

Towards Africa's industrialization:

ZAMBIA



Promotion of the sugar industry is a viable way to diversify the economy

Zambia – copper and sugar drive industrialization

For us, copper is not a product; copper is Zambia,” said Zambia’s first President, Kenneth Kaunda, summing up the relationship between his newly independent country and the mineral that lay in such abundance in the northern part of the country.

Since then, the country has gone through many different political cycles but Kaunda’s sentiments are as accurate today as they were five decades ago. In many ways, copper is till the backbone of the Zambian economy. What is different about the sector is that it is no longer a nationalised asset but has been unbundled and privatised to a number of international players. There is also a determination to diversify the economy using revenues from copper exports.

But copper remains king and the state has not divested entirely from copper mining. It holds an 87.6% share in Zambia Consolidated Copper Mines Investment Holdings (ZCCMIH) – which has investments in several enterprises but

ZAMBIA SUGAR INDUSTRY SPARKLES AS MODEL OF VALUE ADDITION

Zambia Sugar PLC is the country’s premier producer of sugar and related products. Zambia Sugar produces approximately 400,000 metric tons of premier grade sugar, marketed under the White Spoon Sugar brand, and exports about 60% of its output.

Every part of the sugar cane is put to use for different purposes. Zambia Sugar can thus serve as an example of a company where value addition is a key activity. Cane sugar is sourced locally, either from the company’s own estate or from small cane growers or private farmers. Equipment and machinery are generally sourced abroad while electricity, fuel, and some services are sourced locally. Price competitiveness, good quality capacity to adjust production lines and volumes, lead times, capacity to learn and keep up with innovation, and trust are emphasized when dealing with suppliers.

Overall, the sugar sector can play a bigger role in the Zambian economy because of abundant land, huge water reserves and a favourable climate.

primarily in copper mining. ZCCMIH has minority shares in virtually all copper mining operations in the country. Zambia’s fortunes have ebbed and flowed in tandem with the demand, and therefore the international price, for copper.

The revival of the mining sector more recently has benefited the economy as a whole as investors have built new infrastructure, boosting the construction sector, and have locally outsourced some supplies and services. This has allowed the manufacturing sector to grow at between 5% and 9% but youth unemployment, at around 60%, is still critical.

“My government shall soon start implementing the national strategy for industrialisation and job creation, targeting four growth sectors of agriculture, tourism, manufacturing and construction,” President Michael Sata said.

The government has stipulated that all new investments must contain value-addition components and banned the export of raw copper. But research conducted by the World Bank and DFID found, on the supply side, little competitive advantage in sourcing copper locally and, on the demand side, a low level of local and regional demand to support a substantial fabrication industry. All this can be changed through appropriate policies that enhance suppliers’ competitiveness and reduce fabrication costs to increase demand.

“Zambia’s low levels of industrialization, shortage of access to technology and technical skills, access to markets imposed by tariff barriers to economic trading blocs, as well as a general lack of international management experience all pose serious challenges to developing a value-added copper sector,” says Wilfred Lombe, Interim Coordinator, African Minerals Development Centre. “This is exacerbated by poor infrastructure, especially energy and transport, which limit manufacturing capacity as well as add to the high cost of transportation.”

Lombe adds, “It is clear, therefore, that incentives and policy signals are required to persuade both traditional mining companies and new entrants into the higher value copper sector. Recent plans to establish Export Processing Zones (essentially an industrial Copper Park) are a step in the right direction. These would allow manufacturers to invest in copper fabrication activities for the purpose of value addition. However, wider entry into fabrication through production of intermediate copper products such as sheet copper and rods, can be stimulated if local companies have access to technology, expertise and finance through partnerships with foreign companies. This may well require policy improvements.”

