

# Zambia Business Dialogue Recommendations

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The Zambia Association of Manufacturers in partnership with the COMESA Business convened the COMESA – Zambia Business RoundTable on the 27th of March 2018, in Lusaka, Zambia. The Roundtable was held under the theme, “Industry Competitiveness in Zambia; Focus on Finance, Tax and Trade policies.

The meeting had the participation of more than 65 business persons and public-sector representatives from Zambia. The following are the Key Recommendations emanating from the meeting:

## Plenary 1

- **Private sector coordination.** Increased multisector dialogue and coordination at private sector level to ensure all stakeholders speak with one voice when inputting into policy. This includes enhanced representation to coverage Zambia and not Lusaka from both a public and private sector perspective.
- **Increased public-private engagement** and consultation prior to promulgation of laws and measures that have an impact on the private sector. A structured period consultative mechanism to be put in place between the public and private sector. For instance, on the Revised safeguards, antidumping and countervailing measures - policy documents.
- **Banking Sector.** The Banking sector to consider reducing in interest rates further to facilitate growth. Need for innovative financing mechanisms as well as innovation from private sector to access finance.
- **Energy pricings** should consider the needs of the manufacturing industry; in particular a preferential pricing rate for SME manufacturers.
- **Rationalization of taxes and levies and requirements.** The Regulatory authorities should coordinate and rationalize taxes, levies and requirements. This includes conducting regional comparative studies to determine optimal tax rates to support local products competitiveness.
- **Increasing information on incentives and tax policies.** There is limited understanding on the available incentives.
- **Regulatory bodies,** particularly ZABS, ZRA should train and sensitize private sector on regulatory compliance issues; thereby play a more facilitator role instead of a policing role.
- **Enhance enforcement of regulations.** Measures to curb illicit trade and smuggling.
- **SME focused development.** Develop a specific framework to support small scale manufacturers and encourage formalization and compliance with established regulations.

- **Enhance sectoral linkages (manufacturing and agriculture, and manufacturing to manufacturing) and promote local sourcing of inputs.** This will foster growth in the agricultural sector and reduce the costs of production inputs. Collaboration between industry players will create opportunities for learning and knowledge share – which will enhance competitiveness.
- **Policy consistency and predictability.** Apply and implement **long term policy strategy** to foster economic diversification and value addition. This includes targeted and sequenced approaches to foster value addition, as well as the introduction of structured long-term interventions to support small scale growth.
- **Enhance research on the manufacturing sector.** To inform policy formulation processes with empirically robust recommendations.
- **Address challenges arising from lack of skilled labour** to enhance industry competitiveness.

### Finance Session

- **Increase awareness of the Zambia Credit Guarantee Scheme** to all stakeholders and an understanding of the benefits that are available as part of the system.
- The banking sector should adapt and be fully responsive to the changing needs of industry in terms of their vehicles and terms, for instance; on collateral.
- **Skills Development for the banking sector.** The need for people in the banking sectors to have the necessary skills to understand industry and create structured finance that is tailored to the needs of the industry and the agriculture sector.
- Increased personalized sector consultations between the banking sector and various sectors such as farmers. The need for conversations amongst the private sector- bankers and the private sector and look at the opportunities or solutions.
- **Tax incentives.** Incentives on export of finished products and on imports of raw materials to encourage manufacturers and promote value addition.
- **Consider options and futures as tool to increase local competitiveness.** *Zambian firms incurring exchange rate losses from regulation to only quote in kwacha whilst foreign firms can quote in dollars – this is contribution to reduced competitiveness of industry*
- **Promotion of Anchor Industries based model** to support SME development and access to finance.
- **Noting:** The Farmers are in conversation with government and the bankers to put in place tailored vehicles for support to the agriculture sector.
- IFC- Maximizing finance for development- working with government to try and develop tools and a country partnership framework to support interventions with maximum advantage.

## Tax Policy

- **Tax Framework for SMEs.** A tax or incentive frameworks for SMEs; to consider a tax holiday framework or differentiated income tax policy for SMEs.
- **Duty draw back incentive scheme** for exporters should not be removed until there is alternative of equal measure in place.
- **Enhance consultations for development of responsive mechanisms** for efficient disbursement of VAT and Duty Draw Back refunds.
- **SME census.** Government to conduct a census of the SMEs thereby tailors specific support and policies for them.
- **Tax Policy to take into consideration both domestic and regional considerations to promote competitiveness.**
- **Address seemingly dwindling incentives targeting the manufacturing sector** i.e. Reduce punitive measures on industry and adopt more long-term perspectives in the administration of tax policy.

## Trade Policy

- **Enhance Border Procedures** – to ensure efficient transportation of goods across borders. E.g. through expediting single payment points at borders.
- **Strengthen partnerships and dialogue between Regional Industry Associations** such as CZI and ZAM to exchange in country policies. To reduce ad hoc nature of policies implemented for protection of industry and enhance predictability on market access
- **Expediate implementation of Bilateral Trade Agreement with Congo.** Congo DRC a huge market for Zambia and there is need to ensure formalities to be put in place to ensure
- **Utilize ITC Tools and platforms to access markets such as Congo DRC** to enhance visibility in this market.
- **Curbing smuggling;** Private sector to actively participate in information sharing to curb illicit trade.

- **Review trade/tax policy following comparative analysis of regional best practices in the sector** – e.g. exemption of VAT exemptions.
- Enhance Government (Mof and ZRA) engagement with private sector to enhance transparency on tax policy development and implications on industry. i.e. enhance Government outreach programmes.
- Focus on measures to reduce cost of doing business, and measures to reduce administrative barriers to industrial growth