



Trade Competitiveness

ZAMBIA

**Proposed Action Plan
Improving Export Processing Logistics and Documentation
for the Horticulture Export Sector**

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PROPOSED ACTION PLAN FOR THE ZAMBIAN HORTICULTURE SECTOR

MAY 2005

1. INTRODUCTION:

The horticulture sector of Zambia has experienced phenomenal growth in recent years. Export volumes in 2003 were 8,588 tonnes of vegetables and 4,011 tonnes of cut flowers. Eighty percent of vegetables are destined for the UK, while seventy percent of cut flowers go to Holland. The industry is comprised of 26 exporters all registered with the ZEGA association. Most farms are within a radius of 60km from Lusaka International Airport. The Government of Zambia and the Zambia Export Growers Association influences the local business environment. Export products include baby corn, fine beans, baby carrots, asparagus, runner beans, sugar snaps, tender stem broccoli, okra, mange tout peas, passion fruit, spring onions, chillies, patti pans, in excess of 60 varieties of roses, and summer flowers such as hypericums, solidago, rudbekia, liatris, etc. The relatively high profile and reputable track record of the Zambian vegetable sector has won the confidence of major UK multiples. Quite a considerable volume is now being exporting in high care form for these multiples whose requirements are fairly difficult to meet, especially in terms of food safety, hygiene, and traceability throughout the value chain.

2. THE ACTION PLAN:

Based on the issues raised by stakeholders during my study mission about four critical areas need urgent attention. Detailed below are proposed interventions to address the weaknesses identified. These interventions were briefly presented and reviewed with the Chief Executive of ZEGA on 29 April 2005. The interventions are designed to enhance the competitiveness of the Zambian horticultural industry by improving the efficiencies of the value chains and minimise losses for this strategic industry. New entrants and expansion from existing growers would also be facilitated thereby contribute immensely towards the main challenge of increasing production in order to be able to attract more flights regularly particularly from wide bodied air crafts that generally offer lower rates. The industry would also take advantage of economies of size and scale when negotiating with air cargo plane operators, input and service suppliers resulting in significant business environment improvements that would improve viability and trigger further growth from new entrants and expansion from existing producers in a sustainable manner. Industry profile will also be enhanced locally and abroad.

The sector currently generates in excess of USD 60 million per year and directly employs in excess of 16,500 people in addition to numerous up and downstream benefits to the input and services industries. It would appear that the government is keen on facilitating growth by ensuring that supportive trade development instruments are in place. Effective dialogue between the government and ZEGA association is therefore vital.

Proposed Action Plan for the Zambian Horticulture Sector
 May 2005

Priority Rating	Activity	Responsible for Activity	Resources.	Timing.
1	<p>Export Documentation</p> <p>1a. Positioning of EUR1 certificates at the ZEGA offices - Lusaka International Airport</p> <p>1b. Positioning of COMESA certificates of origin at the ZEGA offices - Lusaka International Airport.</p> <p>1c. Positioning of SADC certificates of origin at the ZEGA offices - Lusaka International Airport</p>	<p>ZEGA and ZRA</p> <p>ZEGA and ZRA</p> <p>ZEGA and ZRA</p>	<p>nil</p> <p>nil</p> <p>nil</p>	<p>Within 2 months</p> <p>Within 2 months</p> <p>Within 2 months</p>
2	<p>Strengthening of Phytosanitary Services</p> <p>2a. Construction of offices and a diagnostic laboratory for the phytosanitary inspectors at the airport and equip them appropriately</p> <p>2b. Training of phytosanitary inspectors locally and abroad</p>	<p>Ministry of Agriculture and the Dutch government</p> <p>Min of Agric and Dutch government</p>	<p>EUR 511 000</p> <p>EUR 388 000</p>	<p>1 July 2005 to 1 July 2008</p> <p>1 July 2005 to 1 July 2008</p>

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Stage	Activity	Responsible for Activity	Resources.	Timing.
3	Ground Handling Services Improvements 3a. Purchasing of additional thermal blankets 3b. Modification of coldroom doors in order for them to fit pallets of 747 freighters 3c. Re-engineer Zega Ltd such that it can provide a complete packaged door to door service inclusive of export documentation with improved customer care 3d. Centralisation of export documentation at freight forwarder level	ZEGA Ltd and ZEGA ZEGA Ltd and ZEGA ZEGA Ltd and ZEGA ZEGA Ltd and ZEGA	Budget approved by Board of Directors Budget approved by Board of Directors Nil Nil	Within 2 months Within 2 months Immediate Within 2 months
4	Chartering of planes 4a. ZEGA air management to operate autonomously in order to minimise conflict of interest within the ZEGA association.	ZEGA Association	Should be self financing as the volume of business increases due to industry growth	Medium to long term

3. JUSTIFICATION FOR THE PROPOSED ACTION PLAN:

Activity 1: Export Documentation

Centralising all export documents would make it a lot easier for exporters to access the certificates as they frequently visit the airport with deliveries. The airport is a lot more convenient with plenty of parking space. Furthermore, this development might entice ZEGA Ltd to take over all export documentation since they can access them a lot easier within the same airport complex. It will also be a lot easier to introduce a standard form filling format that customs officials will be familiar with and hopefully speed up the clearing exercise, making it a lot more convenient for exporters to do business in a user-friendly system. The main benefit of this recommendation is improved efficiency and flexibility that will naturally motivate exporters to supply late orders and result in increased export volumes. The reputation and confidence of international buyers on the Zambian horticulture sector will also be enhanced resulting in increased exports.

Activity 2: Strengthening of Phytosanitary Services

Equipping and appropriately training phytosanitary officials will enhance the reputation of the Zambian phytosanitary services. I strongly recommend that EU recognition be sought in order to speed up the clearing of consignments on arrival in the market by avoiding additional phytosanitary inspections on arrival. The customs clearing time and off-shore expenses in Europe will be reduced quite significantly resulting in more confidence of the Zambian horticulture sector by overseas buyers and increased business.

Activity 3: Improvement in Ground Handling Facilities

Improvement in ground handling services would assist in the maintenance of the cold chain, a critical success factor for the fresh produce business. Increasing customer care would boost confidence by the exporters in ZEGA Limited management. Taking on of all export documentation would standardise the process and speed up the clearing by customs department. Furthermore, all export documentation should be the responsibility of the freight forwarder. In fact, introduction of world class service by Zega Ltd would boost the confidence of both local producers, cargo freighters and international buyers resulting in the following;

- Increased orders by existing buyers overseas, i.e. expansion of existing markets
- Attraction of new buyers, i.e. Increased export market penetration
- Attraction of additional cargo freighters that would result in a more competitive air freight service and rates that are comparable to other regional countries such as Zimbabwe, South Africa and Kenya.

Activity 4: Chartering of Planes

Although ZEGA association is currently doing an excellent service in managing ZEGA Air, the industry expressed the view that as the industry matures ZEGA Air business should be managed by an independent management team in order to avoid conflict of interest within ZEGA association. In fact, ZEGA association should be the producers watchdog on ZEGA air's performance. This arrangement would result in claims for non-performance being objectively processed to the mutual satisfaction of the producers, Zega Ltd and the airlines. The Zega association would be in a better position to play its watchdog role more objectively and transparently to the satisfaction of all stakeholders including the government. The performance of Zega air will therefore be enhanced since it will have to survive on the volume of business generated. If it does not perform up to expectation, the industry will have to exert pressure through the Zega association for improved service. Furthermore, alternatives such as road freighting to neighbouring countries with spare capacity such as South Africa, and Zimbabwe and additional planes brought in through another general sales agent as is currently the case with MK airlines would be considered.