REPUBLIC OF ZAMBIA

REPORT

OF THE

COMMITTEE ON NATIONAL ECONOMY, TRADE AND LABOUR MATTERS ON THE

RATIFICATION OF THE INTERNATIONAL AGREEMENT ON THE SOUTHERN AFRICAN DEVELOPMENT PROTCOL ON INDUSTRY

FOR THE

THIRD SESSION OF THE THIRTEENTH NATIONAL ASSEMBLY

Published by the National Assembly of Zambia

FOREWORD

Honourable Madam Speaker, the Committee on National Economy, Trade and Labour Matters has the honour to present its Report on the consideration of the Ratification of the International Agreement on the Southern African Development Community (SADC) Protocol on Industry for the Third Session of the Thirteenth National Assembly. The functions of the Committee are set out under Standing Orders 209 (j) and 210 of the National Assembly of Zambia Standing Orders, 2024. Specifically, Standing Order 210 (f) provides that a Portfolio Committee shall consider International Agreements, Conventions and Treaties referred to it by the Speaker or a resolution of the House.

The Committee held ten meetings to consider submissions from stakeholders. In order to acquaint itself with the ramifications of the International Agreement on the SADC Protocol on Industry, the Committee sought both written and oral submissions from various stakeholders. The list of stakeholders is at Appendix II of the Report. The Report is organised in three parts. Part I provides the background and summary of the provisions of the Agreement, Part II presents the summary of submissions from stakeholders, while Part III constitutes the Committee's observations and recommendations.

The Committee is grateful to the stakeholders who tendered both written and oral submissions. It further wishes to thank you, Madam Speaker, for affording it the opportunity to scrutinise the International Agreement on the SADC Protocol on Industry. The Committee's appreciation is further extended to the Clerk of the National Assembly for the support and guidance rendered throughout its deliberations.

Ms Sibeso K Sefulo, MP
CHAIRPERSON

July, 2024
LUSAKA

TABLE OF CONTENTS

ITEM		PAGE NO
1.	Membership of the Committee	1
2.	Background to the SADC Protocol	1
3.	Objects of the SADC Protocol	1
4.	Specific Objectives of the SADC Protocol	1
5.	Salient Provisions of the Agreement	2
6.	Summary of Stakeholder Submissions	3
8.	Committeeôs Observations and Recommendations	4
9.	Conclusion	6
Appendix I ï List of National Assembly Officials		7
Appendix II ï List of Witnesses		8

1.0 MEMBERSHIP OF THE COMMITTEE

The Committee consisted of Ms Sibeso K Sefulo, MP (Chairperson); Mr Joel Chibuye, MP (Vice-Chairperson); Mr Gift S Sialubalo, MP; Mr Kabwe T Chewe, MP; Mr Davison Mungôandu, MP; Mr Derricky Chilundika, MP; Dr Simon Mwale, MP; Mr Ronald Chitotela, MP; Mr Walusa Mulaliki, MP; and Mr Wesley Kolala, MP.

PART I

2.0 BACKGROUND TO THE SADC PROTOCOL ON INDUSTRY

Africaôs poor trade performance was primarily caused, among other things, by the inability of African economies to add value to their primary commodities. This resulted in Africaôs share of manufactured products in its total exports to be stagnant for a number of years. The majority of SADC Member States were dependent on primary commodities as a source of export earnings, which made them vulnerable to adverse terms of trade and shocks usually associated with commodities such as oil, mineral resources and primary agricultural products. Continued dependence on commodity exports triggered SADC Member States to seek structural transformation of their economies through industrialisation. In view of this, the SADC Council of Ministers, during its meeting held from 14th to 16th August, 2019, in Dar-es-Salaam, Tanzania, approved the Protocol on Industry, and recommended it to the Summit for final approval and signature. The Summit endorsed the SADC Protocol on Industry and had since been signed by Fourteen (14) Heads of State and Government.

As at July, 2023, Five (5) SADC Member States, namely: Angola, Botswana, Namibia, Seychelles, and Mauritius had ratified the Protocol. The Protocol would come into force once two-thirds of the Sixteen (16) Member States sign and ratify it.

Whilst Zambia was a signatory to the SADC Protocol on Industry, it had not ratified the Agreement. Therefore, the Government of the Republic of Zambia proposed to ratify the International Agreement of the SADC Protocol on Industry.

2.0 MAIN OBJECTIVEOF THE SADC PROTOCOL ON INDUSTRY

The main objective of the protocol was to promote the development of diversified, innovative and globally competitive regional and national industrial bases to enable the Region to achieve sustainable and inclusive industrial development.

2.1 Specific Objectives

The specific objectives of the SADC Protocol on Industry are to:

(a) promote industrialisation in an equitable and coordinated manner;
(b) strengthen national and regional capabilities for industrial policy formulation, design, implementation and monitoring and evaluation;
(c) promote and attract investment in the industrial and related sectors;
(d) promote the development of regional collaboration frameworks on matters related to industry;
(e) facilitate the development of globally competitive SMMEs;
(f) promote the improvement of and cooperation in the field of technical regulation, standards, metrology, conformity assessment and accreditation;
(g) promote the production of and regional trade in essential raw materials, intermediate products and industrial inputs;

(h) promote industrial innovation and diversification, technology transfer, skills development, research and development and new emerging industries and technologies;
(i) promote sustainable and inclusive industrial development by encouraging the protection of the environment and the optimal use of natural resources in terms of internationally acceptable standards;
(j) promote co-operation in the protection of intellectual property rights;
(k) promote the integration of gender in industrial development, policies and programmes within the region; and
(l) facilitate collaboration in the collection and sharing of industrial data and information among State Parties.

4.0 SALIENT PROVISIONS OF THE AGREEMENT

The salient provisions of the Agreement were as set out hereunder.

Article 3 – Guiding Principles on Industrial Policy Harmonisation

This Article provided that Member States agreed to harmonise their industrial policies and strategies to foster a coherent and complementary regional industrial development framework with a focus on sectors with regional comparative advantage and potential for value chain development.

Article 4 –Regional Co-Operation on Industralisation

This Article encouraged the processing of raw materials and natural resources within the region to add value before export to promote beneficiation in mining and agricultural sectors to enhance value addition and create jobs.

Article 6– Development of Regional Value Chains

This Article provided for the development and strengthening of regional value chains to integrate industries across Member States. It further encouraged collaboration and partnerships among businesses within the region.

Article 7– Promotion of Small, Micro and Medium Enterprises

This Article provided avenues that allowed developing programmes and policies to support the growth and competitiveness of Small, Micro and Medium Enterprises**.**

Article 11– Research, Development, Innovation and Technology

This Article provided for the advancement of innovation, research, and development to support industrial growth by promoting the transfer of technology and skills among Member States to build industrial capacity.

Article 14– Infrastructure in Support of Industrialisation

This Article provided support for the development of regional infrastructure such as transportation, energy, and ICT to facilitate industrial growth as well as enhance connectivity and reduce logistical costs to improve competitiveness.

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Article 23– Harmonisation of Policies and Laws

This Article provided for simplification and harmonisation of trade procedures to facilitate the movement of goods and services within the region as well as enhance market access for products manufactured within the SADC Region.

PART II

6.0 SUMMARY OF STAKEHOLDERS' SUBMISSIONS

The Committee was informed that the proposal for Zambia to ratify the International Agreement on the SADC Protocol on Industry to advance industrialisation was welcome. This was because it was anticipated that the growth of the countryôs industrial base was dependent on the harmonisation of policy and regulatory frameworks governing the attainment of industrial development in the region. Further, the medium-term goal of economic transformation and job creation espoused in the Eighth National Development Plan (8NDP) and the long term objective of becoming ña Prosperous Middle Income Nation by 2030ò was anchored on structurally transforming the countryôs economy through industrialisation.

6.1 Merits of the Ratification

The Committee was informed that there were a number of benefits of ratifying the International Agreement on the SADC Protocol on Industry. The stakeholders highlighted the benefits set out below.

(a) The Protocol provided a platform for collaboration and knowledge sharing among Member States, which would enable Zambia learn from the experiences and best practices of other countries.

(b) The Protocol would play a pivotal role in attracting Foreign Direct Investments (FDIs) by creating a more favourable investment climate in the region. Increased industrialisation and regional integration would make Zambia more attractive to investors seeking to access larger markets and benefit from economies of scale. The FDI was one of the channels of technology transfer from which Zambia would immensely benefit.

(c) Stimulate industrial development which was anticipated to create employment and reduce poverty. By promoting industrialisation and economic diversification, the protocol would contribute to wealth and job creation in various sectors.

(d) The Protocol provided access to new technologies, research and development resources, and innovations through centres of excellence and centres of specialisation that could enhance the competitiveness of industries. Therefore, continued innovation was essential for enhancing growth and providing various opportunities including human capital development through increased technology and knowledge transfer as well as job creation.

(e) There was a perception that foreign products were of high quality and cheaper than the local products. This resulted into increased importation of foreign products. With co-operation and harmonisation in the fields of technical regulation, standards, conformity assessment and accreditation, preference for imported goods and services at the expense of local products would be eliminated once the Protocol was ratified.

6.2 Demerits of the Ratification

Stakeholders submitted that in an event that Zambia ratified the protocol on industry, it agreed to adhere to the standards and regulations outlined in the Protocol. This meant that the

country was legally obligated to implement the Protocolôs guiding principles and could face consequences for non-compliance. Non-compliance could result in SADC applying disciplinary measures as provided for under Article 33 of the SADC Treaty. According to the Treaty, sanctions may be imposed against any Member State that:

(a) persistently failed, without good reason, to fulfil obligations assumed under the Treaty;
(b) implemented policies which undermined the principles and objectives of SADC; or
(c) was in arrears in the payment of contributions to SADC, for reasons other than those caused by natural calamity.

The Committee also heard that the financing of the SADC programmes generally came from Member Statesô statutory contributions and self-financing mechanisms for domestic projects within each Member State. The indicative cost for the development and implementation of the SADC protocol on industry was estimated around USD $ 100 million under the budget framework of the SADC Industrialisation Strategy and Roadmap (2015 to 2063). In order to implement the Protocolôs guiding principles, Zambia was expected to allocate more domestic resources from the national budgets to align and execute domestic industrialisation policy interventions and measures.

6.3 General Observation

Stakeholders observed that Zambia had acceded to about 170 international agreements whose membership came at a great cost to the nation. They also noted that the agreements signed thus far, were lying in different Government departments without a specific monitoring mechanism in place. They were of the view that the Government should devise a mechanism to monitor the effective implementation of these agreements as well as to appreciate the benefits derived therefrom.

PART III

7.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

While supporting the proposal to ratify the SADC Protocol on Industry, stakeholders raised a number of concerns and expressed hope that the Government would attend to these as it ratified the Agreement. A synopsis of these concerns is outlined below.

i. Lack of Stable Power Supply

The Committee observes that Zambia is currently lacking a stable power supply, which has led to production and sales losses. For industrialisation to thrive, there is need for constant and stable power supply to ensure production of finished goods through value addition.

In this regard, the Committee recommends that the Government should, as a matter of urgency, develop sustainable alternative energy supplies through investments in solar and other energy sources. This is essential to ensure that there is reliable energy supply for manufacturing, production as well as other economic activities being undertaken within the sector.

ii. Limited Access to Finance

The Committee notes that there is limited access to finance by many Micro, Small and Medium Scale Enterprises (MSMEs). In addition, the Committee also observes that setting up

companies in Zambia is very expensive due to the high cost of statutory fees required to be paid for a company to be registered.

In this regard, the Committee recommends that the Government, through the Ministry of Small and Medium Enterprise, should promote easy entry and participation of local MSMEs in the Multi-Facility Economic Zones and Industrial Yards that have supportive infrastructure for production and manufacturing.

Additionally, the Government should lower registration and statutory fees associated with company registration to make it more affordable for entrepreneurs and small businesses. For instance, firms in the construction sector are expected to register with the National Council for Construction as the regulator but the Engineering Institute of Zambia also collects fees from the same contractors. Hence the need to streamline the fee structure to eliminate any hidden or redundant charges, making it more transparent and easier to understand.

Finally, the Committee recommends that there must be one pool specifically meant for MSMEs to access incentives such as affordable loans with minimal interest rates to support and protect local industries. This will also allow relevant authorities to monitor beneficiaries and prevent those MSMEs who may get empowerment facilities from different pools at the expense of other deserving entrepreneurs.

iii. Inadequate and Underdeveloped Supporting Infrastructure

The Committee observes that developing industrial base requires corresponding upgrade in supporting infrastructure. Of particular importance, is the transportation, telecommunication and warehousing facilities.

In this regard, the Committee recommends the following:

Road Networks: The Government should upgrade and expand the road network to improve connectivity between industrial areas, markets, and raw material sources.

Railways: The Government should modernise and expand the railway system to facilitate the efficient transportation of goods, especially for bulk commodities.

Airports: The Government should upgrade airport facilities to support the export of goods and attract foreign direct investment.

Broadband Infrastructure: The Government should expand broadband and high-speed internet access even to rural areas to support modern industrial operations and facilitate digital transformation.

Mobile Networks: The Government should improve mobile network coverage and quality to ensure that there is seamless communication and connectivity to all parts of the country.

Logistics Centres: There is need to develop logistics centres and hubs to streamline the supply chain and reduce transportation costs.

Warehousing Facilities: The Government should construct modern warehousing facilities to support storage and distribution of manufactured goods.

iv. Implementation of Protectionist Policies

The Committee observes that for the most part, Zambia has small-scale enterprises with a low capital base. Therefore, the frequent fluctuations in foreign exchange present significant challenges to firms and businesses for them to thrive in a liberalised regional trade regime.

In this regard, the Committee recommends that the Government should consider implementation of protectionist trade policies to allow new and undeveloped local industries to establish themselves first before subjecting them to international competition.

v. Annual Progress Review of the Performance of Previously Signed International Agreements

The Committee observes that Zambia is a member of about 170 international and regional organisations, with annual expenditures on membership fees amounting to approximately ZMW 5.5 billion.

In this regard, the Committee recommends that the Government, as a matter of urgency, devise a mechanism that will monitor the effective implementation of the agreements and treaties to perform cost-benefit analyses. By doing this, the country will gain a clear understanding of the financial commitments, which will enable the country to suspend underperforming regional and international agreements which are lying in various government departments.

8.0 CONCLUSION

The onset of globalisation and regionalisation necessitates diverse approaches, ranging from industrialisation that emphasises protectionism to local content development focusing on value addition. Regional integration enables protectionist trade policies to help developing local industries establish themselves within a broader regional market, thereby facilitating both import substitution and export among Member States.

In addition, there is need to seek more innovative ways to make the extractive industry benefit local economies. Industrialisation and local content development within a larger regional market offer a viable alternative for Zambia. As one of the world's resource-rich nations, Zambia possesses significant mineral resources, including critical minerals of substantial economic value. Therefore, it should ratify the protocol to participate in the regional industrialisation agenda.

In conclusion, the Committee is in support of the ratification of the International Agreement on the SADC Protocol on Industry.

We have the honour to be, Madam Speaker, the Committee on National Economy, Trade and Labour Matters, mandated to consider the ratification of the International Agreement of the SADC Protocol on Industry.

Ms Sibeso K Sefulo, MP
CHAIRPERSON

July, 2024
LUSAKA

APPENDIX I - National Assembly Officials

Mr Stephen Chiwota, Director ï Financial Committees
Mrs Angela M Banda, Deputy Director ï Financial Committees
Ms Chitalu R Mulenga, Senior Committee Clerk ï FC2
Mr Emmanuel Bwalya, Committee Clerk
Ms Inutu Mwiya, Acting Administrative Assistant II
Mr Daniel Lupiya, Acting Senior Committee Assistant
Mr MuyembiKantumoya, Acting Committee Assistant

APPENDIX II - List of Witnesses

Centre for Trade Policy and Development
Energy Regulation Board
Environmental Management Agency (ZEMA)
Industrial Development Commission
Ministry of Commerce, Trade and Industry
Ministry of Foreign Affairs and International Cooperation
Ministry of Green Economy and Environment
Ministry of Justice
Ministry of Mines and Minerals Development
Ministry of Small and Medium Scale Enterprise Development
Ministry of Technology and Science
Non-Governmental Gender Organisations Coordinating Council (NGOCC)
Zambia Agency for Persons with Disabilities
Zambia Association of Manufacturers
Zambia Bureau of Standards
Zambia Institute of Policy Analysis and Research (ZIPAR)