



SECTION 2:

The National Budget and the Growing Inequality in Zambia

Submitted by

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To

The Budget Committee

1 Government Strategies to ensure Inclusive Growth and reduce growing inequality

Inclusive growth refers to the type of growth that allows more people to contribute to and benefit from economic growth. Growth is inclusive if it is broad-based across different economic sectors and inclusive of the large part of the country's labour force.

The challenges of inclusive growth in Zambia have been such that growth has been concentrated in few sectors of the economy that are also not labour intensive while labour intensive sectors remain stunted. Mining, manufacturing and services are some of the industries which account for most of the growth of the Zambian economy but only employ limited numbers of the labour force. The lack of growth in the agriculture sector which is the largest employer of labour means that the benefits of economic growth tend to leave out the poor who derive their incomes from this sector.

Table 1: Shares of employment by broad sectors, 2012 Labour Force Survey

	Total	% total employed	% across the sectors		% within the sector	
			Formal	Informal	Formal	Informal
Agriculture	2,871,035	52%	10%	60%	27%	73%
Manufacturing	217,062	4%	9%	3%	3%	97%
Mining	88,251	2%	8%	0%	77%	23%
Services	2,323,248	42%	72%	35%	34%	23%
Total	5,499,596	100%	100%	100%	15%	85%

On the other hand, the growth sectors such as mining have tended to be a little more capital intensive, meaning increases in investment in these sectors cannot generate the number of jobs required to lift a significant share of people from poverty.

In view of the above Government has introduced a number of strategies to ensure inclusive growth and reduce growing inequality:

1.1 Revised Sixth National Development plan 2013-2016

The overarching objectives of the R-SNDP were:

- to promote employment and job creation through targeted and strategic investments in selected sectors: these sectors are agriculture, manufacturing, energy, construction, tourism and mining.

- to promote rural development by fostering agricultural development and rural enterprises, and by providing supporting infrastructure in rural areas;
- to enhance human development by investing in the social sectors; and
- to accelerate infrastructure development to enhance the growth potential of the economy.

1.2 Industrialization and Job Creation Strategy 2012-2016

The Industrialization and Job Creation Strategy (GOZ, 2013) set a goal of creating 1 million formal jobs between 2012 and 2016 through both foreign and local investment. The strategy focused on four growth sectors with the greatest potential to achieve the objectives of promoting growth and employment, increasing value added and expanding. The sectors are agriculture, tourism, construction and 89,000 in manufacturing.

1.3 National Employment and Labour Market Policy (NELMP) 2007–2011

The main objective of the NELMP, adopted in 2006 and recently revised, is to create quality jobs under conditions that ensure adequate income and protection of workers. The specific targets identified were to bring the unemployment rate below 10 per cent by 2011 and ensure that by that date 90 per cent of the workforce were operating in an environment where their rights are respected. The policy also focused on identifying sectors with the potential to create employment, namely agriculture, mining, manufacturing, tourism, trade, transport, and information and communications technology (ICT). It highlighted the promotion of small and medium-sized enterprises (SMEs), efforts to make the financial sector more inclusive, and the provision of relevant skills by the education and training system.

1.4 Seventh National Development Plan 2017-2021

The 7NDP was launched in June 2017. Its main thrust is a diversified economy as a way of achieving inclusive growth and alleviating poverty and inequality. The 7NDP is established on 5 pillars, 4 of which seeks to promote inclusive growth and poverty alleviation as follows:

- i.* **Economic diversification:** under this pillar Government seeks to diversify the economy to be able to have more inclusive growth as opposed to past years when growth was concentrated in few sectors. Some of the strategies include export and agriculture diversification, enhancement of agriculture value chains, enhancement of investments in agriculture, tourism diversification through infrastructure development among others.

- ii.* **Reduce poverty and vulnerability:** under this pillar, Government plans to redistribute wealth more deliberately to ensure the poor benefit from economic growth. Some of the strategies under this pillar include: scaling up social protection programs while improving coordination and administration. This will entail scaling up programs such as the Social Cash Transfer (SCT), the Food Security Pack (FSP) and the Farm Inputs Support Programs (FISP).
- iii.* **Reduce developmental inequalities:** Zambia has seen rising income and other forms of inequality in recent years. The Gini coefficient which measures the distribution of income now stands at 0.69 compared to 0.60 in 2010. This rate is comparable to some of Africa's most unequal countries such as Namibia and South Africa. Under this pillar a number of strategies have been lined up aimed at reducing inequalities. These include: promote integrated rural development; promote urban and per-urban economies and reduce gender inequalities among others.
- iv.* **Enhance human capital development:** human capital determines the extent to which citizens can participate in economic activities. A healthy and educated citizenry is foundation for national development and inclusive growth. Government has designed various strategies to ensure the citizenry is employable to be able to participate in economic growth. The strategies here include: enhancing access to skills training, enhance the role of science and technology and continuous review of school curricular so as to suit changing technological trends.

2 Challenges of ensuring inclusive growth

In 2011 Government embarked on an exercise to take stock of the binding constraints to inclusive growth in Zambia. Though this was done about 6 years ago, the constraints that were identified remain practical challenges up to date. The following are some of the issues:

2.1 Low quality of human capital:

Zambia's education system, while it has expanded in recent years is often described as being of very low quality as schooling rarely translates into learning. Often, pupils who have gone through the school system cannot read or write properly while those who have finished tertiary education are said to not be rightly or adequately skilled. Inclusive growth requires that the population is employable and employability is an outcome of a strong and good quality training system which is lacking in Zambia. Human capital thus continues to be a challenge that the country should overcome if many youths are to participate in economic growth.

2.2 Poor infrastructure services:

Zambia has lacked most of the infrastructure that would promote inclusive growth. Key infrastructure such as roads and rail are often limited in strategic areas. While most Zambians survive on agriculture as the main stay for their livelihood, lack of infrastructure has made access to markets for farm produce difficult. Other than transport infrastructure, storage facilities are non-existent making it difficult for farmers to preserve food from one season to another.

2.3 Weak, incoherent and inconsistent agricultural policies:

Zambia's agricultural policies lack coherence, consistence and stability. As a result, they have not helped the country attain inclusive growth. For many years, Zambian agriculture has not been considered as a business and those in agriculture rarely sees it as a viable source of income compared to those working in non-agriculture sectors. The agriculture policies have for many years focused on growing maize at the expense of diversification which robs the country of the potential it has to grow many other crops due to its conducive weather. The sector has also failed to become mechanised and farmers have continued to use inferior technology to cultivate which negatively affects productivity. Since many people work in agriculture, a strengthening of policies in this sector would provide viable employment opportunities to many Zambians.

3 The role of the national budget as a tool for inclusive growth

A budget is a national plan expressed in actual expenditure and revenue generation. National budgets in reality help the Government implement otherwise long term national development plans on an annual basis.

Because of the role they play in actualizing long term development plans, national budgets are important tools for achieving various goals of the Government including those on inclusive growth. For some years now, the Zambian Government has acknowledged that past growth episodes have not been inclusive as growth has been concentrated in few sectors such as mining. Thus, the Government has from time to time used national budgets to promote inclusive growth through allocating of resources to new activities that have a broader reach.

The following are some of the programs that have come out in various national budgets which try to promote inclusive growth:

3.1 Multi-facility Economic Zones (MFEZ) and Industrial Parks:

The idea of multi-facility economic zones is part of efforts to diversify the economy, in the end promoting inclusive growth. In various national budgets resources have been allocated to the establishment of multi-facility economic zones and industrial parks which are intended to create market and business linkages across different business activities and creating employment at each stage of the value chain. Nonetheless, the achievement of MFEZ's and Industrial parks in terms of creating employment and contributing to inclusive growth has not been very clear. In some areas infrastructure has been built but no economic activity has taken place.

3.2 Farm Blocks:

Farm blocks is another important initiative that has been presented in national budgets. Initially farm blocks were intended to host one major establishment which would be supported by small auxiliary industries and creating employment in the process. However, like MFEZ's farm blocks have not been fully operationalized.

3.3 Infrastructure:

In recent years, it has become almost impossible to see a national budget which has not allocated resources to infrastructure, especially road infrastructure. In 2011 the Government introduced the Link Zambia 8000 which is an initiative to build road infrastructure with the aim of connecting different parts of Zambia. The road projects were envisaged to create employment during their construction as well as after completion as they would open up the country and facilitate easy movement of people and goods. Infrastructure development has slowed down in recent years due to limited resources. It is also important to observe that other than roads,

Zambia needs a lot of pieces of infrastructure that can help bring about inclusive growth. These include ICT, hospital and school infrastructure which are cardinal for development of human capital

3.4 Empowerment funds:

Like road infrastructure, empowerment funds have also become almost a permanent feature in national budgets recently. The importance of empowerment funds is that they are meant to support individuals or groups of people who would like to participate in the economy but do not have the means to do so. Resources allocated to empowerment activities are expected to spur economic activities among individuals who otherwise would not participate in the economy and be able to create jobs for others. The picture of empowerment funds however remains unclear when it comes to their effectiveness. While the CEEC seems to have grown stronger over time, effectiveness of other empowerment funds such as for youth and women remain unclear.

4 Effectiveness of budget process in ensuring inclusive growth and reducing inequality

As outlined above the national budget plays an important role in actualizing national development plans through resource allocation to different activities. In this section we discuss the effectiveness of the national budget in ensuring inclusive growth and reducing inequality.

As an overview, the national budget has not been very effective in promoting inclusive growth and reducing inequality. This is because despite many years of presenting national budgets, the Zambian economy remains concentrated in a few sectors and is not broad based and inequality has only risen. The following are some of the reasons that contribute to the lack of effectiveness of the national budget¹:

4.1 None or insufficient funding releases to planned programs:

Presenting a national budget is one thing, ensuring that funds are disbursed is another and very important aspect of national budgets to be able to achieve inclusive growth and reduce inequality. National budgets in Zambia are not always fulfilled or if fulfilled rarely disburses funds on time. This leads to non-implementation of projects aimed at promoting inclusive growth and reducing inequality.

4.2 Poor physical and financial supervision of budget execution:

Even when funds are released there is often poor supervision both in terms of physical activities as well as financial prudence. This has often led to lack of delivery of important projects.

4.3 Additional expenditure outside that approved by Parliament:

Despite there being a national budget, it is common for the Government to incur excess budget expenditure often without parliament approval. This creates room for expenditures that may not support inclusive growth and reduction of inequality.

4.4 Poor reporting practices:

Budget executions often lack consistent and timely reporting which is important for decision making. There is thus no room to make amends if need be in the process of doing things as timely and current information on running projects do not exist. This also means monitoring and evaluation frameworks are not strong enough to be able to track progress and provide feedback on progress of funded projects.

¹ These points are based on the report by Civil Society for Poverty Reduction on 'A Policy and Sectoral Analysis of Zambia's Fiscal Policies and Performance Trends 2006 – 2010'.

5 Factors that have led to disparities between rural and urban areas

Regional disparities between rural and urban have remained pervasive for many years with urban areas seemingly developing at a faster rate than rural areas. In the health sector for example, rural dwellers cover some of the longest distances to reach the nearest health facility compared to their urban counterparts most of whom (90%) live within 5 kilometres to a health facility. Human resources in both health and education are unequally distributed between rural and urban areas with most of staff preferring to work in urban areas where they have access to social amenities. This has affected the quality of both health and education services in the rural areas. Access to clean water also remain limited in rural areas exposing the population to water borne diseases.

The following are some of the factors that could have contributed to this trend:

5.1 Lack of Decentralisation:

Zambia is highly centralised with most functions of Government and other key stakeholders, including the private sector situated at the centre which happen to be urban areas. Because of this, all businesses, innovations and infrastructure tend to follow where Government activities are taking place. This means that wherever Government functions are taken, development is likely to take place faster than in other areas. Decentralisation is thus one of the first steps towards redistributing development to rural areas

5.2 Economic liberalisation:

Since independence when the Zambian economy was not liberalised, the Government then took it upon itself to develop all areas of the country. This led to the establishment of various industries in provincial centres such as Mansa Batteries in Mansa, Bicycle and Car assemblies in Chipata and Livingstone respectively. Roads were also built and maintained between rural and urban areas linking the two very well and facilitating movements. Nonetheless, with the liberalisation of the economy resource allocation is largely a function of markets. This means the private sector tends to locate and do business mainly in central cities where the scale of economic activity guarantees returns. Some rural places such as Solwezi have in recent parts attracted a lot of investments but it is because of the presence of minerals. This means that areas without such natural resources will remain unattractive to investments and will continue to be undeveloped.

5.3 Weak Developmental State:

A developmental state is one which tries to balance economic growth and social development by using state resources and state influence to reduce poverty and expand economic opportunities. Strong developmental states

such as China are usually associated with economic growth and poverty reduction. A strong developmental state can be useful in filling the gaps in development that may be left by resource allocation mechanisms in a liberalised economy. Zambia cannot be said to have been a strong developmental state and being able to take development to rural areas where the private sector may not reach.

5.4 Historical Resource Allocation Patterns:

During the colonial era the then administration was more interested in developing urban areas and only used rural areas as sources of cheap labour. Whatever level of development was achieved in the rural area was to feed into the urban system. Resource allocation therefore followed this pattern of thinking. Unfortunately, this has been replicated even after independence as rural areas are simply sources of cheap agricultural produce.

5.5 Land policies:

Land administration in Zambia is mainly divided into traditional or customary and state land. Traditional land is the largest and often presided over by the traditional system such as chiefs. State land belongs to the Government and is presided over by relevant Government authorities. In some sections of the country traditional leaders may not freely allow land developers, foreign or local. This has made it difficult for certain activities and infrastructure to be built in rural areas compared to urban areas. There is need therefore to provide clearer guidance on how land is administered especially as it relates to development projects.

6 Factors that may lead to failure of small businesses to graduate to big businesses

There are a number of factors that have led to failures of small business to grow. In many instances, constraints that small business face could be specific to a particular industry or sector. In this submission, we limit factors to the light manufacturing sector².

- Most of local firms produce low volumes due to various factors such as limited production capabilities and lack of access to markets. In Zambia, the small firms usually have low capacity utilization which range between 30% and 80% for their main product lines but in some instances, are lower than 30% for some product lines. This indicates that the firms' production is less than optimal. Failure of small firms to meet sufficient production volumes deprive them of the benefits of economies of scale, and renders them uncompetitive compared the big multinationals;
- Many firms struggle to expand their production due to lack of finance for investing in machinery and equipment;
- Firms also face challenges accessing markets because of difficulties in accessing retailers. Retailing is the major route to markets for manufactured products. Even the firms that have sufficient machinery and equipment fail to maximize their capacity due to limited access to markets, amongst others.
- Smaller firms lack the scale to invest in unique packaging designs, and as a result, use generic packaging which is not very appealing. Packaging companies often impose minimum order quantity restrictions on their products to as high as 5000 units. Furthermore, retailers normally set their own packaging requirements to manufacturers in order to stock their products. This limits the production capacity of firms
- There is also a challenge of recognition of the Zambian standards in export markets and is therefore a barrier to exporting. This arises from the mismatch between Zambian standards and those imposed in export markets. While ZABS has international accreditation for its laboratory testing services, as well as Zambian standards being mostly based on international standards, ZABS is yet to be accredited to an international body for its inspections.
- A significant proportion (at least 80%) of raw materials consumed by Zambian industries is imported. Reliance on imported raw materials

² Based on the ZAPAR paper on the Expansion of Regional Supermarket Value Chains – Implications for local suppliers in Zambia, by Ziba, F and Phiri, M, 2017

exposes manufacturers to foreign exchange risk and import duties. This also contributes to increasing the cost of production thereby making locally manufactured goods uncompetitive.

7 Local ownership of business (industries) in Zambia

Data on business ownership in Zambia in the recent past is not readily available. However, based on a quick assessment of business ownership, most large firms operating in Zambia are foreign owned. This outcome cuts across all sectors. There is a number of Zambians participating in various sectors but they tend to operate at a small to medium scale. For example, in the supermarket industry, there are a number of both local and foreign firms operating in the sector. The sector has recorded significant growth over the years. However, foreign owned firms dominate at the large scale level (Table 2). Most of the local players operate at the small scale level. This seems to be the pattern for firms in most sectors such as mining, financial services, manufacturing and agriculture, among others.

Table 2: Ownership of large supermarkets in Zambia

Name	Origin	Ownership	
		Corporate	Franchise
Shoprite	South Africa	30	0
Pick and Pay	South Africa	13	0
Spar	Netherlands	8	8
Food Lovers	South Africa	1	1
Game	South Africa	3	
Woolworths	South Africa	2	
Melissa	Zambia	4	
Choppies	Botswana	5	

Source: Ziba and Phiri (2017)

7.1 Measures (incentives) Zambia has put in place to promote the participation of Zambians in manufacturing

Most of the incentives put in place apply generally to all enterprises and not specifically to locals. The ZDA Act provides a range of incentives to investors. There are also benefits to firms that operate under the MFEZ. However, most of these tend to favor foreign investors as the local firms are not in a position to access them. Incentives to local firms are also accessed through the Income Tax Act. The following is one such provision that local firms could benefit from.

There are also other instruments that have been put in place to support local firms, these instruments may not directly apply to manufacturing but through the supply chains, manufacturing sectors could benefit as well. Some of these instruments however, are not implemented to the letter.

Citizens Economic Empowerment Act of 2006. Created the Citizens Economic Empowerment Commission. It supports empowerment of citizens, citizens owned, citizens-influenced and controlled companies.

A number of statutory instruments have been issued in line with the provisions of the Act: These include:

- i) The introduction of Reservation Schemes under the provisions of Section 21 (1) and (2) of the Citizens Economic Empowerment Act No.9 of 2006 for the Poultry sector and Domestic Haulage by reserving these sectors for Citizens, Citizen Influenced, Empowered and Owned Companies. The Citizens Economic Empowerment (Reservation Scheme), Regulation 2017 statutory instrument was signed in 2017 to effect the reservation scheme measures.

The measures are intended to be applied as follows:

Poultry Sector

- (a) The selling of live birds in markets and other public places designated is restricted to citizens, citizen influenced, empowered and owned companies;
 - (b) Domestic Haulage for all public procurements will be reserved for citizens, citizen influenced, empowered and owned companies. This measure will take effect with the issuance of the Statutory Instrument.
- ii) Citizens Economic Empowerment (Preferential Procurement), Regulation 2011

A state institution may, in evaluating a bid, is required to adjust a bid price in order to facilitate preferential procurement of a bid as follows:

- (a) For a citizen influenced company by 4%
- (b) For a citizen empowered company by 8%
- (c) For a citizen owned company by 12%
- (d) For domestically manufactured goods by a citizen-influenced company, citizen empowered company by 15%

iii) 20% sub contracting policy

Government has also put in place a policy that requires that a minimum of 20 percent of all Government-funded road contracts awarded by the Road Development Agency (RDA), Local Road Authorities (LRAs) and other Government institutions should be executed by Zambian citizen-owned companies in line with the shareholding structure specified in the Citizens Economic Empowerment Act No. 9 of 2006,

Other measures include the enactment of the **Movable Property (Security Interest) Act, 2016**. This law among other things, aim at enhance the availability of low-cost secured credit to allow debtors to use the full value inherent in their assets to support credit. This, in essence, means that the use of movable property as collateral for credit will facilitate increased access to financing for micro, small and medium-scale enterprises.

7.2 What measures has the Government provided to protect local industry and promote consumption of local products

The Government, through the Ministry of Commerce, Trade and Industry (MCTI) is currently working on the Local Content Policy. The policy is current in draft form.

In the past, it has been difficult for the country to effect some protective measures due to the commitments to international and regional trade protocols. Zambia is party to a number of international and regional trade treaties that promote free and fair trade practices.

In March 2017 Government banned the importation of some fruits and vegetables to promote production and grow the market for local farmers. The banned agricultural produce includes tomatoes, onions, carrots, mangoes, potatoes, pineapples, lemons and watermelons. In no time, the Government reversed the ban on the importation of vegetables and fruit and cited Common Market for Eastern and Southern Africa (COMESA) trade protocols

7.3 What is the level of local participation of Zambians in Multinational Companies at both in management and as suppliers of goods and services?

There is no readily available data relating to the local participations of Zambians in multinationals in management. However, the common practice by multinationals has been to reserve the key positions of Chief Executive Officer (CEO) and Chief Financial Officer (CFO) for foreigners. Zambians are participating at management levels in multinational in positions such as marketing, human resource and corporate affairs. The Government is also implementing a *Zambianization* policy that limits the period in which an expatriate can occupy a local position as follows:

- *At inception, employers shall indicate the maximum period for which any expatriate worker is required at the company. In the case of a professional job position, the Department of Immigration in consultation with the relevant Professional body will make the final ruling on the maximum period;*
- *Relevant Professional bodies shall provide guidance regarding the periods required for a Zambian of any particular level of qualification and experience to assimilate the necessary skills to be able to take up a given position occupied by an expatriate. An Employment permit shall not be extended beyond this period;*
- *A copy of a succession plan clearly stating the names of those to understudy the expatriate should at all times be attached to such applications.*

In terms of supply of goods and services, local participation is on the lower sides in many sectors. There are still challenges with regard to local participation in the supply of goods and services. For example, the supply of manufactured goods to the mining sector (Table 3), local participation is very low across all the product lines. For basic manufactured good, wholly locally owned companies supply a paltry 13%. For chemicals, explosives, fuel, oils, plant and equipment parts supply installation and maintenance services wholly Zambian companies supply only 5%. The other problem is that the local supply chain has become increasingly populated by service providers. Whilst some of these provide value added services such as electrical and mechanical engineering services, most are pure traders which contribute very little in terms of value addition, technological innovation, employment and, often, taxation (Roberts, et al, 2015).

Table 3: Participation of local firms in the mining sector

CATEGORY OF SUPPLIER	MAIN PRODUCTS & SERVICES	PROPORTION OF MINING		SHARE OF MINING BUSINESS BY NATIONALITY OF		
		Value (US \$,000)	%	Foreign Owned With Local Base (1)	Overseas Based (2)	Wholly Local (3)
1	Mining services (production and technical)	875,000	35	700,000 (80%)	157,500 (18%)	17,500 (2%)
2	Chemicals, explosives, fuel, oils, plant and equipment parts supply installation and maintenance services	1,000,000	40	850,000 (85%)	100,000 (10%)	50,000 (5%)
3	Basic (low tech) manufactured goods supply and engineering services	125,000	5	46,250 (37%)	62,500 (50%)	16,250 (13%)
4	Security, cleaning, catering	500,000	20	400,000 (80%)	75,000 (15%)	25,000 (5%)
Total		2,500,00	100	1,996,25	395,00	108,75
Per cent of		100		79.8	15.8	4.4

Source: Roberts et al, 2015³

The above picture holds for most of the industries in Zambia including supermarket supply chains, light manufacturing, and construction among others.

³ Fessehaie, J., Nair, R., Ncube, P., Roberts. S, (2015), Growth Promotion through Industrial Strategies in Zambia, International Growth Centre

8 Recommend the way forward

The following are the main take home messages to achieve inclusive growth:

1. On Inclusive Growth and Inequality:

- a) **Improve human capital and develop infrastructure:** Zambia needs to invest massively in health and education. There is need to deliberately improve the quality of primary and secondary education while increasing the number of places at tertiary levels.
- b) **Decentralise as a way to spread economic growth:** Decentralisation holds a lot of potential for supporting economic growth at the lowest level. The implementation of the decentralisation policy should be expedited
- c) **Implement the budget and planning bill:** Zambia needs to implement the budget and planning bill for the budget process to be effective in contributing to inclusive growth and reducing inequality. The budget and planning bill will set guidelines regarding budget resources management which is likely to improve efficiency.

2. On Business Issues

a) Introduction of a local content policy;

The government needs to facilitate local firms' entry into the supply value chains. This can be achieved by introducing a local content policy that requires industries such as supermarkets and the mining sector to allocate a quota of procurement of goods to local processed goods. The development of such a policy will require the participation of both the government and the private sector in order to collectively agree on the proportion to be allocated, the product quality, and the assessment of local capacity. This will ensure that such a policy is embraced by all stakeholders and meets with no resistance from large firms.

b) Harmonization of ZABS standards with those in regional markets;

The standards governing the quality, packaging, and safety of Zambian products to a large extent affect the competitiveness of these products, and consequently the ability of local firms to supply supermarkets as well as regional markets. Over time, ZABS should gradually enhance the mandatory standards for processed goods to

bring them up to par with international standards in the region and other advanced standards

c) Access to finance;

The provision of affordable and adequate finance to local suppliers would allow them to acquire machinery and invest in technological knowhow for the manufacture of sufficient volumes of timely, consistent, innovative, competitive, quality, well-packaged products. It is therefore imperative for the government to improve the policy and regulatory environment in order to strengthen financial institutions such as micro-finance institutions, as well as to encourage cooperatives for greater competition and cheaper finance. The establishment of venture capital finance with contributions from the government and private sector should also be encouraged with the aim of building local capacity. Financial players can also be motivated to further improve access to finance by offering products such as factoring schemes where buyers act as guarantors for suppliers to the bank.

d) Establishment of a supplier development fund:

The lack of skills remains one of the major constraints faced by most domestic firms that hinder the development of supplier capabilities and consequently limit participation in supply value chains. The establishment of a supplier development fund financed could empower local Zambian suppliers to build capacities and capabilities that would enable them to fully participate effectively.