ZAMBIA'S EXPORT PROCEEDS TRACKING FRAMEWORK 2024

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Zambia is ranked 108 out of 195 countries in terms of economic well-being, but is arguably the world's third largest copper producer after Chile and the Democratic Republic of the Congo.

The mining sector in Zambia is reported to contribute around 12% to the Gross Domestic Product of the Country, and is the prime generator of national foreign investment and national foreign currency earnings. Mining exports account for about 85% of Zambia's exports.

Zambia produces over 20% of the world's emeralds and opportunities are available for the expansion of production of manganese, sugilite, gold, cobalt, uranium, and other industrial minerals of export value.

The mining sector is also a large contributor to domestic tax collection by the Zambia revenue Authority through mainly Mineral Royalty Taxes whilst additionally accounting for the provision of around 90,000 direct jobs and is the largest sub-contracting sector for small and medium enterprises across the country thereby creating about 10,000 indirect jobs.

There are 94 mining projects running in Zambia which are owned by 7 predominantly international mining companies. The oldest mine in Zambia is the Bwana Mkubwa (Big Man or Big Boss) situated in Ndola which was set up in 1902 and heralded the scramble for then Northern Rhodesia, which in 1964 became Zambia.

In the pre-independence era, mining exports resources from Zambia benefitted the Southern Rhodesian (now Zimbabwe) economy and the South African economy since the main investors emanated from South Africa and chose the

Southern Rhodesian capital Salisbury (now Harare) as their operational headquarters until the turn of independence in 1964. This may account for the beautiful development of Harare's road, rail, and construction infrastructure.

Mining in Zambia, in addition to agriculture, sugar production, and cement manufacturing has developed steadily over the last six decades to account for over 95% of export earnings, and predominantly in the hands of foreign multinational investors.

As a result, Zambia has experienced minimal export earnings returns into the Zambian economy which is expected from investors that have their headquarters located in other countries.

In October 2023, the Zambian Ministry of Finance and National Planning announced a new initiative to ensure that the benefits of exports impacts on the Zambian economy. This initiative dubbed as the "Exports Proceeds Tracking Framework" (ExProTraF) was officially pronounced by the Secretary to The Treasury to ensure national clout and subsequently passed on the Bank of Zambia (the Central Bank) and the Zambia Revenue Authority for implementation on 1st January, 2024.

The ExProTraF was designed along some basic good, and common, practice principles which are prevalent in other countries that are export oriented.

South Africa has laws that compel all exporters to receive export earnings in banks domiciled in South Africa to acquit the export permit. This ensures that export earnings circulate in the South African economy and finance domestic growth through abundant availability of foreign currency to commercial banking sector.

Many other developed economies follow this mechanism to recapitalise their banking sector and prevent resources from being channelled towards money laundering, drugs trafficking, arms trading, terrorism support, and financing of conflicts across the globe.

Zambia's efforts with the introduction of the ExProTraF therefore, follows international best practices and norms more prevalent in the developed economies.

Exporters argue that there are sufficient rules and regulations in place to monitor exports, citing VAT Rule 18 and options to obtain trade and transaction data from authorities in the "importing countries". They lament that this new ExProTraF introduces unnecessary paperwork and delays in the export process. They go further to argue that external financiers are likely to be jittery with a situation whereby repayments for loans are shifted from importer's commitments to assign shipment payments directly to banks and other financial institutions, to receiving loan recoveries from Zambian banks.

These arguments may be sound, but as sovereign economies go, local regulators and authorities should not depend on third party data which may be submitted at discretion, in order to address accountability, transparency, and the Zambia's commitment to international protocols and conventions.

The debate continues as Zambia is now in the implementation stage of the framework and feedback should be made available to the authorities and the public on progress and what challenges may be faced going forwards.

It is useful to remember that Zambia attempted to a similar initiative in 2013 with the introduction of a Statutory Instrument number 13 which was referred to at the Balance of Payments Monitoring System. The initiative was implemented for a few months after which is was abruptly revoked for no apparent reason.

Zambia is currently burdened with a USD16 billion foreign debt bill and a more than ZMW200 billion domestic debt. All efforts to restructure and liquidate these burdens seem to draw limited success and some new initiatives need to be formulated hence the innovation of the ExProTraF mechanism.

Opportunities for a stronger local currency, reduced inflation, and reduced cost of financial services depend on amongst other challenges, the need to generate foreign currency to feed this import hungry economy. Almost all goods, except for food products, sold in the retail markets are imported and therefore presents an economy that is extremely sensitive to exchange rate fluctuations.

The recent experience of a weakening local currency throughout 2023 and more accentuated in the last quarter of the year has put pressure on the Government to find solutions that are sustainable and present a mechanism that will leverage on the country's most prolific revenue generation sectors.

Clearly, open debate and dialogue on the ExProTraF is necessary to ensure that all stakeholders' voices and views are heard such that the nation is pointed in a direction which will benefit the economy at large and investors are clear about their options and opportunities for continued investment in Zambia.

The current status whereby Zambia is classified as a low income nation with a GDP per capita of under USD1,000 is no longer tenable. Long term relationships are built on equitable development for all stakeholders in an effort to achieve the proverbial "Win-Win" outcome for all.