

## Appendix 2: Applicable Incentives for Local Manufacturers

No	Incentive/Opportunities	Incentive Provider	Impact on Pharmaceutical Manufacturers	Source
1	Long Term Framework Contracting With Suppliers	MoH and DSBL	Reduced procurement lead-time and price stability  Increase the involvement of the local private sector sources of supply to the MoH	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
2	Outsourcing the provision of basic ICT services to a private third-party agency	MoH	Up-grading to more sophisticated systems architecture for procurement, distribution, and financial management.	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
3	Emergency supply tenders	MoH	Guaranteed buyer of manufactured products	Os, Van Aart, Private Sector Mapping Study, MeTA, 2009
<b>For companies approved under ZDA priority economic sectors and approved projects within the Multi Facility Economic Zones (MFEZ)</b>				
4	Zero Tax on Profits made by companies in the priority Sector <sup>17</sup> for a period of 5 years from the first year profits are made. For years 6 to 8 only 50% of Profits should be Taxed and for years 9 and 10, 75% of Profit should be taxed	MCTI/ZDA Act	Improved cash flows and capitalisation of new entrants into the manufacturing sector	ZDA/JICA, Zambia: Africa's New Frontier for Investment and Profits – An Investor's Guide, MCTI, Lusaka
5	Zero percent tax rate on dividends of companies operating under the MFEZ/priority sector for a period of five years from the year of first declaration of dividends. From year 6 to 8, only 50% of the profits should be taxed and for years 9 and 10, 75% of profits should be taxed	MCTI/ZDA Act	Increased re-investment into the manufacturing companies and profits for investors	

<sup>17</sup> The pharmaceutical manufacturers are included within the 13 priority sectors. It should be noted though that the incentives in 3 - 6 are mainly for new investors into the sector

6	Zero percent import duty rate on raw materials, capital goods, machinery including trucks and specialized vehicles for five years for all priority sector	MCTI/ZDA Act	Lower production cost	
7	Deferment of VAT on machinery and equipment including trucks and specialized vehicles imported for investment in the MFEZ/priority sector	MCTI/ZDA Act	Lower production cost and improved competitiveness	
8	Customs duty exemptions on most machinery and equipment used in manufacturing	MCTI/ZDA Act	Lower production cost and improved competitiveness	
<b>General Incentives/Opportunities</b>				
9	Income from the export of non-traditional products (i.e. anything, other than copper and cobalt and electricity, produced or manufactured in Zambia but excluding services) is taxed at 15%.	MCTI/ZDA Act	Increased re-investment and liquidity of manufacturers	
10	Import VAT deferment on eligible plant/machinery of a capital nature	MCTI/ZDA Act	Lower production cost and improved competitiveness	
11	Zambian manufacturers can belong to the Southern African Generic Manufacturers Association, SAGMA	SAGMA	Opportunity to present a common front or position on issues of common interest as a region thereby amplifying voice	