

REPUBLIC OF ZAMBIA

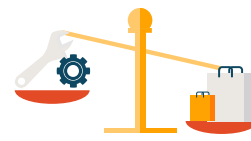
DIAGNOSTIC TRADE INTEGRATION STUDY

The World Bank's Diagnostic Trade Integration Study assists the Government of Zambia in strengthening the country's integration with regional and global markets and mainstreaming trade into national development plans. Here, we take a closer look at the opportunities, constraints, and key policy actions to improve Zambia's trade performance and trade's contribution to economic diversification, inclusive growth, and job creation.

KEY TRADE & INVESTMENT PATTERNS

DIVERSIFY & GROW

CURRENT STATE

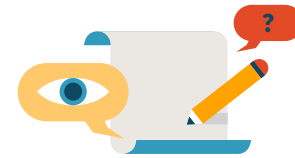


- Relatively high trade integration for goods but lagging in services
- FDI inflows grew at faster rate than both services and merchandise trade
- Most non-copper trade takes place at regional level
- Limited export diversification.

CONSTRAINTS



High trade costs due to logistics bottlenecks, documentation & customs compliance requirements, and lengthy procedures that impose border crossing delays



- Unpredictable, restrictive trade policies and regulations

TIME FOR ACTION



- Make trade inclusive: policies must cover both formal and informal players
- Diversify exports (non-traditional goods + services)
- Integrate regionally to advance trade; implement regulatory and institutional reforms

NON-TARIFF BARRIERS

REDUCE TRADE COSTS

OPPORTUNITIES



Improved non-tariff measure (NTM) environment



National competitiveness agenda that reduces non-tariff barriers (NTBs) in support of Private Sector Development



Opportunities to eliminate NTBs via APEI, COMESA, SADC

CONSTRAINTS



- NTBs increase trade costs
- Idiosyncratic technical regulations protect domestic market and hurt poor
- Complicated marketing arrangements & restrictions for exports
- Uneven performance of regional consultative mechanisms to reduce NTBs

TIME FOR ACTION

Improve access to maize export permits through auction system

Short Term:

- Review export Quantitative Restrictions regime in maize and replace opaque export-permit allocation system with yearly auctions
- Review vitamin A fortification program
- Provide resources for Coordination Office for Technical Regulations
- Website with inventory of non-tariff measures

AGRICULTURE

POTENTIAL GRAIN BASKET

OPPORTUNITIES

Agriculture = 20% of GDP
~12% national export earnings

81% of working poor employed in the agricultural sector

Compared to other African nations, Zambia has...

- Abundant, fertile land and water and a favorable climate
- A relatively well-developed agribusiness industry

CONSTRAINTS



- Risk of trade bans or export restrictions
- Complications in trade licensing + product certification
- Multiple barriers to seed exports
- Barriers to fertilizer trade

TIME FOR ACTION



- Guarantee export parity for X% private purchases
- Communicate trade information on official website
- Drop unnecessary procedures
- Implement harmonized seed systems
- Improve fertilizer trade system

INFORMAL TRADE

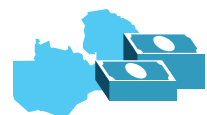
MATTERS FOR DEVELOPMENT

CURRENT STATE

Informal trade is large portion of economy

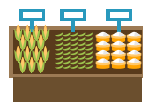
Zambia's Beans Exports to the DRC, Tanzania and Zimbabwe (2011)*

Formal 29 tons
Informal 3,051 tons



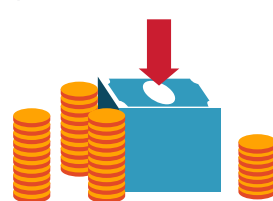
Improved Simplified Trade Regime (STR) could help traders sell goods less than USD \$1,000 across the borders

CONSTRAINTS



- Cumbersome customs processes, registration, and other requirements for traders still in place
- Largely ineffective STR
- Small-scale traders pay 62% more in border costs than large traders:
- Small 62% more
- Large
- Women traders face harassment and violence

TIME FOR ACTION



- Reform STR (review and reduce processing and export/import fees; expand product list)
- Implement Charter for Cross Border Traders; pilot Charter at Mwami/Mchinji border crossing
- Address women traders' constraints

TRADE FACILITATION

POTENTIAL LOGISTICS HUB

OPPORTUNITIES

Potential to be regional logistics hub as country is at the junction of several regional corridors

One-stop border posts (OSBP) useful but complementary measures needed



APEI, COMESA, and SADC can improve connectivity and border management

CONSTRAINTS



- High transport costs
- Lack of a national logistics strategy
- Inefficient interfaces with neighboring states
- Delays at border crossings
- Limited participation of trucking fleet in regional transport

TIME FOR ACTION

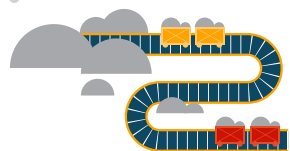


- Define clear national logistics approach
- Encourage data sharing with neighbors
- Precede OSBP with procedural reforms and electronic pay system
- Proactive in cooperating with neighbors to improve cross-border access policies

SERVICES RELATING TO MINING

BENEFITS OF UPSTREAM LINKAGES

OPPORTUNITIES



- Benefits to local businesses from upstream linkages
- Short-to-medium term benefits for local skills-intensive services
- Long term benefits from broadening and deepening upstream and downstream linkages to mining

CONSTRAINTS



- Limited access to capital
- Undersupply of technical skills
- Limited access to new technologies and weak technology adoption
- Insufficient buyer/supplier cooperation

TIME FOR ACTION

- Create enabling environment to improve competitiveness of local suppliers
- Upgrade skills through new curricula for training and vocational institutes developed by TEVETA, mining companies, and private sector service providers



PROFESSIONAL & EDUCATION SERVICES

POTENTIAL SOURCE FOR EXPORT DIVERSIFICATION

OPPORTUNITIES

High demand for and usage of professional services

18% of interviewed firms already exporting professional services

Potential regional hub for technical vocational training

95%+ of large firms and 70%+ of small and medium firms in the accounting, engineering, and legal segments use professional services

CONSTRAINTS



- Limited availability of professionals with market-relevant skills
- Skills mismatches
- Trade barriers, inadequate domestic regulations, and restrictive immigration regulations
- Limited recognition of foreign degrees

TIME FOR ACTION

- Implement national and regional reform agendas for trade barriers, immigration rules, and domestic regulation
- Improve training programs (university and vocational)
- Relax trade barriers on movement of natural persons and commercial services
- Implement MRAs of academic and professional qualifications

*Source: COMTRADE/WITS code 05423 for formal trade and FEWS NET for informal flows.