



Republic of Zambia



NATIONAL INDUSTRIAL POLICY

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FOREWORD

Zambia offers significant wealth and job creation opportunities due to its abundant natural resources. In the past decade, the country undertook significant institutional and market-oriented policy and structural reforms aimed at facilitating economic growth, reducing poverty and creating employment opportunities. The Government made strides in providing an enabling environment for the private sector to thrive. The implementation of the Private Sector Development Reforms has resulted in the elimination of unnecessary licences and tedious business licensing procedures.

In the industrial sector, there has been a gradual, but sustained, expansion of the manufacturing sector particularly in the processed food sub-sector which provides extensive linkages with the agricultural sector. The past decade has also shown noticeable growth in some non-traditional export sectors, notably the horticultural, cement and sugar industries.

Government has restructured its Citizen Economic Empowerment programme by targeting value chains in order to add value to Zambia's abundant natural endowment across the country. Other interventions such as the Multi Facility Economic Zones (MFEZs) have resulted in expanded industrial infrastructure facilitating billions of dollars in foreign investment and the expansion of the country's productive capacities. The Government has also secured market access for Zambian products through deeper regional integration under the COMESA and SADC frameworks as well as preferential access to several large international markets on the African continent and beyond.

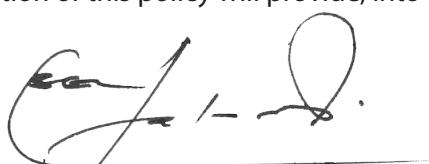
These and many other interventions in various sectors have set the base for expanded value addition to local resources and the growth of the manufacturing sector.

This policy document serves as a framework for consolidating the gains of the past decade to ensure the growth of industrial activity in the country especially for Micro, Small and Medium Enterprises. In addition, it shall serve as a framework for collaboration between the Government, private sector stakeholders and cooperating partners in the development of the Zambian Industrial Sectors.

The policy shall foster new industrial capacity, promote the diversification of production, facilitate the creation of inter-sectoral and inter-industry linkages, promote the establishment of cooperatives across value chains, promote the development of industry specific skills and facilitate the shifting of economic activity towards higher value-added activities to spur sustainable economic growth.

The implementation of this policy is expected to result in greater citizen involvement in wealth and job creation through value addition activity nationwide by fostering backward and forward linkages, promoting the development of value chains and building a diversified industrial base around priority sectors. A diversified, innovative and globally competitive industrial base with high levels of citizen involvement is the only way to guarantee sustained growth of the economy.

The success of this policy will to a large extent depend on the ability of the private sector to translate opportunities which, the implementation of this policy will provide, into tangible outputs.



Christopher Yaluma, MP

MINISTER OF COMMERCE, TRADE AND INDUSTRY

ACKNOWLEDGEMENT

This National Industrial Policy (NIP) document is the product of extensive discussions and consultations with various stakeholders in the Private Sector, Civil Society, Academia and Government. The interest of stakeholders in the future of Zambia's industrial development was critical in the development of a focused policy document.

The Ministry is grateful for the support received from United Nations Development Programme (UNDP) and various cooperating partners that contributed to the development on the Industrial Policy. I also thank the staff in the Ministry of Commerce Trade and Industry as well as various Statutory Bodies under the Ministry for their effective collaboration and dedication in the preparation of this document.

The list of people and organisations to thank and acknowledge is long. Therefore let me simply thank all who participated in the preparation of this important national document.

The Ministry looks forward to the collaboration from all stakeholders in the implementation of this policy.



Kayula Siame

PERMANENT SECRETARY

MINISTRY OF COMMERCE, TRADE AND INDUSTRY

WORKING DEFINITIONS

Blue Economy: Refers to the transformation of marine and coastal sectors as well as freshwater inland rivers and lakes for economic growth through the development of fisheries and aquaculture, transport and logistics including tourism.

Cooperative: A Cooperative is an autonomous association of persons voluntarily joined together who democratically own and manage an enterprise for their joint social, economic and cultural aspirations and whose activities are not prohibited by law.

Core Venture Cluster: A geographical concentration of competing and complementing enterprises and industries that do business with each other and or have common needs for talent, knowledge and infrastructure forming around a large competitive anchor firm.

Greenfield Investment: A productive investment such as new factory and power plants that are located on the new sites rather than on sites with existing facilities.

Industrial Yard: A specific location where a group of similar and related firms share common markets, technologies, infrastructure, and worker skill needs which are often linked by buyer-seller relations.

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

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

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

Local Content: Means the extent of utilization of local inputs and/or products in the production and provision of goods and services throughout the economy.

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

Multi Facility Economic Zone: A specific geographic area or premises with high quality physical and social infrastructure that attract investments in manufacturing and act as engines for economic growth wealth and job creation and increase foreign exchange earnings.

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

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

ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
BRICS	Brazil, Russia, India, China, South Africa
BRRA	Business Regulatory Review Agency
CCPC	Competition and Consumer Protection Commission
CEEC	Citizens Economic Empowerment Commission
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistical Office
CTI	Commercial, Trade and Industrial
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HIV	Human Immuno-deficiency Virus
ICT	Information and Communications Technology
IMF	International Monetary Fund
MCTI	Ministry of Commerce, Trade and Industry
MSME	Micro Small and Medium Enterprises
NIP	National Industrial Policy
NQP	National Quality Policy
NTE	Non Traditional Exports
OECD	Organisation for Economic Cooperation and Development
PACRA	Patents and Companies Registration Agency
PSDRP	Private Sector Development Reform Programme
R&D	Research and Development
SADC	Southern Africa Development Community
TRIPS	Trade Related Aspects of Intellectual Property Rights
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
ZABS	Zambia Bureau of Standards
ZDA	Zambia Development Agency
ZWMA	Zambia Weights and Measures Agency

1.0. INTRODUCTION AND BACKGROUND

The Government of the Republic of Zambia has placed industrial development at the core of its development agenda. Therefore, this National Industrial Policy is motivated by the aspirations of the Country's Vision 2030 which aims at transforming Zambia into a prosperous middle income economy.

The Policy sets out Government's approach to the industrial development of the country. It spells out guidelines that will inform the implementation of Government's industrial development agenda, with particular reference to the growth, diversification, upgrading and competitiveness of Zambia's manufacturing sector. The National Industrial Policy is expected to drive the transformation process which will assist the country deliver sustainable jobs, equitable growth and wide spread poverty reduction.

The Industrial Policy will be directly linked and aligned with other National and Sector Policies to ensure smooth and coordinated implementation of the agenda to transform the economy in line with the Vision 2030. In addition, this policy will be in line and conformity with regional policies such as the COMESA and SADC Industrial policies.

Previously, industrial policy matters were covered under the Commercial, Trade and Industrial (CTI) Policy which was adopted in 2009 and launched in 2010. The CTI Policy covered both issues of Trade and Industrial development. The policy was aimed at developing an enabling economic environment in Zambia which supported private investments, enabled the development of domestic productive capacities, and contributed to the expansion of Zambia's international trade. The Industrial component of the CTI policy anticipated an expanding manufacturing sector base and diversification of the economy.

A review of the CTI Policy revealed that the industrial sector had underperformed and there were gaps in the policy. These were mainly related to the failure to adequately address specific policy objectives/strategies such as: capacity building for local firms to produce competitively both for the local and international markets; provision of Business Development Services to MSMEs and the enforcement of compulsory standards.

Other gaps included inability to facilitate the use of the local content; unclear terms of incentive packages for local and foreign investors; clarity on measures to foster rural industrialization, Youth and Women empowerment; and promotion of infant industries and their products. Additionally, it was observed that there were unclear incentive packages and inadequate information and guidance regarding value addition and value chains to facilitate the processing of goods from production to consumption.

Further, the CTI Policy did not allow for concerted emphasis to be placed on industrial development hence, public knowledge on the country's industrial policy was limited. The implementation of the policy was not properly coordinated with other national policies. Buy-in and ownership of the policy by other line ministries was weak thereby negatively impacting cross sector implementation.

The Policy document outlines the strategic focus for Zambia's industrial development, the policy objectives, strategies and institutional framework necessary to facilitate industrial growth.

2.0. SITUATION ANALYSIS

2.1. Global Context

The global economic recession of 2008/09 affected the growth of the industrial base in many countries including Zambia. The impact of this recession has been reflected in the performance of the global Industrial Production index, global GDP growth, GDP per capita and global market demand, among others. Global GDP contracted by 0.4 percent in 2009 but increased by 5.2 percent in 2010. Since then, the rate of growth has been declining from 3.9 percent in 2011 to 3.1 percent in 2015 (IMF World Economic Outlook, 2015).

The GDP growth rate in COMESA Sub-Saharan African countries declined to an average of 6 percent in 2013 from an average of 7.6 percent between 2010 and 2011. In the SADC area, the average GDP growth for SADC during the period 2000 to 2011 stood at 5.2 percent with the lowest recorded in 2009 and the highest recorded in 2010. Consequently, Zambia's trade balance declined from a positive of US \$1.9 billion in 2010 to a negative balance of US \$1.5 billion in 2015.

Furthermore, the manufacturing sector year on year second quarter index of industrial production percentage change dropped from 5.8 percent in 2012 to 1.1 percent in 2013 and marginally increased to 2.1 percent in 2014. This impacted Zambia's aspiration to grow its industrial base mainly because the country is dominated by low – value added economic activities.

Notwithstanding the above, the world economic growth is expected to accelerate from 2.8 percent in 2014 to 3.2 percent in 2015. For COMESA Sub-Saharan African countries, GDP is projected to grow from 6.1 percent in 2014 to 6.6 percent in 2015 (IMF 2014 – Regional Economic Outlook SSA).

2.2. National Context

Zambia's economic growth has averaged 6 percent over the past decade and it is projected to grow by 5 percent over the medium term. Given that Zambia is a low middle income country status, it should aspire to raise the contribution of the manufacturing sector to GDP to between 20 percent and 35 percent with industrialising countries such as Brazil, Russia, India, China and South Africa (BRICS).

2.2.1. Manufacturing Sector Growth and Contribution to GDP

The contribution of Zambia's manufacturing sector to GDP between 2010 and 2015, averaged 7.2 per cent with the highest contribution being 7.9 percent in 2010 and the lowest being 6.0 percent in 2014. (CSO Industrial Production Statistics). The Food, Tobacco and Beverages sub-sector was the largest contributor accounting for above 60 percent of the sector's total contribution to GDP during the review period.

The underperforming sub-sectors were the textile and leather sub-sectors which recorded a huge decline in their share of contribution to GDP. This was largely caused by imports from more competitive economies such as China and Bangladesh and further compounded by the influx of second hand products from western countries. The contribution of the rest of the priority sub-sectors to total GDP either remained constant or marginally increased or decreased.

Despite the marginal decline of manufacturing contribution to GDP, the sector recorded positive growth during the review period averaging 6.0 percent with the highest growth of 10.6 percent recorded in 2011 and dropping to 6.2 percent, 4.0 percent and 4.4 percent in 2013, 2014 and 2015 respectively. The manufacturing sector growth was mainly attributed to the significant growths recorded in the Food, Tobacco and Beverages sub-sector; basic metals and fabricated engineering products subsectors; chemicals, plastic, synthetic rubber other chemical products; and Wood and wood products subsector.

Among the major constraints to the sector's growth included limited access to key domestic markets such as mines, chain stores and government procurement; limited beneficiation; limited diversification and low levels of investment; the limited access to affordable long term finance and prevalence of outdated technology. Other constraints were the limited access to appropriate manufacturing related technical skills to meet industry needs, especially in engineering related fields; unfavourable tax policies; lack of targeted investment promotion; inadequate policy consistency and coherence; and underdeveloped conformity assessment and quality infrastructure and services. Further, stiff competition from imports constrained the growth of the manufacturing sector and its contribution to GDP, job and wealth creation.

The constraints highlights the need for government to exploit provisions in the regional and international trade and integration arrangements that enable parties to put in place measures that foster the growth of the local industrial base including infant industries.

2.2.2. Manufacturing Sector Contribution to Employment

The manufacturing sector, combined with appropriate labour laws and other structural policies, has immense potential to contribute to employment creation due to the backward and forward linkages that characterise the sector. UNECA (2014) notes that manufacturing has traditionally been a source of substantial employment generation in developed and developing countries.

The contribution of the manufacturing sector to employment in Zambia is still sub-optimal. In 2014, the manufacturing sector accounted for 223,681 (representing a 3.2 percent rise from 2012) jobs of which 7.1 percent constituted formal jobs. The total manufacturing sector jobs represented 3.8 percent of the 5.9 million total employed population, while sectors such as Agriculture, Forestry and Fishing accounted for 48.9 percent and Mining and Quarrying at 1.4 percent (Zambia Labour Force Survey, 2014).

To realise the job creation potential of the sector, measures are required to address not only the major constraints but also address structural policies and labour laws to ensure that they are mutually reinforcing and supportive of employment creation.

2.2.3. Manufacturing Contribution to Total Exports

During the review period, the manufactured exports accounted for an average of 84 percent of the total export value of which 80 percent were copper related products. The main destinations for the manufactured exports were the SADC/COMESA region and the OECD countries, mainly the EU (CSO International Trade Statistics).

The SADC region, dominated by Democratic Republic of Congo (DRC), Malawi, Zimbabwe and South Africa accounted for an average of 80 percent of all of Zambia's manufactured exports while the remaining 20 percent was shared by the EU, United States of America, Canada, Kenya and Japan.

The major manufactured exports during the review period were Portland cement, Wire of Refined Copper, Semi Manufactured Gold, Sulphuric Acid, Elec-

tric Cables and Sugar (Refined and Raw Cane Sugar). The contribution of these manufactured exports signals the potential to significantly diversify Zambian exports particularly into the region.

2.2.4. Manufacturing Investment Inflows

The manufacturing sector was the second highest in terms of the Foreign Direct Investment (FDI) inflows after the mining sector representing about 22 percent of total net inflows in 2013. The manufacturing sector also accounted for the highest actualized investment of 33 percent followed by agriculture with 21 percent.

In terms of the stock of FDI by sector the manufacturing was second to the mining sector at US \$1.41 billion in 2013 from about US \$0.99 billion in 2012 representing 42 percent rise (Foreign Private Investment and Investor Perceptions Survey 2014).

2.2.5. Business Environment Reforms

Government through the Private Sector Development Reform Programme (PSDRP) continued to implement targeted business environment reforms. These reforms include business licencing, labour, trade expansion. This aims to improve competitiveness of the economy through investment, productivity, business expansion and employment.

As a result of these reforms, Zambia's rank in the Doing Business in 2015 was 97th in the World, 6th in Sub-Saharan Africa, 4th in COMESA and 5th in SADC. (World Bank Doing Business Report, 2016) With regard to competitiveness, in 2015 Zambia ranked 96th in the World, 8th Africa, 3rd in COMESA and 5th in SADC on the Global Competitiveness Index. (Global Competitiveness Report, 2015-2016).

2.3. Competition and Fair Trading

The promotion of Industrialisation must be supported by an environment where business terms and conditions are the fairest and transparent, devoid of underhand methods and other secret deals that would likely disadvantage those that are privy to such secret dealings. In addition, it is part of total service delivery by Government to ensure that citizens' industrialisation comes with it enhanced consumer welfare through assurance of quality goods and services.

In 2010, Government put in place the Competition and Consumer Protection Act which strengthen the enforcement of fair trading practices in the country. The Act was prioritised consumer protection measures to discourage actions by industry players that

disadvantaged the consumers of good and services.

The general expectation is to preserve and promote competition as a means to ensure the efficient allocation of resources to industrialisation. This preservation and promotion of competition should result in tangible growth leading to an increase in more commercial and industrial economic activities.

2.4. Development of Cooperatives

The growth of the Cooperatives movement in Zambia has over the years been driven and influenced by Agriculture, Dairy, Multi-purpose and thrift activities. As at the end of 2015, there were over 36,000 registered Cooperatives, 80-90 percent of which were agricultural oriented, mainly identified with fertilizer and maize production.

Participation of cooperatives in industrial activity such as manufacturing has been minimal. This is largely attributed to the focus of cooperatives towards fertiliser and maize production. Going forward, the NIP is expected to put in place mechanisms that will enhance the utilisation of the cooperative business model in industrial activity.

2.5. Cross Cutting Issues

This Policy will necessitate the development and implementation of necessary measures to ensure cross cutting issues such as gender, Information and Communication Technology (ICTs), health, disabilities and environmental sustainability are incorporated in the promotion of industrial development.

2.5.1. Environment and Climate Change

There is increasing emphasis on the need to protect the environment in the conduct of economic activity at Global, regional and national level. Zambia, as a member of the United Nations and a participant in the frameworks of the United Nations Environment Programme (UNEP) and the United Nations Framework Convention on Climate Change (UNFCCC) has taken steps to ensure that issues of environment and climate change are considered in the area of industrial development.

The commitments made within the context of the UNFCCC, have emphasised the need to incorporate adaptation and mitigation interventions at national level. For Zambia, the emphasis is on adaptation to climate change, which has a bearing on the process of industrialization. Further, the recently adopted Sustainable Development Goals (SDGs) emphasise the need for development to be pursued in a manner that takes care of the environment.

The process of industrialisation often times exerts pressure on the environment and eventually climate change if left unchecked. Zambia has a legal and institutional framework to facilitate mainstreaming of environmental issues. The Environmental Management Act No. 12 of 2011 seeks to integrate environmental management, protection and conservation of the environment and the sustainable management and use of natural resources.

The Act requires among other things, that investments undergo a process of Environmental Impact Assessment (EIA) in order to ascertain the impact on the environment and ensure that necessary measures are put in place to control or mitigate the effects of pollution and protect the environment.

The challenge with the requirement on EIAs in Zambia, has been the costs and lengthy periods that it takes to obtain approval for the EIA's. This has tended to slow down the rate of actualization of investments. This has been a major concern for investors seeking to expand existing investments or establish new ventures.

The effects of climate change are being experienced in sectors such as agriculture, water and energy, thereby affecting the economic activity. Recently, climate change has resulted in new rainfall patterns that have contributed negatively to energy generation and ultimately industrial productivity. Similarly, agricultural productivity in southern parts of Zambia has been negatively impacted as a result of the changing rainfall patterns and this is having an impact on prices of raw materials in subsectors such as agro-processing.

The NIP will therefore seek to promote interventions towards adaptation to climate change and encouraging investment using green and clean technology. The Policy will also emphasise the need to protect the environment in order to ensure sustainable development.

2.5.2. National Industrial Statistics and Data Collection Systems

Zambia has significant gaps in the availability of timely and relevant industrial statistics within the data generation chain. The major challenge has been undertaking systematic and periodical performance assessments of the industrial sector in order to review and support relevant regulatory and policy reform.

The main statistic provided by the Central Statistical Office (CSO) on industrial sector performance is the Index of Industrial Production (IIP), which is compiled on a quarterly basis. The IIP however has limitations such as the time lag in its production, which in some cases exceeds a year.

The other major limitation is that it only measures volume/output of products in terms of change in the index for a particular quarter in the current year compared with the index for the same quarter in the preceding year. The IIP therefore, fall short of measuring other important sector variables such as; the assessment of sector productivity, technological and innovation strategies and capacities in the sector among many others.

Another important instrument for assessing industrial performance that has been used is the Manufacturing Sector Study which is conducted by MCTI in collaboration with CSO. This study is a comprehensive review and assessment of the structure and performance of the Manufacturing sector. The study has however been irregular due to inadequate resources with only two surveys conducted over a 15 year period.

Government, however, recognises the need for quality statistics in policy formulation and in monitoring and evaluation of development programmes. Therefore, in its effort to address the challenges faced in the area of statistics, Government has formulated the National Strategy for Development of Statistics (NSDS) to coordinate, harmonise, and standardise production of official statistics.

The NIP will put in place interventions to strengthen institutional framework on timely industrial data collection and provision for informed decision making.

2.5.3. Research and Development (R&D)

Industrial activity in Zambia has been characterized by weak linkages between industries and research and training institutions mainly caused by low funding and weak institutional mechanisms for promoting collaborative research.

Industrial research, development and innovation are important in nurturing and promoting entrepreneurship and product development. In this regard, the government has been supporting domestic technology development, industrial diversification and enhancing scientific research. It is, therefore, necessary for government to continue supporting

R & D and provide the necessary incentives that will promote the participation of the private sector in R & D.

2.5.4. Gender

The participation of women in Zambia labour force has steadily improved with women increasingly taking a prominent role. At national level where the labour force participation rate for males was lower at 77.1 percent than that of females at 78.2. Female participation rate in rural areas was higher at 81.9 percent compared to the male participation rate of 78.4 percent whereas in urban areas female participation rate was lower at 73.9 percent compared to the male participation rate of 75.5 percent (Labour Force Survey, 2014).

The participation of women is predominant in the Agriculture, forestry and fishing industry and micro-enterprise activities, while men dominate the mining sector and small to medium enterprises. The 2014 Labour Force Survey showed that females accounted for 56.2 percent while males accounted for 40.8 percent of the labour force. However, in the industrial sectors, female participation has remained very low. In the manufacturing sector, females accounted for only 2.6 percent of the total employed labour force.

The discrepancy between men and women is in the most part a result of limited access, ownership and control of productive resources and credit. Since Gender is an economic issue, the Government has been alive to the fact that gender inequalities impede economic growth, industrial activities and frustrate efforts to reduce poverty.

In this regard, Government has put in place deliberate policies to promote gender-equality in accessing, owning, controlling, managing and exploiting economic resources. Some of Government efforts include allocating 30 percent of the Citizen Economic Empowerment Fund to women owned enterprises. Further Government has been providing Business Development Services such as training, mentoring and coaching to women entrepreneurs.

The Government has also ratified, acceded to and is domesticating international conventions which it is a state party to such as the United Nations Convention on The Elimination of All Forms of Discrimination against Women (CEDAW) including access to finance and productive resources among others.

It is therefore necessary for Government to contin-

ue making concerted efforts to enhance women participation in economic and industrial activities and reduce the disparities between men and women. Government interventions under the NIP will continue to significantly improve opportunities for women's access to empowerment funds, entrepreneurship, working capital finance, and business skills to encourage women to explore entrepreneurship and self-employment opportunities.

2.5.5. Disability

The 2010 National Population and Housing Census revealed that about 2 percent of the population had a disability. A higher percentage of people with disabilities live in rural areas and are engaged in agricultural activities. However, they have limited access to basic services, including education, health, sanitation and appropriate infrastructure. Further, they have limited access to productive resources, technology and finance among others.

The challenges encountered by the disabled are exacerbated by some cultural beliefs limiting their opportunity for effective participation in economic and industrial activities. The Government has therefore recognized the need to address the plight of the disabled.

The Zambia Vision 2030 recognizes streamlining of service delivery for persons with disabilities as key to achieving the goals and objectives of the vision. In 2012, Government enacted the Persons with Disabilities Act No. 6 of 2012 to promote the participation of persons with disabilities with equal opportunities and mainstreaming of disability issues in national development.

The NIP will seek to promote participation of the disabled in industrial activities, thereby contributing to job and wealth creation.

2.5.6. HIV and AIDS

The Zambia Demographic Health Survey (ZDHS) surveys conducted between 2001 and 2014 show that HIV prevalence among adults age 15-49 in Zambia has decreased over time, from 16 percent in 2001 to 13 percent in 2013-14. HIV prevalence among women declined from 18 percent to 15 percent over the same period, while the prevalence among men decreased from 13 percent to 11 percent.

Despite this decline, the HIV and AIDS situation has negatively impacted Industrial development in Zambia, particularly because the age group most affected is the productive age group of population.

Government has shown commitment in responding to the HIV and AIDS epidemic, in collaboration with national and international partners. Currently, 5 percent of GDP is spent on health care. Some of the responses to HIV and AIDS has been the free distribution of antiretroviral drugs and the promotion of voluntary HIV counselling and testing.

The challenge has been that despite the effort by Government to address the HIV and AIDS concerns, the pandemic has still continued to affect the industry, though to a much lesser extent compared to before the interventions by Government. It is therefore necessary for government to develop mechanism for addressing these challenges and mitigating the effect of HIV and AIDS on Industry.

3.0. THE VISION

To be an industrialised and competitive nation with a diversified, innovative and globally competitive industrial base, which contributes to sustainable growth and employment creation by 2027.

4.0. RATIONALE

The rationale of the National Industrial Policy is to facilitate sustainable economic growth through industrialisation. The Industrial Policy is designed to guide the accelerated growth of the manufacturing sector and increase efficiency in utilisation of natural resources.

The Policy will also guide the development of an Industrial sector that is driven by strong partnerships that promote domestic innovation through Research and Development.

5.0. GUIDING PRINCIPLES

The implementation of this Policy shall be guided by the following principles:

- 1) **Inclusiveness** - It is necessary that deliberate efforts are made to ensure that both local and foreign entrepreneurs equitably participate in the industrialisation process. In addition, other disadvantaged groups such as women, youths and people with disabilities should be given equal opportunities to actively participate in the economy.
- 2) **Realism and Implementability** - Interventions and measures in this policy should be based on a realistic implementation plan informed by results based management principles.
- 3) **Responsiveness** - Interventions and measures should be responsive to the needs of industry and be aligned to the broader national objective of reducing inequality, poverty, employment creation and uplifting the living standards of the majority in line with the Vision 2030.
- 4) **Policy Predictability** - This policy underscores the need for policy consistency, transparency and commitment to a conducive and predictable economic environment.

6.0. POLICY FOCUS

The implementation of the National Industrial Policy is expected to stimulate and encourage value addition activities on primary commodities as a means of increasing national export earnings and creating employment opportunities and ultimately transform the Zambian economy into a diversified and competitive industrialised economy which is well integrated into the international trading system.

This Policy focuses on eight (8) Manufacturing sub-sectors as priority drivers of Industrialisation. The priority sub-sectors are as follows:

- 1) Processed Foods;
- 2) Textiles and Garments;
- 3) Engineering Products;
- 4) Wood and Wood products;
- 5) Leather and Leather Products;
- 6) Mineral (metallic and non-metallic) processing and products (beneficiation);
- 7) Pharmaceuticals; and
- 8) Blue Economy

In addition to the eight priority sub-sectors, Construction, Agriculture, Tourism, Education, Energy, ICT and Health, will be the key supportive sectors in the Industrialisation process due to their potential to facilitate growth and strong linkages to the manufacturing sector.

Health

Government recognizes health as one of the priority sectors that contribute to the wellbeing of the nation and therefore remains committed to providing quality health services to all of its citizens. Recognizing that a healthy population is critical to improved production and productivity, Government will continue investing in the health sector in order to bring health care as close to the people as possible and also to ensure sustainability of the nation's human capital base required for sustainable economic development.

Education

Adequate skilled manpower and high labour productivity are critical to industrial development and competitiveness. Education and skills development therefore play a critical role in the socio-economic development. It provides opportunities for growth, poverty reduction, employment, productivity and human development. Government will commit increased resources to technical, vocational and commercial education and training to develop skills and manpower resources for industrial development.

Agriculture

Agriculture remains the priority sector in achieving sustainable economic growth and reducing poverty in Zambia. This is because the country has immense natural resources such as land, water and fertile soils to support agricultural activities. The sector provides raw materials for industrialisation through agro-processing. The sector is a catalyst for the development of engineering industries that manufacture agricultural equipment and chemical industries for fertilizers and other required chemicals.

Construction

The Construction Sector is key to accelerating industrialisation through building of transport and communication infrastructure which brings about efficiency and reduces the cost of doing business. Further, construction is an important growth area premised on the continued strong demand for residential, commercial and public infrastructure projects. To unlock the potential for job creation in construction, emphasis will be placed on supporting and building capacity to industries that manufacture construction materials.

Tourism

The tourism sector creates opportunities for investment in infrastructure such as hotels, lodges and conference facilities, restaurants among others. The sector also catalyses investment in the manufacture of ornaments and souvenirs consumed in the hospitality industry. Furthermore, the sector is a catalyst for increased growth in the manufacture of utility materials, food and beverages.

Financing

The financial sector is critical to industrialisation through the provision of affordable finance to enterprises. Both bank and non-bank financial institutions will be expected to play their role in financing industrial development as follows:

(i) Commercial Banks; Commercial Banks will facilitate affordable financing that supports industrial development.

(ii) Institutional Financers; Institutional Financers such as Insurance Companies, Pension Funds among others will provide financing by investing in viable value adding industrial projects.

(iii) Development Banks;

Development Banks such as Development Bank of Zambia will foster economic development through the provision of development capital complimentary to that offered by private sector banks and other development agencies.

The Banks shall intervene through the provision of suitable financial products to support the growth

of Small, Medium and Large enterprises. Specifically, the modes of intervention shall include (though shall not be limited to):

- (a) Project financing;
- (b) Co-financing and syndication with other lenders;
- (c) Lines of credit to financial intermediaries;
- (d) Equity participation;
- (e) Loan guarantees;
- (f) Managed funds, loans and grants;
- (g) Banker's guarantees;
- (h) Trade finance; and
- (i) Leasing

Development Banks shall enhance financial inclusion among SMEs by ensuring a balance is created between rural based and urban based projects in line with Zambia's national development plans.

(iv) Empowerment Funds;

Empowerment Funds shall be up scaled by increased funding and targeting innovative Zambian owned enterprises that will contribute to the industrialisation agenda of the country.

- (a) CEE Fund; shall be reserved for enterprises owned by economically vulnerable and marginalised indigenous citizens;
- (b) Zambia Export Development Fund; will provide low cost bridging finance to exporters of non-traditional exports with a view to increasing export earnings in the identified sectors;
- (c) Trade and Industrial Development Fund; this will support growth oriented Micro Small and Medium enterprises in high growth sectors including agro-processing, manufacturing, tourism, gemstones and infrastructure development.

The objectives and strategies of the policy will broadly seek to stimulate investment flows into export – oriented industrial sector, support the effective development and utilisation of domestic productive capacities and stimulate innovation and invention of new products through industrial research and development and protection of intellectual property.

In addition, policy implementation should stimulate investment in supportive infrastructure such as transport, communication, energy and education through public private partnerships; and strengthen land use planning to support industrial development.

The local content provisions will be required to support the integration of local enterprises in the economy and creating business linkages through specific performance requirements. The local content provisions will facilitate the process of local enterprises improving their technology and managerial skills and further access supply markets to multinational companies operating in Zambia through their local, regional and international distribution networks. This will in turn lead to local enterprises improving their competitiveness, create more business and job opportunities for Zambians.

It is also imperative to develop the Local Content Strategy that will provide a benchmark for negotiations of investment agreements which will be guided by the stipulations in the policy and apply not only to large domestic and foreign firms but also to their affiliates such as operators, contractors, subcontractors, and other entities involved in any project, operation, activity or transaction in Zambia.

7.0. OBJECTIVES AND STRATEGIES

7.1. Overall Objective

To transform Zambia from a producer and exporter of primary products into a net exporter of value added goods utilising local primary resources with increased citizens' participation.

7.2. Specific objectives

Specific Objectives 1: To increase the growth of the manufacturing sector from an average of 5 percent to 20 percent and its contribution to GDP from 8 percent to 15 percent by 2027.

Strategies

- (i) Identify and support value chains that represent the most competitive prospects for value addition in the priority sectors;
- (ii) Provide fiscal and non-fiscal incentives;
- (iii) Strengthen the existing investment and export promotion institutions and programmes to enhance their effectiveness in promoting trade and investment;
- (iv) Promote investment in supportive infrastructure such as transport, communication, energy and education through public private partnerships; and
- (v) Strengthen productivity enhancement mechanisms in the Priority Sectors.

Specific Objective 2: To attain 100 percent employment growth in the manufacturing sector by 2027.

Strategies

- (i) Support the formation of industrial and value chain clusters in the labour intensive growth sectors;
- (ii) Support the establishment of firms in Multi Facility Economic Zones, industrial parks, farm blocks;
- (iii) Support the development of sector specific skills and apprenticeship;
- (iv) Support measures for improved occupational safety and health; and
- (v) To promote and support cooperatives involvement at all levels of value chains for industrial development.

Specific Objective 3: To facilitate the development and implementation of the Industrial Upgrading and Modernisation Programme

Strategies

- (i) Promote innovation, technological capabilities, R&D and commercialisation of innovations;
- (ii) Enhance scientific and industrial research and encourage innovation;
- (iii) Enhance the utilisation of ICTs;
- (iv) Facilitate appropriate technology transfer into local industrial production processes; and
- (v) Strengthen the enforcement of intellectual property rights.

Specific Objective 4: To facilitate effective utilisation of domestic raw materials in industrialisation.

Strategies

- (i) Develop and implement a local content strategy;
- (ii) Enhance capacities of local producers and service providers; and
- (iii) Support the development of infrastructure to areas with raw materials and markets.

Specific Objective 5: To promote growth of Cooperatives and Micro Small Medium Enterprises in Industrial development

Strategies

- (i) Strengthen the backward and forward linkages between Cooperatives, MSMEs and large manufacturing firms;
- (ii) Promote usage of Cooperatives as a business model for start-up enterprises;
- (iii) Develop a framework for the formalisation of MSMEs;

- (iv) Establish Industrial Yards based on the location and availability of resource endowments;
- (v) Promote and enhance access to affordable finance;
- (vi) Facilitate MSME's access to information and markets;
- (vii) Improve MSME's product quality; and
- (viii) Provide capacity building programmes to Business Development Service providers

Specific Objective 6: To facilitate the production of high quality Zambian goods

Strategies

- (i) Facilitate the establishment and accreditation of competent laboratories and certification bodies that will assure the quality of local products;
- (ii) Actively participate in international fora on Standardisation, Quality Assurance, Accreditation and Metrology (SQAM);
- (iii) Promote public and private investments in National Quality Infrastructure (NQI);
- (iv) Strengthen the Conformity Assessment systems;
- (v) Strengthen the linkage between NQI and industry associations in the development of voluntary standards;
- (vi) Promote the application of national, regional and international standards in manufacturing; and
- (vii) Develop and implement compliance procedure for technical regulations for sector regulators.

Specific Objectives 7: To promote environmentally sustainable industrial production

Strategies

- (i) Facilitate the adoption of cleaner technologies;
- (ii) Promote environmental certification;
- (iii) Streamline Environmental Impact Assessment procedures;
- (iv) Promote compliance to environment management regulations by enterprises; and
- (v) Promote capacity building and awareness in industries to enhance environmental protection.

Specific Objectives 8: To increase actualised Domestic and Foreign Direct Investment in Priority Sectors

Strategies

- (i) Develop a targeted investment promotion programme focusing on priority sectors;
- (ii) Facilitate the development of Multi Facility Economic Zones and Industrial Parks;
- (iii) Promote investment in rural areas;
- (iv) Strengthen monitoring of investments;
- (v) Strengthen implementation of the Private Sector Development Reforms; and
- (vi) Facilitate investment in renewable energy.

Specific Objective 9: To mainstream cross cutting issues of HIV and AIDS, Gender, Youth and Disability in the industrialization agenda

Strategies

- (i) Support the integration of HIV and AIDS issues in industrial activities;
- (ii) Facilitate increased participation of women and youth in industry;
- (iii) Promote initiatives aimed at empowering persons with disability to participate in industrial activities; and
- (iv) Strengthen monitoring of interventions on mainstreaming of cross-cutting issues in industrial policy implementation.

8.0. IMPLEMENTATION FRAMEWORK

8.1. Timeframe for Implementation

The National Industrial Policy will be implemented over a ten-year period beginning in 2017. The Government will work actively towards achieving the objectives spelled out in the document.

Implementation of the Policy will be aligned with other government initiatives in the Medium Term Expenditure Framework (MTEF), the National Development Plan, as well as other donor supported programmes which are conducted in the Ministry of Commerce, Trade and Industry.

8.2. Institutional Arrangements

The Ministry of Commerce, Trade and Industry (MCTI) serves as the primary government institution responsible for the formulation and administration of the Industrial Policy.

The central mission of MCTI is to promote the growth, development and competitiveness of the industrial sectors in order to enhance socio-economic development. Its goal is to develop a sustainable and globally competitive industrial base that should effectively contribute to the social economic development of the country. In pursuing its mission and goal, the Ministry has the primary responsibility of providing an enabling economic environment conducive for the operations of both domestic and foreign business enterprises.

The Ministry oversees the activities of various Statutory Bodies and Agencies under its jurisdiction that are responsible for the implementation of the policy.

8.2.1. Role of MCTI Statutory Bodies and Agencies

(i) Zambia Development Agency (ZDA)

- (a) Attracting and facilitating investment;
- (b) Provision and facilitating support to micro and small business enterprises;
- (c) promotion of exports and internationalism;
- (d) Promoting Greenfield investments through joint ventures and partnerships between local and foreign investors;
- (e) Promoting and encouraging education and skills training so as to increase productivity in business enterprises;
- (f) Encouraging measures to increase Zambia's capacity to trade and enable business to participate in competitive global environment; and
- (g) Promoting Public Private Partnerships Projects.

(ii) Patents and Companies Registration Agency (PACRA)

- (a) Providing a legal framework through which business concerns in Zambia can be established and be able to conduct their commercial transactions;
- (b) Protecting the rights of owners of technological information that can be used by scientist, investors, planners and industry; and
- (c) Providing an accurate and up to date registration service of companies, business names, patents, trademarks and registered designs in Zambia.

(iii) Competition and Consumer Protection Commission (CCPC)

- (a) Applying and enforcing competition legislation;
- (a) Provision of appropriate information concerning competition policy and the application of competition rules in order to promote a "culture of competition" in the market; and
- (a) Initiating and supporting relevant research within the field of competition and consumer welfare.

(iv) Zambia Bureau of Standards (ZABS)

- (a) Promote quality product assurance in industry and commerce;
- (b) Setting Zambian standards and promoting their use;
- (c) Arranging and providing facilities for the examination and testing of commodities;
- (d) Providing schemes of export inspection for export commodities; and
- (e) Providing training and consultancy in standardization, quality management and quality assurance.

(v) Zambia Weights and Measures Agency (ZWMA)

- (a) Administering the Act and all matters relating to weighing or measuring instruments used in trade;
- (b) Keeping and maintaining secondary and working standard and other measuring;
- (c) Verifying measuring instruments used in domestic and international trade;
- (d) Testing and approving new types of weighing and measuring instrument used for trade which comply with international or national standards;
- (e) Providing a uniform system of trade measurement to ensure traceability to international standards; and
- (f) Establishing laboratories and other facilities to improve maintenance, storage and testing of trade measurement standards.

(vi) Citizens Economic Empowerment Commission (CEEC)

- (a) Promote gender-equality in accessing, owning, controlling, managing and exploiting economic resources;
- (b) Encourage effective and meaningful participation of targeted citizens in the economy in order to contribute to sustainable;
- (c) Mobilize resources for economic empowerment programs;
- (d) Encourage public and private institutions to provide opportunities to targeted citizens to acquire necessary skills and work experience; and
- (e) Monitor and evaluate economic empowerment initiatives.

(vii) Business Regulatory Review Agency (BRRA)

- (a) Ensure that licenses, permits, certificates and authorizations are issued in accordance with the categorization, procedure and principles laid down by the Business Regulatory;
- (b) Oversee and coordinate the operations of Regulatory Service Centre's (One-Stop Shops);
- (c) Monitor and review regulatory practices for compliance with the Business Regulatory Act and advise Government on regulatory matters; and
- (d) Develop and enforce standards and guidelines for consultations between regulators and their constituencies and for regulatory impact assessments.

(viii) Kaizen Institute of Zambia (KIZ)

- a. Providing effective KAIZEN deployment through education, training and consultancy;
- b. Providing integrated capacity building for human resources;
- c. Enhancing higher discipline by creating a consistent approach to tasks and procedures; and
- d. Enhancing management systems through introduction of total quality management and international quality management systems.

8.2.2. Ministries and Government Agencies

The success of this policy will be a result of joint implementation efforts of other public institutions including Ministries, regulators and statutory bodies. The specific roles are as follows:

(i) Line Ministries:

- (a) Facilitate the identification and review of legislation which impacts on industrial development to ensure they facilitate the growth of the industrial sector in the country for wealth and job creation;
- (b) support efforts in improving research and development (R&D), technology transfer and skills development in Zambia;
- (c) ensure provision of land and the mainstreaming of environmental safety and protection issues in

- industrial development;
- (d) mobilise resources for the implementation of the Policy measures and strategies;
- (e) facilitate the development of industrial and transport infrastructure and the provision of energy and water requirements to support industrial activity across the nation;
- (f) support the participation of women, youth and vulnerable groups in the development of industry in Zambia;
- (g) support the strengthening of linkages between the manufacturing sector and other key growth sectors in the country as well as the projection of the Country as an investment destination of choice; and
- (h) Support the monitoring of the performance of the programmes and sectors prioritised in the Policy in order to facilitate decision making on relevant remedial policy measures.

(ii) Regulatory Authorities:

- (a) Support a conducive macroeconomic environment by containing inflation levels and ensuring a favourable exchange rate to support local manufacturing and exporting; and
- (b) Implement efficient licensing regimes and procedures that will facilitate the growth of the manufacturing sector.

(iii) Industrial Development Corporation:

The Industrial Development Corporation will play the critical role of supporting the establishment of new industries, investing in rural development and other areas that may not be attractive for private sector investment.

IDC will be mandated to profitably and efficiently spearhead investment and promote value addition in all priority sectors listed in this policy. IDC will also lead in promoting rural industrialisation by investing in value adding ventures utilising available local resources. Further, IDC will catalyse investment in support sectors such infrastructure, health, education, energy and finance.

8.2.3. Other key Partners in Implementation of the Industrial Policy

The following will also be key partners and their respective roles in the implementation of the Policy:

- (i) Private Sector: The private sector is a key partner in the industrialization of the country through its investments and job creation. The private Sector, through its umbrella associations, will be encouraged to mobilise its members to actively participate in the deliberation of Sector Working Groups and other consultative fora.
- (ii) Academia and Research Institutions: Representatives from academia and research institutions will be expected to identify and undertake research for commercialization by industry and transfer of technology issues. They will form part of the expertise to advise on industrialisation issues.
- (iii) Cooperating Partners: Cooperating Partners will work in collaboration with the Government at bilateral, regional and multilateral levels to ensure effective implementation of the National Industrial Policy by way of providing both technical and financial support.

8.3. Legal Framework

The Government will work towards removing administrative barriers to business entry and operation in order to facilitate industrial development in priority sectors identified in this policy document.

Further, in order to strengthen the public agencies that support industrial development, laws and regulations that require enactment and review have been identified to facilitate the effective implementation of the NIP.

These will include:

- (i) Development of new legislation on investment promotion and facilitation, efficient and effective incentive regimes, export promotion and value addition in collaboration with the respective line Ministries;

- (ii) Development of legislation to encourage Local Content;
- (iii) Enactment of the revised National Quality Infrastructure Bills covering Standards, Metrology, Compulsory Specifications and the Technical Regulation Framework;
- (iv) Review of legislation on Technical Education, Vocational and Entrepreneurship Training, Science and Technology, Information, Communication and Technology, Forestry management and environmental management so that the sectors effectively support Governments industrialisation agenda;
- (v) Enactment of the legislation on Intellectual Property Rights covering Patents, Integrated Circuits, Industrial Designs, Traditional Knowledge and Folklore, and Trade Marks; and
- (vi) Enactment of legislation to promote SME growth, access to finance and formalisation of business enterprises.

8.4. Resource Mobilization and Financing

For the National Industrialisation Policy to be successfully implemented, there will be need for adequate funding. The Government is committed to fund the implementation of the Policy.

The Government will also secure additional resources from the following:

- a. Cooperating partners;
 - b. Private sector investment in the priority sectors.
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9.0. MONITORING AND EVALUATION

This policy shall be operationalised through an Industrial Policy Implementation Plan. MCTI will serve as the principal institution responsible for the monitoring and evaluation of the Industrial Policy on behalf of the Government of the Republic of Zambia.

This policy will be subjected to a mid-term and final review after 5 and 10 years of implementation respectively. This is to ensure that implementation of the Industrial Policy remains focused to attain the desired results, keep track of key performance targets, deliver on the strategic objectives, and provide evidence based research and knowledge required for more effective performance management.

