The REC brand is a grade A product registered at the London Metal Exchange from the refinery at Nkana in Kitwe. KCM sometimes supplies other grade A brands produced by other mining companies on the Zambian Copper belt.

The production of finished copper increased from 125,385 tons in 2000 to 222,010 tons in 2002.

**KCM (ACTUAL) ANNUAL FINISHED COPPER PRODUCTION**



Sixty percent of this production i.e. 130 000 MT is electro refined copper (99.99% pure copper).

KCM also produces cobalt. The cobalt ore is mined from the Nchanga open pit to produce concentrate which is then used by Chambishi Metals to produce cobalt metal in the form of broken electrolytic cathodes of various grades. The cobalt is sold onto the international markets to end users in aerospace, battery and other industries.

KCM also exploits the Nampundwe mine, situated just outside Lusaka, producing pyrite concentrate as auto-thermal feed for the Nkana Smelter. Some pyrite is also sold to Chambishi Metals for use in the processing of cobalt oxide concentrates in their smelting plant. At both plants, sulphuric acid is produced as a by-product. The Nampundwe pyrite mine has capacity for producing up to 90,000 tons of pyrite concentrate per annum.

The copper cathodes are mainly sold to overseas market which are mainly Middle East, Far East, South East Asia and Japan. A very little amount of copper is sold locally and mainly to Zambia Metal Fabricators (ZAMEFA). The KCM, however, has been requested by the State President at a ceremony held in Luanshya to mark the reopening of Roan Antelop Mine to make

available copper cathodes to ZAMEFA at a lower price to stimulate employment and production of finished copper products as KCM normally charges the London Metal Exchange (LME) prices.

The metals are transported to these markets mainly through to the ports of Dar-es-Salaam in Tanzania and Durban in South Africa.

KCM exports cobalt to overseas markets mainly through Dar-es-Salaam.

KCM is using railway transport for 70% of its export and road transport for the remaining 30%. All cobalt is transported by rail. Railways also account for 80% of the transport of copper, leaving 20% of the copper road transport, mostly in the form of copper plates in bundles of 2-2.5 tons.

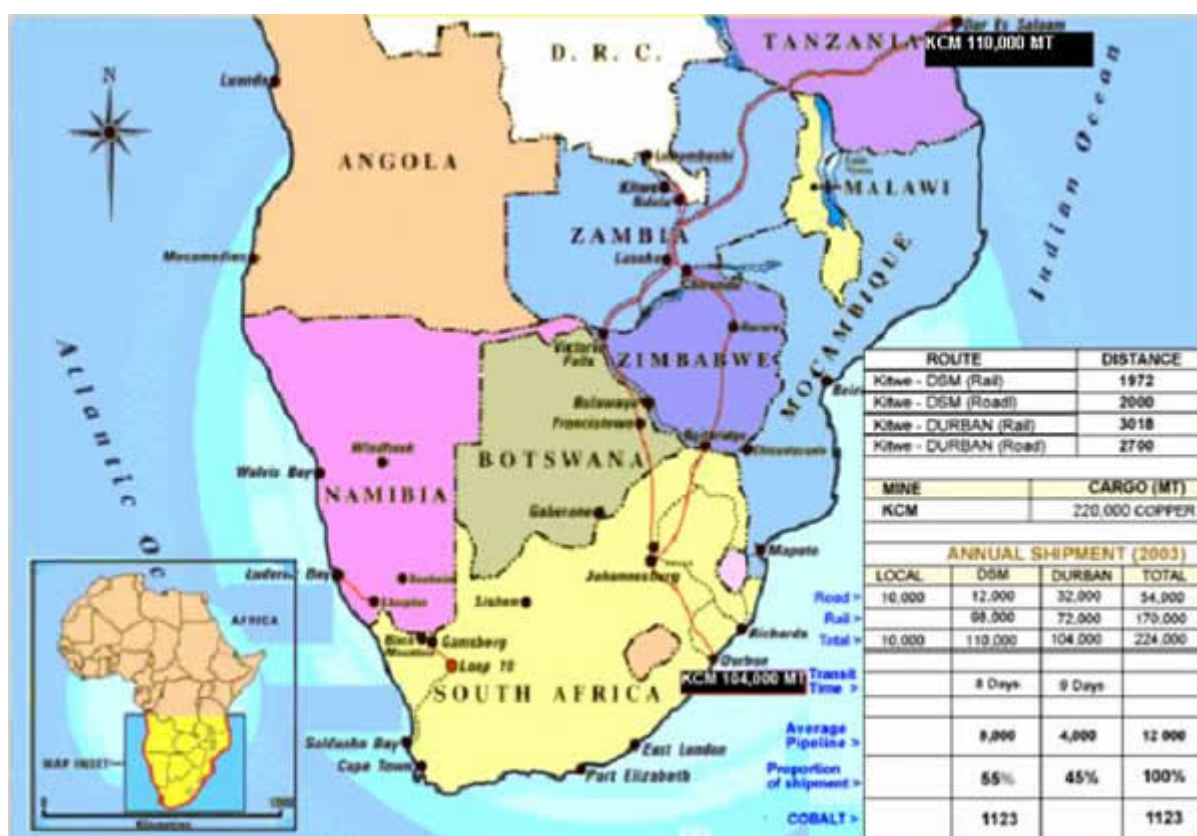
The railway transport to the port of Dar-es-Salaam takes 7-8 days on the average, which is twice as long as TAZARA advertises with. The trip to Durban takes normally 7 days. Road transport is taking average of 7 days to both Dar-es-Salaam and Durban. KCM have employed handling agents both at Dar-es-Salaam and Durban. These agents ensure that the required quantity and brand is available for shipment as booked with shipping lines. The copper can be containerised for all destinations although break-bulk shipping is available to limited destinations in Europe, Middle East and Asia according to customer preference. Durban port is capable of loading onto ships 12 containers per hour while Dar-es-Salaam can do 24 containers per hour. With increased export activity in Southern Africa, port congestion in Durban is currently a problem although investment in port facilities and upgrading is taking place over the next few years.

KCM uses 6 shipping lines to over 12 destinations in the Middle East, South East Asia and the Far East. The copper is shipped in lots that can be as low as 100 tonnes although 500 tonnes is deemed optimum. The vessel frequency is on average fortnightly to most destinations.

The transit varies between 12-13 days for Jeddah and Port Said to 24-27 days for Western Europe and the Far East.

The following map shows details of the export routes that KCM is using.





The prices charged for this type of transport are the following: transport by road from Kitwe to Johannesburg is about 85 USD per ton in trucks carrying 28 tons. Rainbow/Zalawi is the most important road transport company to carry out this transport. The transport price used to be 45 USD in the recent past. The price of railway transport is about 75 USD per ton. The metal is transported in trains with 36 wagons with a capacity of 44 tons each. The price of railway transport is considered to be too high.

The export road haulage routes run parallel to the routes of the railway transport to Dar-es-Salam and Durban. There are basically two road routes to Durban: one via Chirundu, which is mostly used, and the one through Livingstone.

New promising railway routes are to Beira via Zimbabwe; the Mchinji line that is due to start construction soon via Malawi to Nacala or Beira; and road links to Walvisbay in Namibia and Angola.



## 10 CONCLUSIONS AND ACTION PLAN

### 10.1 Main findings and identified problems

The main findings and identified problems in the field of trade and transport are:

#### *High costs for trade and transport*

The overall costs for trade and transport are very high. This is mainly due to many non-physical barriers to trade and transport like long waiting times at borders, excessive road controls and an unbalanced trade flows. Another factor is the fact that the transport sector is still in a developing stage. Zambia Railways Systems seems to exploit its monopoly position by overcharging the transport of copper to South Africa.

#### *Long and costly customs procedures and lack of coordination between other inspections*

The main cause of the delays at border crossings is the lack of border facilities, the application of bureaucratic procedures and the lack of modern communication and banking facilities. Customs is generally responsible for the long processing period incurred during border transit. The existing legislation and practices used in Zambia still amount to a primary clearance at the border crossings, irrespective of whether it is being cleared inland or is traveling in transit under bond.

Customs lack modern premises and adequate equipment to facilitate controlling and clearance procedures. The existing border procedures are yet not fully compatible with some principles of the Revised Kyoto Convention nor do they completely meet the obligations contained in many of the multi-lateral (SADC, COMESA) or bi-lateral agreements that have been signed. Although most of these agreements present commitments to simplify and harmonize border procedures, these procedures have not all been implemented. Customs procedures are often changing as well. Besides, customs rules are being interpreted in many different ways and there is evidence that the procedures themselves are not fully comprehended by those who have to administer it.

Applications of modern transit procedures are largely absent. Customs seems to have adopted a policy of thoroughly control and checking procedures because they doubt the integrity of the previous Customs organization and sometimes even their own customs organization. This is in breach of international conventions and makes effective control of transit traffic more difficult.

Apparently revenue evasion takes place because of abuse of the Removing Goods in Bond regulations: virtual re-export of imported goods takes place while in reality the goods remain in Zambia causing enormous financial losses to the treasury.

The immigration service is the other major organization at the border. Two main impediments for a smooth border crossing exist concerning the immigration services. Firstly, at most border crossings passengers/drivers have to leave their vehicles to have their passports checked slowing the border crossing process. Secondly, there is still lack of operational equipment at most border crossings and most checks are manually based.

Most border posts also have Veterinary, Phyto-sanitary and Sanitary/health officials present for administrative checks of the paperwork, but also for concrete inspection by the plant inspector.

There is lack of cooperation between Customs, other border agencies, transport authorities and law enforcement authorities causing long waiting times at the borders and at the many checkpoints along the road causing extra costs for the transport companies and the shippers.

*Transparency of costs, timing and access to information*

There is lack of transparency of costs and procedures related with transport and trade. These procedures are often changing in time as well without adequately informing the respective stakeholders.

*Poor transport infrastructure and transport performance*

The conditions of both the rail and road network in Zambia need improvement. Due to the low traffic volumes capacity constraints in the network are rare. There is a shortage in handling and storage facilities in (dry) ports. Also international shippers are in need of high standard terminal and, also bonded, warehousing facilities. This shortage leads to delays.

Due to the mentioned lack of a completely free operating market in both the transport and forwarding sector services are often below standard.

Small and medium sized enterprises in road transport have difficulties to expand their business because of the lack of international experience and professionalism, their poor financial situation, and the fact that they suffer the most of protective policies from neighboring countries and corruption. They do not have the capacity to develop into providers of integrated logistics services as the market requires.

Forwarders lack international experience and the sector has not yet grown mature. This leads to forwarding companies that do not take their responsibility and step out as soon as cargoes are lost or damaged. This is also possible due to a poor legal framework for forwarding. International standards are not yet incorporated and the sector is hardly organized.

Clearing agents need to enhance their level of professionalism and licensing is needed by applying qualitative criteria regulating access to the market.

*Lack of adoption, implementation and enforcement of international agreements*

Many international agreements have been developed to facilitate transport and trade and to promote seamless transit traffic: regional cooperation agreements, multilateral conventions and bilateral arrangements. However, implementation and proper enforcement are often lacking.

**10.2 Supply chain management constraints**

The main constraints for integrated supply chain management are:

- lack of intermodal infrastructure, handling facilities and (container) handling equipment
- lack of telecommunication infrastructure;
- lack of efficiently and effectively operating financing and banking institutions;
- lack of co-operation between different role players in the supply chain;
- lack of information exchange facilities between different agencies in the supply chain;
- lack of knowledge and experience of the different role players of both the public and the private sector in the supply chain;
- Lack of a pro-active and integrated policy to promote trade, transport and transit in Zambia.

**10.3 Implementation strategy***Integrated Border Management and Corridor Management*

The process of modernization, simplification, further promotion of international harmonization of border crossing procedures and increasing transparency of rules and regulations is one of the most important components of a strategy, which focuses on trade and transport facilitation.

The simplification of border crossings implies both a revision of the individual legal and administrative requirements for traded commodities and transported goods, services and persons from the perspective of increasing effectivity and efficiency as well as a more intense cooperation among customs and other government agencies interacting with trade and transport. The simplification of border crossings may lead in last instance to one-stop processing at borders and clearance through delegation of responsibilities among border agencies. Investments will be needed to upgrade the infrastructure at the border crossings.

Other measures as pre-arrival processing and advance clearance; controls on the basis of risk management and selectivity, balancing security and facilitation requirements, at border and in transit; removal of internal checkpoints; and promotion of inland clearance facilities also lead to more effective and efficient management of border crossings.

Also the international harmonization of border crossing procedures with neighboring countries, which implies structural cooperation with border agencies of neighboring countries, such as the initiatives put forward by SADC and COMESA constitutes an important element in the strategy. Results of this harmonization process may be officialized in bilateral or multilateral trade and

transport agreements between countries. The final result could be the establishment of joint border facilities, although this option is still not considered to be realistic for Zambia and its neighboring countries at short term.

Increasing transparency of border crossing procedures and fast and efficient dissemination of changes in these procedures are necessary for the operation of an efficient border management system. Monitoring through measuring of performance (cost, time, reliability, security, flexibility) is an important tool to achieve this objective. Therefore, it is important to involve the shippers, forwarders and transport operators in this monitoring process.

Also better harmonization should be achieved in controlling and checking of traffic by different agencies along the main corridors eliminating unnecessary stops at the many checkpoints.

### *Modal Integration*

Modal integration is a prerequisite for an efficient and effective logistic chain reducing time and costs of transport and facilitating trade and transport.

Free market access and liberalization of transport and terminal operators are important conditions for efficient transport and terminal operations. Although this process is underway in the road transport sector, railways and terminals; lake transport and ports; and aviation and airports are still facing impediments for further development because of its legal restrictions in terms of its operations.

Investments in dry ports, terminals and basic transport infrastructure are needed to increase its quality and removing the present constraints. Private capital should be attracted to participate in these required investments.

Traditional transport must be replaced by transport and storage, transport storage and management of goods and finally by public warehousing. There is a growing market for providers of integrated logistic services (transport, warehousing, document processing, payment administration, packaging, assembling, order management, etc.). The transit traffic could be stimulated by value-added service providers. It is necessary to introduce a liberalization policy for Multimodal Transport Operators, which also should obtain a legal status.

Trade, transport and transit charges and tariffs must be optimized and should be based on actual costs and no surcharge should be allowed. Administration should be done in an efficient and effective way. Charges and tariffs should be made transparent and public.

### *Information Flow Integration*

Integration of the information flows accompanying flows of transport and trade may contribute to increasing the efficiency of movements of goods, services and persons. As such it constitutes an important component of a trade and transport facilitation strategy.

The information flow integration strategy consists of the following elements:

- a) Simplifying and standardizing border-related documentation requirements with neighboring countries (no duplication of international/national documentation) for all controlling government entities.
- b) Documentation must be unified maximally.
- c) Mutual recognition of neighboring countries documents.  
On the basis of bilateral or multilateral agreements governmental bodies of the countries have to recognize the documents, issued by a second country. As an example can be considered the recognizing of the phyto-sanitary and veterinarian certificates when the goods supplied by the certificates issued in neighbor country don't undertake additional phyto and veterinarian inspecting on the border.
- d) Acceptance of pre-arrival declaration/data for processing purposes.  
A system of the pre-arrival declaration should be introduced, which allows to organize and systemize the process in the better way by electronically connecting customs with trades and transport operators. In this case attention will be given to the introduction of risk management and selectivity methods for the controlling by the customs.
- e) Data exchange among customs and other government agencies.  
Data exchange between customs and other governmental bodies must be organized in such a way, that the exchanged information is sufficient to comply with the legal and regulatory.
- f) Advance data exchange between controlling government entities and transport operators.  
There is also need for advance data exchange between controlling government entities and transport operators (web sites, border crossing manuals, shields on the check points) with full information on tariffs, procedures and necessary documents for border crossing.
- g) Timely and transparent publication of controlling agency requirements.
- h) Selected information sharing with neighboring countries.  
All necessary information and demands of the controlling entities must be attainable, and when it is based on IT technologies, it will be attainable also for neighbor countries. Besides on the basis of bilateral agreements between the customs of countries volumes and form of the data exchange, also updating of such data must be regulated.

## **10.4 Action Plan – short term measures**

### *Legal framework*

- International agreements like the COMESA Treaty and SADC Protocol on Transport, Communications and Meteorology and the SADC Trade Protocol should be transposed into national legislation to obtain legal enforcement authority.
- Zambia should strive to draft a transit strategy and achieve closer co-operation with neighboring countries in the form of bilateral or multilateral agreements to promote trade, transport and transit.
- The mandates of the different border agencies and controlling authorities should be clearly defined and implemented.
- A legal base for co-ordination and streamlining of border regulations should be created.

### *Institutional/administrative capacity*

- Coordinate and streamline the application of all border regulations among controlling agencies to minimize negative impacts on traders and transporters, while implementing their responsibilities and duties; and monitor actual border and clearance performance on a regular basis. Clearing times at the borders, including at Lusaka Airport should be considerably reduced.
- Create capacity for electronic data exchange of customs and other border agencies and implement the ASYCUDA++ system properly.
- In particular, ZRA and other agencies involved in border crossings, should co-ordinate not only between themselves, but also with the respective authorities of the neighboring countries aiming at facilitating border clearance procedures.
- The format of trade and transport documents should be further harmonized with international standards (UN, COMESA, SADC).
- Establish a Working Group on Trade Facilitation with all important stakeholders involved.
- Promote the dialogue between the private sector and the public sector on trade and transport facilitation issues.

### *Procedures*

- Customs procedures should be modernized, simplified and harmonized with those from other agencies in Zambia and neighboring countries. The concepts of integrated border management and one stop processing are aimed at.
- All inspection procedures should be carried out more efficiently and be based on risk assessment and selectivity.
- Rules and regulations should be enforcement properly.
- Changes in customs rules and procedures (including valuation methods) should timely be made transparent and public.
- Application of countervailing duties on Zimbabwe imports should be more clearly set.



- Availability of Customs staff to facilitate export inland clearance procedures should be increased.
- Duty drawback schemes should function properly without delays. Penalty interest should be applied where funds are not credited on time.
- Customs officials need continuous training.

#### *Infrastructure*

- Banking and financing facilities should be created to facilitate trade and transport.
- There is a huge need to invest in intermodal infrastructure.
- Carry out a feasibility study for establishing a Dry Port Lusaka with intermodal facilities in handling, warehousing and distribution.
- The telecommunication infrastructure should urgently be improved.
- Border facilities should be created to accommodate efficient trade and transport of goods, passengers and services.

#### *Industry competitiveness*

- Training should be organized for providers of logistics services, road transport operators, forwarders and clearing agents.

### **10.5 Action Plan – long term measures**

#### *Legal framework*

- Further harmonize the legal and regulatory framework for trade and transport with international norms and standards (UN, COMESA, SADC, etc.) and transpose international agreements into national legislation.

#### *Institutional/administrative capacity*

- Ensure coordination with donors, international organizations, and international financial institutions regarding the possibilities to provide international support for the realization of activities related with trade and transport facilitation.
- Set-up and manage a system to monitor the performance of the trade and transport corridors, with tracking and performance indicators involving all stakeholders in the process, including the private sector.

#### *Procedures*

- Harmonize data and documentary requirements for trade and transport among border agencies to allow for a single submission of information, using UN/COMESA/SADC standards.
- Establish clear and transparent border-crossing and Customs procedures, for example those concerning documents or payments. Avoid frequent changes of procedures, and ensure broad consultation and training before implementation.

*Infrastructure*

- Develop telecommunication, border and transport infrastructure supporting trade.

*Project Proposals for Implementing the Trade and Transport Facilitation Strategy*

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
1	Transport Reform Programme	Ministry of Communications	2005-2006	<ul style="list-style-type: none"> <li>• Further develop regulatory framework for transport conducive for the development of trade.</li> <li>• Set-up legal framework for licensing of clearing agents, bonded warehouses, terminal operators, multimodal transport operators.</li> <li>• Strengthen implementation and control and information capacity of the Ministry of Communications.</li> <li>• Set-up transport information system to monitor developments of the sector.</li> <li>• Further develop technical capacity of staff of transport institutions.</li> </ul>	
2	Customs Reform Programme	Zambia Revenue Authority	2005-2008	<ul style="list-style-type: none"> <li>• Introduce and further develop advance declaration processing.</li> <li>• Use ASYCUDA++ nationwide an integrated software management system for all border agencies.</li> <li>• Decentralise clearance of goods.</li> <li>• Simplify procedures for consolidated shipment.</li> <li>• Introduce selective control rules at all</li> </ul>	

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
				<p>locations.</p> <ul style="list-style-type: none"> <li>• Harmonize valuation and create classification capacity in customs.</li> <li>• Establish bilateral and multilateral committees to harmonise control mechanisms with neighbouring countries.</li> <li>• Contribute to development of inter-border agency co-operation.</li> <li>• Co-operate in developing single processing and payment window for all agencies.</li> <li>• Align border agency opening hours to those of neighbouring countries and to customer needs.</li> <li>• Select determined periods of the year to introduce changes in legal and regulatory framework.</li> <li>• Improve human resources management in customs.</li> <li>• Introduce change in internal procedures targeting unofficial payments and illegitimate trade focusing on reducing interactions between users and officials; assign processing at random; split the control chain; allow for immediate penalties.</li> </ul>	

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
				<ul style="list-style-type: none"> <li>• Introduce performance monitoring.</li> <li>• Strengthen transparency and disseminate rules and regulations on a permanent basis.</li> <li>• Strengthen Customs transit management.</li> <li>• Improve payment facilities for duties.</li> </ul>	
3	Border Agencies Reform Programme	Border agencies	2005-2008	<ul style="list-style-type: none"> <li>• Establish an integrated software management system for all border agencies.</li> <li>• Simplify procedures for consolidated shipment.</li> <li>• Introduce selective control rules at all locations.</li> <li>• Establish bilateral and multilateral committees to harmonise control mechanisms with neighbouring countries.</li> <li>• Contribute to development of inter-border agency co-operation.</li> <li>• Co-operate in developing single processing and payment window for all agencies.</li> <li>• Align border agency opening hours to customer needs.</li> </ul>	

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
				<ul style="list-style-type: none"> <li>• Select periods of the year to introduce changes in legal and regulatory framework.</li> <li>• Improve human resources management in border agencies.</li> <li>• Introduce change in internal procedures targeting unofficial payments and illegitimate trade focusing on reducing interactions between users and officials; assign processing at random; split the control chain; allow for immediate penalties.</li> <li>• Introduce performance monitoring.</li> <li>• Strengthen transparency and disseminate rules and regulations on a permanent basis.</li> </ul>	
4	Strengthen the Public-Private Dialogue in Transport and Trade Facilitation, Transit and Border Crossings		2005-2006	<ul style="list-style-type: none"> <li>• Monitor performance transit and border crossings</li> <li>• Define an Ombudsman (appeal) mechanism for complaints and infringements of rules and regulations.</li> <li>• Conduct regular independent audits.</li> </ul>	
5	Upgrading of transport, intermodal and cross border infrastructure		2005-2008	<ul style="list-style-type: none"> <li>• Define comprehensive transport infrastructure needs assessment and development strategy.</li> <li>• Develop public-private partnerships</li> </ul>	

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
				for financing infrastructure investments. <ul style="list-style-type: none"> <li>Promote and facilitate the building and operation of dry ports and intermodal terminals.</li> <li>Improve border crossing infrastructure.</li> </ul>	
6	Training of transport operators, providers of logistics services, forwarders and terminal operators		2005-2006	<ul style="list-style-type: none"> <li>Training Certificate of Professional Competence for Transport Operators.</li> <li>Training of Logistic Managers in Supply Chain Management.</li> <li>Training FIATA of Freight Forwarders.</li> <li>Training of Terminal Operators.</li> </ul>	





## ANNEX 1 REFERENCES AND INFORMATION SOURCES

- 2001 Exporter Audit Report; Export Board of Zambia; EBZ, Lusaka; May 2002; 56 p.
- 2002 Exporter Audit Report; Export Board of Zambia; EBZ, Lusaka; April 2003; 58 p.
- Administrative Barriers to Investment in the Republic of Zambia; FIAS; March 2004; 172 p.
- Communications and Transport Sector; 2003 Economic Report; The Ministry of Communications and Transport; Republic of Zambia; 2003; 9 p.
- Compatibility of Trade Policies in the Context of Current Regional Economic Integration: The Case of SADC.
- Country Commercial Guide Zambia 2002; International Trade Administration; US Department of Commerce; 30 p.
- General Agreement on Trade in Services; Transport Sector; Report for Zambia Business Forum; George Lewis; May 2004.
- Institutional Strengthening & Capacity Building in the Private Sector; Project Proposal; Ministry of Commerce, Trade and Industry; Lusaka; January 2004; 34 p.
- Joint Integrated Technical Assistance Programme Zambia (JITAP); Trade and development; Multilateral Trading System Project Document; April 2004; 62 p.
- Moving Food; The World Food Programme's response to the Southern African humanitarian crisis; Julia Stewart; in "African Security Review", Volume 12 Number 1, 2003; p. 17-27.
- Non-Tariff Measures; the Bigger Picture for South and Southern Africa; Ron Sandrey; 2003; 5 p.
- Overview of Mobility in Zambia; paper by Vivian Chikoti; Kabwe Municipality; 6 p.
- Proposed Study for Review and Harmonisation of the Tax Structure, Policy and Administration in Zambia to Enhance Investment and Economic Growth; IMCS; ZAMTIE; October 2002; 10 p.
- Railways Restructuring Project Zambia; Project Appraisal Document; World Bank; October 2000; 71 p.
- Regional case studies on access to the European Union market for Goods and Services; Zambia Country Report; COMESA 2003; 23 p.
- Regulations on Trade Remedy Measure; COMESA; 50 p.
- Report for FRRFA on Harmonization of Road Transportation and the Problems facing Road Carriers in the SADC Region; Herbert Burman & Co.; Johannesburg; September 1995; 146 p. + appendixes.
- Report of the Seventh Meeting of the Transport and Communications Committee; COMESA; February, 2003.
- Road Traffic Act No. 11 2002.
- SADC Protocol on Transport, Communications and Meteorology.
- The Monthly, December 2003-April 2004; Central Statistics Office; Republic of Zambia.
- Trade Remedy Possibilities for Zambia; Jim Kenworthy; ZAMTIE; March 2002; 48 p.

- Transport Policy; the Ministry of Communications and Transport; Republic of Zambia; May 2002; 35 p.
- Transport, Storage and Communications; the Ministry of Communications and Transport; Republic of Zambia; 2002; 7 p.
- Zambia Country Report; EIU; April 2004; 8 p.
- Zambia Export Products Research Study to Assess USA AGOA Import Regulatory Requirements; ZAMTIE; April 2002; 69 p.
- Zambia Road Safety Study; 114 p.
- Zambia the Challenge of Competitiveness and Diversification; World Bank; January 2003.
- Zambia Trade Remedies; Dr. Blarcom; ZAMTIE; June 2001; 3 p.
- ZAMTIE Zambia Trade and Investment Enhancement Project; progress and annual reports; 2001-2004.

## ANNEX 2 DECLARATION ZAMBIA BUSINESS FORUM

### GRZ/BoZ COMMENDED

**The Zambia Business forum welcomes the lowering of interest rates and the improvement macro-economic indicators.**

The *Zambia Business Forum* which represents the cross-cutting business interests of nine of Zambia's leading business associations i.e. the *Zambia Association of Chambers and Commerce & Industry*, the *Zambia National Farmers Union*, the *Zambia Association of Manufacturers*, the *Chamber of Mines of Zambia*, the *Tourism Council of Zambia*, the *Zambia Chamber of Small and Medium Business Associations*, the *Zambia Federation of Employers*, the *Zambia Indigenous Business Association*, and the *Bankers Association of Zambia*, wish to commend the Government and the Bank of Zambia for taking decisive actions which have resulted in a significant reduction in lending base rates and a noticeable improvement in macro-economic indicators, generally.

### **BoZ makes available additional liquidity to Commercial Banks**

K64.3 billion and US\$10.7 million additional reserves flowed to commercial banks in the first week of November, 2003 following the reduction of Statutory Reserve Ratios, (RSSs), on both Kwacha and foreign currency deposit liabilities by 3.5 percentage points.

### **Reduction of Yield Rates on Treasury Bills and Government Bonds**

Treasury bills and Government bonds reduced to 9% and 14% respectively between November 2003 and March 2004 largely as a result of the reduction in Government domestic borrowing. Over the same period the weighted lending base rate declined to 31.8%. This welcome trend is continuing.

### **Challenge for the Private Sector and Commercial Banks**

While the preference by commercial banks for risk-free Government securities is commercially understandable, it is a matter of concern to the *Zambia Business Forum* that their reliance on Government securities is undiminished. It is in fact growing. Demand for Government securities in the first quarter of 2004 more than doubled the figure for the first quarter of 2003. The liquidity of banks is now well in excess of the liquidity level dictated by the core liquid asset ratio (CLAR). At the end of October, 2003, commercial banks held 401.0 billion in excess of CLAR. By the end of March 2004, it had risen to K568.8 billion. The bold moves by the

Government and the BoZ have presented the business community and the commercial banks with a window of opportunity for unlocking the investment finance needed for both pipeline and potential investments. The excess liquidity that has accrued to commercial banks is not yet resulting in increased investment lending flows to the private sector.

The *Zambia Business Forum* believes the value of the improved lending climate for private business lies in its ability to trigger economic growth and development. The Government, in consultation with stakeholders, has identified agriculture, tourism, mining, manufacturing (agri-businesses and other resource-based industries) as priority economic sectors. In addition, Government and the private sector have recognised the need to achieve cost competitiveness and operational efficiency and effectiveness in the ICT, energy and transport sub-sectors. Against this background, the **CHALLENGE** is the effective management of the transition to pro-private sector lending by the removal of obstacles, mainly, administrative “hassles” that are discouraging the private sector from taking the fullest advantage of the improved business financing climate.

### **WHAT NEXT!**

**To induce the flow of investment, the Zambia Business Forum is urging all stakeholders to play their part.**

### **Government**

1. All wings of Government require the political will and commitment to work with a single-minded purpose in resolving obstacles to business growth. We have noticed, for instance, that the Ministries of Home Affairs (work permits), commerce (investments), Labour (cost of labour), lands (land access) and Communications (prohibitive license fees), are not working collaboratively towards achieving a conducive investment climate.
2. The next step is to prioritize the development of Zambia’s business roadmap that clearly identifies potential investment projects and not simply indications of investment opportunities. In collaboration with the private sector, potential investment projects which have a clear competitive edge in local, regional and international markets should be identified, promoted and well marketed by ZIC and ZNTB to the private sector.
3. Facilitate the mainstreaming of informal businesses thereby unleashing the enormous business borrowing capacity of emergent entrepreneurs in the informal sector of our economy. Nearly 50% of Zambia’s economy is trapped within the informal sector because of financing, regulatory and high tax constraints. The building block which ZRA has created through the presumptive tax for small businesses with an annual turn-over of less than K200 million is an excellent starting point for introducing a cocktail of regulatory measures which can reduce the costs and simplify the procedures for business entry, operation and exit as a vehicle for mainstreaming informal businesses.

4. Deal conclusively with well articulated bottlenecks to entering, operating and exiting business ventures in Zambia.
  - Minister Sikatana, Agriculture, the Zambia Business Forum commends you on the tremendous progress you have made in agriculture, your record is being tarnished by the anti-investment change of VAT status from zero-rating to exempt for agricultural equipment, etc. Revisit and take corrective action to prevent slowing the investment momentum in agriculture.
  - Minister Lembalemba/Magande can, without further delay, resolve the problem of non-implementation of Development Agreements which has been outstanding for the past four years. Uncertainty is the greatest disincentive to attracting local and foreign investment.
  - Minister Patel, Commerce, the Zambia Business Forum commends you for your prompt pre-emptive action on the proposed removal of RIBs, please act just as quickly on protecting local industry from collapse by regulating the importation of goods being dumped on Zambia through loopholes and/or unacceptable provisions in regional and international trade agreements.
  - Minister Kapijimpanga, Lands, can eliminate artificial scarcities of land for business development which are preventing rapid expansion of investments.
  - Minister Shikapwasha, Home Affairs, can deal with work permit-related problems which are diverting businesses from Zambia. The provision, in the Bill to amend the Immigration and Deportation Act, requiring investments to be valued at or more than US\$5 million with a workforce of at least 50 employees before 5 expatriate work permits can be issued to a foreign investor, is tantamount to closing the door on foreign direct investment.
  - Minister Kafumukache, Labour, can act promptly to arrest the loss of businesses through the unaffordable and unjustified redundancy and retirement provisions contained in Statutory Instruments 2 and 3 of 2002 under the Minimum wages and Conditions of Employment Act. NAPSA is the correct instrument for retirement benefits. We can protect vulnerable employees without making business vulnerable.
  - Minister Namuyamba, Communications, can pave the way for new private sector entrants by reducing the excessive licensing fee of K63 billion to operate an international telecommunications gateway. We also believe the Minister can deal with the deemed ZAMTEL telecommunications licence which is preventing fair competition in the telecommunications industry. Review studies should not delay action on clearly articulated investment stoppers.
  - Commissioner-General Msiska, ZRA, can deal conclusively and promptly with outstanding problems of delays in VAT and other tax refunds and the duty drawback schemes, and the rationalization of frequent and paralysing tax audits.

- Chief Justice Sakjala, can and should investigate and eliminate possible bias against business in court rulings because they have a potential of stifling business growth. In addition, protracted and costly commercial dispute resolution constitutes a serious judicial barrier to businesses.

*The problems confronting Zambian business are not of rocket science complexity. They are well within the capacity of this Government in collaboration with the private sector to resolve not in five years but in days or weeks!*

### **Commercial Banks**

1. Raise the level of private sector credit. As the FSDP Report indicates private sector credit at 8% of GDP is one of the lowest in sub-Saharan Africa.
2. Improve the competitiveness of the cost of banking services by lowering the operating costs of commercial banks. According to the FSDP Report the operating costs of Zambia's commercial banks are among the highest.
3. Adhere to rules of free market competition to avoid distortions of the well-tested supply/demand response relationship. The failure of the fall in lending rates to be in tandem with the lowering in yield rates on treasury bills, Government bonds and inflation, is indicative of the banking sector market imperfections. The wide gap between saving deposits interest rates and the lending base rates demonstrated by all banks suggests possible interference with free market forces.

### **Private Sector/ Business Community**

1. The private sector can reduce the premium on the interest rates by reducing the high default rate on bank loans.
2. The private sector should produce bankable proposals. Government agencies such as Export Board of Zambia, Zambia Investment Centre, Geological Survey Department, Agricultural Extension Services, Zambia National Tourist Board, etc. Can assist the private sector in undertaking this urgent exercise. Donor agencies can also augment the available technical and financial support services with the development of feasibility studies and provision of short and long-term credit. The World Bank's IFC/APDF has produced a guide of donor support facilities for use by the private sector. Further, donor's agencies, both multilateral and bilateral agencies, can facilitate the growth of local private sector by assisting with the identification of markets, potential joint venture partners, etc.
3. Support the development of credit bureaus which will provide an objective basis for credit rating and risk assessment of potential private sector borrowers and help improve the credit culture.
4. Strengthen business linkages to resolve constraints related to poor economies of scale, access to skills, access to finance, access to markets, etc.

### **Bank of Zambia**

The primary responsibility for maintaining confidence and stability in Zambia's money markets rests with the central bank, the *Bank of Zambia* (BoZ). To discharge this critical function, the Zambia Business Forum, joins other stakeholders in demanding that:

1. The *Zambia Competition Commission* in collaboration with the Bank of Zambia should take measures aimed at forestalling possible anti-competition practices by commercial banks. Free financial market policies cannot succeed in a market dominated by two or three internationally controlled banks capable of operating a cartel.
2. The Bank of Zambia exercise more firmly its responsibility of preventing instability and loss of confidence in financial markets which the frequent closures of banks in recent years has created. Insecurity of deposits and distrust of banks is a root cause of the over-reliance on cash transactions in the economy. Lasting reform of the National Payments System which requires increased use of cheques, electronic and other non-cash transactions, needs, as a pre-requisite a stable and trusted bank sector.
3. Raise the minimum capital requirements for commercial banks to stem instability and boost confidence in the banking system. The norm in COMESA is US\$1.5 million.
4. Short of proof of insanity, the contractual tenure of the Governor and the operational independence of the Bank of Zambia, must be rendered constitutionally inviolable. It is the only way to guarantee the independence and integrity of Zambia's monetary policy.
5. The Bank of Zambia should encourage SME growth through the rapid development of micro-financing and development of other financing institutions in an effort to improve access to investment finance by SMEs and other emergent businesses. This is the best way to underpin local empowerment in business.

### **CONCLUSION**

*Government and the Bank of Zambia have responded positively to the calls by the business community and other stakeholders for reduction of interest rates. The Zambia Business Forum is now appealing to the Head of State to convene a Domestic Business Council of economic Ministers and representatives of the business community to meet and urgently develop a time-bound and actionable investment programme that will productively and effectively use the investment window of opportunity that has been created.*

*Source: Advertisement in the Post, Wednesday May 26, 2004*





### ANNEX 3 FINETUNING ROAD TRANSPORT AGREEMENTS

- Zambia requests South Africa to permit Zambian transporters uplift cargo from third countries destined to South Africa.
- Zambia requests the Republic of South Africa to exempt Zambian transporters from paying Commercial Vehicle Guarantee fees.
- Zambia requests South Africa to permit road transport drivers to traverse its borders with a credit card type standardized travel document instead of a passport.
- Zambia requests Zimbabwe to exempt Zambian transporters from paying Commercial Vehicle Guarantee fees and Carbon Tax.
- Zambia requests Zimbabwe to permit road transport drivers to traverse its borders with a credit card type standardized travel document instead of a passport.
- Zambia requests Botswana to exempt Zambian transporters from paying Commercial Vehicle Guarantee fees and other transit fees apart from toll fees.
- Zambia requests Botswana to permit road transport drivers to traverse its borders with a credit card type standardized travel document instead of a passport.
- Zambia requests the Congo to exempt Zambian transporters from paying visa and tourism fees.
- Zambia requests the Congo to permit road transport drivers to traverse its borders with a credit card type standardized travel document instead of a passport.
- Zambia requests Tanzania to permit Zambian transporters traverse Tanzania with double trailers.
- Zambia requests Tanzania to permit road transport drivers to traverse its borders with a credit card type standardized travel document instead of a passport.