

TOBACCO BOARD OF ZAMBIA



PARTIAL REGULATORY IMPACT ASSESSMENT FOR THE TOBACCO (IMPORTATION OF AUCTIONABLE TOBACCO FOR SALE) REGULATION, 2020

1 Background

The Tobacco Board of Zambia (TBZ) is a quasi-government institution under the Ministry of Agriculture (MoA) which was established in 1968 through an Act of Parliament for the promotion, control and regulation of the production, marketing and packing of tobacco in the Republic, the promotion and control of the export of tobacco from and import of tobacco to the Republic, the direction and promotion of research in connection with tobacco, and for incidental matters.

The Tobacco Board of Zambia is charged with the responsibility of executing the above functions and duties using the Tobacco Act Chapter 237 and the Tobacco Levy Act Chapter 238 of the Laws of Zambia

Tobacco is termed as a profitable crop with potential to bring development to the rural areas of Zambia. Tobacco production provides income that supports livelihoods and ensures food security in rural areas. In addition, tobacco production creates more employment per hectare than other crops. The 7th National Development Plan (7NDP) recognizes tobacco production

as a very lucrative investment in Zambia .The 7NDP highlights tobacco to be 7.5 times more profitable per hectare than maize production and 14 times more profitable than cotton. Suffice to state that tobacco has a great potential to contribute to the growth of the economy through employment and wealth creation. On average, 8 people participate in the production of tobacco per household. Tobacco directly employs an average of 48,000 people with 288,000 directly benefiting from the growing of tobacco, with the total value chain contributing about 450,000 direct jobs to the Zambian economy.

It is also a known fact that tobacco is a 100% export cash crop which creates income and contributes about 2% of GDP to the national treasury.

2 Problem

The Chinese Market has increased the demanded quota for Green Leaf Tobacco from Zambia during the 2020 Tobacco Marketing Season from 30,000,000kg to 50,000,000kg of green leaf tobacco.

The projected total Green Leaf Tobacco production for Zambia during the 2020 tobacco marketing season is 30,000,000 kg. Subsequently, following the national wide assessment it has been established that there is an eminent under supply of green leaf tobacco in Zambia during the 2020 tobacco marketing to meet the 50,000,000kg quota that has been demanded by the Chinese market. As at 21st June, 2020, only 24,000,000 kg has been bought in Zambia against the projected 30,000,000kg and major tobacco buying companies are stopping to purchase green leaf tobacco since it is not readily available in Zambia. Meaning the buyers of green leaf tobacco in Zambia will not be able to export the quota demanded by China, unless measures are put in place to address this deficient of over 20,000,000 kg.

There is a window to meet the quota demanded by the China, and seeing that the capacity is not clearly there for Zambia to meet the green leaf tobacco order, and taking advantage of the excess green leaf tobacco in Tanzania, the Ministry of Agriculture through Tobacco Board of Zambia

intends to issue the import permit to the private companies to import green leaf tobacco to be sold at licensed tobacco sales floors in Zambia and be exported as Zambian green leaf tobacco to China. However, the import permit cannot be issued since the current law do not permit importation of green leaf tobacco unless if the statutory instrument is enacted in line with the provisions of Section 64 of the Tobacco Act cap 237 of the Laws of Zambia which states as follows:

- (1) Save as provided by this section, no person may import for sale in the Republic auctionable tobacco not grown in the Republic; However, that,***
- (2) The Minister may from time to time, subject to any conditions he may deem necessary, by regulation prescribe that any specified class of auctionable tobacco not grown in the Republic may be imported for purpose of sale on the licensed auction floor.***

3 Rationale

The enactment of the proposed Statutory Instrument will give powers to the Board to issue permits for the importation of Green leaf tobacco into the republic provided the importer obtains all relevant documentation for clearance from relevant government institutions. The Statutory Instrument will allow the importer to pay relevant Excise duty, levy and administration fees to the Zambian Government thereby increasing the national income of the treasury. This will also be an opportunity for the current sponsors of tobacco to double production by ensuring that more tobacco growers are recruited and sponsored to meet the current short fall going forward if we have to meet the quota given to Zambia by China in the coming years. The current window to export green leaf tobacco to China will create job opportunities for our youths during marketing and processing of the crop before it is exported. During every marketing season which starts in April and

ends in September of each year on average, a total of over 300 youths are engaged at various sales floors as data entry clerks and in the laying of tobacco bales on the floors. This figure is expected to increase if the additional 20,000,000kg is imported in the country to 500 youths.

If this quota is not fulfilled it will result in loss of revenue from Excise duty, levy and administration fees to the government. This will mean that Zambia would risk losing the China green leaf tobacco market in relations to other neighbouring countries that might easily supply the shortfall and the Zambian tobacco industry would risk being stagnant in production in future due to lack of market for the tobacco as China is the biggest importer of tobacco from Africa.

Therefore, it is necessary that the statutory instrument to import the green leaf tobacco is enacted as a matter of urgency to take advantage of the existing market opportunity.

The proposed Statutory Instrument will not introduce any new tax and levies but will provide an enabling environment for the private sector to import green leaf tobacco and sale it in Zambia at the licensed sales floors. So far two private sectors have requested for the permit. The contract of supply for both two companies end by mid-July, 2020.

4 Stakeholder Consultation

A stakeholder's consultation meeting was held on 23rd June, 2020. During the stakeholders meeting, it was resolved that the Ministry of Agriculture should go ahead to enact the statutory instrument to support the issuing of import permit for green leaf tobacco. The meetings for the stakeholder's consultative meeting are hereby attached as annex 1.