



International
Labour
Office
Geneva

Employment Sector Employment Report No. 22

2013

The enabling environment for sustainable enterprises in Zambia

Maria Sabrina De Gobbi
with contributions from Rose Anang

Small Enterprise
Programme

Job Creation and
Enterprise
Development
Department

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First published 2013

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ILO Cataloguing in Publication Data

Employment report No.22 ISSN 1999-2939 (print); ISSN 1999-2947 (web pdf)

De Gobbi, Maria Sabrina; Anang, Rose

The enabling environment for sustainable enterprises in Zambia / Maria Sabrina De Gobbi ; with contributions from Rose Anang ; International Labour Office, Employment Sector, Small Enterprise Programme, Job Creation and Enterprise Development Department. - Geneva: ILO, 2013
xiv, 87 p.

International Labour Office. Employment Sector.

sustainable development / enterprise development / promotion of employment / social dialogue / role of ILO / Zambia

03.02.3

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Printed in Switzerland

Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on *Social Justice for a Fair Globalization*,¹ and which has now been widely adopted by the international community. The integrated approach to do this was further reaffirmed by the 2010 Resolution concerning the recurrent discussion on employment.²

In order to support member States and the social partners to reach this goal, the ILO pursues a Decent Work Agenda which comprises four interrelated areas: Respect for fundamental worker's rights and international labour standards, employment promotion, social protection and social dialogue. Explanations and elaborations of this integrated approach and related challenges are contained in a number of key documents: in those explaining the concept of decent work,³ in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda and, as applied to crisis response, in the Global Jobs Pact adopted by the 2009 ILC in the aftermath of the 2008 global economic crisis.

The Employment Sector is fully engaged in supporting countries placing employment at the centre of their economic and social policies, using these complementary frameworks, and is doing so through a large range of technical support and capacity building activities, policy advisory services and policy research. As part of its research and publications programme, the Employment Sector promotes knowledge-generation around key policy issues and topics conforming to the core elements of the Global Employment Agenda and the Decent Work Agenda. The Sector's publications consist of books, monographs, working papers, employment reports and policy briefs.⁴

The *Employment Reports* series is designed to disseminate the main findings of research initiatives undertaken by the various departments and programmes of the Sector. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.



José Manuel Salazar-Xirinachs
Executive Director
Employment Sector

¹ See http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf

² See http://www.ilo.org/public/libdoc/ilo/2010/110B09_108_engl.pdf

³ See the successive Reports of the Director-General to the International Labour Conference: *Decent work* (1999); *Reducing the decent work deficit: A global challenge* (2001); *Working out of poverty* (2003).

⁴ See <http://www.ilo.org/employment>

Foreword

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. The conclusions of this discussion provided an important contribution agreed by the ILO's tripartite constituency of governments, employers' and workers' organizations on how to promote enterprise development in a manner that aligns enterprise growth with sustainable development objectives and the creation of productive employment and decent work. The conclusions called for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion on the promotion of sustainable enterprises identified 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report analyses how Zambia performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in the country. The report incorporates the results of a national opinion or perceptions survey conducted in the country from December 2012 to February 2013 and focusing on 8 of the 17 pillars.

The report is designed to stimulate debate and to provide an evidence base for policy reforms for an environment more conducive to the promotion of sustainable enterprises in Zambia. In particular, the report has been used to identify priority areas of policy reform to support the dialogue, advocacy and public policy work of the social partners in the country. A complementary action plan based on the findings of this report will ensure the implementation of specific measures aimed to improve the enabling environment for sustainable enterprises in Zambia.

The present report has greatly benefited from inputs from tripartite participants to two national workshops held in September 2012 and April 2013, respectively, and from in-depth interviews and focus group discussions organized in September 2012.

The Zambia Federation of Employers (ZFE) ought to be thanked for initiating the request to the ILO for the EESE assessment, and for helping to facilitate and lead the implementation of activities since their inception. The contributions of Mr. Martin Clemenson, Ms. Belinda Chanda, Ms. Anjali Patel, and Ms. Mwansa Kawesha from the ILO Lusaka Office during the entire implementation process of the assessment of an enabling environment for sustainable enterprises in Zambia is very much appreciated. Special appreciation is also due to Mr. David Gómez and Ms. Analee Pepper for their invaluable research assistance and to Ms. Analee Pepper and Ms. Annie Guyon for editing and formatting this report. The authors are grateful to Ms. Mwila Chigaga, Mr. Farid Hegazy, Ms. Naomi Lintini and Mr. Tapera Muzira for their useful comments. Mr. Hilary Hazele Chilala from the Zambia Federation of Employers (ZFE), Ms. Mwenya Kapasa from the Zambia Congress of Trade Unions (ZCTU) and Mr. Victor Chikalanga from the Ministry of Labour and Social Security ought to be sincerely thanked for their approval and final review of this paper.

The views expressed in the report are the sole responsibility of the authors and do not represent those of the ILO or the social partners in Zambia. Similarly, any errors or omissions are the sole responsibility of the authors.

Markus Pilgrim
Manager
Small Enterprise Programme

Peter Poschen
Director
Job Creation and Enterprise
Development Department

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Abbreviations and acronyms

ARIPO	African Regional Industry Property Organisation
BDS	Business Development Services
COMESA	Common Market for Eastern and Southern Africa
FFTUZ	Federation of Free Trade Unions of Zambia
NAMSC	National Association for Medium and Small Scale Contractors
OSH	Occupational Safety and Health
SADC	Southern African Development Community
SNDP	Sixth National Development Plan
TEVET	Technical Educational, Vocational and Entrepreneurship Training
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZCSMBA	Zambia Chamber of Small and Medium Business Associations
ZCTU	Zambia Congress of Trade Unions
ZDA	Zambia Development Agency
ZEMA	Zambia Environmental Management Agency
ZFE	Zambia Federation of Employers
ZFWIB	Zambia Federation of Women in Business

Executive summary

In June 2007, the International Labour Conference (ILC) discussed the promotion of sustainable enterprises. This calls for the strengthening of the institutions and governance systems which nurture enterprises. Strong and efficient markets need strong and effective institutions. Promoting sustainable enterprises is also about ensuring that human, financial and natural resources are combined equitably and efficiently in order to achieve innovation and enhanced productivity.

The conclusions reached at the 2007 ILC discussion identified 17 pillars for an environment conducive to the promotion of sustainable enterprises. This report is based on these conclusions. It analyses how Zambia performs with respect to each pillar, with the aim of assessing the relative strengths and weaknesses of the enabling environment for sustainable enterprises and employment in the country. The assessment described in this report is based on secondary data, a literature review, focus group discussions and in-depth interviews with relevant national stakeholders, and technical inputs provided by representatives of tripartite stakeholders during two technical workshops held in Lusaka in September 2012 and April 2013. It also takes into account the results of a perceptions survey conducted in Zambia between November 2012 and February 2013 and which focused on 8 of the 17 pillars.

To further enhance the readability of the report, summaries have been included at the beginning of each chapter (see page 3 for political, page 15 for economic, page 57 for social, and page 82 for environmental elements) with a graphical presentation of the most relevant indicators for the respective chapter comparing Zambia to its neighbouring countries and summarizing the main chapter findings.

Political elements

Zambia has experienced broad political stability and has been classified as a peaceful country based on relatively low levels of violence and crime within the country and external factors such as military expenditures and wars. However, some secondary data shows that its political stability is rather weak, as reflected by its poor performance in the indicator “Political Stability and Absence of Violence/Terrorism”. It has a democratic government with a multiparty parliament. In 2011, President Michael Sata was elected, unseating the former government which had held power for 20 years. In the area of good governance Zambia is rather weak, though its neighbour countries, Malawi, Mozambique and Tanzania, do not perform any better. Corruption is a major problem despite recent efforts to improve the situation.

Despite scanty data, the EESE assessment reveals that social dialogue in Zambia is more vibrant and developed than in Mozambique and Tanzania, and similar to that of Malawi. The Zambian Constitution provides for freedom of association. However, some limits exist. Tensions between workers and management have increased over the past few years, especially in Chinese-owned mining companies. Concerning the respect of universal human rights and international labour standards, Zambia has ratified 8 of the 9 main human rights conventions and all 8 ILO core conventions on freedom of association and collective bargaining, the abolition of child labour, forced labour, and all forms of discrimination. However, child labour remains widespread, particularly in rural areas. In addition, discrimination against women and persons with disabilities is a relevant human rights concern in Zambia.

Economic elements

Over the past decade, Zambia has recorded high growth and macroeconomic stability, and is expected to continue in this direction. In 2011, its economic growth rate was 6.46 per cent, which is higher than the Sub-Saharan Africa average of 4.72 per cent in the same year. Nonetheless, poverty remains widespread with about 60 per cent of the population living below the poverty line in 2010. In Zambia, growth is concentrated in highly capital intensive or urban-based sectors, such as mining, construction and services. The large majority of the poor depend on agriculture, but this sector has not recorded significant growth over the past few years. In an effort to improve the current situation, in 2012 the Government of Zambia launched the Industrialization and Job Creation Strategy to facilitate foreign and local investments for employment creation, focusing on the development of agriculture, tourism, construction, and manufacturing. In 2006, Zambia adopted a long-term development plan called “Vision 2030” which sets the economic and social goals and targets to be achieved over the next generation. The main objective of the plan is for the country to reach middle-income status by 2030. Zambia became a middle-income country in July 2011. The implementation of Vision 2030 is articulated through the adoption of five-year development plans, the most recent of which is the Sixth National Development Plan (SNDP) covering the period 2011-15. The SNDP focuses on sustained economic growth and poverty reduction. Information on the employment situation in Zambia is very scanty due to the large size of the informal economy. In 2009, only 11 per cent of the total labour force was employed in the formal sector. According to ILO data, the “Labour Force Participation Rate” in the country has been decreasing since 2005. It was 80.1 per cent in that year and decreased to 79.8 per cent in 2010. The EESE survey reveals that for the largest shares of interviewees, corporate tax rates and interest rates in Zambia do not encourage business growth. Furthermore, the largest proportions of respondents believe that VAT and PAYE rates have little impact on enterprise expansion.

Zambia’s performance in the area of trade has been rather strong. Its trade policy aims to boost domestic productivity mainly through export promotion. The SNDP emphasizes trade liberalization, the promotion of economic diversification and export-led growth. Zambia performs particularly poorly when it comes to the number of days it takes to import and export, where its neighbouring countries used for comparison require fewer days. Zambia performs rather well in attracting foreign direct investment, and has built a solid policy framework over time.

Despite improvements registered over the past few years, Zambia does not perform well in the area of a legal and regulatory framework conducive to business creation and growth. Considering the Ease of Doing Business Index, the country has improved from 2008 to 2012, moving from 116 to 94 in a ranking from 1 to 185. The Government of Zambia introduced several reforms over the past few years, including infrastructure improvements, streamlining procedures and minimizing legal requirements to start a business. The one-stop shop is considered to be a very successful measure. However, many constraints still remain. The EESE perception survey indicates that interviewees think the regulatory environment is rather favourable for running large companies, and unfavourable for running small firms. Moreover, the majority of respondents believe that registration costs encourage informality and contribute to women dominating the informal economy.

The situation in terms of rule of law and secure property rights is rather negative and similar to that of other neighbouring countries. Nonetheless, Zambia performs rather well in the areas of definition and legal protection of property rights and intellectual property protection. Zambia’s performance on fair competition is positive, where indicators in this area present an encouraging picture, and since 2009 the country has had a national Competition and Consumer Policy. However, anti-competitive behaviours are

still recorded in the telecommunications, agriculture, mining, sugar, beer, cement, energy, and banking sectors. The various indicators considered reveal a relatively negative picture in the area of information and communication technologies (ICT). This sector in Zambia is generally characterized by low competition and high prices. However, recent measures introduced by the Government are yielding positive results. In addition, Zambia has a clear policy and legal framework regulating ICT. Over 47 per cent of respondents of the EESE survey assess ICT as they affect operating a business effectively and efficiently as “good” and about 37 per cent of them define them as “satisfactory”.

Financial services are largely inaccessible to businesses in Zambia. The EESE survey indicates that the general emerging perception is that it is more difficult for small businesses to get credit compared to large firms. Furthermore, although reliable sources of information clearly show it is more difficult for women to obtain loans compared to men, 51.6 per cent of respondents of the EESE survey believe that women and men have equal access to financial services. Considering adult women and men, young women and young men, and youth aged 15-25 in general, the latter group is perceived by 30 per cent of respondents to have the most difficulty accessing formal credit.

Physical infrastructure development is a key area where major efforts should be concentrated for economic growth and prosperity in the country. Roads and railways seem to be in particularly poor conditions. Moreover, despite the fact that secondary data indicate that as of 2010 a percentage as high as 61 per cent of the total population had access to improved water sources, primary information reveals that access to clean water is still a serious issue in Zambia. Despite the improvements registered in recent years, the lack of a reliable and cost-effective power supply remains a key issue in the country.

Social elements

Promoting an entrepreneurial culture is key to increase awareness of the potential of business as an alternative to waged employment in government or the private sector. Not much information is available on entrepreneurial culture in Zambia, though it seems that a culture favourable to entrepreneurship exists in the country. The EESE survey reveals that for 34.2 per cent of respondents, the general attitude among young people (men and women aged 15-24) towards entrepreneurship is “positive” to “very positive”. Interestingly, for the same share of interviewees, it is “neutral”. The Government is strongly promoting entrepreneurial culture, particularly for youth, through the implementation of several initiatives. Compared to Malawi, Mozambique and Tanzania, Zambia has spent the least on education over the past few years. The decline over time in Government spending in this area resulted in lower quality of education, with poorly trained teachers and overcrowded classrooms. In Zambia, school drop outs are non-negligible, particularly for girls in rural areas. The gender gap becomes particularly sharp at the tertiary education level, where in 2005 there were more than twice the number of male students compared to females. The Zambia EESE survey reveals that 48.6 per cent of respondents believe that workers generally have the skills demanded by business in the country. In addition, 42.6 per cent of interviewees claim that tertiary and vocational education in Zambia “meets some needs” of the business community and 41.8 per cent state that it “meets most needs”.

In the area of social justice and social inclusion, over the past decades, Zambia has worsened towards a less equal distribution of income. This trend has led to a rather worrying situation where Zambia is a middle-income country with over half of its population living below the poverty line. A major factor accounting for the present situation is the natural resources-based and capital-intensive growth experienced by the country in recent years. This has provoked the Government to prioritize job-rich growth, poverty alleviation and a more equal distribution of income. Progress towards gender

equality has been slow mainly due to unfavourable customary practices. Moreover, in general, women are less educated than men which lowers their employment prospects. Regarding employment opportunities, the EESE survey reveals that about 58 per cent of interviewees think that access is equal between men and women, but over 31 per cent find that men are favoured.

Social protection in Zambia is rather poor. However, the SNDP envisages the development of a national social protection policy, a universal old-age pension scheme, and national social health insurance. Over 51 per cent of respondents of the Zambia EESE survey consider maternity protection in the country as “satisfactory”. Respondents of the Zambia EESE survey were asked to express their views on the likely impact of paternity leave on business in general. The prevailing trend is that such impact would be “negative” (37.8 per cent) to “very negative” (18.4 per cent).

Environmental elements

Zambia has a clear policy and legal framework for safeguarding the environment. However, enforcement of these acts and policies is weak, especially because of the lack of human and financial resources. Environmental degradation is also an issue because, while legal provisions in industrialized countries impose compensation requirements for pollution, in Zambia financial and fiscal incentives to attract foreign investors have traditionally spared companies enormous financial charges, particularly in the extractive industry. Mining is an extremely polluting activity, negatively affecting the air, water and land.

Assessment results and ways forward

The final results of the assessment of the enabling environment for sustainable enterprises in Zambia indicate that there is scope for improving the situation in all of the 17 conditions. In order to maximize the impact of future actions, tripartite participants to the validation workshop on the preliminary findings of the EESE assessment identified 4 priority conditions out of 17, with “access to finance” being a cross-cutting theme:

- Physical infrastructure;
- education, training and lifelong learning;
- enabling legal and regulatory environment; and
- Adequate social protection.

At the April 2013 workshop, tripartite participants drafted an action plan based on these 4 conditions with specific outputs stemming from outcomes linked to priority areas and key players for action. The action plan will be finalized and adopted at a dissemination workshop to be held in May 2013 in the presence of high-level policy makers.

1. Introduction

The important role that the private sector plays in social and economic development led the International Labour Conference to discuss the concept of sustainable enterprises in June 2007. The promotion of sustainable enterprises ensures that human, financial and natural resources are combined equitably. An environment conducive to the creation and growth of enterprises on a sustainable basis must take into account the three dimensions of sustainable development – economic, social and environmental – as interdependent and mutually reinforcing pillars.

The 2007 International Labour Conference adopted conclusions for the promotion of sustainable enterprises and identified 17 conditions for an enabling environment. An environment conducive to the creation and growth of sustainable enterprises combines the legitimate quest for profit with the need for development that respects human dignity, environmental sustainability and decent work.

The same conclusions invite the ILO to focus its interventions on practical responses, including tools, methodologies and knowledge sharing, which are relevant to the social partners in their activities. This is why the ILO has developed a methodology to assess the degree to which the 17 conditions for an enabling environment for sustainable enterprises are met in different countries. This report describes the implementation of such an assessment in Zambia and is part of a series of country reports on the same topic. The report covers the political, economic, social, and environmental situation of the enabling business environment in Zambia. The political area comprises 4 of the 17 conditions, the economic includes 8, the social 4, and the environmental dimension consists of 1 condition.

An assessment of the enabling environment for sustainable enterprises in Zambia meets the existing need in the country to implement policies and strategies for national development. One of the priorities of the Sixth National Development Plan (SNDP) of Zambia is pro-poor growth through job creation and skills development, particularly for youth. In 2009, Zambia adopted a Micro, Small and Medium Enterprise Development Policy. In addition, in 2012 the Government of Zambia launched the Industrialization and Job Creation Strategy to facilitate foreign and local investments for employment creation focusing on the development of agriculture, tourism, construction, and manufacturing. The 2004 National Employment and Labour Market Policy aims to increase employment in decent working conditions. The draft Decent Work Country Programme 2012-2016 for Zambia seeks to increase employment opportunities for target beneficiaries within MSMEs in sectors with potential for economic and social progress. The EESE assessment described herein clearly contributes to the implementation of all these national policy documents.

The enabling environment for sustainable enterprises in Zambia was assessed through a careful review of secondary data, findings from a national perception survey of workers and employers (including owners and managers of companies), in-depth interviews and focus group discussions with relevant stakeholders in the country, and supplementary information from published and unpublished materials. The perception survey was conducted from December 2012 to February 2013 by Equilibria, a consulting firm, and in particular by Mr. Caesar Cheelo and Mr. Themba Munalula, with the support

of a team of recent graduate students. The survey focused on 8 of the 17 conditions, which were selected to be prioritized at a tripartite workshop held in September 2012.⁵

A total of 184 formal enterprises were sampled. Respondents numbered 368 in total, 65.6 per cent of whom were men. Of all interviewees, 96 per cent were formally employed. Some 58.3 per cent of respondents were workers/employees and the remainder were employers/managers. Data were also disaggregated by age and size of the surveyed businesses. The majority of surveyed enterprises, 49.7 per cent, have been operational for 10 years or more, while about 20 per cent have been operational for 2-5 years. The remainder falls under the start-up category, with a year or less of operations (7.6 per cent) and a fourth category comprising enterprises that have been operational for 6-9 years. As far as the size of surveyed firms is concerned, the majority, 40 per cent, were small enterprises employing 1-50 persons, and 33.2 per cent were large enterprises with over 100 employees. Medium-size firms with 50-100 employees made up 14 per cent. Respondents were employed in companies falling under the following sectors: 27.7 per cent manufacturing; 15.3 per cent finance and insurance; 11.2 per cent tourism, hotel and restaurants; 10 per cent agriculture, hunting, forestry, and fishing; 9.6 per cent transport, storage and communication; 8 per cent construction; 7 per cent education and health; 3.3 per cent mining, drilling and quarrying; and 7.7 per cent classified as other. The survey was conducted in 4 cities/areas: Lusaka, Copperbelt, Central Region, and Southern Region.

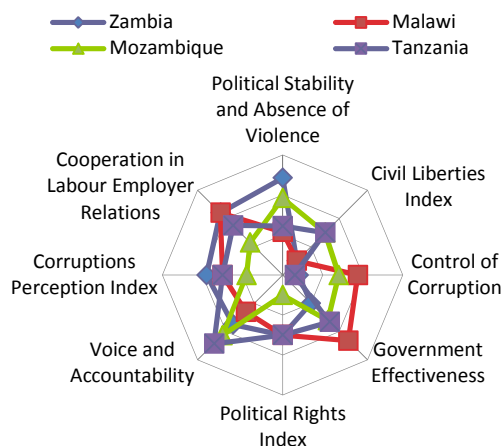
This report also benefited from inputs and detailed comments received at two technical tripartite workshops (inception and validation workshops respectively) held in September 2012 and April 2013 in Lusaka.

The assessment described in the present report has certain shortcomings which should be kept in mind. Secondary data on Zambia is sometimes missing, is available for only one or few years, or is not up-to-date. This is particularly the case for social and political indicators, where, for instance, there is no data for Zambia concerning “Union Density”, “Enterprises Belonging to Employers’ Organizations Rate” or “Collective Wage Bargaining Coverage Rate”. Furthermore, it is sometimes difficult to identify appropriate indicators to measure specific EESE conditions, as in the case of “entrepreneurial culture” where only two indicators have been identified, and only one of which has data on Zambia. Primary data also presents some limitations. The sample size of the EESE survey is not particularly large and general conclusions are to be drawn with caution. In addition, some questions may have been interpreted in different ways, and key notions used in questions may have been given alternative meanings by respondents. To overcome these and other limitations, the authors have used information from available national and international literature, and have benefited from the inputs of focus group discussions with national stakeholders and with national tripartite participants during technical workshops.

⁵ These are “physical infrastructure”, “education, training and lifelong learning”, “access to financial services”, “sound and stable macroeconomic policy and good management of the economy”, “enabling legal and regulatory environment”, “adequate social protection”, “social justice and social inclusion”, and “entrepreneurial culture”.

2. Political elements

Indicators* assessing political elements of the enabling environment for sustainable enterprises for 2011*



* the values for the individual indicators have been harmonized for better presentation. The original indicator values are included in the chapters.

** latest available data allowing a cross-country comparison.

Key findings:

- Zambia has experienced broad political stability and has been classified as a peaceful country based on relatively low levels of violence and crime within the country and external factors such as military expenditure and wars. Some secondary data reveals weak political stability.

- After gaining independence from Great Britain in 1964, Zambia's leadership introduced single-party socialism and central planning of the economy. Zambia currently has a democratic government with a multiparty parliament.
- Although government increased anti-corruption efforts through improving the implementation of the National Anti-Corruption Policy, increasing the financial and human resources to the Anti-Corruption Commission and in 2012 adopting an Anti-Corruption Act, corruption remains widespread.
- Social dialogue is relatively good in Zambia, although there are limits in exercising freedom of association. A Tripartite Consultative Labour Council comprising 21 representatives of workers, employers and the government advises the government on labour related matters and the council works effectively, holding quarterly meetings.
- The situation in terms of respect for universal human rights and international labour standards is comparatively good. The Government of Zambia has ratified 8 of the 9 Human Rights Conventions and all 8 of the fundamental ILO Conventions.
- Although with the ratification of the convention prohibiting and eliminating the Worst Forms of Child Labour, the Anti-Gender Based Violence Act of 2011, the Persons with Disabilities Act of 2012 government has put in place the necessary legal framework, child labour and discrimination against women and persons with disabilities remain quite widespread.

2.1. Peace and political stability

Peace and political stability are key conditions for the creation and development of sustainable enterprises. Zambia has experienced broad political stability and has been classified as a peaceful country, based on relatively low levels of violence and crime within the country and external factors such as military expenditure and wars. According to the Global Peace Index (IEP), in 2012 Zambia ranked 51 out of 158 countries⁶. It gained independence from Great Britain in 1964 and remained under the leadership of Dr. Kenneth Kaunda for three decades. Dr. Kaunda introduced single-party socialism and central planning of the economy. In 1991, a constitutional amendment led to a multi-party system and a change in leadership. Zambia has a democratic government with a multiparty parliament and has experienced various presidential changes since independence. In 2011, President Michael Sata was elected, unseating the former Government which had held power for 20 years.⁷

Data on “Political Stability and Absence of Violence” assesses countries’ political stability on a scale from -2.5 to 2.5 where higher values correspond to better performance. Considering this data, Zambia does not perform very well over time, remaining at values slightly above 0 over the period 2006-2011, and reaching a value of 0.47 in the latter year. It is however to be noted that none of the three neighbouring countries used for comparison performed any better than Zambia.

Key Indicator

Political stability and absence of violence/terrorism		2006	2007	2008	2009	2010	2011
The likelihood that the Government will be destabilized by unconstitutional or violent means, including domestic violence and terrorism. Source: World Bank, Governance Matters database.⁸	Zambia	0.36	0.35	0.46	0.56	0.49	0.47
	Malawi	0.11	0.06	-0.06	0.05	0.06	-0.07
	Mozambique	0.52	0.34	0.37	0.56	0.33	0.27
	Tanzania	-0.32	-0.35	-0.20	0.06	-0.03	-0.01
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						

2.2. Good governance

Good governance, the absence of corruption, and efficient institutions foster entrepreneurship and promote private sector growth and development. In general, Zambia does not perform well in this area. “Control of Corruption” measures the extent to which public power is exercised for private gain and the extent to which the state is captured by elites and private interests. On a scale from - 2.5 to 2.5 where higher values reflect better performance, over the period 2006-11 Zambia maintained relatively stable negative levels, reaching only - 0.51 in 2011. Its three neighbouring countries used for

⁶ Institute for Economics & Peace. 2012. [Global Peace Index](#). Accessed 23 April 2013.

⁷ BBC. 2012. [Zambia Profile](#). 9 November. Accessed on 9 November 2012.

⁸ <http://info.worldbank.org/governance/wgi/>

comparison do not perform much better, though only Tanzania registered a slightly lower value than that of Zambia in the same year. The “Corruption Perceptions Index” confirms this emerging, negative picture. On a scale from 0 (“highly corrupt”) to 10 (“highly clean”), Zambia has slightly improved since 2006, but nonetheless, recorded a value of only 3.7 in 2012. Of its three neighbouring countries, only Malawi performs similarly to Zambia in the same year, whereas Mozambique and Tanzania recorded lower values. In 2007, Zambia ratified the United Nations Convention against Corruption and adopted the African Union Convention on Preventing and Combatting Corruption. The Southern African Development Community Protocol against Corruption was already ratified in 2003.⁹ Nevertheless, corruption is notably widespread in Zambia. In 2010, some donors, including the Dutch and Swedish cooperation agencies, the European Union, and the Global Fund to fight Aids, Tuberculosis and Malaria, withheld considerable funding due to corruption.¹⁰ The World Bank 2008 Investment Climate Survey reveals that 14.3 per cent of surveyed enterprises expected to pay public officials to do business, and 27.4 per cent of them expected to give gifts to secure government contracts. For about 12 per cent of interviewees, corruption was a major constraint in doing business.¹¹ Furthermore, the 2009 FinMark Trust Zambia Business Survey indicates that for about 20 per cent of surveyed companies (including SMEs and large firms), corruption was a serious obstacle to doing business.¹²

After his election, President Sata increased anti-corruption efforts.¹³ Indeed, the implementation of the National Anti-Corruption Policy, which was passed in 2009,¹⁴ has recently been improved. Financial and human resources to the Anti-Corruption Commission have increased and in 2012 an Anti-Corruption Act was adopted.¹⁵ However the Commission is reportedly characterized by political interference and selective prosecution targeted at the opposition party.¹⁶

⁹ U4 Anti-Corruption Resource Centre. (undated). Overview of Corruption in Zambia-U4 Expert Answers. Transparency International; U4 Anti-Corruption Resource Centre; Chr. Michelsen Institute (CMI).

¹⁰ BBC. 2010. [Global Fund freezes Zambia aid over corruption concern](#). BBC News Africa, 16 June. Accessed on 9 November 2012.

¹¹ World Bank. 2009. Zambia Investment Climate Assessment Report. Regional Program on Enterprise Development. World Bank.

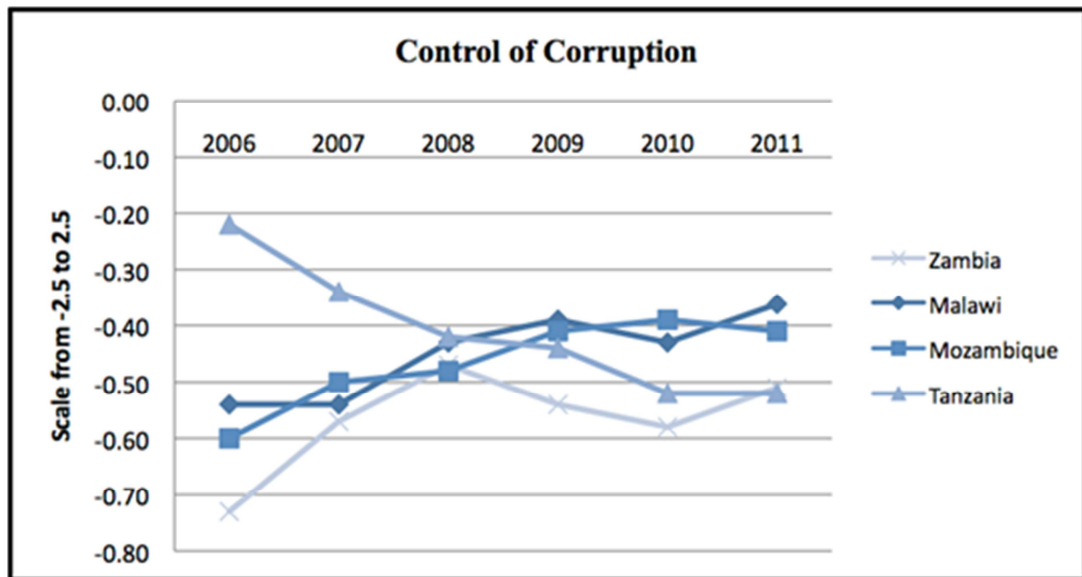
¹² Clarke, G.C.; Shah, M.K.; Pearson Jr., R.V. 2010a. Zambia Business Survey: The business landscape for MSMEs and large enterprises in Zambia. FinMark Trust; Private Sector Development Reform Programme; World Bank Zambia Country Office; Zambia Business Forum, June.

¹³ Freedom House. 2012. [Freedom in the World: Zambia](#). Accessed on 19 November 2012.

¹⁴ Anti-Corruption Commission Zambia. 2011. [National Anti-Corruption Policy](#). ACC News. Accessed on 5 December 2012.

¹⁵ Anti-Corruption Commission Zambia. 2012. [Anti-Corruption Commission happy with milestones achieved in last year](#). ACC News. Accessed on 5 December 2012.

¹⁶ Input provided at a tripartite technical workshop held on 10-11 April 2013 in Lusaka for the validation of this report.



Source: World Bank, Governance Matters database.

“Government Effectiveness” measures the quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the Government’s commitment to such policies. In a range of values from -2.5 to 2.5 with higher values indicating better performance, Zambia maintains values below 0 over the period 2006-11. Again, its three neighbouring countries used for comparison do not perform substantially better in this regard, although Zambia registered the lowest value among the four in 2011 at -0.65. “Voice and Accountability” measures the extent to which citizens participate in selecting their government, as well as freedom of expression, freedom of association and a free media. Similar to Malawi, Mozambique and Tanzania, Zambia maintains levels below 0 over the period 2006-11, on a scale from -2.5 to 2.5 with higher values indicating better governance. The Zambian constitution guarantees freedom of speech. However, journalists practice self-censorship and can be confronted with legal and physical intimidation.¹⁷ In Zambia, there are both state-run and private radio and TV stations, and access to Internet is not restricted by the Government.¹⁸ There are about 30 radio stations, with the radio being the most popular form of mass media in the country. In 2007, 74 per cent of men and 59 per cent of women aged 15-49 listened to the radio at least once a week.¹⁹ There are several local radio stations and newspapers. Two very popular newspapers are controlled by the Government. Although the public media has never been entirely independent of government influence, there have been improvements since the election of President Sata.²⁰

Until September 2011, when opposition leader Michael Sata became president of the country, opposition parties could operate but were often subject to intimidation and

¹⁷ BBC. 2012.

¹⁸ Ibid.

¹⁹ Van Klaveren, M.; Tijdens, K.; Hughie-Williams, M.; Martin, N.R. 2009. [An overview of women’s work and employment in Zambia](#). Working Paper 09-08. University of Amsterdam, December. Accessed on 9 November 2012.

²⁰ Tripartite technical workshop, 10-11 April 2013.

violence.²¹ It is however argued that such prosecutions are still practiced at present. One example is the misuse of the Public Order Act to override people's right to associate, which has led the Law Association of Zambia to take the Government to court.²² Demonstrations are allowed provided that the police receive a one-week notice. While permission is not required, the police have often broken up protests because of lack of permits. Legislation passed in 2009 introduced constraints on NGOs and their activities, requiring registration and re-registration every 5 years.²³

Key Indicators

Control of corruption		2006	2007	2008	2009	2010	2011	
The extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests. Source: World Bank, Governance Matters database ²⁴ .	Zambia	-0.73	-0.57	-0.47	-0.54	-0.58	-0.51	
	Malawi	-0.54	-0.54	-0.43	-0.39	-0.43	-0.36	
	Mozambique	-0.60	-0.50	-0.48	-0.41	-0.39	-0.41	
	Tanzania	-0.22	-0.34	-0.42	-0.44	-0.52	-0.52	
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.							
Corruption Perceptions Index (CPI)		2006	2007	2008	2009	2010	2011	2012
The Transparency Inter-national CPI measures the perceived levels of public sector corruption as seen by business people and country analysts in a given country and is a composite index, drawing on different expert and business surveys. Source: Transparency International. ²⁵ *In 2012, Transparency International changed the CPI scale from 0-10 to 0-100. In the interest of comparison, the numbers reflected here for 2012 are thus altered, where the original score given is divided by 10.	Zambia	2.6	2.6	2.8	3.0	3.0	3.2	3.7
	Malawi	2.7	2.7	2.8	3.3	3.4	3.0	3.7
	Mozambique	2.8	2.8	2.6	2.5	2.7	2.7	3.1
	Tanzania	2.9	3.2	3.0	2.6	2.7	3.0	3.5
	The scores are on a scale from 0 (highly corrupt) to 10 (highly clean).							
Government effectiveness		2006	2007	2008	2009	2010	2011	
The quality of public services, the capacity of the civil service and its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. Source: World Bank, Governance Matters database. ²⁶	Zambia	-0.81	-0.71	-0.73	-0.76	-0.80	-0.65	
	Malawi	-0.81	-0.56	-0.54	-0.47	-0.43	-0.43	
	Mozambique	-0.54	-0.47	-0.48	-0.49	-0.52	-0.55	
	Tanzania	-0.34	-0.38	-0.48	-0.51	-0.50	-0.54	
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.							

²¹ Freedom House. 2012.

²² Tripartite technical workshop, 10-11 April 2013.

²³ Freedom House. 2012.

²⁴ <http://info.worldbank.org/governance/wgi/index.asp>

²⁵ http://www.transparency.org/policy_research/surveys_indices/cpi

²⁶ <http://info.worldbank.org/governance/wgi/index.asp>

Voice and accountability		2006	2007	2008	2009	2010	2011
The extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media. Source: World Bank, Governance Matters database.²⁷	Zambia	-0.22	-0.22	-0.18	-0.32	-0.26	-0.20
	Malawi	-0.25	-0.27	-0.25	-0.16	-0.21	-0.26
	Mozambique	-0.08	-0.07	-0.07	-0.09	-0.09	-0.15
	Tanzania	-0.20	-0.14	-0.18	-0.13	-0.11	-0.11
		Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

Other Useful Indicators

Political Rights Index		2009	2010	2011	2012	2013
The Political Rights Index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government. Source: Freedom House, The Freedom in the World Survey.²⁸	Zambia	3	3	3	3	3
	Malawi	4	3	3	3	3
	Mozambique	3	4	4	4	4
	Tanzania	4	4	3	3	3
		Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				
Civil Liberties Index		2009	2010	2011	2012	2013
The Civil Liberties index measures freedom of expression, assembly, association, and religion. Source: Freedom House, The Freedom in the World Survey.²⁹	Zambia	4	4	4	4	4
	Malawi	4	4	4	4	4
	Mozambique	3	3	3	3	3
	Tanzania	3	3	3	3	3
		Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.				

2.3. Social dialogue

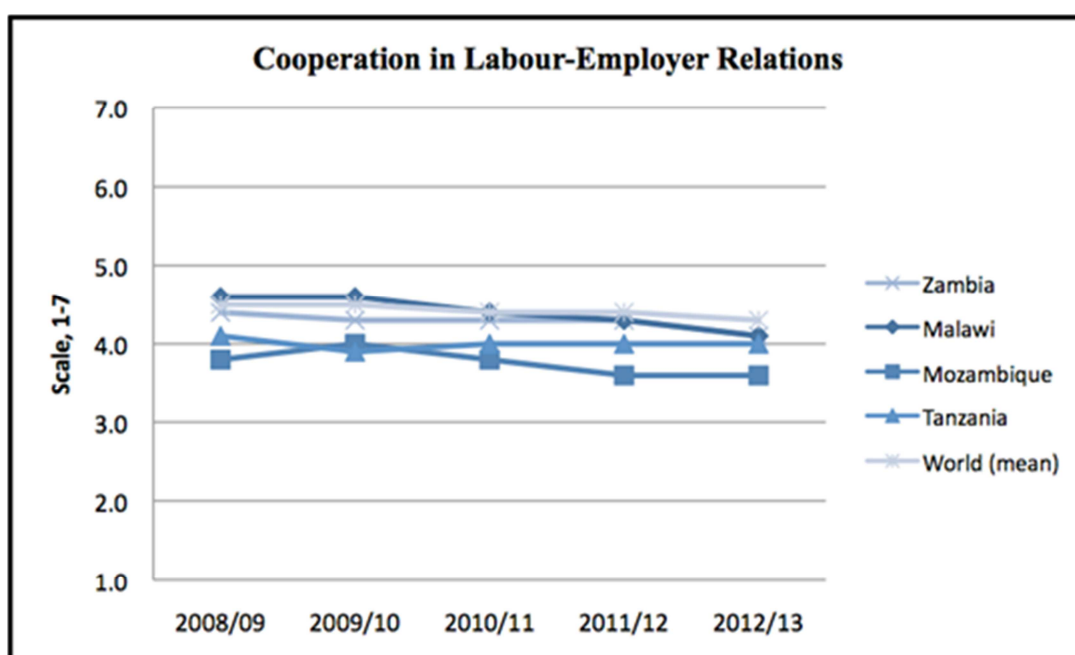
Social dialogue with freedom of association and the right to collective bargaining is fundamental for the achievement of effective, equitable and mutually beneficial outcomes for ILO constituents and society at large. Unfortunately, secondary data on social dialogue in the sub-region tends to be scanty. For example, for “Trade Union Density” there is no data on Zambia or Mozambique, and figures for the other two countries – Tanzania and Malawi – are available for only one year for each country. There is no data on “Enterprises Belonging to Employers’ Organizations Rate” or “Collective Wage Bargaining Coverage Rate” for any of the four selected countries. “Cooperation in Labour-Employer Relations” determines whether labour-employer relations are confrontational or cooperative on a scale from 1 to 7 with higher values

²⁷ <http://info.worldbank.org/governance/wgi/index.asp>

²⁸ <http://www.freedomhouse.org>

²⁹ Ibid.

indicating more cooperation. Zambia has registered decreasing levels, from 4.4 in 2008-09 to 4.1 in 2012-13. However, comparatively it maintains good levels similar to those of Malawi, better than those of both Mozambique and Tanzania, and just slightly below the 2012-13 world mean of 4.3.



Source: World Economic Forum Executive Opinion Survey.

Zambian trade unions are among the strongest in Africa. The two main ones are the Zambia Congress of Trade Unions (ZCTU) and the Federation of Free Trade Unions of Zambia (FFTUZ). Some two-thirds of the 300,000 employees who worked in the formal sector in Zambia in 2009 were trade union members. Considering both formal and informal workers, the unionization rate was about 10 per cent in 2006.³⁰ ZCTU operates democratically and independently from state interference.³¹ It is the largest trade union. It was founded in 1965 and currently represents 34 affiliated national unions.³² In 1996, the ZCTU decided to accept the membership of informal workers, the number of whom had been growing following the adoption of liberalisation measures. In 2004, an association of informal employees was allowed to join ZCTU as an affiliate member. It is to be noted that since the early 1990s, several associations grouping and representing informal workers have been established in Zambia. These organizations protect the interests of their members vis-à-vis local authorities.³³ The Zambia Federation of Employers (ZFE) was established in 1966.³⁴ Its membership is presently made up of 425 organizations with

³⁰ Van Klaveren et al. 2009.

³¹ Freedom House. 2012.

³² [Zambia Congress of Trade Unions](#).

³³ War on Want. 2007. Time for a new deal: Social dialogue and the informal economy in Zambia, July.

³⁴ [Zambia Federation of Employers](#).

over 250,000 employees. Its primary role is to protect the interests of employers on social and labour policies.³⁵

A Tripartite Consultative Labour Council comprising 21 representatives of workers, employers and the Government advises the Government on labour-related matters. Although its recommendations are not binding, the council seems to work rather effectively, holding quarterly meetings.³⁶

The Zambian Constitution provides for freedom of association. However, some limits exist. Workers in the prison service, judges, court registrars, and magistrates are out of the scope of the Industrial and Labour Relations Act, and the Minister of Labour has the power to exclude other categories of employees from the coverage of the act.³⁷ For these reasons, the ILO Committee of Experts on the Application of Convention and Recommendations has urged the Government of Zambia to modify the act. Unions must be registered and in order to do so, they must have at least 25 members. Anti-union discrimination is not allowed and workers who are dismissed because of union activities must be reinstated.³⁸ The right to join trade unions, strike and bargain collectively are regulated by law. However, strikes are subject to lengthy procedures and are therefore usually conducted illegally. In addition, strikes can be discontinued if the court considers them not to be in the public interest, at times leading to legal interpretations that are contrary to international labour standards.³⁹ There is a plan to review labour laws which would have a bearing on social dialogue.⁴⁰ In practice, labour exploitation is widespread in some sectors of the economy. Tensions between workers and management have increased over the past few years, especially in Chinese-owned mines due to poor working conditions, long working hours, low salaries, and unjust dismissals.⁴¹ In the private sector, collective bargaining takes place through joint councils or enterprise bargaining units.⁴² Collective bargaining is almost non-existent in the service and manufacturing sectors, and in small and medium-size enterprises. It is more vibrant in the mining, finance, partly agriculture, and public service sectors. Over 90 per cent of eligible public sector employees are covered by collective agreements.⁴³

³⁵ International Labour Organization. 2013. Zambia Decent Work Country Programme (2012-2016). Final draft.

³⁶ International Labour Organization. 2012a. [Towards a new growth strategy for employment, decent work and development in Zambia – National Conference](#). ILO; IMF; Government of Zambia (New Government Complex, Lusaka), May 21-22. Accessed on 23 January 2013.

³⁷ International Trade Union Confederation. 2012. [Annual survey of violations of trade union rights: Zambia](#). Accessed on 9 November 2012.

³⁸ International Trade Union Confederation. 2009. [Internationally Recognised Core Labour Standards in Zambia](#). Report for the WTO Central Council Review of the Trade Policies of Zambia. ITUC (Geneva), 27-29 July. Accessed on 12 November 2012.

³⁹ International Trade Union Confederation. 2012.

⁴⁰ Tripartite technical workshop, 10-11 April 2013.

⁴¹ International Trade Union Confederation. 2012.

⁴² International Trade Union Confederation. 2009.

⁴³ Van Klaveren et al. 2009.

Related Indicators

Cooperation in labour employer relations		2008/09	2009/10	2010/11	2011/12	2012/13
The World Economic Forum (WEF) Survey asked business leaders to provide their expert opinions on the following: "Labour-employer relations in your country are". Source: World Economic Forum Executive Opinion Survey. ⁴⁴	Zambia	4.4	4.3	4.3	4.3	4.1
	Malawi	4.6	4.6	4.4	4.3	4.1
	Mozambique	3.8	4.0	3.8	3.6	3.6
	Tanzania	4.1	3.9	4.0	4.0	4.0
	World (mean)	4.5	4.5	4.4	4.4	4.3
1 = generally confrontational, 7 = generally cooperative.						

2.4. Respect for universal human rights and international labour standards

Respect for human rights and international labour standards is a distinctive feature of societies that have successfully integrated sustainability and decent work. Zambia has adopted 8 of the 9 main human rights conventions.⁴⁵ It has not yet ratified the Convention on the Prevention and Punishment of the Crime of Genocide. Tanzania and Mozambique have also adopted 8 of the 9 main human rights conventions, while Malawi has ratified 7. The International Convention for the Protection of all Persons from Enforced Disappearance was ratified by Zambia in 2011. However, a major shortcoming is that Zambia failed to recognize the competence of the Enforced Disappearances Committee to receive and consider communications from all on behalf of victims or by other states.⁴⁶

All four countries have ratified the eight ILO core conventions on freedom of association and collective bargaining, and the abolition of child labour, forced labour and all forms of discrimination. However, forced labour, including of children, exists in Zambia, particularly in informal, labour intensive sectors such as domestic work, hotels, agriculture, and construction. Almost 92 per cent of total children aged 7-14 work in agriculture. About 4 per cent of children are employed in formal entities. Besides being a rural phenomenon, child labour is also concentrated in certain regions, such as in the Eastern and Northern provinces, where the shares of working children were 55 per cent

⁴⁴ <http://www.weforum.org/issues/global-competitiveness>

⁴⁵ These are the International Convention on the Elimination of All Forms of Racial Discrimination, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights, the Convention on the Elimination of All Forms of Discrimination against Women, the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, the Convention on the Rights of the Child, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, the International Convention for the Protection of All Persons from Enforced Disappearance, and the Convention on the Rights of Persons with Disabilities.

⁴⁶ Amnesty International. 2011. [Zambia becomes the 25th state party to the International Convention for the Protection of All Persons from Enforced Disappearance but fails to make crucial declarations](#). Amnesty International Public Statement, 20 April. Accessed on 9 November 2012.

and 52 per cent respectively in 2008.⁴⁷ Government efforts to combat child labour focus on agriculture through the action of labour inspectors and NGOs. Zambia ratified ILO Convention 182 concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour, but has not yet adopted a list of occupations where forms of child labour are most prevalent.⁴⁸

The human rights situation in Zambia can also be assessed considering other indicators. The “Political Rights Index” measures the level of freedom in the electoral process, political pluralism and participation, and functioning of government. In a range from 1 to 7 with higher values indicating a higher degree of freedom, Zambia has recorded a stable value of 3 from 2007 to 2013, with the exception of 2006 when it registered a higher value of 4. The three neighbouring countries chosen for comparison recorded overall better values during the period 2006-13, although in 2013 only Mozambique reached a value of 4. The “Civil Liberty Index” measures freedom of expression, assembly, association, and religion. On a scale from 1 to 7 with higher values corresponding to better performance, Zambia maintained a level of 4 over the period 2006-13, with the exception of 2009 when it recorded a value of 3. Mozambique, Tanzania and Malawi perform in a similar way, although only Malawi, like Zambia, registered a value of 4 in 2013. In 2007, Zambia’s Human Rights Commission reported that killing, unlawful detentions, poor prison conditions, police brutality, and torture were daily occurrences in the country. In addition, justice was often delayed due to a lack of financial resources and human capacity.⁴⁹

Sexual and gender-based violence against women, men and children is a major issue in Zambia. Domestic violence is prohibited by law but is nonetheless a widespread phenomenon. “Defilement”, which is an unlawful sexual activity with children under 16, is also particularly common.⁵⁰ It has been observed that discrimination against women is supported by some customary practices.⁵¹ Zambia ratified the Convention on the Elimination of All Forms of Discrimination against Women in 1985 but has not accepted the competence of its committee to receive and consider communications from individuals and groups. The Zambian constitution does guarantee the equality of women and men, but provides for an exception in cases of adoption, marriage, divorce, burial, devolution of property upon death, or other matters of personal law.⁵² In addition, the above-mentioned convention has not been fully incorporated into domestic law.

⁴⁷ International Labour Organization. 2012b. [Towards Ending Child Labour in Zambia: An assessment of resource requirements](#). Inter-agency Country Report. ILO; UNICEF; World Bank; Understanding Children’s Work project, September. Accessed on 18 January 2013.

⁴⁸ United States State Department Bureau of Democracy, Human Rights, and Labor. 2011. [2010 Human Rights Report: Zambia](#). 2010 Country Reports on Human Rights Practices, 8 April. Accessed on 15 November 2012.

⁴⁹ Human Rights Watch. 2009. [Country Summary – Zambia](#). Accessed on 6 December 2012.

⁵⁰ United States State Department Bureau of Democracy, Human Rights, and Labor. 2011.

⁵¹ World Organisation Against Torture. 2007. [Human Rights Violations in Zambia – Part II: Women’s Rights](#). Shadow Report to the Human Rights Committee: Zambia, 26 June. Accessed on 9 November 2012.

⁵² Bourke-Martignoni, J. 2002. [Violence Against Women in Zambia. Committee on the Elimination of Discrimination Against Women](#). World Organisation Against Torture. Accessed on 9 November 2012.

However, a positive step undertaken by the Zambian Government is the adoption of an Anti-Gender Based Violence Act in 2011.⁵³

Another relevant human rights issue is discrimination against persons with disabilities. The Persons with Disabilities Act of 2012 prohibits discrimination against disabled individuals. Nonetheless, this group of people experience significant discrimination in employment and education. The Government actively discourages discrimination against persons with HIV/AIDS. Nonetheless, social and employment discrimination against this group remains common.⁵⁴

Key Indicators

Ratification of Human Rights Conventions		As of 15 January 2013
It shows the status of human rights referring to ratification of following 9 conventions: Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment; Convention on the Rights of the Child; Convention on the Elimination of All Forms of Discrimination against Women; International Convention on the Elimination of All Forms of Racial Discrimination; Convention on the Prevention and Punishment of the Crime of Genocide; International Covenant on Civil and Political Rights; International Covenant on Economic, Social and Cultural Rights; International Convention for the Protection of All Persons from Enforced Disappearance; Convention on the Rights of Persons with Disabilities. Source: United Nations Treaty Collection Multilateral Treaties Deposited with the Secretary General (UNTC). ⁵⁵	Zambia	8
	Malawi	7
	Mozambique	8
	Tanzania	8
	Number of Conventions ratified out of 9.	
Ratification of fundamental ILO Conventions		As of January 2013
It shows the status of labour rights conventions. It refers to ratification of following 8 conventions: Freedom of association and collective bargaining (C.87, C.98), Elimination of forced and compulsory labour (C.29, C.105), Elimination of discrimination in respect of employment and occupation (C.100, C.111), Abolition of child labour (C.138, C.182). Source: ILO ⁵⁶	Zambia	8
	Malawi	8
	Mozambique	8
	Tanzania	8
	Number of Conventions ratified out of 8.	

⁵³ United Nations Committee on the Elimination of Discrimination against Women. 2011. [Concluding observations of the Committee on the Elimination of Discrimination against Women – Zambia](#). Forty-ninth session, 11-29 July 2011, CEDAW/C/ZMB/Q/5-6. UN CEDAW, 19 September. Accessed on 14 January 2013.

⁵⁴ United States State Department Bureau of Democracy, Human Rights, and Labor. 2011.

⁵⁵ <http://treaties.un.org/>

⁵⁶ <http://www.ilo.org/ilolex/english/docs/declworld.htm>

Other Useful Indicators

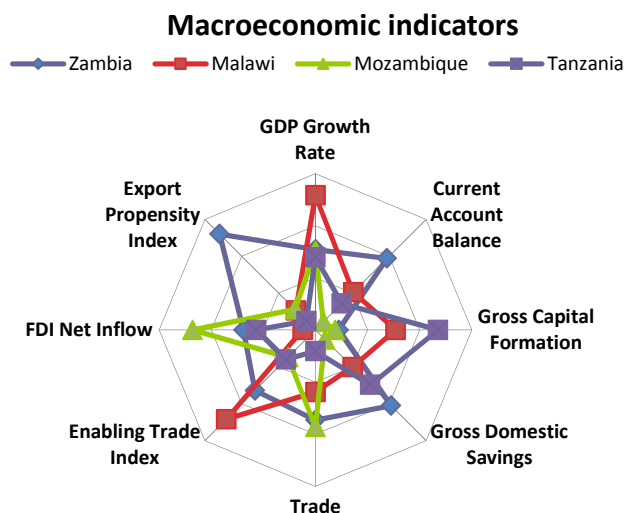
Political Rights Index		2009	2010	2011	2012	2013
The Political Rights Index measures the degree of freedom in the electoral process, political pluralism and participation, and functioning of government. Source: Freedom House, The Freedom in the World Survey.⁵⁷	Zambia	3	3	3	3	3
	Malawi	4	3	3	3	3
	Mozambique	3	4	4	4	4
	Tanzania	4	4	3	3	3
	Freedom House rates political rights on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.					
Civil Liberties Index		2009	2010	2011	2012	2013
The Civil Liberties index measures freedom of expression, assembly, association, and religion. Source: Freedom House, The Freedom in the World Survey.⁵⁸	Zambia	3	4	4	4	4
	Malawi	4	4	4	4	4
	Mozambique	3	3	3	3	3
	Tanzania	3	3	3	3	3
	Freedom House rates civil liberties on a scale of 1 to 7, with 1 representing the most free and 7 representing the least free.					

⁵⁷ <http://www.freedomhouse.org/>

⁵⁸ Ibid.

3. Economic elements

Indicators* assessing economic elements of the enabling environment for sustainable enterprises for 2009**

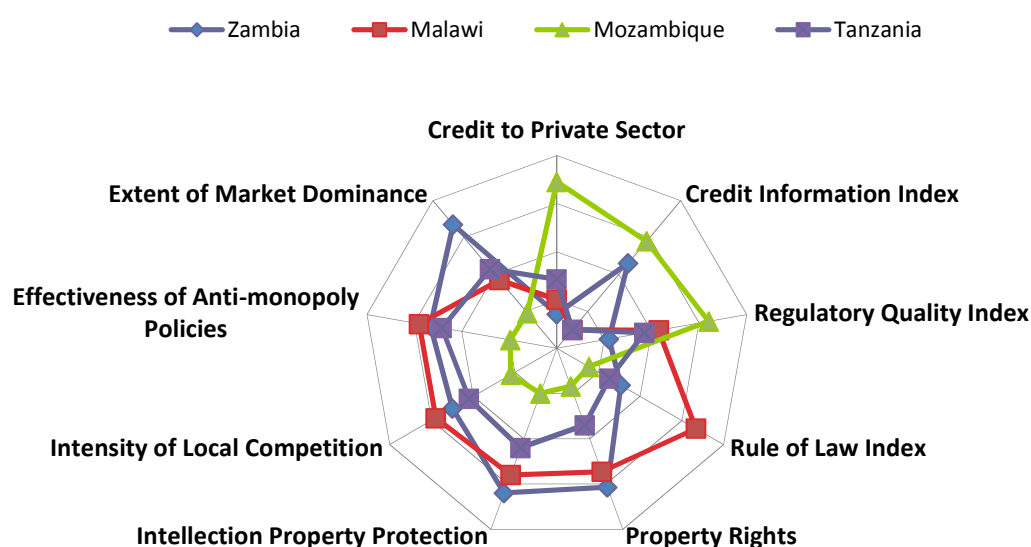


Key findings:

- Over the past decade, Zambia has recorded high growth and macroeconomic stability, and is expected to continue in this direction.

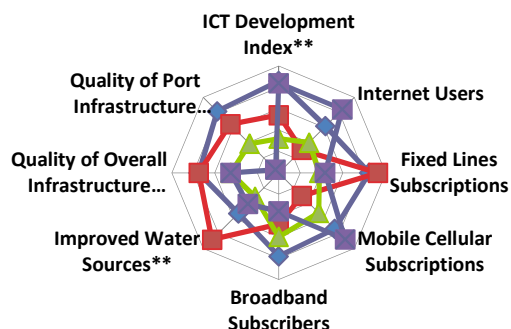
- Economic growth is concentrated in highly capital intensive or urban-based sectors, such as mining, construction and services. The large majority of the poor depend on agriculture, but this sector has not recorded significant growth over the past few years.
- Fiscal policy is expansionary, with rising taxes on mining, and an increase in the tax threshold for companies and the income tax threshold for individuals. The Government also plans to allocate the bulk of its resources to infrastructure development, particularly roads, health, education, and skills development.
- In 2006, Zambia adopted the long-term development plan, “Vision 2030”, which sets the economic and social goals and targets to be achieved over the next generation. The main objective of the plan is for the country to reach middle-income status by 2030. Zambia became a middle-income country in 2011.
- In 2012, the Government of Zambia launched the Industrialization and Job Creation Strategy to facilitate foreign and local investments for employment creation, focusing on the development of agriculture, tourism, construction, and manufacturing.
- Zambia’s trade policy aims to boost domestic productivity mainly through export promotion. The SNDP emphasizes trade liberalization, the promotion of economic diversification and export-led growth.

Access to credit, property rights and competition indicators



ICT and infrastructure indicators

— Zambia — Malawi — Mozambique — Tanzania



- In 2012, Zambia ranked 94 out of 185 countries, in the World Bank Ease of Doing Business ranking, and 74 out of 185 in the same report's Starting a Business ranking.
- Zambia's performance on fair competition is positive and since 2009, the country has had a national Competition and Consumer Policy.
- In terms of taxes, EESE survey respondents find that corporate tax rates (40 per cent of respondents), VAT (35 per cent of respondents) and PAYE (almost 40 per cent of respondents) do not encourage business growth. However, the Government plans to simplify the tax system for small and medium-sized enterprises, and to review tax incentives to promote equity in 2013.
- Unlike several other developing countries, where the financial sector is often weak and good savings rates do not correspond to significant investments, according to its gross domestic savings rate, Zambia has performed rather well, which seems to indicate that its financial sector is in relatively good condition.
- Although firms' access to credit has considerably improved since 2003, the 2009 FinMark Trust Zambia Business Survey reveals that access to finance is the single greatest concern of entrepreneurs. This is true more for owners of small businesses than for owners of large firms. These findings are confirmed by the EESE survey.
- Access to finance is difficult for Zambians in general, but reportedly even more so for women. Despite women being better at repayment than men in general, they lack a supportive business network and formal documents certifying their financial viability.
- The ICT in Zambia is generally characterized by low competition and high prices. However, recent measures introduced by the government are yielding positive results and Zambia has a clear policy and legal framework regulating ICT.
- Physical infrastructure development is a key area where major efforts should be concentrated for economic growth and prosperity in the country.
- In 2010, 61 per cent of the total population had access to improved water sources, though primary information reveals that access to clean water is still a serious issue.
- Roads and railways are poor and electricity infrastructure requires improvements.

* the values for the individual indicators have been harmonized for better presentation. The original indicator values are included in the chapters.

** where data for 2009 was unavailable for certain indicators, figures reflect values for 2010.

3.1. Sound and stable macroeconomic policy and good management of the economy

Macroeconomic policies should guarantee stable and predictable economic conditions. Sound economic management should combine the objectives of creating more and better jobs, combating inflation, and implementing policies and regulations that stimulate long-term productive investment. In 2006, Zambia adopted a long-term development plan called “Vision 2030” which sets the economic and social goals and targets to be achieved over the next generation. The main objective of the plan is for the country to reach middle-income status by 2030.⁵⁹ Zambia became a lower middle-income country in July 2011⁶⁰ and is likely to meet all MDGs except environmental sustainability by 2015.⁶¹ The implementation of Vision 2030 is articulated through the adoption of five-year development plans, the most recent of which is the Sixth National Development Plan (SNDP) covering the period 2011-15. The SNDP focuses on sustained economic growth and poverty reduction. It prioritizes pro-poor growth through job creation and skills development, particularly for youth. Diversification of the economy is another very important aspect of the SNDP. The mining sector, which is the main driver of economic growth in Zambia, will continue to play a pivotal role, but other sectors must be promoted to mitigate the negative impacts of external shocks. Agriculture, tourism, manufacturing, mining, and energy will be the main drivers of future growth. Over the SNDP period, domestic revenues as a share of GDP are expected to increase which should lower grants from cooperating partners from about 3.3 per cent of GDP in 2010 to 2.1 per cent by 2015. The Government plans to allocate the bulk of its resources to infrastructure development, particularly roads, health, education, and skills development.⁶²

Social services and infrastructure comprise 42 per cent of the fiscal budget for 2013. Fiscal policy will remain expansionary in 2013, with rising taxes on mining, and an increase in the tax threshold for companies and the income tax threshold for individuals. Revenues from mining in general will be enhanced, as they have been relatively low compared to other mineral-producing countries. Tax revenues from this sector are expected to increase, in part through more rigorous compliance with the existing tax regime, as well as through a rise in the Government’s stakes in the mines to 35 per cent from the current 10-20 per cent. Depending on how the Government handles this and other similar measures, foreign investments may be discouraged. Policy uncertainty is rather high.⁶³ However, the macroeconomic framework for Zambia remains good and is

⁵⁹Government of Zambia. 2006. [Vision 2030](#). Republic of Zambia, December. Accessed on 9 November 2012.

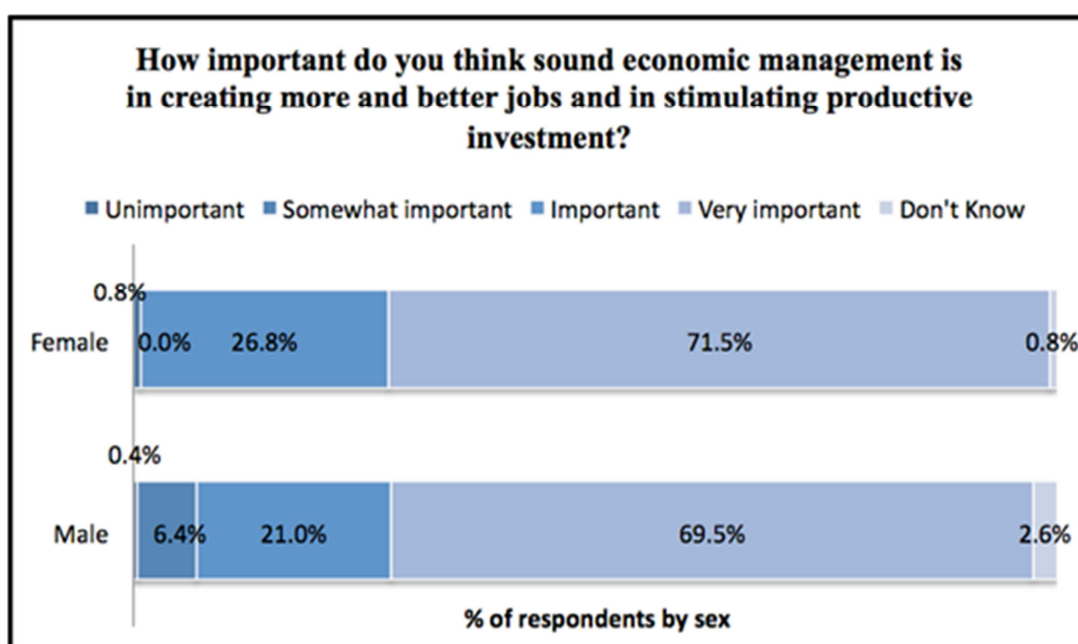
⁶⁰ <http://www.worldbank.org/en/country/zambia/overview>

⁶¹ Ministry of Finance and National Planning. 2011. [Sixth National Development Plan 2011-2015 Executive Summary](#). Republic of Zambia (Lusaka), January. Accessed on 9 November 2012.

⁶² Ibid.

⁶³ Economist Intelligence Unit. 2013. [Zambia, Country Report](#) (London), March. Accessed on 14 March 2013.

one of the best in the region. The new Government has not introduced any radical change and there is no reason to believe that the general situation should worsen.⁶⁴



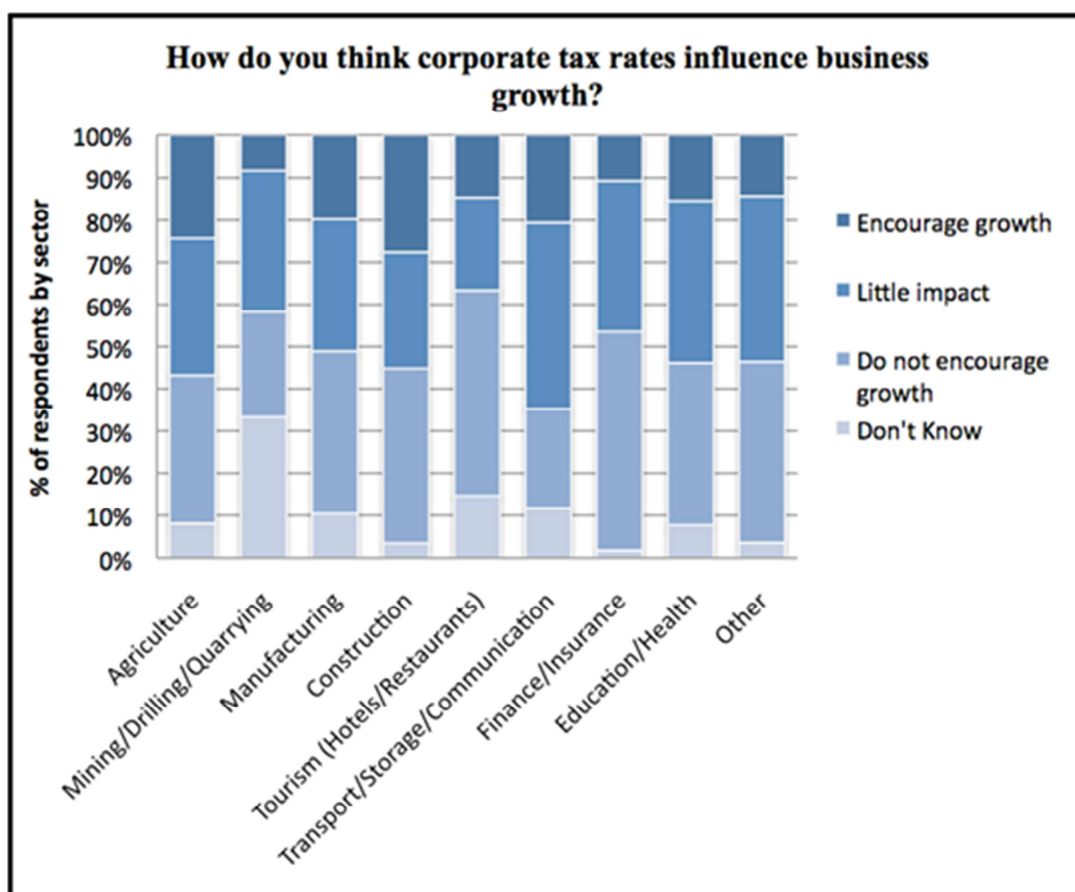
Source: Zambia EESE survey.

The Zambia EESE survey reveals that for an overwhelming majority of respondents sound economic management is crucial in creating more and better jobs and in stimulating productive investment. It is “very important” for over 70 per cent of them and “important” for 23.3 per cent. Women were more positive than men in this regard, with 98 per cent of women compared to about 90 per cent of men describing it as “important” or “very important”. For 40.3 per cent of interviewees, corporate tax rates in Zambia do not encourage business growth, and for about 33 per cent of them, corporate tax rates have “little impact” on enterprise expansion. As the chart below shows, the largest shares of respondents from both the mining, drilling and quarrying, and the transport, storage and communication sectors opt for “little impact”. Companies in these sectors often enjoy economies of scale thanks to their large size, as well as benefit from tax exemptions.⁶⁵ It is however to be noted that in 2013 the Government plans to simplify the tax system for small and medium-sized enterprises, and to review tax incentives to promote equity.⁶⁶ For 42.7 per cent of interviewees, VAT rates have “little impact” on business expansion, and 35.2 per cent feel they do not encourage growth. This latter, more negative perception prevails among respondents from the construction, and tourism, hotel and restaurant sectors. When it comes to PAYE rates, for 40.8 per cent of respondents they have “little impact” on business growth, and for an almost equal share, 39.1 per cent, they discourage enterprise expansion. The more negative perception predominates among respondents from the mining, drilling and quarrying, and finance and insurance sectors.

⁶⁴ Focus group discussion held on 27 September 2012 in Lusaka with Mr. Perry Perone, Country Representative of the IMF.

⁶⁵ Tripartite technical workshop, 10-11 April 2013.

⁶⁶ Ministry of Finance and National Planning. 2012. 2013 Budget Address by Hon. Alexander B. Chikwanda, MP Minister of Finance. Zambia National Assembly, 12 October.

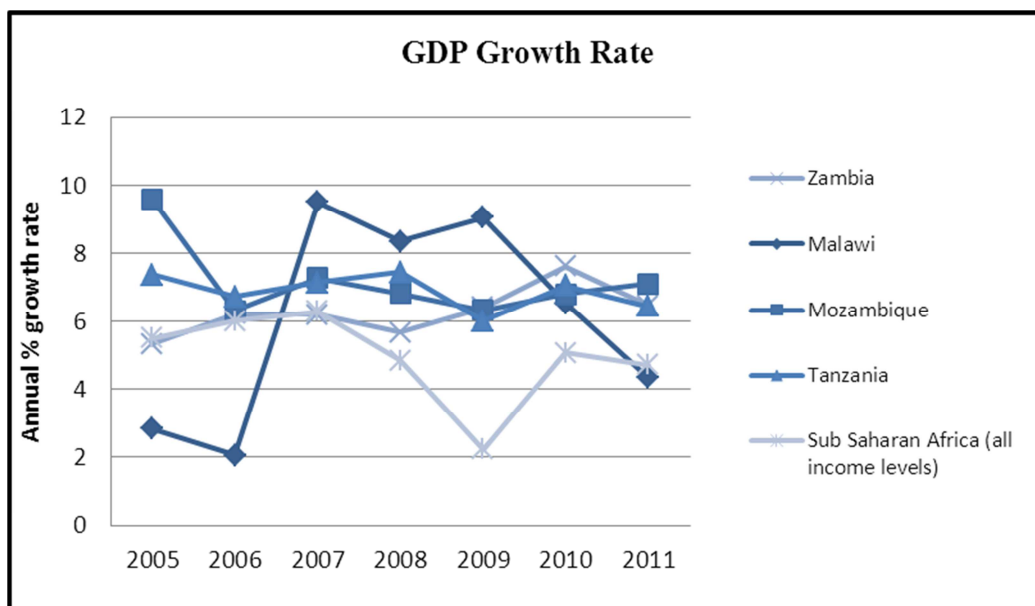


Source: Zambia EESE survey.

Over the past decade, Zambia has recorded high growth and macroeconomic stability, and is expected to continue in this direction. Nonetheless, poverty remains widespread with about 60 per cent of the population living below the poverty line in 2010. In Zambia, growth is concentrated in highly capital intensive or urban-based sectors, such as mining, construction and services. Copper exports accounted for about 75 per cent of total export receipts and contributed over 30 per cent of GDP in 2011. The large majority of the poor depend on agriculture, but this sector has not recorded significant growth over the past few years.⁶⁷ In an effort to improve the current situation, in 2012 the Government of Zambia launched the Industrialization and Job Creation Strategy to facilitate foreign and local investments for employment creation focusing on the development of agriculture, tourism, construction, and manufacturing.⁶⁸

⁶⁷ International Monetary Fund. 2012a. [Zambia 2012 Article IV Consultation](#). IMF Country Report No. 12/200, July. Accessed on 12 November 2012.

⁶⁸ ILO. 2013.



Source: World Bank national accounts data (World Development Indicators Online).

In 2011, Zambia's economic growth rate slowed to 6.46 per cent, down from 7.62 per cent the previous year. However, this is still higher than the Sub-Saharan Africa average of 4.72 per cent in 2011. Of its neighbouring countries in the same year, only Mozambique performed better than Zambia, reaching over 7 per cent. Zambia's GDP growth in 2012 is estimated at about 6 per cent due to the drop in maize and copper output. The national currency is expected to depreciate by almost 4 per cent annually over the coming few years which should encourage exports.⁶⁹ In order to achieve pro-poor growth, Zambia should adopt reforms leading to inclusive, job-rich growth such as boosting agriculture and other employment-intensive sectors, improving access to financial services, and creating space for growth promotion and poverty reduction spending.⁷⁰

Information on the employment situation in Zambia is rather scanty due to the large size of the informal economy. In 2009, only 11 per cent of the total labour force was employed in the formal sector. Informal employment was higher in rural areas (96 per cent) than in urban ones (71 per cent).⁷¹ The 2009 FinMark Trust Zambia Business Survey reveals that 88 per cent of employed Zambians work for informal enterprises with less than 5 employees.⁷² According to ILO data, the "Labour Force Participation Rate" in the country has been decreasing since 2005. It was 80.1 per cent in that year and decreased to 79.8 per cent in 2010. Compared with Malawi, Mozambique and Tanzania, Zambia registered the lowest labour force participation rates. As noted above, mining is a major sector driving growth in Zambia. However, besides being capital-intensive, this sector negatively reacted to the international economic crisis, contributing to a further

⁶⁹ EIU. 2013.

⁷⁰ IMF. 2012a.

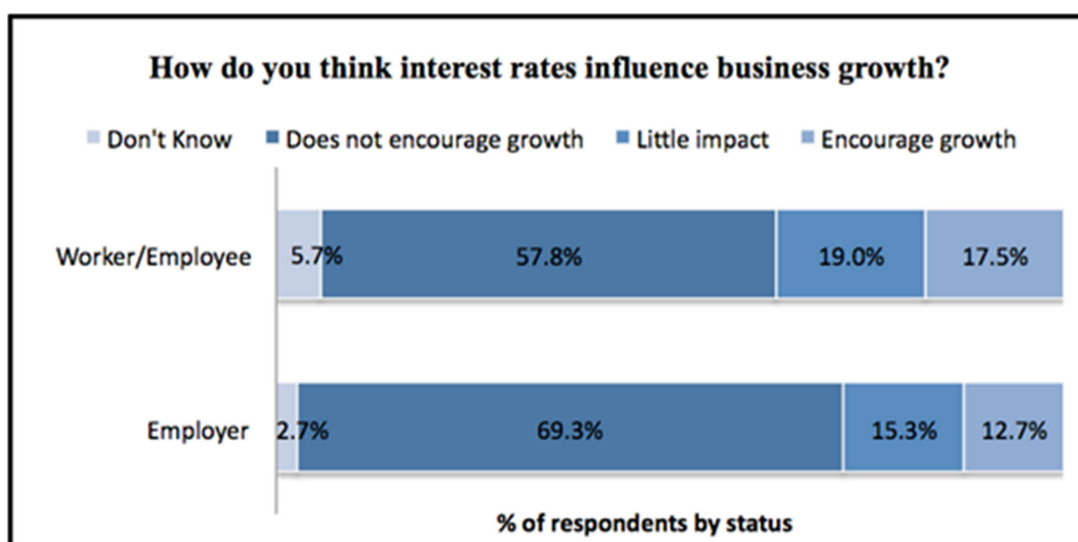
⁷¹ Ibid.

⁷² Clarke, G.C.; Shah, M.K.; Sheppard, M.; Munro, J.; Pearson Jr., R.V. 2010b. Zambia Business Survey: The profile and productivity of Zambian businesses. FinMark Trust; Private Sector Development Reform Programme; World Bank Zambia Country Office; Zambia Business Forum, June.

increase in unemployment through the closure of mining units, worker lay-offs, and the suspension of labour recruitment.⁷³

The “Current Account Balance” as a percentage of GDP for Zambia was overall negative during the period 1997-2012, with the exception of 2006 when it reached 1.2 per cent. Over the past few years, it has remained at around -3 and -4 per cent. This indicates that the portion of domestic investment financed through foreigners’ savings is not very high. Mozambique and Tanzania record higher negative rates, whereas Malawi has recently registered values around 0.

The Zambia EESE survey indicates that for 46.5 per cent of respondents the exchange rate “does not encourage growth”, and for 26.6 per cent it has “little impact”. Considering interviewees by sector, the former opinion was most often selected across all groups. When it comes to interest rates, for 62.7 per cent of interviewees they do not encourage business growth. Employers are more negative than workers in this regard, where 69.3 per cent of them believe interest rates do not encourage business growth, compared to 57.8 per cent of workers who think this is true. Conversely, 17.5 per cent of workers stated that interest rates “encourage growth”, while only 12.5 per cent of employers hold this view.



Source: Zambia EESE survey.

Over the past few years, inflation in Zambia has been maintained at single digit figures, as it was in Mozambique, Tanzania and Malawi until 2012. It is expected to remain so as long as the maize output continues to exceed domestic demand.⁷⁴ The tight monetary policy that the national government is pursuing should also contribute to securing low inflation. The flexible exchange rate that Zambia has maintained over the past years allowed the country to cope well with several external shocks. International reserves are at good levels, but it is recommendable that they be increased to make the country less vulnerable to external shocks linked to possible declines in copper prices.⁷⁵

⁷³ ILO. 2012a.

⁷⁴ EIU. 2013.

⁷⁵ IMF. 2012a.

High levels of gross capital formation or investment are conducive to economic growth. Zambia's performance has been similar to that of Malawi, Mozambique and Tanzania in this regard and, with the exception of 2008, above Sub-Saharan African averages. "Gross Capital Formation" in Zambia has maintained relatively stable levels over the period 2006-11, reaching 25 per cent of GDP in 2011.

High gross domestic savings rates usually reflect a country's high potential to invest. However, savings must be deposited in financial institutions in order to be invested through credit to businesses. In developing countries, the financial sector is often weak and good savings rates do not correspond to significant investments. Zambia has performed rather well compared to its neighbouring countries, which seems to indicate that its financial sector is in better condition. The "Gross Domestic Savings" rate in Zambia rose from 30.5 per cent in 2006 to 34 per cent of GDP in 2011 and is higher than those registered in Malawi, Mozambique and Tanzania, as well as the rate recorded for Sub-Saharan Africa in general.

Key Indicators

GDP growth rate (%)		2005	2006	2007	2008	2009	2010	2011
Annual percentage growth rate of Gross Domestic Product (GDP) at market prices based on constant local currency. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Source: World Bank national accounts data (World Development Indicators Online). ⁷⁶	Zambia	5.34	6.23	6.19	5.68	6.40	7.62	6.46
	Malawi	2.84	2.06	9.49	8.34	9.04	6.53	4.35
	Mozambique	9.57	6.32	7.28	6.83	6.34	6.80	7.10
	Tanzania	7.37	6.74	7.15	7.44	6.02	7.04	6.45
	Sub Saharan Africa	5.51	6.02	6.29	4.85	2.23	5.07	4.72
Annual percentage growth rate of GDP.								
Labour force participation rate		2005	2006	2007	2008	2009	2010	
The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics. Source: ILO KILM ⁷⁷	Zambia	80.1	80.1	80	80	79.9	79.8	
	Malawi	83.2	83.1	82.1	82.8	82.7	82.6	
	Mozambique	85.6	85.5	85.3	85.2	85	84.9	
	Tanzania	90.8	90.8	90.8	90.7	90.7	90.6	
The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population.								

⁷⁶ <http://data.worldbank.org/>

⁷⁷ <http://kilm.ilo.org/>

Other Useful Indicators

Current account balance (% of GDP)		2008	2009	2010	2011	2012	
Current account balance (also called 'current account surplus/deficit') is the sum of net exports of goods and services, net income, and net current transfers. It is a record of a country's transactions with the rest of the world. It shows whether a country is 'living within its means'. If a country is spending more abroad than it earns from the rest of the world then corrective action will be necessary, e.g. to maintain the value of the country's currency in relation to other countries' currency. The balance of payments is a double-entry accounting system that shows all flows of goods and services into and out of an economy. All transactions are recorded twice – once as a credit and once as a debit. In principle the net balance should be zero, but in practice the accounts often do not balance, requiring inclusion of a balancing item, net errors and omissions. Positive current account (surplus) balance is associated with positive net exports. If the current account balance is negative, it measures the portion of domestic investment financed by foreigners' savings. <u>Source:</u> International Monetary Fund, World Economic Outlook Database, April 2010.⁷⁸	Zambia	-7.14	-3.29	-3.48	-3.89	-4.38	
	Malawi	-9.92	-7.87	-0.98	-0.97	0.01	
	Mozambique	-11.89	-11.92	-13.62	-13.21	-14.58	
	Tanzania	-9.75	-9.42	-7.96	-8.18	-8.19	
	% of GDP.						
Gross capital formation (% of GDP)		2006	2007	2008	2009	2010	2011
Gross capital formation consists of outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress". Gross capital formation (also called investment rate or gross domestic investment), along with foreign direct investment, is critical to economic growth and economic development. High level of gross capital formation in a period of time refers to increase in the value of inventories. High level of gross capital formation or investment is conducive to economic growth. <u>Source:</u> World Bank national accounts data, and OECD National Accounts data files (World Development Indicators Online)⁷⁹	Zambia	22.1	22.0	20.9	21.0	22.6	25.0
	Malawi	25.7	26.5	25.7	25.6	26.0	15.5
	Mozambique	17.7	16.1	15.7	20.7	24.7	24.3
	Tanzania	27.6	29.6	29.8	29.0	32.0	36.7
	Sub Saharan Africa	19.7	20.9	21.7	20.8	21.0	21.4
% of GDP.							

⁷⁸ <http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx>

⁷⁹ <http://data.worldbank.org/>

Gross domestic savings (% of GDP)		2006	2007	2008	2009	2010	2011
Gross domestic savings are calculated by deducting total final consumption expenditure from GDP at current prices. A high gross domestic savings rate usually indicates a country's high potential to invest. Savings can therefore be vital to the amount of fixed capital available, which in turn can contribute to economic growth. However, increased savings do not always correspond to increased investment. If savings are not deposited into a financial intermediary like a bank, there is no chance for those savings to be recycled as investment by businesses. This means that savings may increase without increasing investment, possibly causing a short-fall of demand rather than economic growth. In the short term, if savings fall below investment, it can lead to growth of aggregate demand and economic boom. In the long term, if savings fall below investment it eventually reduces investment and detracts from future growth. Source: World Bank national accounts data, and OECD National Accounts data files (World Development Indicators Online).⁸⁰	Zambia	30.5	23.7	19.0	23.9	34.5	34.0
	Malawi	1.2	14.5	5.0	11.3	10.4	5.6
	Mozambique	8.8	6.3	1.6	2.2	6.0	7.8
	Tanzania	14.5	12.8	16.1	17.1	21.3	17.5
	Sub Saharan Africa	15.9	16.6	16.2	15.1	17.2	16.6
% of GDP.							

3.2. Trade and sustainable economic integration

Trade integration can lead to positive employment effects through efficiency gains. However, as trade integration can also lead to job dislocation, increased informality and growing income inequality, the employment and decent work impact of trade policies must be carefully considered.

Zambia's trade policy aims to boost domestic productivity mainly through export promotion. The SNDP emphasizes trade liberalization, the promotion of economic diversification and export-led growth.⁸¹ Zambia's main exports include copper, cobalt, electricity, tobacco, flowers, and cotton. Its main imports are machinery, transportation equipment, petroleum products, fertilizers, food, and clothing.⁸² In 2011, fuels and mining products accounted for 83.2 per cent of exports and 32.6 per cent of imports, and manufactures comprised 9 per cent of exports and 61.7 per cent of imports. In 2010, Zambia's main export partner was Switzerland, followed by China and South Africa, whereas its main import partner was South Africa, followed by DR Congo and Kuwait.⁸³

"Trade" as an indicator measures the sum of exports and imports of goods and services as a share of GDP. For some countries, in particular small ones, it exceeds 100

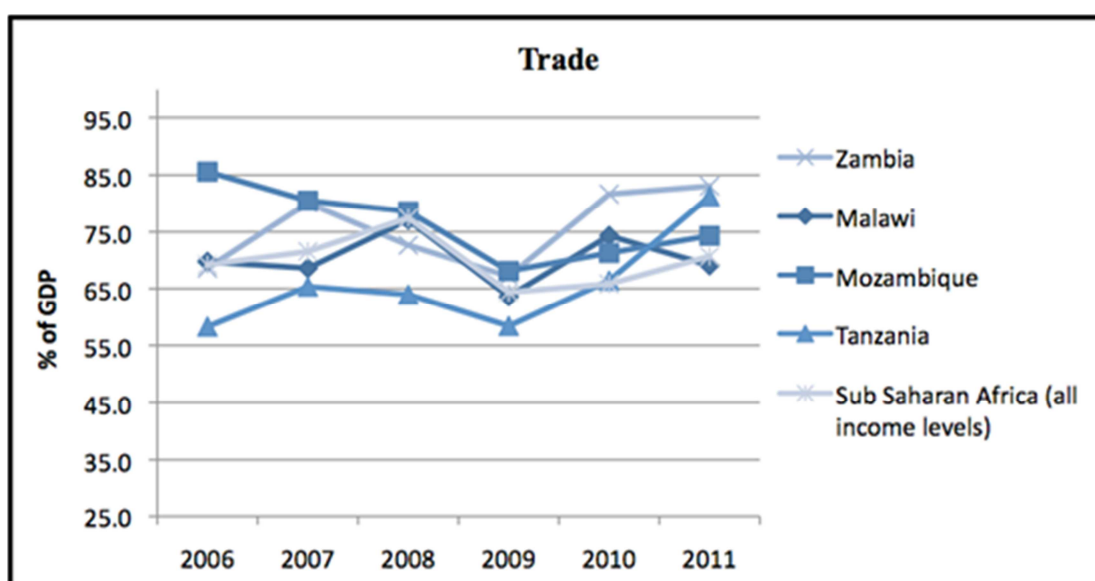
⁸⁰ <http://data.worldbank.org/>

⁸¹ Ministry of Finance and National Planning. 2011.

⁸² United Nations Conference on Trade and Development. 2012. [Voluntary Peer Review of Competition Law and Policy – Zambia Overview](#). UNCTAD. Accessed on 9 November 2012.

⁸³ World Trade Organization. 2012. [Zambia Trade Profile](#). WTO Statistics database, September. Accessed on 21 November 2012.

per cent. For instance, Swaziland's trade share in GDP was 183 per cent in 2004. Zambia's performance in this respect has been comparatively strong, outperforming Malawi, Mozambique and Tanzania, as well as the Sub-Saharan African average in 2010 and 2011. The latest rate recorded for Zambia was 83.1 per cent of GDP in 2011.



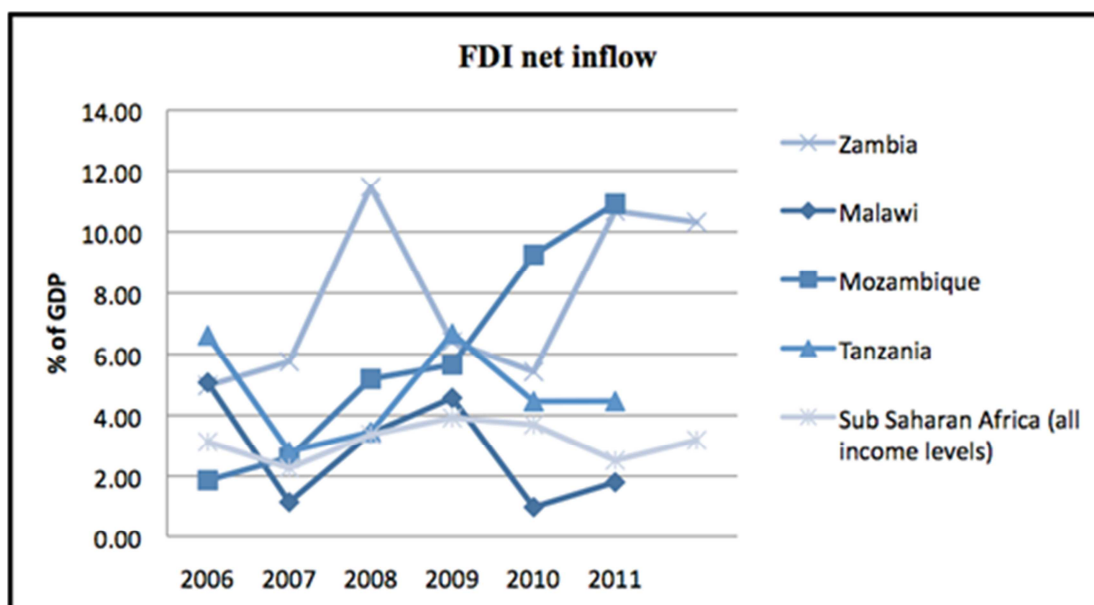
Source: World Bank national accounts data (World Development Indicators Online).

The “Enabling Trade Index” measures the factors, policies and services facilitating the free flow of goods over borders and to final destination. On a scale from 1 to 7 where the highest value indicates that a country is successful at enabling the free flow of trade, Zambia earned a score of 3.8 in 2012. This is similar to the score for Malawi and slightly higher than the scores recorded for Mozambique and Tanzania in the same year. The “Export Propensity Index” measures the export of goods and services as a percentage of GDP. In 2011, Zambia registered a share of 46.04, which is considerably higher than values recorded for Malawi, Mozambique and Tanzania, as well as for the Sub-Saharan African region.

Zambia is a member of COMESA and SADC, and has concluded many bilateral agreements. It is however unclear whether these trade arrangements are beneficial or detrimental to the country and to its private sector in particular. In addition, many non-trade barriers exist, such as a high number of import permits and an excessive number of documents to trade specific goods, which hinder free trade.⁸⁴ Considering data from the World Bank's Doing Business Report, the number of documents required to import and export in Zambia has remained rather stable in recent years. The number of documents to export has been 6 since 2007, whereas the number of documents to import has slightly decreased from 9 in 2007 to 8 in 2012. In this respect, Zambia performs better than its neighbouring countries, Malawi, Mozambique and Tanzania. In sharp contrast however, it performs particularly poorly when it comes to the number of days it takes to import and export, where its neighbouring countries used for comparison require fewer days. For Zambia, in 2012 it took 44 days to export and 56 to import. Of the three countries

⁸⁴ Cheelo, C. 2012. [What do the forthcoming COMESA Customs Union and COMESA-EAC-SADC Tripartite Free Trade Area mean for Zambia's import trade and trade tax revenue?](#). Zambia Institute for Policy Analysis and Research, July. Accessed on 9 November 2012.

used for comparison, the best performer is Mozambique with 23 days to export and 28 to import.



Source: International Monetary Fund, International Financial Statistics and Balance of Payments databases & World Development Indicators Online.

“Foreign Direct Investment” measures the net inflows of investment to acquire lasting management of an enterprise operating in a country different from that of the investor. The values recorded in Zambia for this indicator are higher than those registered in Malawi and Tanzania, whereas Mozambique reached higher levels in 2011. Zambia registered a value of 10.32 per cent in 2011, which is much higher than the Sub-Saharan African average of 2.62 for that year. Zambia’s lower levels of FDI in 2008 and 2009 can be explained by the adverse effects of the international economic crisis. Zambia’s comparatively good performance in this area is due to the fact that, already by the early 2000s, when private sector development and export-led growth gained importance, the Zambian Government had realized the necessity of attracting FDI to secure adequate investments, as domestic savings levels in the country were too low. The satisfactory current FDI flows are the result of almost a decade of trade policies and specific measures targeting FDI.⁸⁵ Fiscal incentives for investments in priority sectors, including floriculture, agro-processing and the manufacture of engineering products, were introduced. These measures tend to favour foreign companies because of the high investment thresholds established for eligibility. These fiscal incentives are presently conditional on firms meeting certain employment targets.⁸⁶ A major provider of FDI in Zambia is China, particularly in the mining sector.⁸⁷ Unfortunately, some foreign

⁸⁵ Government of Zambia. 2005. [Diagnostic Trade Integration Study – Trade Component of Private Sector Development Program for Zambia](#). 10 October. Accessed on 5 December 2012.

⁸⁶ EIU. 2013.

⁸⁷ Mwanawina, I. 2008. [China-Africa Economic Relations: The Case of Zambia](#). African Economic Research Consortium (AERC), 4 February. Accessed on 20 November 2012.

investors neglect social and environmental international standards,⁸⁸ causing social tension in the country (see Section 2.3).

Key Indicators

Trade (% of GDP)		2006	2007	2008	2009	2010	2011
Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. It takes values between 0 and $+\infty$. Please note that the trade-to-GDP ratio refers to the sum of the imports and exports and could therefore exceed 100%. <u>Source:</u> World Bank national accounts data (World Development Indicators Online).⁸⁹	Zambia	68.6	80.1	72.6	67.2	81.7	83.1
	Malawi	69.7	68.6	77.1	63.6	74.3	69.1
	Mozambique	85.6	80.5	78.6	68.1	71.3	74.3
	Tanzania	58.3	65.3	63.9	58.4	66.4	81.3
	Sub Saharan Africa	69.2	71.5	77.4	64.4	65.8	70.7
	Trade share (%) in GDP.						
Enabling trade index (ETI)		(Report 2008)	(Report 2009)	(Report 2010)	(Report 2012)		
The Enabling Trade Index measures the factors, policies and services facilitating the free flow of goods over borders and to destination. The index breaks the enablers into four overall issue areas: (1) market access, (2) border administration, (3) transport and communications infrastructure and (4) the business environment. <u>Source:</u> World Economic Forum.⁹⁰	Zambia	3.52	3.64	3.8	3.8		
	Malawi	-	3.77	3.82	3.8		
	Mozambique	3.3	3.49	3.71	3.7		
	Tanzania	3.27	3.5	3.6	3.7		
	On a scale from 1 to 7, a high score in the overall ETI indicates that a country is relatively successful at enabling the free flow of trade.						
FDI net inflow (% of GDP)		2006	2007	2008	2009	2010	2011
Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. This series shows net inflows in the reporting economy and is divided by GDP. <u>Source:</u> International Monetary Fund, International Financial Statistics and Balance of Payments databases & World Development Indicators Online.⁹¹	Zambia	5.75	11.47	6.41	5.43	10.68	10.32
	Malawi	1.14	3.41	4.57	0.98	1.80	1.64
	Mozambique	2.61	5.19	5.65	9.26	10.92	16.25
	Tanzania	2.81	3.46	6.68	4.46	4.46	4.59
	Sub Saharan Africa	2.26	3.37	3.92	3.69	2.52	3.19
	FDI net inflow (in current US\$ as % of GDP).						

⁸⁸ Asche, H.; Schüller, M. 2008. [China's Engagement in Africa – Opportunities and Risks for Development](#). GTZ, September. Accessed on 5 December 2012.

⁸⁹ <http://data.worldbank.org/>

⁹⁰ <http://www.weforum.org/s?s=global+enabling+trade+report>

⁹¹ <http://data.worldbank.org/>

Other Useful Indicators

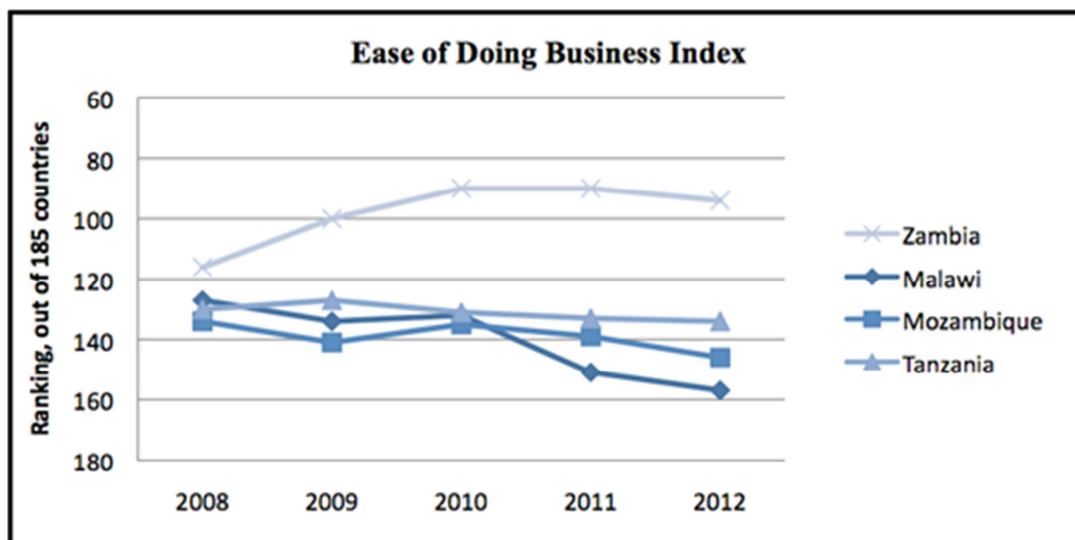
Export propensity index= Exports of goods and services (% of GDP)		2006	2007	2008	2009	2010	2011
Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude labour and property income (formerly called factor services) as well as transfer payments. Source: World Bank national accounts data and OECD national accounts data files (World Development Indicators Online). ⁹²	Zambia	38.49	40.91	35.37	35.01	46.78	46.04
	Malawi	22.62	28.33	28.19	24.65	29.38	29.59
	Mozambique	38.36	35.35	32.27	24.79	26.28	28.90
	Tanzania	22.56	24.24	25.14	23.23	27.83	31.06
	Sub Saharan Africa	33.73	34.62	36.90	29.89	31.41	33.57
It ranges from 0 (with no exports) to 100 (with all domestic production exported).							

3.3. Enabling legal and regulatory environment

Well designed and clear regulations, including those that uphold labour and environmental standards, are good for the promotion of start-ups and enterprise development. They facilitate formalization and boost systemic competitiveness. The “Regulatory Quality Index” measures the ability of a government to provide sound policies and regulations for the promotion of the private sector. Zambia’s performance in this regard has been poor and below 0, shifting from -0.70 in 2005 to -0.43 in 2011, on a scale from -2.5 to 2.5 with higher values indicating better performance. The country has slightly improved in time, but scores poorly, achieving a value which is similar to that of Mozambique and Tanzania,, and better than that of Malawi in 2011. Inadequate regulations and policies may lead to the expansion of the informal economy. As already noted in section 3.1, the informal sector constitutes a large portion of Zambia’s total economy. It is estimated that in 2010 it represented 40 per cent of GDP. Its growth rate over the period 1973-2010 was 2.7 per cent annually, compared to a growth rate of 2.8 per cent annually of the formal sector. Informal enterprises do not pay taxes which leads to unfair competition for sustainable, formal companies which are confronted with a heavy tax burden because of the small size of the formal sector in the country. Moreover, the fact that informal firms do not pay taxes results in reduced government revenues. However, since 2004, informal firms in Zambia have been subject to different kinds of taxation. In 2004, a “presumptive turnover tax on small and medium enterprises” was introduced; the following year, a “base tax on marketeers” was added and in 2007, an “advance income tax for cross border traders” was adopted. However, total revenues from these informal-economy taxes were only 2 per cent of total income tax revenues in 2009. Even with higher tax rates, considering the high tax collection costs due to the type and location of informal economic activities in Zambia, it is estimated that some other measures, such as the application of personal income taxes, the adoption of formalization incentives, and the strengthening of VAT performance in general would be more cost-

⁹² <http://data.worldbank.org/>

effective actions to raise tax revenues.⁹³ Section 3.1 presents findings from the Zambia EESE survey on the perceived impact of different types of taxes on business growth.



Source: World Bank, Doing Business project.

The “Ease of Doing Business Index” ranks economies from 1 to 185, where a high ranking reflects a regulatory environment that is conducive for business operations. This index includes averages for 10 different topics. The data show that the situation in Zambia has improved from 2008 to 2012. The country moved from 116 to 94, although it slightly worsened compared to 2010 and 2011 when it reached 90 out of 185. Zambia’s performance in this respect is better than that of its three neighbouring countries used for comparison. The Government of Zambia introduced several reforms over the past few years, including infrastructure improvements, streamlining procedures and minimizing legal requirements to start a business.⁹⁴ The one-stop shop is considered to be a very successful measure.⁹⁵ It now takes one day for enterprises to register in Lusaka, though it still takes 2-3 months for firms in provinces to do the same.⁹⁶ Thus, despite improvements, the regulatory environment is not deemed to be conducive to entrepreneurial activity. For example, obtaining a commercial licence is time-consuming and costly, and firms tend to hire casual or informal workers.⁹⁷ Most reforms in this area are being dealt with by the Ministry of Commerce, Trade and Industry. In 2009, a MSME policy was adopted, although currently adequate funding would be required for its implementation.⁹⁸ Some employment-related issues affecting the enabling legal and

⁹³ Nakamba-Kabaso, P; Phiri, S. 2012. [On Taxing the Informal Sector: What should Zambia aim for?](#). Zambia Institute for Policy Analysis and Research. Accessed on 15 November 2012.

⁹⁴ World Bank Group. (undated). [Zambia Investment Climate Program 2009-2011](#). World Bank; IFC; World Bank Group, December. Accessed on 21 January 2013.

⁹⁵ Focus group discussion held on 27 September 2012 in Lusaka with Mr. Nyambe Nambayo and Mr. John Nsakanya, directors of ZACCI.

⁹⁶ Focus group discussion held on 28 September 2012 in Lusaka with Ms. Kundhavi Kadiresan, Country Director and Mr. Brian Mtonya, Executive Assistant of the World Bank.

⁹⁷ The Heritage Foundation. 2012. [Index of Economic Freedom – Zambia](#). Accessed on 6 December 2012.

⁹⁸ Focus group discussion held on 28 September 2012 in Lusaka with Mr. Windu Matoka, Head of SME Division of the Zambia Development Agency (ZDA).

regulatory environment are presently being addressed by the Ministry of Labour and Social Security, including the high cost of severance payments and the correct size for an enterprise to be eligible for union representation.⁹⁹

It is to be added that laws, regulations and procedures relating to enterprise development are considered to be complicated and not well understood by the majority of entrepreneurs, especially women. This partly explains why historically in Zambia women have predominated in the informal economy and low-profit micro enterprises.¹⁰⁰ The Zambia EESE survey reveals that according to 34.5 per cent of interviewees, most small businesses are aware of labour law but ignore most of its provisions, so it does not represent a major impediment for the expansion of small firms. A similar share of respondents equal to 31.2 per cent believe that most small businesses find it difficult to comply with labour law, which becomes a major impediment to enterprise growth. Considering respondents by age of enterprise, the largest share of interviewees from firms 1 year old or younger (44.4 per cent) believe most small businesses are unaware of most provisions of labour law, so it is not a major impediment. Interviewees from firms aged 2-5 and 6-9 years old were most likely to perceive most small businesses as being aware of, but ignoring provisions (38.4 and 36.4 per cent respectively), and the largest portion of those from firms aged 10 years or more (39.6 per cent) feel that labour law is a major impediment to small business growth, as provisions are difficult to comply with. When asked about the effect of labour law on the growth of women-owned small businesses, the picture is slightly different. Of the respondents, 30.4 per cent state that most small businesses are aware of labour law but ignore its provision so that it is not a major obstacle, 29.3 per cent believe that most small businesses find it difficult to comply with labour law which becomes a major impediment, and a similar share equal to 28.5 per cent think that most small women-owned firms are unaware of labour law provisions which are therefore not a major obstacle to business growth. What these findings show is that for women-owned small businesses, being unaware of labour law provisions is a larger issue than for small firms in general. Considering respondents by sector, this particular issue stands out more in agriculture and manufacturing, namely those sectors where women's presence is stronger.

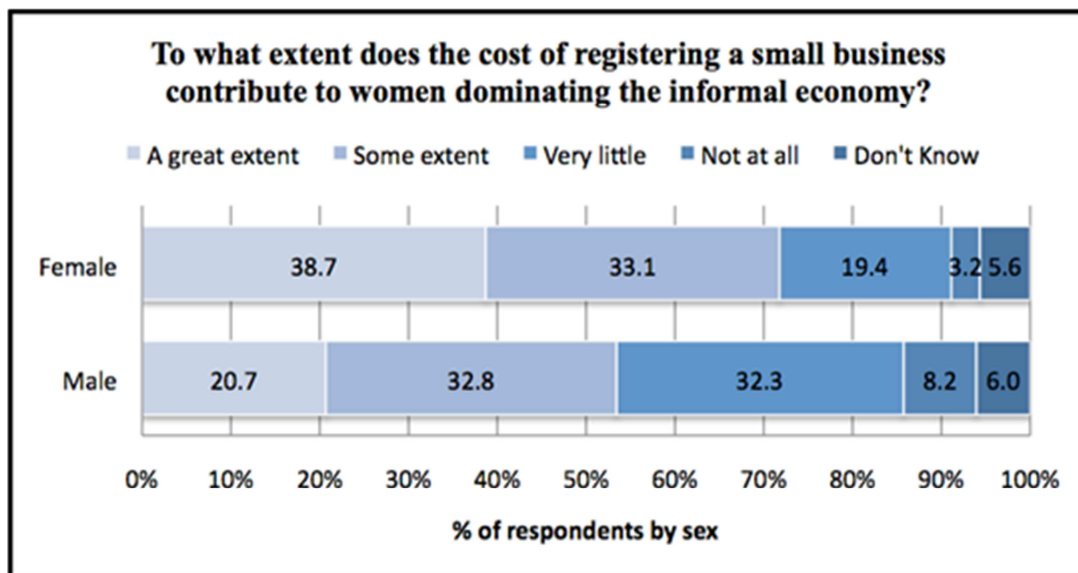
The "Starting a Business Index" records the officially required procedures to start and operate an enterprise. In recent years, Zambia's ranking in this regard has fluctuated, but is generally improving and has remained above the levels of Malawi, Mozambique and Tanzania. Zambia ranked 82 in 2007 and moved to 74 out of 185 countries in 2012. The number of days required to start a business in Zambia has decreased from 33 in 2007 to 17 in 2012. Only Mozambique performed better with 13 days required in 2012. High costs to start and conduct a business often lead to enterprises remaining informal. It is observed that since 2003, the costs of registration and licensing in Zambia have significantly decreased.¹⁰¹ Nevertheless, the 2009 FinMark Trust Zambia Business Survey reveals that owners of unregistered firms stated that the principal reason why they

⁹⁹ Focus group discussion held on 27 September 2012 in Lusaka with Mr. Trevor Kaunda, Acting Permanent Secretary and Mr. Owen Mgemzulu, Chief planner at the Ministry of Labour and Social Security.

¹⁰⁰ JUDAI & Associates. 2002b. [Women Entrepreneurs in Zambia \(preliminary report\)](#). Gender in Development Division, Office of the President (Zambia); ILO Office (Lusaka), October. Accessed on 12 November 2012.; Focus group discussion held on 28 September 2012 in Lusaka with Ms. Maureen Sumbwe, executive director, and other board members of ZFWIB.

¹⁰¹ World Bank. 2009.

remained informal was the lack of sufficient income.¹⁰² One major impediment to formalization is the high cost of registration. As stated in the 2009 MSME Policy, the Government of Zambia is trying to lower registration costs by decentralising registration procedures.¹⁰³ The Government is now trying to introduce online registration in provincial registration offices.¹⁰⁴



Source: Zambia EESE survey.

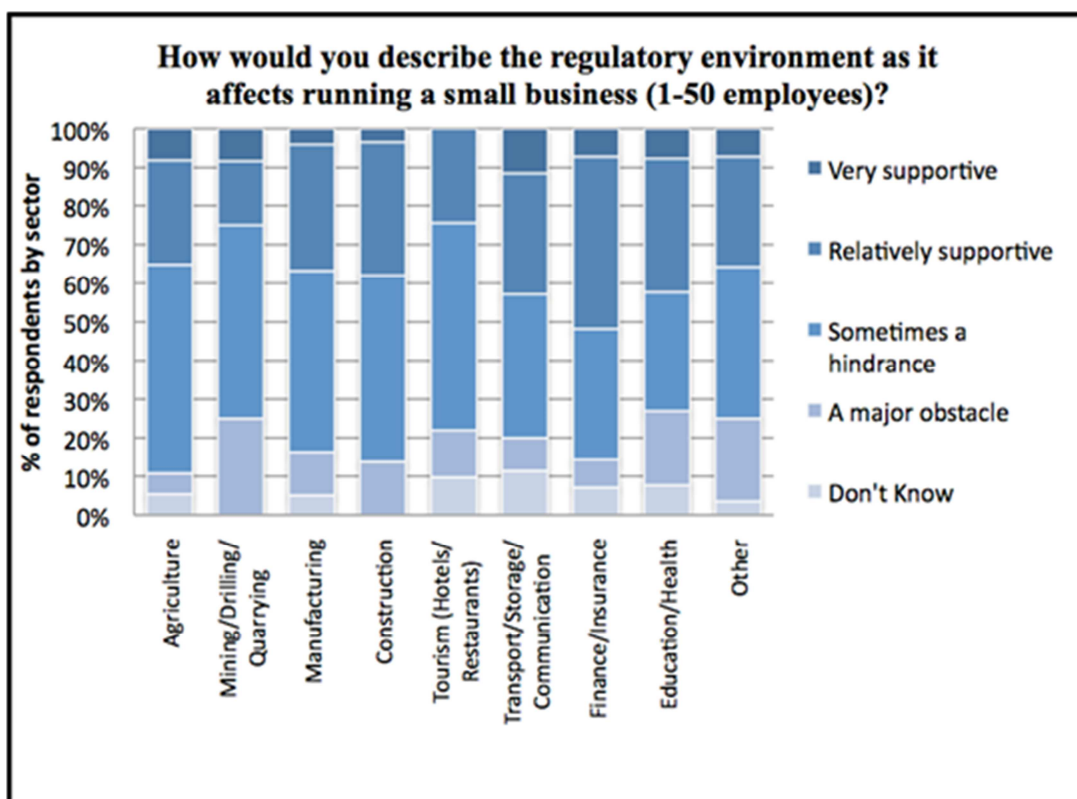
The Zambia EESE survey indicates that over 70 per cent of respondents think the cost to register a small enterprise influences businesses to remain informal, either to “some extent” (36.3 per cent), or to “a great extent” (33.3 per cent). However, for 21.3 per cent, registration costs have “very little” impact on favouring informality. Interviewees from small firms shared the latter view at higher rates than those from medium and large enterprises. Specifically, 29.3 per cent of respondents from small businesses describe the impact in this way, compared to just 15.7 and 18.2 per cent of respondents from medium and large enterprises respectively who hold this view. For 33.2 per cent of respondents, registration costs contribute to women dominating the informal economy to “some extent”. About the same share of interviewees (approximately 27 per cent) express almost contrasting views and find that registration costs have “very little” impact on the one hand, and contribute to women dominating the informal economy to “a great extent” on the other. It is interesting to note that, while the majority of male and female respondents believe that the costs of registering an enterprise contribute to women dominating the informal economy at least to “some extent”, the majority of women is much larger, at 71.8 per cent, compared to just 53.4 per cent of male respondents. Comparatively, interviewees from small firms were least likely to perceive registration costs as contributing to women dominating the informal economy, with 41.8 per cent describing the impact as “very little” or “not at all”, compared to 23.5 per cent of those from medium-size enterprises and 31.4 per cent from large firms who felt this way. Similarly, interviewees from firms 1 year old or less most

¹⁰² Clarke et al. 2010b.

¹⁰³ Lintini, N.K. 2008. [The Micro, Small and Medium Enterprise Development Policy](#). Republic of Zambia. Ministry of Commerce, Trade and Industry, April. Accessed on 9 November 2012.

¹⁰⁴ Focus group discussion with the World Bank, 28 September 2012.

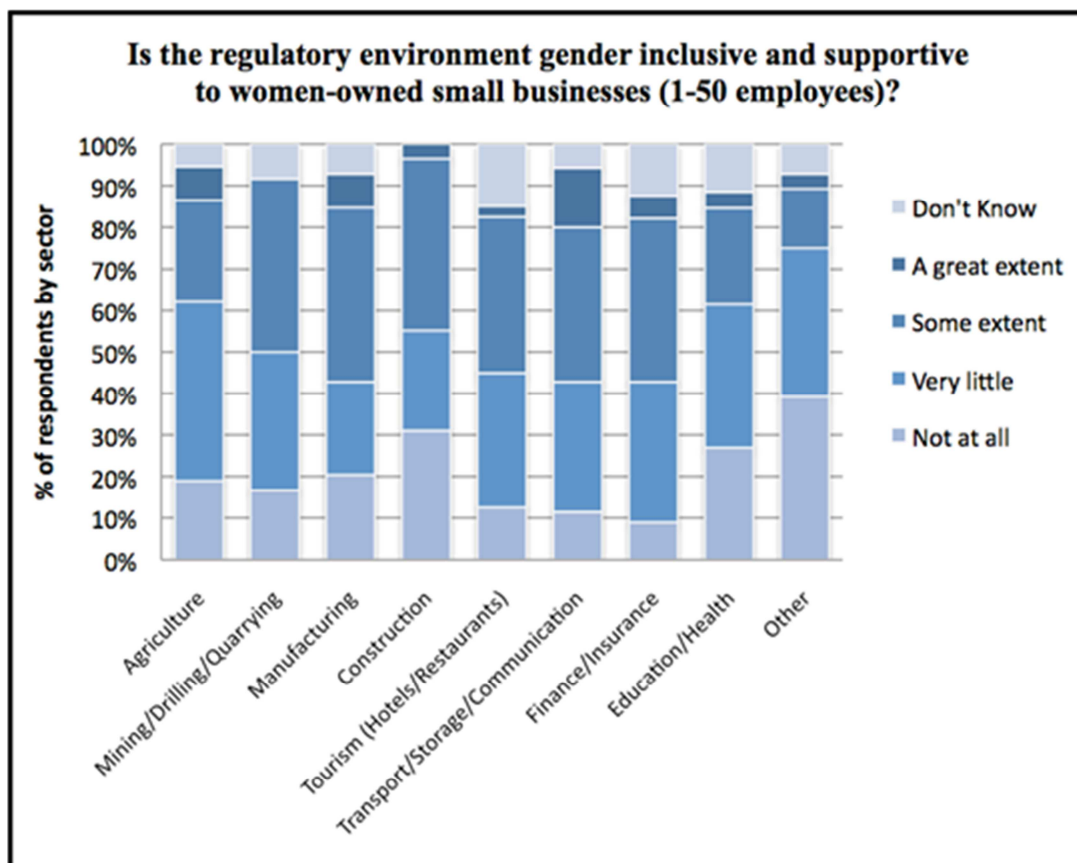
often described registration costs as contributing to women dominating the informal economy to “a great extent”, while those from firms aged 2-5, 6-9 and 10 or more years most often perceived it as only contributing to “some extent” (45.8, 33.3 and 31.7 per cent respectively).



Source: Zambia EESE survey.

The Zambia EESE survey reveals other interesting findings concerning the regulatory environment in the country. For 43.6 per cent of respondents, the regulatory environment as it affects running a small business is “sometimes a hindrance”, and for 32.6 per cent it is “relatively supportive”. The highest shares of interviewees from the finance and insurance, and education and health sectors hold this positive view. Interestingly, respondents from firms aged 1 year or less are the most positive, with 45.1 per cent describing the regulatory environment as either “relatively supportive” or “very supportive”, compared to 22.2, 40.3 and 30.3 per cent of those from firms aged 2-5, 6-9 and 10 or more years respectively who share this opinion. For 35.4 per cent of respondents, the regulatory environment concerning small businesses is to “some extent” gender-inclusive and supportive of women-owned small businesses. However, a notable share of interviewees equal to 30.5 per cent think that the level of gender-inclusivity and support is “very little.” As the chart above shows, this more negative perception prevails among respondents from the agriculture, and education and health sectors. As the presence of female labour force is particularly strong in agriculture, this finding is extremely important if effective actions to increase decent jobs in this sector are to be adopted. The perception of the regulatory environment as it affects running a large business in Zambia is quite different, with 47.4 per cent of interviewees stating that it is “relatively supportive”, and 22.2 per cent claiming that it is “sometimes a hindrance”. Only respondents from the tourism, hotel and restaurant sector hold this latter view more than other options. Furthermore, for 37 per cent of interviewees the regulatory environment is gender-inclusive and supportive of women-owned large businesses to “some extent”, whereas for 26 per cent of them it is “very little” so. The Zambia EESE survey also indicates that the business community partially understands labour law

according to 46.3 per cent of respondents, and generally understands it according to 26.7 per cent. In addition, the prevailing perception held by almost 47 per cent of respondents is that labour law is “rarely respected” by the business community. However, for about 28 per cent of interviewees, it is “generally respected”. For 62.2 per cent of respondents, workers “partially understand” labour law, while for 17 per cent in each case, workers either “generally understand” or “generally do not understand” labour law.



Source: Zambia EESE survey.

Key Indicators

Regulatory Quality Index		2005	2007	2009	2010	2011
The ability of the government to provide sound policies and regulations that enable and promote private sector development. Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance. Source: World Bank, Governance Matters database.¹⁰⁵	Zambia	-0.70	-0.49	-0.51	-0.49	-0.43
	Malawi	-0.48	-0.48	-0.44	-0.58	-0.70
	Mozambique	-0.65	-0.56	-0.37	-0.37	-0.40
	Tanzania	-0.45	-0.40	-0.46	-0.44	-0.44
Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.						

¹⁰⁵ <http://info.worldbank.org/>

Ease of Doing Business Rank		2008 (2009 report)	2009 (2010 report)	2010 (2011 report)	2011 (2012 report)	2012 (2013 report)
Ease of Doing Business Index ranks economies from 1 to 185, with first place being the best. A high ranking means that the regulatory environment is conducive to business operation. This index averages the country's percentile rankings on 10 topics, made up of a variety of indicators, giving equal weight to each topic. <u>Source:</u> World Bank, Doing Business Project. ¹⁰⁶	Zambia	116	100	90	90	94
	Malawi	127	134	132	151	157
	Mozambique	134	141	135	139	146
	Tanzania	130	127	131	133	134
	The index ranks economies from 1 to 185, with first place being the best.					

Other Useful Indicators

Starting a Business Rank		2007 (2008 report)	2008 (2009 report)	2009 (2010 report)	2010 (2011 report)	2011 (2012 report)	2012 (2013 report)
Starting a Business Index records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. <u>Source:</u> World Bank, Doing Business project. ¹⁰⁷	Zambia	82	71	94	57	68	74
	Malawi	108	122	128	132	139	141
	Mozambique	125	144	96	65	82	96
	Tanzania	95	109	120	122	117	113
	The index ranks economies from 1 to 185, with first place being the best.						

3.4. Rule of law and secure property rights

A formal and effective legal system which guarantees that contracts are honoured and upheld, the rule of law is respected, and property rights are secure, is a key condition for attracting investment, as well as for nurturing trust and fairness in society.

The “Rule of Law Index” measures the extent to which agents have confidence in and abide by the rules of society. This includes the quality of contract enforcement and property rights, the police and the courts, as well as the likelihood of crime and violence. Like its neighbouring countries, Malawi, Mozambique and Tanzania, Zambia does not perform well in this area. In 2011, Zambia recorded a value of -0.47 in a range of values from -2.5 to 2.5 with higher values indicating better performance. Malawi was the best performing country out of the four considered, reaching a value of -0.17 in the same year. In Zambia, law guarantees judicial independence, but certain recent decisions raised concerns regarding undue governmental influence. The courts lack adequate staff and trial delays are common. In rural areas, customary courts make decisions which often conflict with the Constitution and national legislation.¹⁰⁸ The police lack human and

¹⁰⁶ <http://www.doingbusiness.org/EconomyRankings/>

¹⁰⁷ Ibid.

¹⁰⁸ Freedom House. 2012.

financial resources,¹⁰⁹ and are often subject to allegations of corruption, brutality and torture.¹¹⁰ Contract enforcement is considered to be weak and courts are deemed to be inexperienced in commercial litigation.¹¹¹

When it comes to assessing whether property rights are well defined and protected by law, Zambia generally scores better than Malawi, Mozambique and Tanzania. Its situation in this respect has been slightly worsening from 4.7 in 2008 to 4.5 in 2012, on a scale from 1 to 7 where higher values indicate better performance. However, Zambia still managed to outperform the world mean of 4.3 in 2012. Customary law in Zambia discriminates against women with respect to property ownership and inheritance.¹¹² One example of this is in the area of land ownership. In rural areas, married women have access to land for farming only through their husbands and under customary law they cannot inherit control over land. A local chief may decide to allocate a plot to a single woman with children, but a married woman would never be assigned a plot in her own right. Both male and female local chiefs behave in the same way in this regard. In contrast, women in urban areas can purchase land in their own right. Unfortunately, customary law is protected by the Constitution.¹¹³ A National Gender Policy was adopted in 2000 and is currently being revised.¹¹⁴

While assessing whether intellectual property protection is weak and not enforced, or strong and enforced, on a scale from 1 to 7 with higher values corresponding to better performance, Zambia registers relatively good and improving values, increasing from 3.4 in 2008 to 3.8 in 2012. Zambia outperforms its three neighbouring countries used for comparison and records a value equal to the world mean in 2012. Nevertheless, the Government seems to lack the capacity to effectively enforce intellectual property rights laws.¹¹⁵ Although Zambia's intellectual property rights institutions are quite developed compared to other African countries, the lack of financial resources has been a major issue hindering effective enforcement of the existing legal framework. Zambia is a member of the African Regional Industrial Property Organisation (ARIPO).¹¹⁶

¹⁰⁹ United States State Department Bureau of Democracy, Human Rights, and Labor. 2011.

¹¹⁰ Freedom House. 2012.

¹¹¹ The Heritage Foundation. 2012.

¹¹² United States State Department Bureau of Democracy, Human Rights, and Labor. 2011.

¹¹³ Keller, B. 2000. [Women's Access to Land in Zambia](#). International Federation of Surveyors (FIG), November. Accessed on 9 November 2012.

¹¹⁴ Ministry of Gender and Child Development. 2012. National Gender Policy (draft). Republic of Zambia (Lusaka).

¹¹⁵ The Heritage Foundation. 2012.

¹¹⁶ Ziconda, A. (undated). [Institutional Issues for Developing Countries in IP Policy-Making, Administration and Enforcement in Selected African Countries](#). Country Case Study for Study 9: Institutional Issues for Developing Countries in IP Policy Making Administration and Enforcement. Commission on Intellectual Property Rights. Accessed on 13 November 2012.

Key Indicators

Rule of Law Index		2007	2008	2009	2010	2011
The extent to which agents have confidence in and abide by the rules of society, including the quality of contract enforcement and property rights, the police and the courts, as well as the likelihood of crime and violence. Source: World Bank, Governance Matters database.¹¹⁷	Zambia	-0.57	-0.44	-0.46	-0.47	-0.47
	Malawi	-0.19	-0.14	-0.13	-0.15	-0.18
	Mozambique	-0.61	-0.61	-0.6	-0.48	-0.56
	Tanzania	-0.36	-0.35	-0.51	-0.52	-0.52
	Estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance.					

Other Useful Indicators

Property rights		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Property rights in your country, including over financial assets, are 1=poorly defined and not protected by law, 7=clearly defined and well protected by law". Source: World Economic Forum, The Global Competitiveness Report.¹¹⁸	Zambia	4.7	4.5	4.1	4.1	4.5
	Malawi	4.3	4.3	4.2	4	3.9
	Mozambique	3.5	3.2	3.3	3.5	3.5
	Tanzania	3.8	3.7	3.7	3.5	3.6
	World (mean)	4.7	4.5	4.4	4.3	4.3
	1=poorly defined and not protected by law, 7=clearly defined and well protected by law.					
Intellectual property protection		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: "Intellectual property protection and anti-counterfeiting measures in your country are 1=weak and not enforced, 7=strong and enforced". Source: World Economic Forum, The Global Competitiveness Report.¹¹⁹	Zambia	3.4	3.6	3.6	3.6	3.8
	Malawi	3.1	3.4	3.8	3.8	3.6
	Mozambique	2.5	2.5	2.5	2.5	2.6
	Tanzania	2.9	3.1	3.3	3.3	3.1
	World (mean)	3.8	3.8	3.7	3.7	3.8
	1=weak and not enforced, 7=strong and enforced.					

3.5. Fair competition

In order for the private sector and sustainable enterprises to develop and grow, it is important to have competition rules, including those ensuring respect for labour and

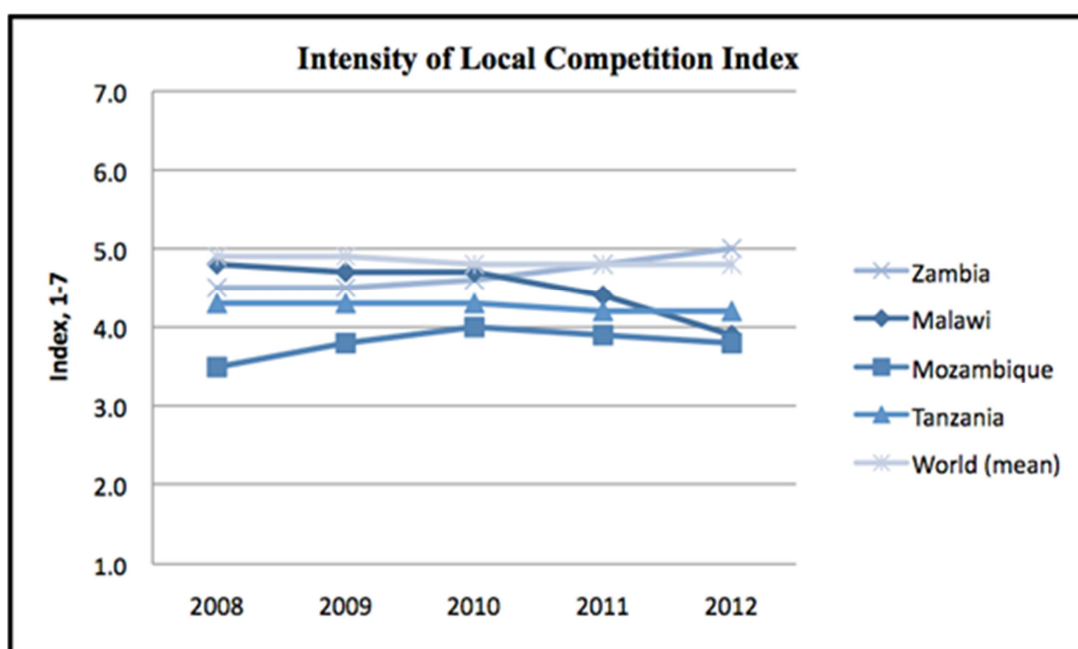
¹¹⁷ <http://info.worldbank.org/governance/wgi/>

¹¹⁸ <http://www.weforum.org/issues/global-competitiveness>

¹¹⁹ Ibid.

social standards. In addition, anti-competitive practices at the national level must be eliminated.

“New Business Density” indicates the number of newly registered, limited liability companies per 1000 working aged people (15 to 64 years old) in a given year. Of the four countries considered, information is available only for Malawi and Zambia, with the latter country out-performing the former. Zambia reached its highest value in 2008, at 1.03. In 2009, it registered a slightly lower value, yet still higher than Malawi, up to 0.88. This indicator refers to relatively large companies, which are much more common in Zambia than in Malawi, possibly because of the larger size of enterprises operating in Zambia’s extractive industry. However, compared to the Sub-Saharan African average of 1.21 for 2009, both countries reflect comparatively poor performance rates. In Zambia, there are reportedly only a few thousand large companies, 200 of which produce the bulk of the total national industrial output.¹²⁰



Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report.

The “Intensity of Local Competition Index” measures the level of competition in local markets from 1 to 7, 1 being limited and 7 being intense in most industries. Zambia outperforms all three of its neighbouring countries used for comparison, reaching a level of 5 in 2012. This is also higher than the world mean of 4.8 in the same year. The “Effectiveness of Anti-Monopoly Policy Index” reflects the level of efficiency of anti-monopoly policy in promoting competition, on a scale from 1 to 7 with higher values corresponding to better performance. Zambia has been improving in this regard over the period 2008 to 2012, achieving a value of 4.6 in the latter year. This is higher than the scores reached by Malawi, Mozambique and Tanzania, as well as the world mean of 4 in the same year. It is however to be noted that although an anti-monopoly framework exists in the country, it is rather ineffective in practical terms.¹²¹ The “Extent of Market

¹²⁰ PSD Group. 2012. Zambia competitiveness in the regional and global economy. Government of Zambia (Lusaka), 8 November.

¹²¹ Tripartite technical workshop, 10-11 April 2013.

Dominance Index” indicates whether corporate activity is dominated by only a few business groups or spread among many firms, in a range of values from 1 to 7 with higher values corresponding to more firms. Zambia outperforms its three neighbouring countries used for comparison even in this respect, reaching a value of 4 in 2012. The world mean for that year is 3.8. Despite these encouraging findings, competition in some sectors is low or non-existent. For example, the sector of mobile networks is characterized by low competition which results in high prices and limited uptake. Zambia's Internet connectivity is one of the most expensive in the world which has a negative impact on the local economy.¹²² However, it is to be noted that recently the Government has decided to liberalise the international gateway system and has introduced other measures to remove anti-competitive behaviours in the telecommunications sector.¹²³ Other sectors where competition is very limited are that of beer and cement. Moreover, locally produced sugar in Zambia is very expensive, reflecting a lack of competition in the domestic market.¹²⁴

Zambia completed the formulation of its national Competition and Consumer Policy in 2009. The first relevant Act in this regard was passed in 1994, with the adoption of the Competition and Fair Trading Act. In 1997, the Zambia Competition Commission became operational. Implementation of the Competition and Fair Trading Act was quite challenging for the Commission. However, the experience gained in this respect and the adoption of the 2009 Competition and Consumer Policy led to the revision of existing legislation. In 2010, the Competition and Consumer Protection Act replaced the 1994 Act. The new law harmonises the existing fragmented legislation on consumer protection and expands the powers of the Zambia Competition Commission. The 2010 Act overcomes the limits and weaknesses of the old legislation. For instance, more adequate sanctions are introduced. In addition, the Commission is required to conclude cooperation agreements with sector regulators in the implementation of fair competition rules. The four sectoral regulators particularly in need of cooperation agreements are the Pension and Insurance Authority, the Zambia Information and Communications Technology Authority, the Energy Regulation Board, and the Bank of Zambia. Besides the already mentioned telecommunications and broadcasting services sectors and the beverages and cement industries, other sectors where anti-competition practices are common include the agricultural and mining sectors. The major concerns are the formation of cartels and monopolies. In general, cases of unfair trading practices and consumer protection outnumber other categories of cases and have been increasing in number since 1998. Despite the positive innovations that the 2010 Act introduced, the Commission is currently challenged by a serious lack of human resource capacity. It is believed that the Commission's visibility is low and that its physical presence should be strengthened. Moreover, the Commission should reportedly be more active in sensitisation and education of the business community on competition policies and laws.¹²⁵

¹²² PSD Group. 2012.

¹²³ Kaira, T. 2010/2011. [State of Competition in Zambia's Telecommunications Sector](#). African Journal of Information and Communication, issue II. Accessed on 12 December 2012.

¹²⁴ Ellis, K.; Sigh, R.; Musonda, C. 2010. [Assessing the Economic Impact of Competition: Findings from Zambia](#). Overseas Development Institute; UKaid (United Kingdom), July. Accessed on 9 November 2012.

¹²⁵ UNCTAD. 2012.

Key Indicators

New business density		2005	2006	2007	2008	2009
The number of newly registered limited liability companies per 1,000 working-age people (those ages 15-64) in that year. Source: World Bank's Entrepreneurship Survey (World Development Indicators Online) ¹²⁶ Note: Data for Mozambique and Tanzania is not available.	Zambia	0.60	0.62	0.89	1.03	0.88
	Malawi	0.06	0.06	0.09	0.11	0.08
	Sub Saharan Africa	1.08	1.02	1.29	1.37	1.21
	The number of newly registered limited liability companies per 1,000 working-age people.					

Other Useful Indicators

Intensity of local competition index		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
Intensity of local competition index is based on survey data drawn from the following question: "Competition in the local markets is (1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership)". Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report. ¹²⁷	Zambia	4.5	4.5	4.6	4.8	5.0
	Malawi	4.8	4.7	4.7	4.4	3.9
	Mozambique	3.5	3.8	4.0	3.9	3.8
	Tanzania	4.3	4.3	4.3	4.2	4.2
	World (mean)	4.9	4.9	4.8	4.8	4.8
	1=limited in most industries and price-cutting is rare, 7=intense in most industries as market leadership.					
Effectiveness of anti-monopoly policies		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
Effectiveness of anti-monopoly policy index is based on annual survey data. The respondents were asked to rate the effectiveness of anti-monopoly policy in their country: "Antimonopoly policy in your country is (1=lax and not effective at promoting competition, 7=effective and promotes competition)". Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report ¹²⁸	Zambia	3.5	3.9	4.3	4.3	4.6
	Malawi	3.8	4.0	4.2	4.1	3.9
	Mozambique	2.9	3.2	3.6	3.3	3.1
	Tanzania	3.4	3.8	4.0	4.0	4.1
	World (mean)	4.0	4.0	4.1	4.0	4.0
	1=lax and not effective at promoting competition, 7=effective and promotes competition.					

¹²⁶ <http://data.worldbank.org/>

¹²⁷ <http://www.weforum.org/issues/global-competitiveness>

¹²⁸ Ibid.

Extent of market dominance		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
Extent of market dominance index is based on annual survey data. The respondents were asked to rate the corporate activity in their country: "Corporate activity in your country is (1=dominated by a few business groups, 7=spread among many firms)". Source: World Economic Forum Executive Opinion Survey, The Global Competitiveness Report. ¹²⁹	Zambia	3.3	3.7	3.5	3.6	4.0
	Malawi	3.1	3.2	3.3	3.2	3.2
	Mozambique	2.8	2.9	3.1	3.0	2.9
	Tanzania	3.1	3.3	3.6	3.6	3.3
	World (mean)	3.9	3.9	3.8	3.8	3.8
1=dominated by a few business groups, 7=spread among many firms.						

3.6. Information and communication technologies

In the era of the knowledge economy, the use of information and communication technologies (ICTs) is fundamental to the development of sustainable enterprises. Affordable broadband technology is also very important and should be facilitated.

The "ICT Development Index" compares developments in information and communication technologies in 154 countries. It combines several indicators, such as households with a computer, number of Internet users, literacy levels, etc. On a scale from 1 to 10 with higher values indicating better performance, Zambia steadily improved from 2002 to 2011, but remains at extremely low levels with a score of only 1.65 in 2011. Malawi, Mozambique and Tanzania all performed slightly worse than Zambia over the same period. The "Network Readiness Index" measures the extent to which a country leverages ICTs for enhanced competitiveness. On a scale from 1 to 7 with higher values corresponding to better performance, Zambia scores better than its three neighbouring countries chosen for comparison in 2011-12, reaching a level of 3.26.¹³⁰ Considering Internet users per 100 people, Zambia performs almost as well as Tanzania and better than its two other neighbours, reaching a level of 11.5 per cent in 2011. Tanzania is the best performing country of the four with a score of 12 per cent in the same year. This is compared to the world mean for 2011 equal to 32.8 per cent. When it comes to fixed-line subscriptions per 100 people, despite a comparatively high world mean of 17.3 per cent in 2011, Zambia performs rather poorly with a level of only 0.6 per cent in the same year. Malawi records the highest rate of the four countries considered with 1.1 per cent. However, in 2011 Zambia registered the highest rate of mobile telephone subscriptions per 100 people compared to its three neighbouring countries, reaching 60.6 per cent. The world mean in the same year was 85.5 per cent. Concerning broadband subscriptions per 100 people, in 2011 Zambia performed similarly to its three neighbours, reaching a level of only 0.06 per cent, compared to the world mean of 8.6 per cent in the same year.

As already mentioned in Section 3.5, the telecommunications sector in Zambia is generally characterized by low competition and high prices. The mobile telephone market, fixed landline market, and international gateway market recorded monopoly situations. In order to foster competition and boost ICT development, the Government adopted several effective measures. First, in 2010 it sold 70 per cent of the equity of the state-owned company which controlled the international gateway system. At the same

¹²⁹ <http://www.weforum.org/issues/global-competitiveness>

¹³⁰ <http://www.weforum.org/issues/global-information-technology>

time, the Government put an end to the hitherto existing monopoly over the same system. License fees were also lowered to allow new entries into the market. As a result of these measures, international calling rates dropped significantly.¹³¹ In 2011, the Government suspended duty on telecommunications equipment. It is believed that waiving all taxes on telecommunications site equipment should increase competition and lower the price of telecommunications services by allowing new players to enter the market. This measure should also allow existing service providers to accelerate network spread and further telecommunications infrastructure development.¹³²

Despite the competition issues described above, Zambia has a clear policy and legal framework regulating ICT in the country. In 2006, a National ICT Policy was adopted, and in 2009 the Information and Communication Technologies Act and the Electronic Communications and Transactions Act were passed. These laws are expected to improve the transparency and predictability of regulatory interventions.¹³³

Major barriers to the development of telecommunications in Zambia include poor access to electricity and limited coverage by ICT service providers that focus on urban areas and neglect rural ones.¹³⁴ Moreover, there is scope for strengthening the physical infrastructure supporting ICT all over the country so that telecommunication services are equally available to all citizens.¹³⁵ However, the Zambia EASE survey reveals rather encouraging findings. As can be seen in the chart in Section 3.8, 47.2 per cent of respondents assess telecommunications as they affect operating a business effectively and efficiently as “good”. About 37 per cent of them consider telecommunications to be “satisfactory” in the country. Considering respondents by sector, this more positive view is shared by the largest portions of interviewees from the manufacturing, construction, and tourism, hotel and restaurant sectors. As the following chart indicates, younger interviewees are more critical of the ICT infrastructure, where the majority of respondents aged 18-24 assess it as “satisfactory” at best, compared to the majority of those aged 25-60 who describe it as “good” or “very good”.

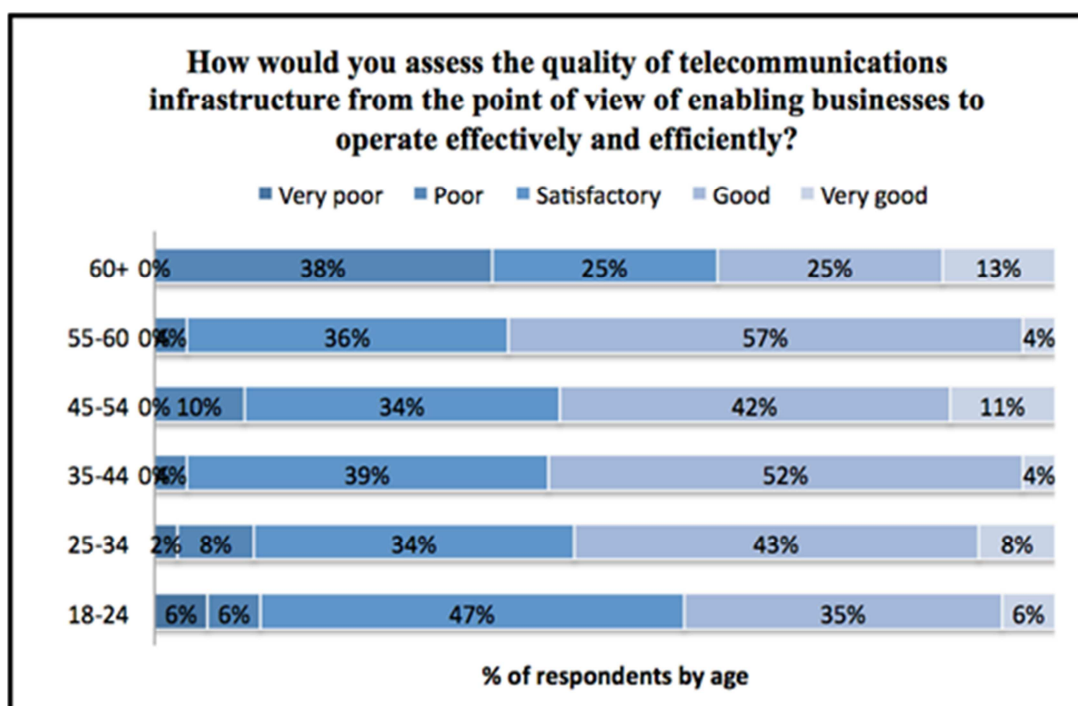
¹³¹ Kaira. 2010/2011.

¹³² Ministry of Commerce, Trade and Industry. 2011. [ZACCI hails State over telecommunications duty stance](#). 13 October. Accessed on 15 November 2012.

¹³³ Kaira. 2010/2011.

¹³⁴ Ibid.

¹³⁵ Tripartite technical workshop, 10-11 April 2013.



Source: Zambia EESE survey.

The 2009 FinMark Trust Zambia Business Survey reveals that very few firms have access to ICT infrastructure. Only 3 per cent of SMEs have a computer, and 2 per cent have Internet access. Nonetheless, 44 per cent of interviewees own or have access to a mobile phone. A surprising finding is that the large majority of small entrepreneurs do not use ICT services for business. The contrary is true for large company owners who make good use of ICT for business.¹³⁶

ICT development is particularly important for women. This is clearly illustrated by the case of the Kalomo Bwacha Women's ICT Club in Zambia. Established in 2000, this club supports women in running their businesses through the provision of ICT-based services. Its activities are funded through membership fees and contributions from local and international entities. Activities include the provision of E-mail and telephone services, basic Internet training, and desktop publishing services. The club benefits from concessional electricity rates and rent-free premises.¹³⁷

¹³⁶ Clarke et al. 2010a.

¹³⁷ Zulu, E.; Wakunuma, K.J. 2005. [Kalomo Bwacha Women's ICT Club in Zambia](#). Women's IT Sector Enterprises Case Study No. 11. Accessed on 13 November 2012.

Key Indicators

ICT Development Index (IDI)		2002	2007	2008	2010	2011
IDI compares developments in information and communication technologies (ICT) in 154 countries. The Index combines 11 indicators in a single measure that can be used as a benchmarking tool globally, regionally and at the country level. These are related to ICT access, use and skills, including households with a computer, the number of Internet users and literacy levels. <u>Source:</u> International Telecommunication Union.¹³⁸	Zambia	1.08	1.44	1.44	1.53	1.65
	Malawi	0.95	1.20	1.28	1.37	1.42
	Mozambique	0.77	0.97	1.10	1.26	1.28
	Tanzania	0.96	1.05	1.17	1.52	1.60
	Scale from 1 to 10, with lower scores reflecting lower development levels.					

Other Useful Indicators

Internet users (per 100 people)		2008	2009	2010	2011
The Internet is a linked global network of computers in which users at one computer get information from other computers in the network. Internet users are people with access to the worldwide network. The total number of Internet users is divided by the population and multiplied by 100. <u>Source:</u> International Telecommunication Union.¹³⁹	Zambia	5.55	6.31	10.13	11.50
	Malawi	0.70	1.07	2.26	3.33
	Mozambique	1.56	2.68	4.17	4.30
	Tanzania	9.00	10.00	11.00	12.00
	World (mean)	23.19	25.74	29.52	32.77
	Number of users per 100 people.				
Fixed lines subscriptions (per 100 people)		2008	2009	2010	2011
Fixed lines are telephone mainlines connecting a customer's equipment to the public switched telephone network. <u>Source:</u> International Telecommunication Union.¹⁴⁰	Zambia	0.73	0.71	0.90	0.64
	Malawi	0.79	0.77	1.02	1.13
	Mozambique	0.35	0.36	0.38	0.37
	Tanzania	0.29	0.40	0.39	0.35
	World (mean)	18.55	18.32	17.82	17.31
	Number of subscribers per 100 people.				

¹³⁸ <http://www.itu.int/pub/D-IND>

¹³⁹ <http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx>

¹⁴⁰ Ibid.

Mobile cellular subscriptions (per 100 people)		2008	2009	2010	2011
Mobile phone subscribers refer to users of portable telephones subscribing to an automatic public mobile telephone service using cellular technology that provides access to the public switched telephone network. <u>Source:</u> International Telecommunication Union. ¹⁴¹	Zambia	28.59	34.63	41.62	60.59
	Malawi	10.77	17.21	20.92	25.69
	Mozambique	19.72	26.12	30.88	32.83
	Tanzania	30.77	40.14	46.80	55.53
	World (mean)	59.86	68.21	77.11	85.55
	Number of subscribers per 100 people.				
Broadband subscribers (per 100 people)		2008	2009	2010	2011
Broadband subscribers are the total number of broadband subscribers with a digital subscriber line, cable modem or other high-speed technologies. <u>Source:</u> International Telecommunication Union. ¹⁴²	Zambia	0.05	0.08	0.08	0.06
	Malawi	0.02	0.03	0.05	0.06
	Mozambique	0.05	0.05	0.06	0.07
	Tanzania	0.01	0.01	0.01	0.01
	World (mean)	6.16	6.97	7.71	8.62
	Number of subscribers per 100 people.				

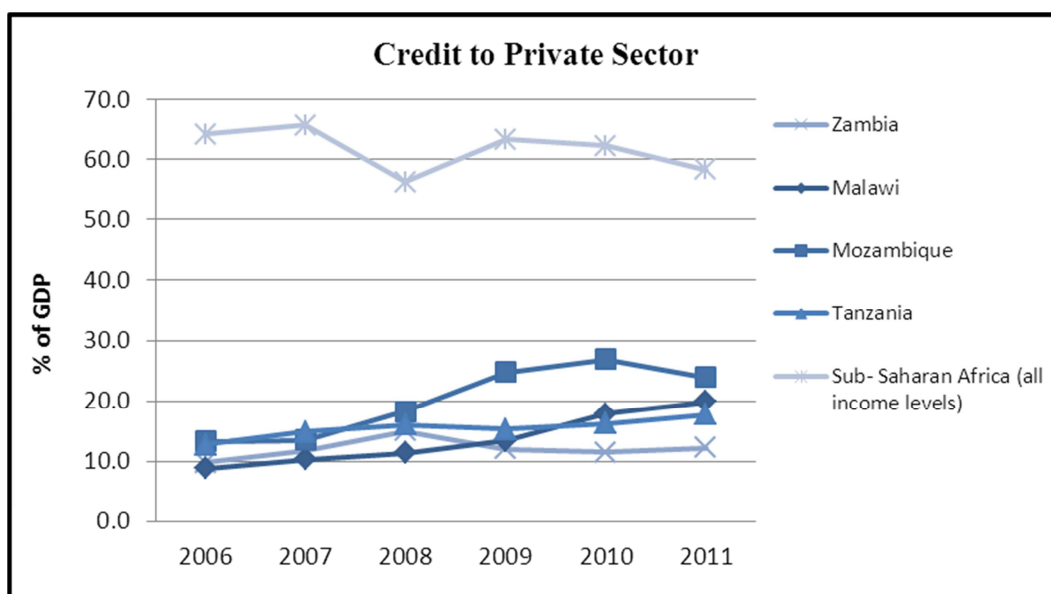
3.7. Access to financial services

The creation and expansion of sustainable enterprises require access to financial resources. Considering “Credit to Private Sector” as a percentage of GDP, though Zambia slightly improved over the period 2006-11, it failed to outperform all of its neighbouring countries used for comparison, reaching only 12.3 per cent in 2011. The “Credit Information Index” measures the level of credit information available in a country through public or private registries to facilitate lending decisions. On a scale from 0 to 6 where higher values indicate better performance, Zambia outperforms its three neighbouring countries used for comparison, reaching a value of 5 in 2012. Only Mozambique registered a similar value of 4 in the same year. Information on potential borrowers is a crucial issue to avoid default cases. In 2011, a credit reference bureau was established in Zambia and despite initial delays, it is currently well functioning. It provides information to all financial service providers on delinquency and non-delinquency accounts.¹⁴³

¹⁴¹ <http://www.itu.int/ITU-D/icteye/Indicators/Indicators.aspx>

¹⁴² Ibid.

¹⁴³ Tripartite technical workshop, 10-11 April 2013.



Source: International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators Online).

“Interest Rate Spread” measures the difference between lending rate and deposit rate. In this area, Zambia’s performance appears to be better than that of Malawi, but worse than that of Mozambique and Tanzania. Zambia maintained generally stable values from 2005 to 2010, reaching in the latter year a level of 13.5 per cent. The Sub-Saharan African average was 9.7 per cent in 2010. Presently, interest rates on deposit range between 2 per cent to 4 per cent a year, and interest rates on lending vary between 17 per cent and 21 per cent.¹⁴⁴

Although firms’ access to credit has considerably improved since 2003,¹⁴⁵ the 2009 FinMark Trust Zambia Business Survey reveals that access to finance is the single greatest concern for entrepreneurs. This is true more for owners of small businesses than for owners of large companies. Almost 60 per cent of respondents consider access to finance as a serious constraint to their operations. Between 67 and 83 per cent of surveyed entrepreneurs do not generate enough revenue to qualify for basic banking services, and less than 10 per cent of surveyed firms are eligible for bank loans. The most significant constraints to banking access are the lack of physical access to banks and the high cost of financial products.¹⁴⁶ The Zambia Business Survey also indicates that for 68 per cent of interviewees, the main driver of success for enterprises is being well financed.¹⁴⁷

The 2013 Zambia EESE survey reveals other interesting findings. For the majority of respondents, it is “difficult” (65.5 per cent) to “impossible” (22.2 per cent) for a small business to obtain credit from a bank with a good business plan only, and without capital/collateral. Furthermore, the general emerging perception is that it is “difficult”

¹⁴⁴ Tripartite technical workshop, 10-11 April 2013.

¹⁴⁵ World Bank. 2009.

¹⁴⁶ Clarke et al. 2010b.

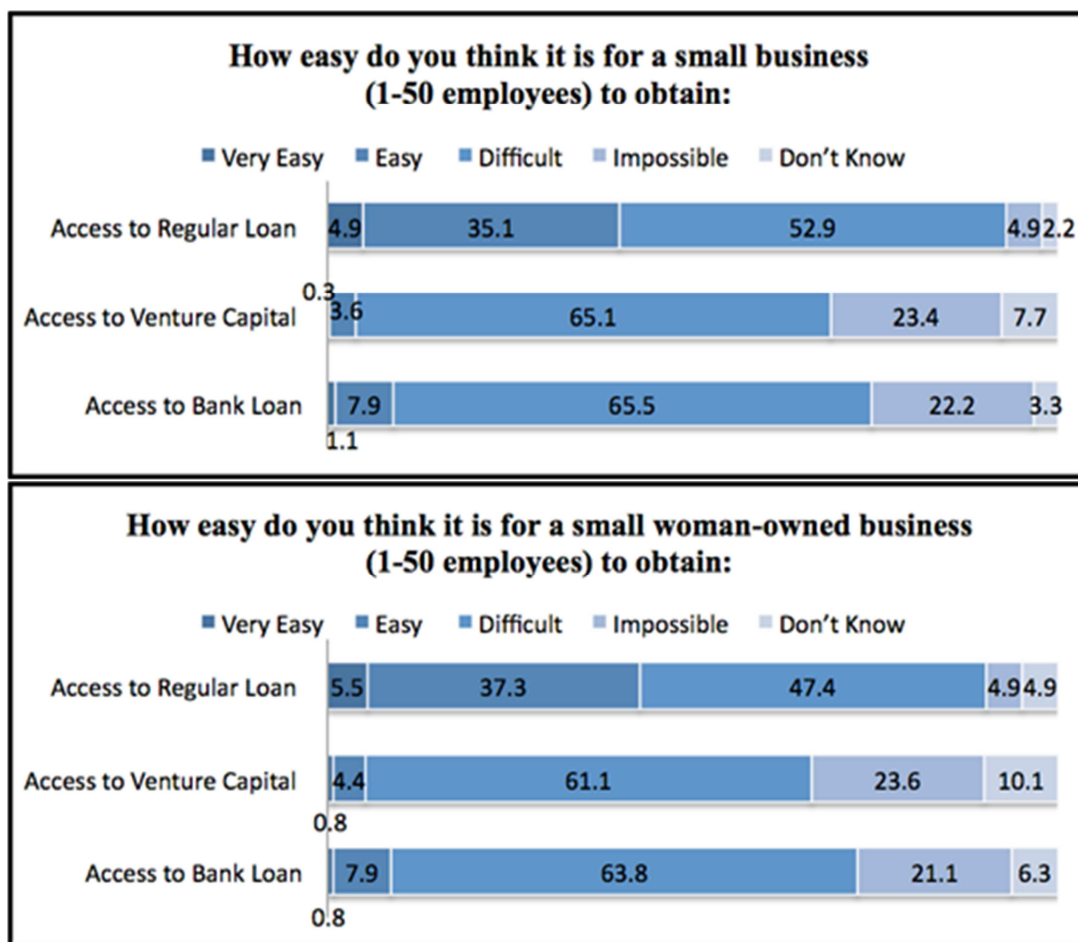
¹⁴⁷ Clarke et al. 2010a.

(65.1 per cent) to “impossible” (23.4 per cent) for a small entrepreneur to get venture capital with an innovative but risky project. When it comes to access to a regular loan with adequate collateral and a good business plan for a small entrepreneur, it is deemed to be “difficult” for about 53 per cent of respondents and “easy” according to 35 per cent.

Access to finance is difficult for Zambians in general, but reportedly even more so for women. Despite women being better at repayment than men in general, they lack a supportive business network and formal documents certifying their financial viability. Moreover, their business skills are often weak and negatively affect their capacity to apply for loans.¹⁴⁸ Evidence shows that women are 5.5 per cent less likely than men to use financial products. Furthermore, while they are 4 per cent less likely to use credit, there is no significant difference between women and men in the use of savings. Women over the age of 50, who live in rural areas, are financially illiterate, and without collateral are all less likely than their male counterparts to use financial services.¹⁴⁹ The Zambia EESE survey provides some interesting findings in this regard. While the majority of respondents (51.6 per cent) believe there is no difference between women and men’s access to finance, 26.5 per cent responded that women are less likely to have access to finance than men. Workers are more likely than employers to hold this view, with about 29 per cent of them stating that women are less likely to have access, compared to almost 24 per cent of employers who believe this. It is perceived by respondents to be “difficult” (almost 64 per cent) to “impossible” (21 per cent) for a woman-owned small enterprise to obtain a loan from a bank without capital/collateral and with a good business plan only. In addition, it is supposedly “difficult” (61 per cent) to “impossible” (23.6 per cent) for a woman-owned small enterprise to get venture capital with a risky but innovative project. When it comes to access for a woman-owned small enterprise to a regular loan, for 47.4 per cent of respondents it is “difficult,” for 37.3 per cent it is “easy,” and for only about 5 per cent it is “impossible.” Moreover, the largest shares of respondents from the construction and tourism, hotel and restaurant sectors believe that it is “easy” for women-owned small enterprises to obtain a regular loan from a bank. The overall perception is that it is easier for woman-owned small enterprises than for small businesses in general, regardless of the sex of the owner, to access finance, as shown in the chart below. Nevertheless, as noted above, for 51.6 per cent of respondents, there is no difference in access to credit between women and men. Of all interviewees, 26.5 per cent find that women encounter more difficulties in accessing loans compared to almost 17 per cent who believe men experience more difficulties.

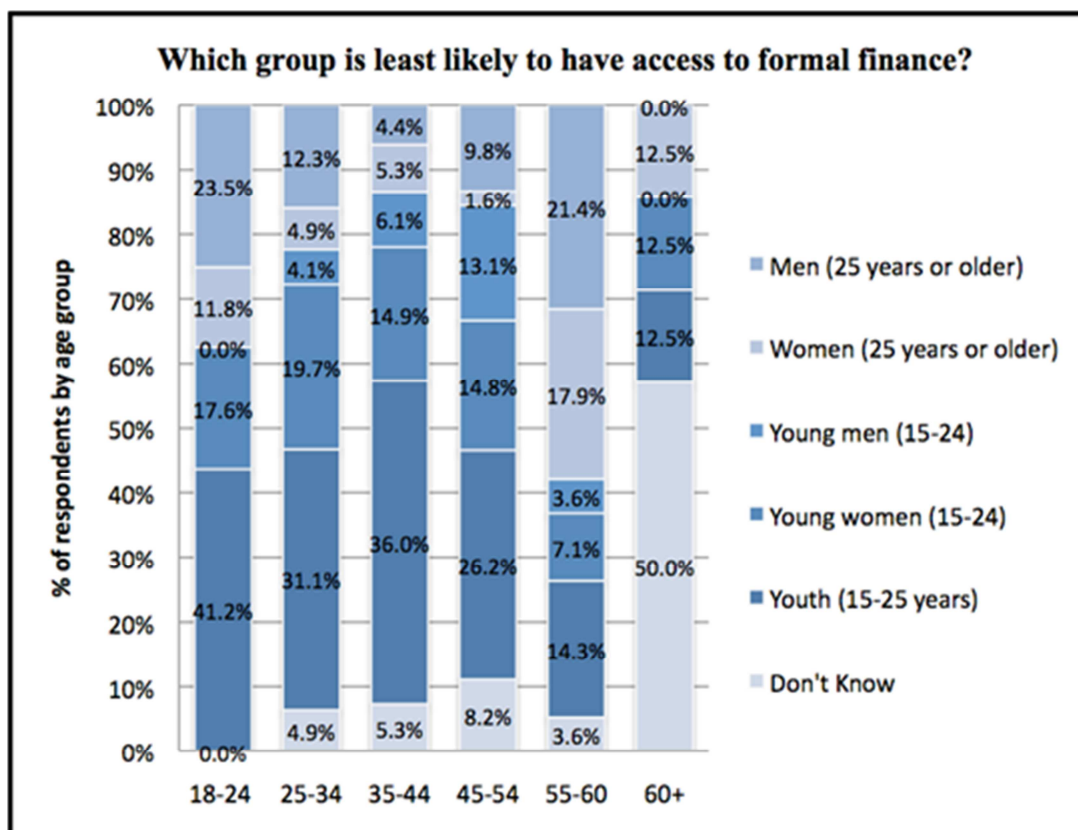
¹⁴⁸ Tripartite technical workshop, 10-11 April 2013.; Focus group discussion with ZFWIB, 28 September 2012.

¹⁴⁹ German Agency for International Cooperation. 2012. [Gender differences in the usage of formal financial services in Zambia](#). Federal Ministry for Economic Cooperation and Development, February. Accessed on 9 November 2012.



Source: Zambia EESE survey.

Considering adult women and men, young women and young men, and youth aged 15-25 in general, the latter group is perceived by 30 per cent of respondents to have the most difficulty accessing formal credit. Young women come next with 15.6 per cent of interviewees thinking they are the least likely to have access. Younger respondents are more likely to perceive youth generally as facing the most challenges with 41.2 per cent of interviewees aged 18-24 responding in this way, as opposed to only 14.3 per cent of respondents aged 55-60 expressing this view.



Source: Zambia EESE survey.

In Zambia, there are 19 commercial banks, 33 microfinance institutions, 8 leasing and finance companies, 4 building societies, one savings and credit institution, one development bank, and 55 bureaux de change.¹⁵⁰ In 2002, the Financial Sector Development Plan was launched in Zambia. There have been remarkable improvements ever since, including an increase in domestic credit to the private sector, an expansion of the footprint of banking services, improvements in the national payments system, and the establishment of credit reference bureaus. Despite these and other efforts, as the information provided above shows, access to finance remains a key issue for Zambian small entrepreneurs. It is however to be noted that most Zambian MSMEs may not be worth serving, with higher levels of access to finance being unsustainable and potentially leading to instability in the financial sector.¹⁵¹ According to the IMF, the banking sector in Zambia remains sound and sustainable. Lending to the private sector has exceeded pre-crisis levels despite high base lending rates. In 2011, the share of personal loans has increased and reached 30 per cent of total loans, which could lead to a deterioration of the global financial situation. Base lending rates are high due to lack of information on potential borrowers, high transaction costs for creditors to deal with non-performing loans, and the high cost of doing business in Zambia.¹⁵² Access to finance is undoubtedly an issue for entrepreneurs in Zambia. However, because of the high costs of finance in

¹⁵⁰ Information updated as of 31 March 2013. Tripartite technical workshop, 10-11 April 2013.

¹⁵¹ Melzer, I.; Agasi, R.; Botha, H. 2010. [Zambia Business Survey: Demand-side analysis of access to financial services for businesses in Zambia](#). FinMark Trust; Private Sector Development Reform Programme; World Bank Zambia Country Office; Zambia Business Forum, June. Accessed on 9 November 2012.

¹⁵² IMF. 2012a.

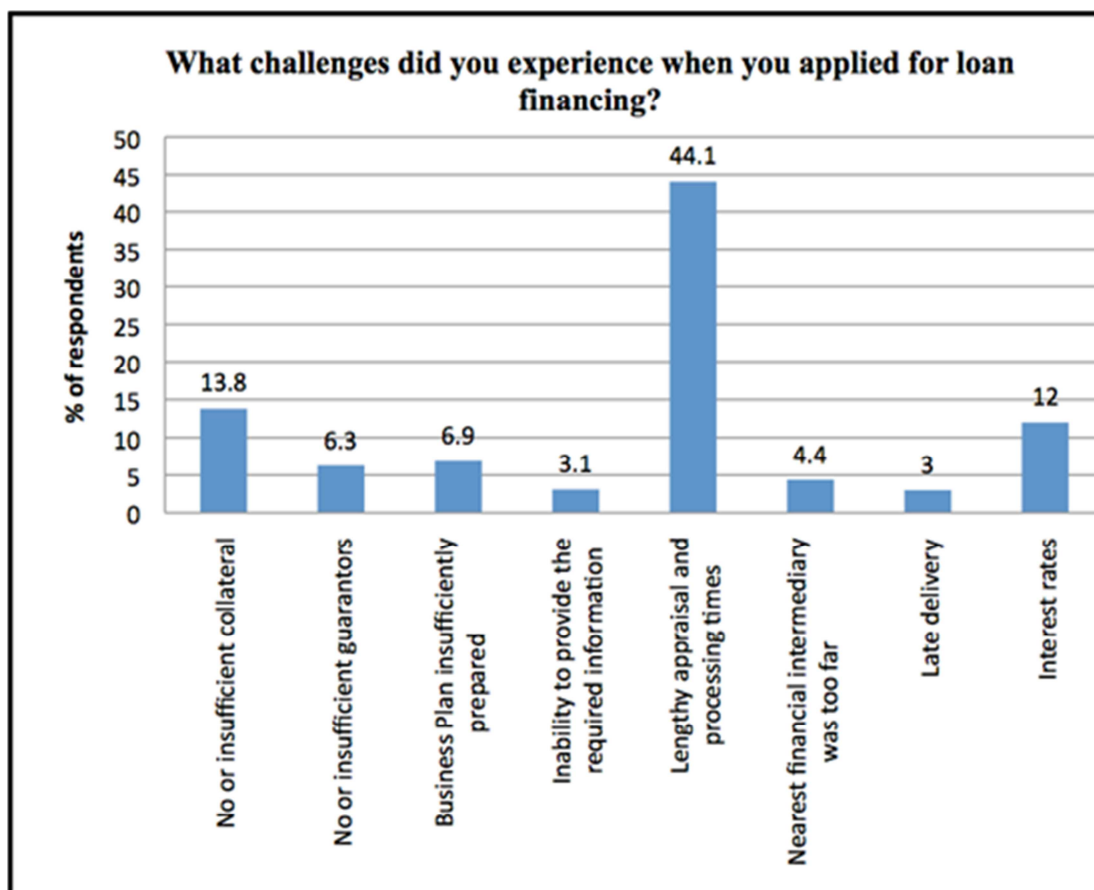
the country, interest rates will lower, but only in the medium-long term. Measures which could somewhat improve the present situation include incentives towards formalization, and reductions in taxes and severance payments.¹⁵³

The Zambia EESE survey reveals that for a large majority of interviewees (86.6 per cent), it is more difficult for small entrepreneurs to get credit compared to owners of large enterprises. It is interesting to note however, that those from firms aged 1 year or younger were the most likely to believe there is “no difference”, with 14.8 per cent responding in this way, compared to interviewees from the three other categories of older enterprises sharing this view in proportions below 8 per cent. When considering the main sources of funding, banks are perceived as being the first with almost 44 per cent of respondents’ selecting this option, particularly those from the mining, drilling and quarrying, manufacturing, construction, and tourism, hotel and restaurant sectors. Grant agencies come second with 3.6 per cent, and microfinance institutions rank third with 3.3 per cent. Interestingly, for 47.5 per cent of respondents, the main source of funding is perceived to include other institutions such as the African Development Bank, business branches, pension funds, and government programmes. The main challenges experienced while applying for financing include lengthy appraisal and processing time (44.4 per cent), no or insufficient collateral (13.8 per cent), and high interest rates (12 per cent). Lengthy appraisal and processing time is mainly caused by the stringent regulations which financial institutions must comply with. It is believed that something could be done to speed up the approval process.¹⁵⁴ It is to be noted that 33.4 per cent of respondents encountered no challenge while applying for a loan. This rather encouraging finding may be due to the fact that respondents are from ZFE member companies which are rather large in size and have therefore easier access to credit.¹⁵⁵

¹⁵³ Focus group discussion with the IMF, 27 September 2012.

¹⁵⁴ Tripartite technical workshop, 10-11 April 2013.

¹⁵⁵ Ibid.



Source: Zambia EESE survey.

In recent years, the Government has tried to offer support to vulnerable entrepreneurs who lack access to finance. As part of this effort, the Citizens' Economic Empowerment Commission set up a National Empowerment Fund for start-ups and business expansion. As of June 2012 and beginning in 2008, 1763 loans have been approved for a total of 245 billion Kwacha. Out of this total amount, 205 billion Kwacha have been granted to 1562 businesses. Only registered enterprises can benefit from these loans. The repayment rate is very low, at 40-42 per cent, and young and female entrepreneurs were the main groups that did not repay their loans.¹⁵⁶ However, recent management changes have led to improvements in repayment rates to over 60 per cent.¹⁵⁷ The current government is not in favour of continuing this credit activity, as it is of the opinion that banks should provide credit.¹⁵⁸

¹⁵⁶ Focus group discussion held on 28 September 2012 in Lusaka with Mr. Brian Nakaanda from Citizens' Economic Empowerment Commission.

¹⁵⁷ Tripartite technical workshop, 10-11 April 2013.

¹⁵⁸ Focus group discussion with Citizens' Economic Empowerment Commission, 28 September 2012.

Key Indicators

Credit to private sector (% of GDP)		2006	2007	2008	2009	2010	2011
Domestic credit to private sector refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises. Source: International Monetary Fund, International Financial Statistics and data files, and World Bank and OECD GDP estimates (World Development Indicators Online). ¹⁵⁹	Zambia	9.74	11.82	14.97	11.98	11.51	12.27
	Malawi	8.83	10.31	11.34	13.38	17.83	19.84
	Mozambique	13.26	13.51	18.30	24.79	26.83	23.90
	Tanzania	12.74	14.89	16.08	15.33	16.21	17.77
	Sub Saharan Africa	64.09	65.60	56.23	63.26	62.18	58.32
		Credit to private sector (% of GDP).					

Other Useful Indicators

Credit information index		2009	2010	2011	2012
Credit information index measures rules affecting the scope, accessibility and quality of credit information available through public or private credit registries. The index ranges from 0 to 6, with higher values indicating the availability of more credit information, from either a public registry or a private bureau, to facilitate lending decisions. Source: World Bank, Doing Business project. ¹⁶⁰	Zambia	3	5	5	5
	Malawi	0	0	0	0
	Mozambique	4	4	4	4
	Tanzania	0	0	0	0
	World	3	3.1	3.2	3.3
		0=less information to 6=more information.			
Interest rate spread		2007	2008	2009	2010
Interest rate spread (lending rate minus deposit rate) is the interest rate charged by banks on loans to prime customers minus the interest rate paid by commercial or similar banks for demand, time or savings deposits. Source: International Monetary Fund, International Financial Statistics and data files. (World Development Indicators Online) ¹⁶¹	Zambia	9.67	12.51	14.97	13.52
	Malawi	21.74	21.78	21.75	21.02
	Mozambique	7.67	7.33	6.15	6.58
	Tanzania	7.39	6.73	7.06	7.98
	Sub Saharan Africa	9.97	8.27	8.12	9.68
		Interest rate spread (lending rate minus deposit rate, %).			

¹⁵⁹ <http://data.worldbank.org/>

¹⁶⁰ Ibid.

¹⁶¹ Ibid.

3.8. Physical infrastructure

The development of sustainable enterprises critically depends on the quality and quantity of the physical infrastructure available, such as physical facilities and transportation systems. Access to water and energy also plays a pivotal role.

Data on the physical infrastructure in Zambia is limited. For example, data on paved roads is missing. Reportedly, transportation costs are high. This is due not only to Zambia being a landlocked country, but also to its limited road infrastructure. Historically, roads and railways were developed to link Lusaka and the Copper Belt with the main North-South routes. Physical infrastructure development is a key area where major efforts should be concentrated for economic growth and prosperity in the country. In 2002, a Transport Policy was adopted and subsequent legislation was passed thereafter, but their implementation has been rather poor, particularly concerning the construction of urban and feeder roads.¹⁶² Despite this negative information, Zambia reportedly has among the lowest transport costs for landlocked countries in Sub-Saharan Africa. This good performance has been attributed to the investments made by Zambia over the past decade in improving road conditions. Another contributing factor is the favourable regulatory framework which has made the transport sector highly competitive and open to foreign direct investment.¹⁶³ Despite these improvements, the 2009 FinMark Trust Zambia Business Survey reveals that poor transportation is still a relevant issue. It is more so for SMEs than for large enterprises and more for rural businesses than for urban ones. For 39 per cent of surveyed small firms, transportation is a serious constraint to doing business.¹⁶⁴ Recently several contracts and projects to improve roads have been signed by the Government.¹⁶⁵ For example, in September 2012 it was decided that about 2,000 km of township roads would be paved in 2013 using labour-intensive technology.¹⁶⁶ In addition, the 2009 MSME policy envisages the creation of incubators, multi-facility zones and industrial parks which should directly address the issue of local roads, physical infrastructure, and extremely high costs of premises.¹⁶⁷ The Zambia EESE survey indicates that about 52 per cent of respondents consider facilities for housing, storage, office accommodations, staff housing, etc. to be “satisfactory”. According to 22.6 per cent they are “poor”, whereas for 18 per cent they are “good”.

¹⁶² United Nations Development Programme. 2011. DTIS Summary Country Matrix, Country fast facts: Zambia. UNDP.

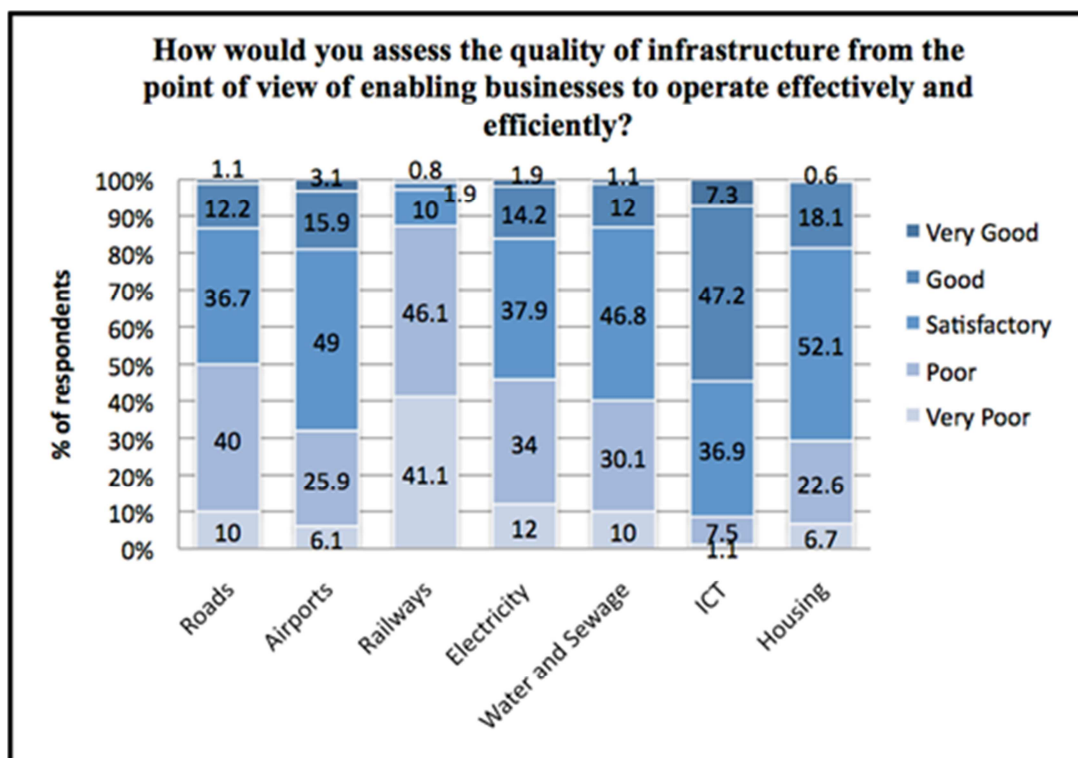
¹⁶³ World Bank. 2009.

¹⁶⁴ Clarke et al. 2010b.

¹⁶⁵ Focus group discussion with ZACCI, 27 September 2012.

¹⁶⁶ Ministry of Finance and National Planning. 2012.

¹⁶⁷ Focus group discussion held on 28 September 2012 in Lusaka with ZCSMBA.



Source: Zambia EESE survey.

Reportedly, over the past 8 years there has been a 10-20 per cent annual rate of unutilized financial resources intended for the development of physical infrastructure. This reflects a limited construction capacity in the country. Foreign companies tend not to be contracted due to the negative consequences this would have on the local market. In addition, corruption is a factor which discourages foreign enterprises from accepting construction contracts in Zambia.¹⁶⁸ It is to be added that public institutions in charge of managing and granting contracts also lack the necessary capacity to promptly and efficiently allocate available resources and issue contracts.¹⁶⁹ The Zambia EESE survey reveals that for 40 per cent of respondents, roads are assessed as “poor” in terms of enabling businesses to operate efficiently and effectively. However, for a proportion of interviewees as high as 36.7 per cent, they are “satisfactory”. Respondents from the mining, drilling and quarrying, and from the manufacturing sectors hold this latter view more than interviewees from other sectors, possibly because the companies where they work are located in more developed and industrialized areas.

Information on electric power consumption is encouraging, as Zambia reaches levels above those registered in Mozambique and Tanzania, its two neighbouring countries used for comparison for which data is available. In 2010, electric power consumption was 623.14 kWh per capita in Zambia. The picture changes quite sharply however if the world mean for the same year is considered, as it is much higher at 2974.78 kWh per capita in 2010. Since the mid-1990s the Government has introduced several institutional reforms, including the legalization of private investment in the power sector, the establishment of the Energy Regulation Board, and the adoption of a

¹⁶⁸ Focus group discussion held on 28 September 2012 in Lusaka with the Ministry of Finance and National Planning.

¹⁶⁹ Tripartite technical workshop, 10-11 April 2013.

policy framework to encourage private sector participation in power generation and transmission development. However, several problems persist. Presently, despite large tariff increases over the recent years,¹⁷⁰ the electricity tariff does not cover the full cost of supply. This undermines the financial viability of ZESCO, the national electricity company.¹⁷¹ Despite the improvements registered in recent years, the lack of a reliable and cost-effective power supply remains a key issue in the country. According to the 2009 Zambia Business Survey, unreliable electricity is perceived to be a serious constraint by large enterprises (38 per cent) more than by small ones (16 per cent).¹⁷² The Zambia EASE survey indicates that for about 38 per cent of respondents, access to electricity to operate enterprises efficiently and effectively is “satisfactory.” Nonetheless, for 34 per cent of them it is “poor.” The largest shares of interviewees from the agriculture, manufacturing, and tourism, hotel and restaurant sectors share this latter opinion.

When it comes to the percentage of population with access to improved water sources, Zambia reached a level similar to the world average in 2010. It achieved a rate of 61 per cent, with the world mean for that year being 61.13 per cent. Of its three neighbouring countries used for comparison, Malawi stands out with 83 per cent of its population having access to improved water sources in 2010. The Zambia EASE survey reveals that for 46.8 per cent of respondents, access to water as it affects running a business efficiently and effectively is “satisfactory.” About 30 per cent of interviewees believe it is “poor.” Despite these rather encouraging findings, clean water, particularly for individual consumption and not only for running a business, remains an issue in the country.¹⁷³

The “Quality of Overall Infrastructure Index” reveals whether a country's infrastructure is underdeveloped or extensive and efficient based on a range from 1 to 7 with higher values indicating better performance. Over the period from 2008-12, Zambia consistently rose in the index, reaching 3.9 in the latter year. This is compared to the world mean of 4.3 for the same year. None of its three neighbouring countries outperformed Zambia. As Zambia is a landlocked country, the “Quality of Port Infrastructure Index” is meant to represent how accessible port facilities are, using a scale from 1 to 7 with higher values indicating better performance. Zambia has improved over time reaching the quite impressive value of 4.1 in 2012. The world mean for the same year is 4.3. None of its neighbouring countries used for comparison registered a higher score than Zambia. Zambia is connected to international ports through long routes to South Africa, Tanzania and Mozambique.¹⁷⁴

There is scope for improving the situation of railways in Zambia. The railway network comprises two separate rail systems which should be integrated in order to increase speed and reliability.¹⁷⁵ Recently, the management of state-owned Zambia Railways decided to revive the company's operations and improve the quality of rail

¹⁷⁰ EIU. 2013.

¹⁷¹ World Bank. 2009.

¹⁷² Clarke et al. 2010b.

¹⁷³ Tripartite technical workshop, 10-11 April 2013.

¹⁷⁴ UNDP. 2011.

¹⁷⁵ Ibid.

tracks. Although some public funds have been made available, plans are to attract matching private investment. In 2003, the government awarded a 20 year concession to a subsidiary of a Mauritius-registered holding company to improve the railway network in the country. In 2012, the new government, led by President Sata, cancelled this concession due to the failure of the private company to meet its commitments. In fact, the annual haulage of goods decreased from 1.8 million tonnes in 2003 to only 700,000 tonnes in 2011, and the average train speed dropped from 65 km/hour to 20 km/hour over the same period.¹⁷⁶ The Zambia EESE survey confirms this negative picture. About 46 per cent of respondents assess railways as “poor” and 41 per cent consider them to be “very poor.” It is believed that maintenance has been neglected, leaving infrastructure to deteriorate.¹⁷⁷

The air transport sector is not well developed. There are 144 airports/aerodromes, but only 4 major airports (Lusaka, Ndola, Livingstone, and Mfuwe). Negotiations should be conducted with airlines serving Southern African destinations in order to increase the volume and improve the quality of their services to Zambia.¹⁷⁸ However, for 49 per cent of respondents of the Zambia EESE survey, airport facilities are “satisfactory,” with about 26 per cent of them assessing airports as “poor.”

Key Indicators

Electric power consumption (kWh per capita)		2007	2008	2009	2010
Electric power consumption measures the production of power plants and combined heat and power plants less transmission, distribution and transformation losses, and own use by heat and power plants. Source: International Energy Agency, Energy Statistics and Balances of Non-OECD Countries and Energy Statistics of OECD Countries (World Development Indicators Online). * Taken from Index Mundi. ¹⁷⁹	Zambia	689.15	612.14	591.34	623.14
	Malawi	*88.36	*75.44	*73.66	-
	Mozambique	473.10	462.41	453.35	443.72
	Tanzania	82.11	84.32	75.04	77.85
	World	2'832.60	2'860.67	2'815.51	2974.78
	KWh per capita.				
Roads, paved (% of total roads)		2003	2008	2009	
Paved roads are those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete or with cobblestones, as a percentage of all the country' roads, measured in length. Source: International Road Federation, World Road Statistics (World Development Indicators Online). ¹⁸⁰	Zambia	-	-	-	
	Malawi	45.02	-	-	
	Mozambique	-	20.78	20.78	
	Tanzania	8.63	7.38	6.67	
	World	49.40	-	64.94	
	% of total roads.				

¹⁷⁶ EIU. 2013.

¹⁷⁷ Tripartite technical workshop, 10-11 April 2013.

¹⁷⁸ UNDP. 2011.

¹⁷⁹ <http://data.worldbank.org/data-catalog/> and <http://www.indexmundi.com/>

¹⁸⁰ <http://data.worldbank.org/data-catalog/>

Other Useful Indicators

Improved water source (% of population with access)		2000	2005	2010	
Access to an improved water source refers to the percentage of the population with reasonable access to an adequate amount of water from an improved source, such as a household connection, public standpipe, borehole, protected well or spring, and rainwater collection. Unimproved sources include vendors, tanker trucks and unprotected wells and springs. Reasonable access is defined as the availability of at least 20 litres per person per day from a source within one kilometre of the dwelling. Source: World Health Organization and United Nations Children's Fund, Joint Measurement Programme (World Development Indicators Online).¹⁸¹	Zambia	54	58	61	
	Malawi	62	73	83	
	Mozambique	42	45	47	
	Tanzania	54	54	53	
	Sub Saharan Africa	54.76	58.31	61.13	
	% of population with access.				
Quality of overall infrastructure Index		2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
Survey data: "General infrastructure in your country is: 1=underdeveloped, 7=as extensive and efficient as the world's best". Source: World Economic Forum, The Global Competitiveness Report.¹⁸²	Zambia	2.9	3.4	3.7	3.9
	Malawi	2.9	3.4	3.5	3.2
	Mozambique	2.7	3.3	3.1	3.0
	Tanzania	2.7	3.0	3.1	3.1
	World (mean)	4.1	4.3	4.3	4.3
	1=underdeveloped, 7=as extensive and efficient as the world's best.				
Quality of port infrastructure Index		2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
Survey data: "Port facilities and inland waterways in your country are: 1=underdeveloped, 7=as developed as the world's best. For landlocked countries, this measures the ease of access to port facilities and inland waterways". Source: World Economic Forum, The Global Competitiveness Report.¹⁸³	Zambia	3.7	3.6	4.0	4.1
	Malawi	3.5	3.6	3.6	3.7
	Mozambique	3.2	3.5	3.4	3.4
	Tanzania	2.8	3.0	3.3	3.3
	World (mean)	4.2	4.3	4.3	4.3
	1=underdeveloped, 7=as developed as the world's best.				

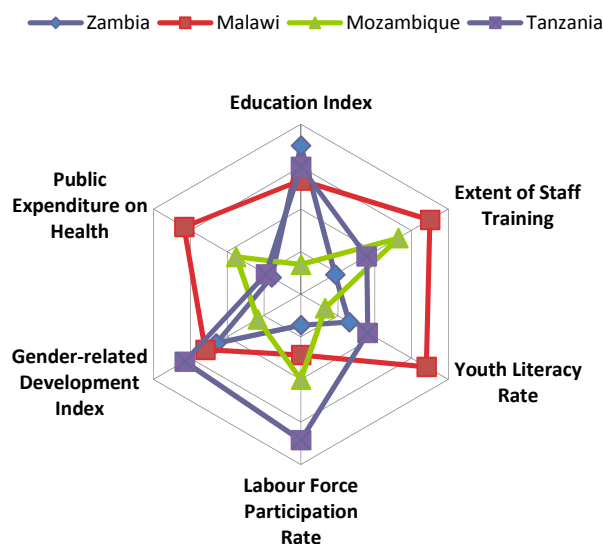
¹⁸¹ <http://data.worldbank.org/data-catalog/>

¹⁸² <http://www.weforum.org/issues/global-competitiveness>

¹⁸³ Ibid.

4. Social Elements

Indicators* assessing social elements of the environment for sustainable enterprises for 2009**

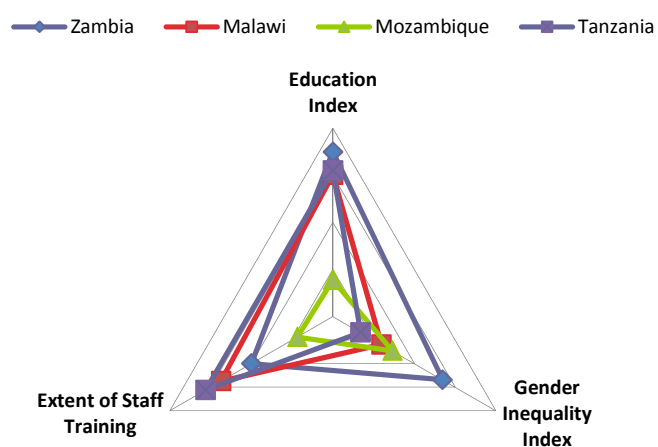


Key findings:

- Zambia has a culture favourable to entrepreneurship, attested by the Zambia ESEE survey, which reveals that for 34 per cent of respondents the general attitude among young men and women aged 15-24 towards entrepreneurship is “positive” to “very positive”. The government is strongly promoting entrepreneurial culture, particularly for youth, the National Business and Technology Centre and the Micro, Small and Medium Enterprises Policy being two examples thereof. Entrepreneurship is also fostered through private sector initiatives such as the Zambia Enterprise Network Association which offers new trade and investment opportunities to local business circles.
- Over the past decades, Zambia has worsened towards a less equal distribution of income. This trend has led to a rather worrying situation where Zambia is a middle-income country with over half of its population living below the poverty line. In response, the government prioritizes job-rich growth, poverty alleviation and a more equal distribution of income. Recently, the existing minimum wage was deemed too low and in July 2012 a 67 per cent increase was introduced by the Minister of Labour. Due to the lack of a sufficient notice period to prepare for the change, this decision led to tension. A suggestion from the private sector to implement sectoral minimum wages is currently being looked into.

- In Zambia, school drop outs are high, particularly for girls in rural areas.
- The gender gap becomes particularly sharp at the tertiary education level, where in 2005 there were more than twice the number of male students compared to females. Consequently, women, being less educated than men, have lower employment prospects.
- Progress towards gender equality has been slow, mainly due to unfavourable customary practices.

Indicators* assessing social elements of the enabling environment for sustainable enterprises for 2012**



- Although the SNDP envisages the development of a national social protection policy, a universal old-age pension scheme, and national social health insurance, social protection remains poor in the country.
- The large size of the informal economy leaves the majority of workers without basic forms of social protection. There are, however, voluntary pension schemes for both public and private sector employees, and special schemes for civil servants, military and police personnel, local government, and utility staff
- The Government of Zambia is presently reviewing all occupational diseases laws and is committed to adopting ILO Convention 155 on occupational safety and health and Convention 187 on a promotional framework for occupational safety and health.

* the values for the individual indicators have been harmonized for better presentation. The original indicator values are included in the chapters.

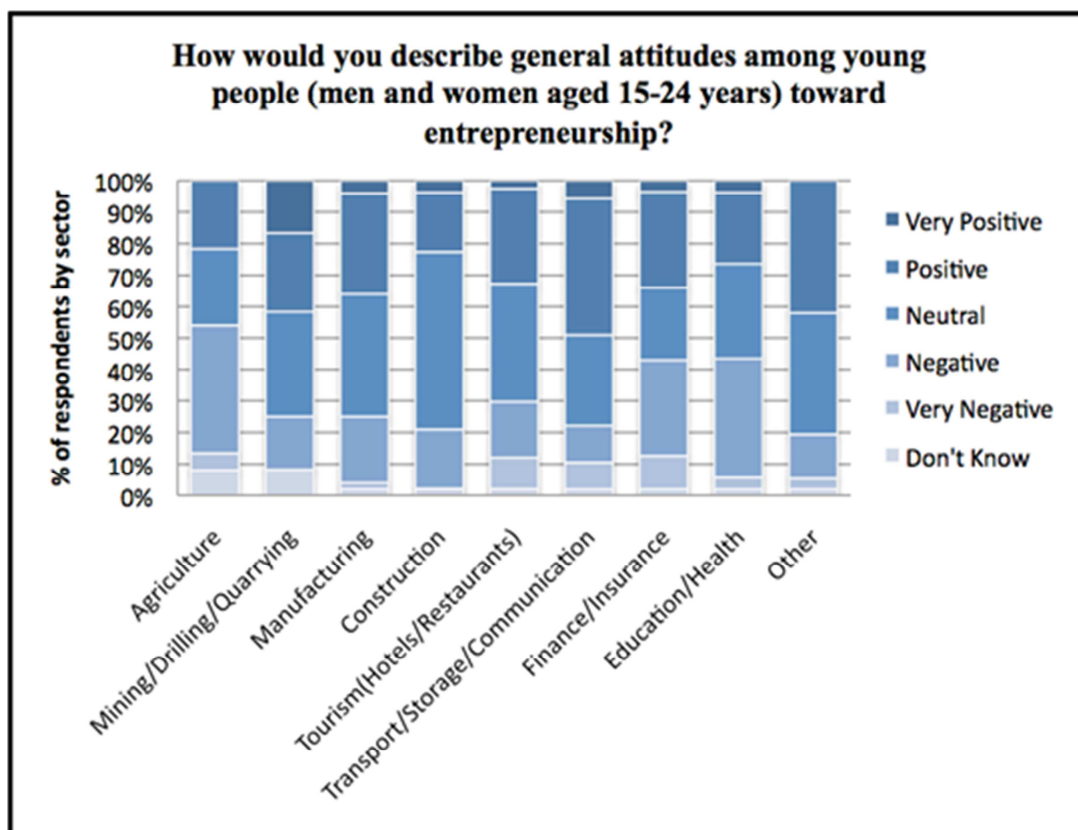
** where data for 2012 was available, those indicators are reflected in the second figure

4.1. Entrepreneurial culture

The general recognition of the key role of enterprises in development is a fundamental element for a conducive business environment. Strong public and private support to entrepreneurship, innovation, creativity, and the concept of mentorship are other important determinants of an enabling environment for sustainable enterprises. Identifying indicators showing the degree of entrepreneurial culture in a country is quite challenging. Moreover, for Zambia, secondary data in this area is scanty. “New Business Density” indicates the number of newly registered limited liability companies per 1000 working age people in a year. A poor country like Zambia is characterized by a majority of micro and small enterprises that are normally not limited liability companies. This partly explains why Zambia registers rather low values, from 0.55 in 2004 to 0.88 in 2009, compared to the 1.21 average recorded in the latter year for Sub-Saharan Africa. Zambia outperforms Malawi, the only country selected for comparison for which information is available. The higher value for Zambia is likely due to the relative importance of its mining sector that is characterized by comparatively large companies.

It seems that a culture favourable to entrepreneurship exists in Zambia.¹⁸⁴ The Zambia EESE survey offers interesting findings in this regard. It reveals that for 34.2 per cent of respondents the general attitude among young people (men and women aged 15-24) towards entrepreneurship is “positive” to “very positive”. Interestingly, for the same share of interviewees, it is “neutral”. It is to be added that for a non-negligible proportion of interviewees (23.2 per cent) the general attitude of youth towards entrepreneurship is “negative”. As the chart below shows, this negative perception predominates among respondents from the agriculture sector, as well as from the education and health sector. The positive perception prevails among interviewees from the transport, storage and communication sector, and those from sectors classified as other. Respondents from small firms are also more positive in this regard, where the largest share (37.7 per cent) described youth attitudes as “positive”, compared to an almost equal share of respondents from medium-size firms (37.3 per cent) and over 40 per cent of interviewees from large companies who described them as “neutral”.

¹⁸⁴ Focus group discussion with the World Bank, 28 September 2012.



Source: Zambia EESE survey.

The Government is strongly promoting entrepreneurial culture, particularly for youth. Support to young entrepreneurs, especially in urban areas, is envisaged and often provided¹⁸⁵ through education and training, and financing with micro-credit and start-up capital. The National Business and Technology Centre and the Micro, Small and Medium Enterprises Policy are two examples of government initiatives for the promotion of youth entrepreneurship. Mining, construction, manufacturing, and tourism are the sectors where entrepreneurship and business development is particularly encouraged.¹⁸⁶ Another relevant initiative is the Citizens' Economic Empowerment Commission created in 2006, whose activity is based on 9 pillars, one of which is the promotion of entrepreneurial culture. The Commission has launched a massive campaign for entrepreneurship development which seeks to change the mind-set of people.¹⁸⁷ It is to be added that the Ministry of Science, Technology and Education is presently revisiting school curricula to favour entrepreneurship. The Zambia Chamber of Small and Medium Business Associations (ZCSMBA) is collaborating with the Ministry to review curricula and introduce entrepreneurial culture in secondary-level schools. An idea that is being explored is to begin fostering entrepreneurial culture in primary schools.¹⁸⁸

¹⁸⁵ Common Market for Eastern and Southern Africa. (undated a). [First training for Cassava clusters held in Petauke – Zambia](#). Latest News. COMESA. Accessed on 6 December 2012.

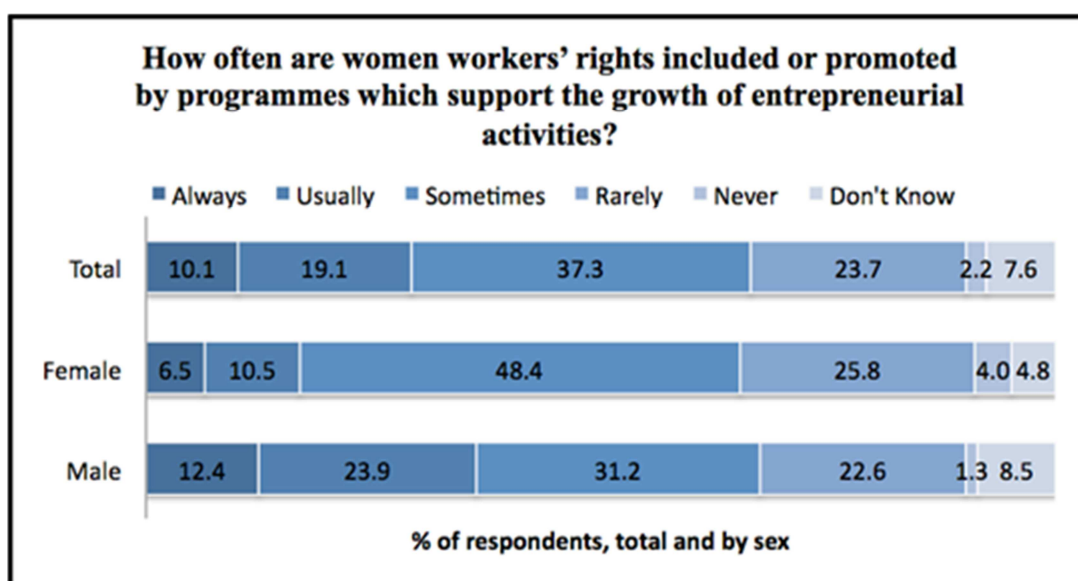
¹⁸⁶ Times for Zambia. 2011. [Zambia: Mulonga Counsels Over Youth Entrepreneurship](#). 9 September. Accessed on 13 November 2012.

¹⁸⁷ Focus group discussion with Citizens' Economic Empowerment Commission, 28 September 2012.

¹⁸⁸ Focus group discussion with ZCSMBA, 28 September 2012.

A majority of the Zambia EESE survey interviewees (as high as 64.5 per cent) think that new business start-ups have “very little” access to entrepreneurship training and business services (e.g. business advice, mentoring, business plan development, research, product development, export promotion, etc.). In addition, for 32.3 per cent of respondents, such services take the prevailing gender dynamics into account to “some extent”. Nonetheless, a non-negligible share of interviewees equal to 28.2 per cent feel that the prevailing gender dynamics are “very little” taken into account.

In Zambia, entrepreneurship is also fostered through private sector initiatives. An example is the creation in 1999 of the Zambia Enterprise Network Association, which was created by ten entrepreneurs to offer new trade and investment opportunities to local business circles.¹⁸⁹ Several other business development service providers are also active. A 1996 Parliament act assigned to the Small Enterprises Development Board the role of umbrella body of BDS providers in Zambia, although most organizations offer business support autonomously. The most frequently provided services are business training, information dissemination, marketing support services, micro-credit, business advisory services, and lobbying.¹⁹⁰ It is to be observed that mentorship services are reportedly non-existent in Zambia.¹⁹¹ According to findings from the 2009 FinMark Trust Zambia Business Survey, very few micro and small firms are members of formal business associations or networks. The large majority of them (73 per cent) belong to non-business groups or organizations, such as churches and sporting, political, and social groups, and rely on these informal networks to receive business information. It is suggested that using these informal networks to promote entrepreneurial culture may be more effective than relying on formal entities.¹⁹²



Source: Zambia EESE survey.

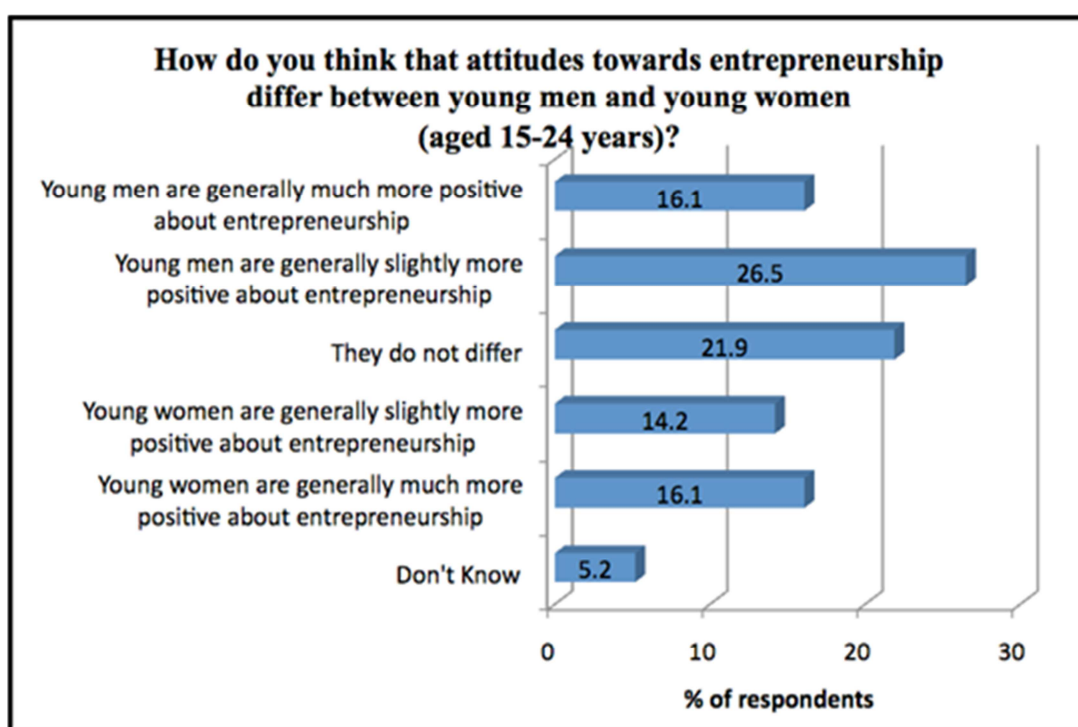
¹⁸⁹ Xinhua News Agency-CEIS. 1999. [New Business Body Formed in Zambia](#). Xinhua News Agency, 1 February. Accessed on 6 December 2012.

¹⁹⁰ JUDAI & Associates. 2002b.

¹⁹¹ Tripartite technical workshop, 10-11 April 2013.

¹⁹² Clarke et al. 2010b. See also focus group discussion with ZDA, 28 September 2012.

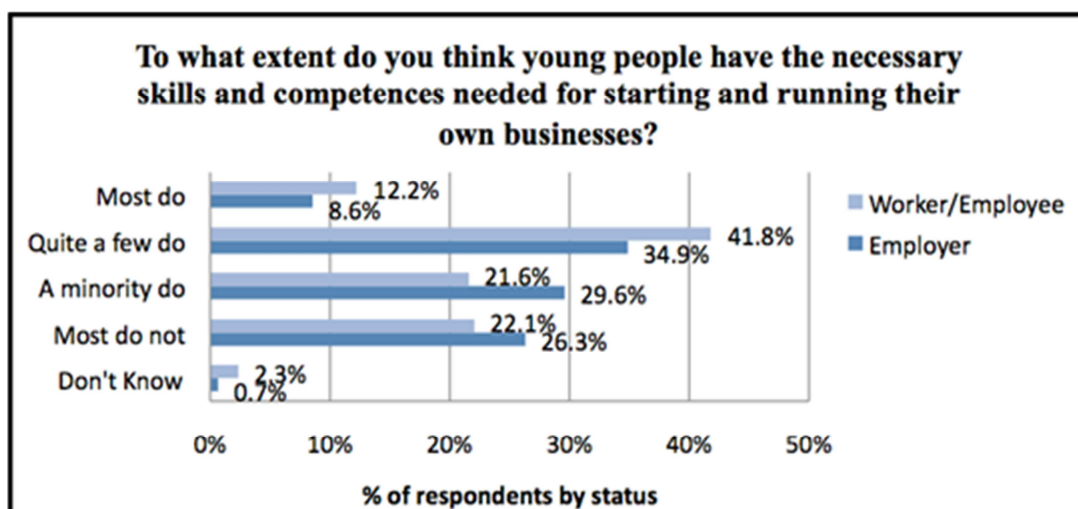
The Zambia EESE survey indicates that 36.6 per cent of respondents believe that workers' rights are "sometimes" included or promoted by programmes which support the growth of entrepreneurial activities. However, a considerable share of interviewees corresponding to 28 per cent believe that they are "rarely" included. Dividing respondents by sector, the latter, more negative perception prevails among individuals employed in manufacturing. When it comes to the inclusion or promotion of women workers' rights by programmes supporting the growth of entrepreneurial activities, 37.3 per cent of respondents think that women workers' rights are "sometimes" included, and 23.7 per cent find that they are "rarely" so. The perception that women worker's rights are rarely promoted or included prevails among interviewees from the mining, drilling and quarrying, and transport, storage and communication sectors. This may be due to the fact that these sectors are dominated by male workers and employers/managers, and that including women workers' rights in such programmes is not deemed relevant. Respondents from large firms were also very negative in this regard, with the largest share of them (32 per cent) responding that women workers' rights are "rarely" supported, compared to over 40 per cent of interviewees from small firms and 27.5 per cent from medium-size businesses responding "sometimes". Furthermore, male respondents were more likely than female respondents to perceive women workers' rights as "usually" or "always" promoted, with 36.3 per cent of male respondents compared to just 17 per cent of female respondents believing this.



Source: Zambia EESE survey.

When asked to what extent the attitudes towards entrepreneurship differ between young men and young women (aged 15-24), over 42 per cent of Zambia EESE survey respondents feel that young men have a more positive attitude, and about 30 per cent find that women do. About 22 per cent think that attitudes of young men and young women towards entrepreneurship do not differ. Interestingly, for the largest share of interviewees from the tourism, hotel and restaurant sector (26.8 per cent), young women are slightly more positive towards entrepreneurship. A large share of respondents equal to 38.8 per cent believe that quite a few young people in Zambia have the necessary skills and competencies needed for starting and running their own business. About 25 per cent think that "a minority do" and 24 per cent find that "most do not". Employers were less positive than workers in this regard, where only 34.9 per cent of employers believe

“quite a few do”, compared to 41.8 per cent of workers who feel this way. For 31.6 per cent of all interviewees, the skills and competencies needed to start and run a business are similarly present among young men and women in Zambia. However, for an almost equal share reaching 30 per cent, young men have slightly better skills and competencies to start and run their own business.



Source: Zambia EESE survey.

When asked about the two most important aspects that young people look for when applying for a job, 64.4 per cent of respondents of the Zambia EESE survey selected “earning a lot of money” as the first priority and 26.7 per cent chose “steady job/job security” as the second. Interestingly, interviewees from small enterprises prioritized job security and good promotion prospects slightly more than those from medium and large firms. This may be due to the precarious nature of jobs in small firms. The survey also reveals that for 29.5 per cent of respondents, there is definitely a difference between young men and young women concerning the most important aspects considered when applying for a job. Interestingly however, an almost equal share, as high as 27.3 per cent, state that there is definitely no difference.

Key Indicators

New Business Density		2004	2005	2006	2007	2008	2009
The number of newly registered limited liability companies per 1,000 working-age people (those ages 15-64) in that year. <i>Source:</i> World Bank's Entrepreneurship Survey (World Development Indicators Online). ¹⁹³ <i>Note:</i> Data for Mozambique and Tanzania is not available.	Zambia	0.55	0.60	0.62	0.89	1.03	0.88
	Malawi	0.05	0.06	0.06	0.09	0.11	0.08
	Sub Saharan Africa	0.89	1.08	1.02	1.20	1.37	1.21
	The number of newly registered limited liability companies per 1,000 working-age people.						

¹⁹³ <http://data.worldbank.org/>

4.2. Education, training and lifelong learning

The development of a skilled workforce and the expansion of human capabilities through high-quality systems of education, training and lifelong learning are important in helping workers to find good jobs and enterprises to find the skilled workers they require. Data on “Public Spending on Education” for the sub-region is scanty. In general, it seems that Zambia has spent the least on education, reaching only 1.35 per cent of GDP in 2008, and Tanzania the most with 6.18 per cent in 2010. Zambia performs rather poorly, also considering that in 2008 the world mean was 4.6 per cent. The decline over time in government spending on education resulted in lower quality of education, with poorly trained teachers and overcrowded classrooms. Although universal primary education has been a priority in Zambia since independence, and in the 1980s additional grades were added to basic schools to compensate for the lack of secondary schools, tuition fees are required after year 7, making education accessible only to those who can afford it.¹⁹⁴ Improvements have however been recorded in the net enrolment ratio for primary school, which was 96 per cent in 2011, and in the percentage of learners reaching grade 7, which was 96.7 per cent in the same year.¹⁹⁵ In an attempt to further improve the present situation, the Government has announced an almost 16 per cent increase in financial allocations in 2013 compared to 2012, for quality education and skills training.¹⁹⁶

The “Education Index” measures educational attainment based on the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio on a scale from 0 to 1 with higher values indicating better performance. Over the period 2006-12, Zambia has maintained rather stable levels, achieving a value of 0.50 in the latter year. This is higher than the values registered for Malawi, Mozambique and Tanzania.

In Zambia, school dropout rates are non-negligible, particularly for girls in rural areas. National dropout rates in 2011 were 1.8 per cent for grades 1-7, 3 per cent for grades 8-9 and slightly over 1 per cent for grades 10-12. The gender gap in dropout rates in the same year were 0.6 per cent for grades 1-7, almost 3 per cent for grades 8-9, and 1 per cent for grades 10-12.¹⁹⁷ The reasons for this may be the distance to school, family pressure on household chores¹⁹⁸ and early marriage.¹⁹⁹ The payment of tuition fees to access secondary school is another major impediment to girls’ further education.²⁰⁰ In 2011, the gender gap was almost non-existent in grades 1-7, whereas in the enrolment rate for grades 8-9 it was 4 per cent nationwide, and almost 8 per cent in some rural provinces. Considering the enrolment rate in grades 10-12 in 2011, the gender gap was as high as 5.2 per cent nationwide.²⁰¹ The gender gap becomes particularly sharp at the

¹⁹⁴ Van Klaveren et al. 2009.

¹⁹⁵ Musakanya, T. N.; Mulonda, S.; Chitamba, V. 2012. National Education Gender Score Card for 2010 and 2011. Forum for African Women Educationalists of Zambia (FAWEZA), November.

¹⁹⁶ Ministry of Finance and National Planning. 2012.

¹⁹⁷ Musakanya et al. 2012.

¹⁹⁸ Van Klaveren et al. 2009.

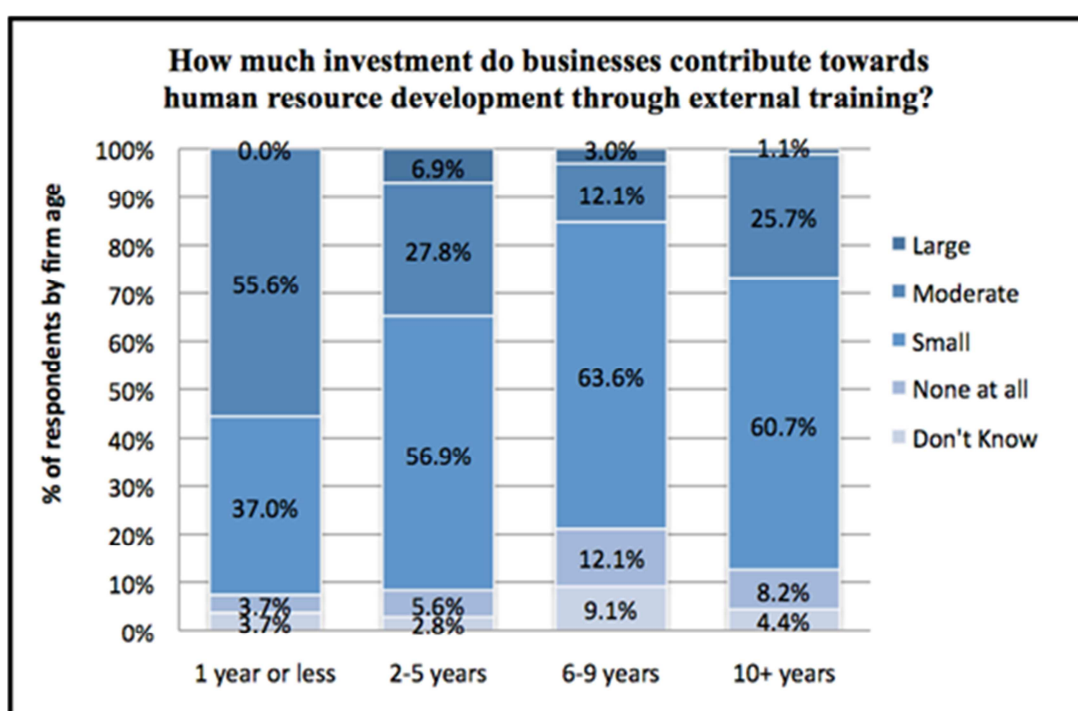
¹⁹⁹ Tripartite technical workshop, 10-11 April 2013.

²⁰⁰ Van Klaveren et al. 2009.

²⁰¹ Musakanya et al. 2012.

tertiary education level, where in 2005 there were more than twice the number of male students compared to females.²⁰²

When it comes to the percentage of firms offering formal training to their permanent and full-time staff, despite sparse data, Zambia seems to perform worse than Malawi and Tanzania, but slightly better than Mozambique. The only available figure for Zambia is 26 per cent in 2007. The “Extent of Staff Training” indicates whether companies in a country invest little or heavily in training and employee development to attract, train and retain staff, on a scale from 1 to 7 with higher values indicating more investments. Zambia does not perform particularly well, in 2012 recording its lowest value since 2008, at only 3.5. Of its three neighbouring countries used for comparison, only Mozambique performs worse. The world mean in 2012 was 3.9. The Zambia EESE survey indicates that for almost half of respondents (49.2 per cent) businesses in Zambia contribute a “moderate” amount of investment towards human resource development through internal training, and for 39.6 per cent that amount of investment is “small”. When asked about companies’ investment in human resource development through external training, the majority of interviewees (57.8 per cent) find that it is “small”, with only 27 per cent deeming it “moderate”. Interviewees from firms 1 year old or less describe investment through external training most often as “moderate”, whereas the majority of those from the three other categories of firms by age perceive the contribution to be “small”.



Source: Zambia EESE survey.

The “Youth Literacy Rate” for Zambia confirms the not particularly good performance of the country in the area of education and training. About 74.4 per cent of Zambians aged 15-24 could read and write in 2010, with the world mean being 89.6 per cent and Malawi reaching a level as high as 87 per cent in the same year. Of the three neighbouring countries used for comparison, only Mozambique performs worse than

²⁰² Van Klaveren et al. 2009.

Zambia in this respect. The large gender gap in education subsequently places women at a disadvantage in economic activities. In 2005, the male literacy rate was 76.3 per cent against 59.8 per cent for women, and in 2007 it was 81.6 per cent for men and 60.6 per cent for women.²⁰³ These findings are particularly meaningful if we consider that the most productive businesses are those run by entrepreneurs with an advanced level of education,²⁰⁴ and that formal and successful enterprises are operated by owners with an advanced education level, and this is true also for women.²⁰⁵

In 1996, the Government launched a Technical Educational, Vocational and Entrepreneurship Training (TEVET) policy. This was followed by the adoption of a TEVET act in 1998 which was revised in 2005.²⁰⁶ Although it was difficult for vocational training institutions to maintain quality with low fees, according to a 2004 impact assessment, TEVET proved to be quite successful, with most students finding a job within 6 months of graduation. In contrast, graduates from business institutes found it more difficult to get a job.²⁰⁷ All training institutions must register with the Technical Educational, Vocational and Entrepreneurship Authority (TEVETA). In 2008, a total of 274 technical and commercial training institutions were registered. Over 42 per cent of these institutions were owned by private organizations, over 22 per cent by churches, 20 per cent by government, 6 per cent by NGOs, and the remainder by community and private companies. Enrolment rates in these training institutions were among the highest in the region.²⁰⁸ Despite these encouraging findings, 10 per cent of the 2008 Investment Climate Survey respondents considered skills shortage a major constraint to their business expansion. The percentage was higher among exporters and large firms.²⁰⁹ The Zambia Association of Chambers of Commerce and Industry (ZACCI) reports that there is a constant mismatch between skills provided and labour market needs. The Ministry of Science, Technology and Education is starting to revisit curricula to remedy the situation and 6 new universities are being established.²¹⁰ The situation seems to be particularly negative for women entrepreneurs. The Zambia Federation of Women in Business (ZFWIB) reveals that in rural areas, even basic literacy and business skills are missing. Some initiatives are being launched presently to improve the situation, but there is little coordination and poor information dissemination. There is a clear need to integrate ICT into basic business training.²¹¹

²⁰³ Van Klaveren et al. 2009.

²⁰⁴ Conway, P.; Shah, M. K. 2010. Zambia Business Survey: Who's productive in Zambia's private sector? Evidence from the Zambia Business Survey. FinMark Trust; Private Sector Development Reform Programme; World Bank Zambia Country Office; Zambia Business Forum, June.

²⁰⁵ ILO. 2003.

²⁰⁶ Kingombe, C. 2012. [Lessons for Developing Countries from Experience with Technical and Vocational Education and Training](#). International Growth Centre. Working Paper 11/1017, January. Accessed on 5 February 2013.

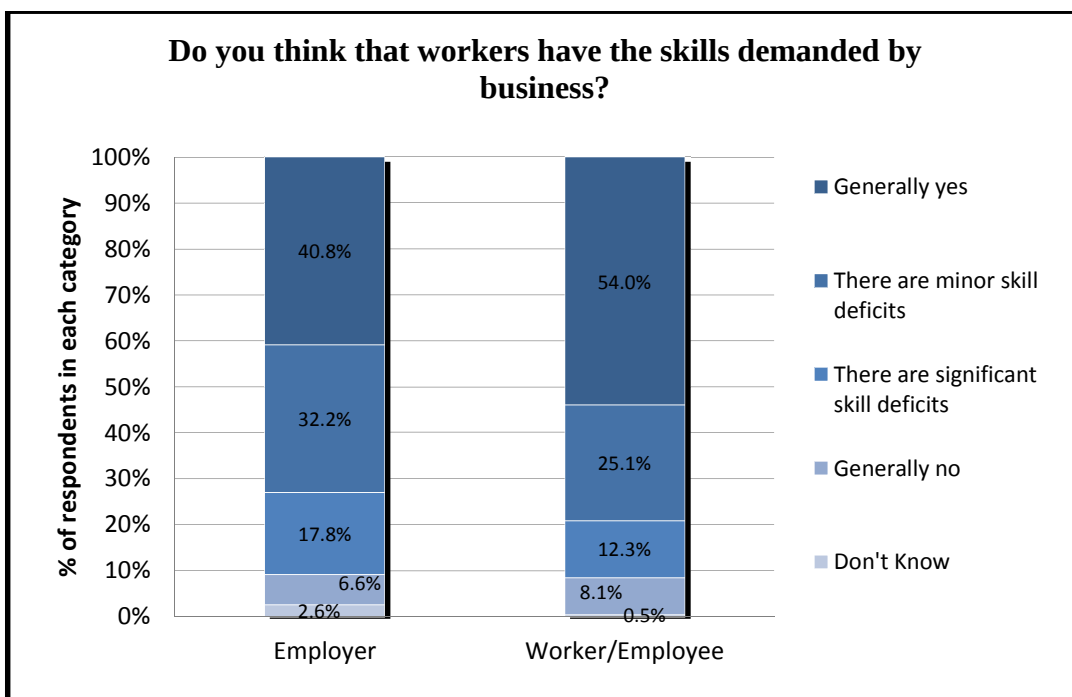
²⁰⁷ Van Klaveren et al. 2009.

²⁰⁸ Kingombe. 2012.

²⁰⁹ World Bank. 2009.

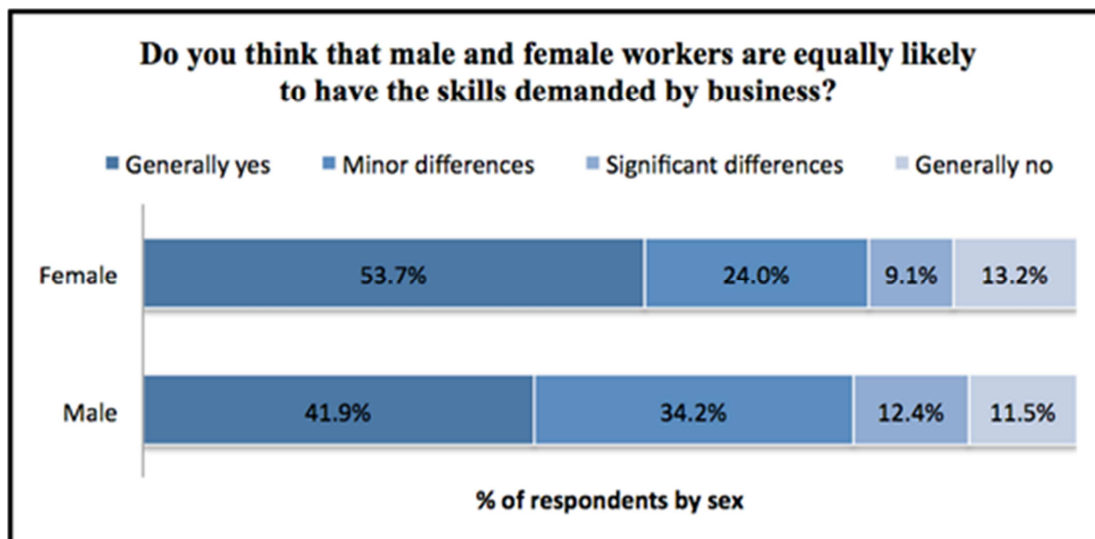
²¹⁰ Focus group discussion with ZACCI, 27 September 2012.

²¹¹ Focus group discussion with ZFWIB, 28 September 2012.



Source: Zambia EESE survey.

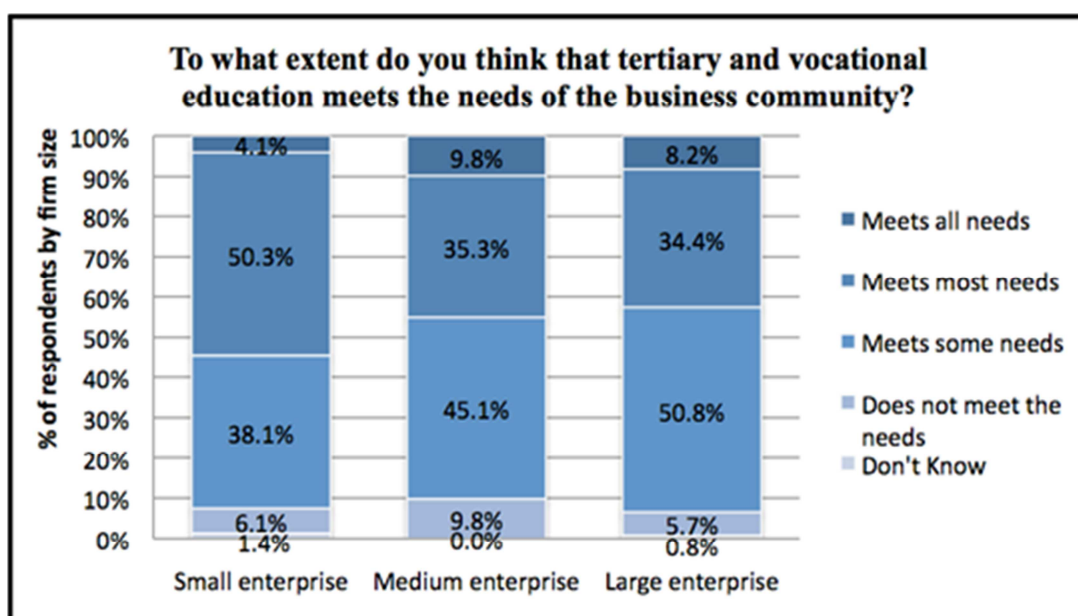
The Zambia EESE survey reveals that 48.6 per cent of respondents believe that workers generally have the skills demanded by business in the country, although 28 per cent of them feel that there are “minor skill deficits”. Workers responded more favourably in this regard, with 54 per cent stating that workers generally do have the demanded skills, compared to 40.8 per cent of employers who felt this way.



Source: Zambia EESE survey.

For 46.3 per cent of interviewees from the Zambia EESE survey, male and female workers are generally equally likely to have the skills demanded by business in Zambia. However, for about 30 per cent of them “there are minor differences”. This latter opinion is particularly strong among respondents from the mining, drilling and quarrying sector. Though most of the male and female respondents believe skills are generally equal, male respondents were more negative than female respondents, where 58.1 per cent of men compared to 46.3 per cent of women respondents believe there are at least minor differences between male and female workers’ skills. This contrast is reflected in the chart above. The largest share of respondents express a rather encouraging view about

tertiary and vocational education in Zambia, with 42.6 per cent of interviewees claiming that it “meets some needs” of the business community and 41.8 per cent stating that it “meets most needs”. This latter, more positive opinion is held in the highest proportion by respondents from the agriculture, construction, and tourism, hotel and restaurant sectors. Those from small firms were also more positive in this regard, where 54.4 per cent believe that it either “meets most needs” or “meets all needs”, compared to 45.1 and 42.6 per cent of those from medium and large enterprises respectively who felt this way.



Source: Zambia EESE survey.

The Ministry of Labour and Social Security is presently trying to improve the general situation by addressing the issues of awareness-raising on productivity, ICT, apprenticeships, and internships.²¹²

Many talented Zambians live abroad, and for the large majority of respondents of the Zambia EESE survey, brain drain affects the business community “very negatively” (42 per cent) to “somewhat negatively” (40.4 per cent). Most employers (47.7 per cent) described the impact as “very negative”, while the largest share of workers (43.1 per cent) described it as “somewhat negative”.

²¹² Focus group discussion with the Ministry of Labour and Social Security, 27 September 2012.

Key Indicators

Public spending on education, total (% of GDP)		2008	2010	2011			
Public expenditure on education consists of current and capital public expenditure on education plus subsidies to private education at the primary, secondary, and tertiary levels. <u>Source:</u> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators Online).²¹³ <u>Note:</u> Data for Mozambique is not available.	Zambia	1.35	-	-			
	Malawi	-	4.64	5.72			
	Tanzania	6.83	6.18				
	World	4.58	-	-			
	Public spending on education as share (%) of GDP.						
Education Index		2006	2008	2009	2010	2011	2012
It measures the educational attainment. The Education Index is measured by the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio. The adult literacy rate gives an indication of the ability to read and write, while the gross enrolment ratio gives an indication of the level of education from kindergarten to postgraduate education. It is a weighted average of Adult literacy index (with two-thirds weighting) and the combined primary, secondary, and tertiary gross enrolment ratio (Gross enrolment index [0, 1]) (with one-third weighting). <u>Source:</u> UNDP, Human Development Report.²¹⁴	Zambia	0.48	0.48	0.50	0.50	0.50	0.50
	Malawi	0.39	0.41	0.42	0.44	0.44	0.44
	Mozambique	0.20	0.22	0.22	0.22	0.22	0.18
	Tanzania	0.34	0.35	0.45	0.45	0.45	0.45
	On a scale from 0 to 1. Higher values correspond to better performance.						
Firms offering formal training (% of firms)		2006	2007	2009			
Firms offering formal training are the percentage of firms offering formal training programmes for their permanent, fulltime employees. <u>Source:</u> World Bank, Enterprise Surveys and World Development Indicators Online.²¹⁵	Zambia	-	26.02	-			
	Malawi	51.61	-	48.42			
	Mozambique	-	22.08	-			
	Tanzania	36.48	-	-			
	% of firms offering formal training.						

²¹³ <http://data.worldbank.org/>

²¹⁴ <http://hdr.undp.org/en/reports/global/hdr2011/>

²¹⁵ <http://www.enterprisesurveys.org/>

Extent of staff training		2008 (GC 08/09)	2009 (GC 09/10)	2010 (GC 10/11)	2011 (GC 11/12)	2012 (GC 12/13)
The World Economic Forum (WEF) Survey asked the business leaders to provide their expert opinions on the following: “The general approach of companies in your country to human resources is: (1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees)”. <u>Source:</u> World Economic Forum, The Global Competitiveness Report.²¹⁶	Zambia	3.7	3.5	3.8	3.7	3.5
	Malawi	3.8	3.8	4.0	3.9	3.7
	Mozambique	3.3	3.7	3.4	3.3	3.2
	Tanzania	3.6	3.6	3.4	3.6	3.8
	World (mean)	4.0	4.0	4.0	4.0	3.9
	1=to invest little in training and employee development, 7=to invest heavily to attract, train, and retain employees.					
Literacy rate, youth total (% of people ages 15-24)				2009	2010	
Youth literacy rate is the percentage of people ages 15-24 who can, with understanding, read and write a short, simple statement on their everyday life. <u>Source:</u> United Nations Educational, Scientific, and Cultural Organization (UNESCO) Institute for Statistics (World Development Indicators Online).²¹⁷	Zambia			74.59	74.41	
	Malawi			86.46	87.08	
	Mozambique			70.87	71.79	
	Tanzania			77.42	77.32	
	World			83.31	89.63	
					% of people.	

4.3. Social justice and social inclusion

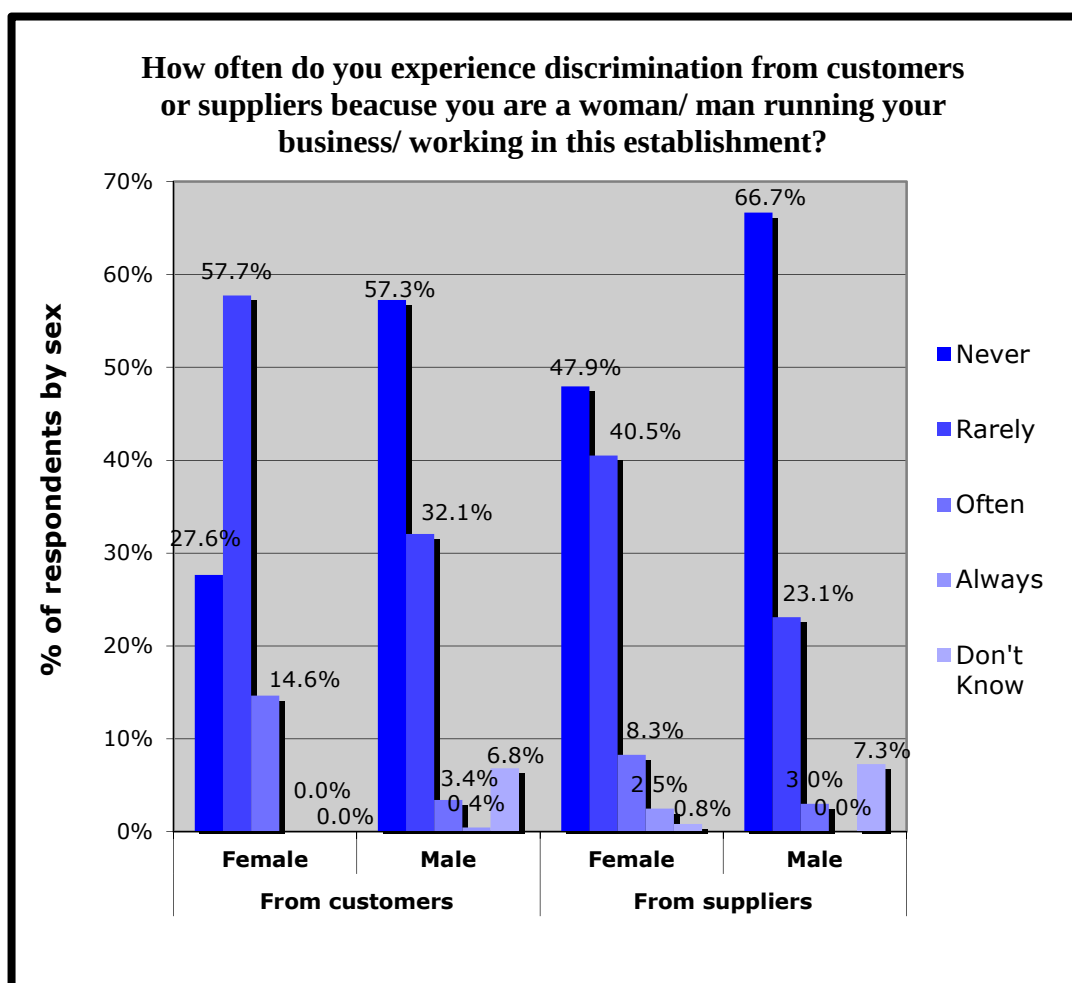
Inequality and discrimination hinder the creation and growth of sustainable enterprises. Explicit policies for social justice, social inclusion and equality of opportunities for employment are needed.

The Zambia EESE survey indicates that 47 per cent of respondents "never" experience discrimination from customers for being a man or a woman running a company or working in it, and 41 per cent "rarely" do. Interestingly however, 7.4 per cent of interviewees reported that they are "often" discriminated against. Of female respondents, 14.6 per cent responded in this way, compared to only 3.4 per cent of male respondents. When asked about discrimination from suppliers based on their sex, about 60 per cent of respondents state that they "never" experience it, while 29.4 per cent of them "rarely" do. It is interesting to note that interviewees from firms 1 year of age or less are more likely than any other group to experience discrimination from customers, and least likely to experience discrimination from suppliers. Specifically, almost 18 per cent of respondents from firms 1 year or younger reported experiencing discrimination from customers "often" or "always", compared to just under 10 per cent of those from firms belonging to other age groups who responded in this way. Conversely, those from the youngest firm group also reported the lowest rate of discrimination from suppliers, with only 3.6 per cent responding "often" or "always", compared to 8.2, 6.1 and 4.9 per cent of those from firms 2-5, 6-9 and 10 or more years old respectively who did so. Over 43 per cent of respondents believe that laws supporting equal opportunities for men and

²¹⁶ <http://www.weforum.org/issues/global-competitiveness>

²¹⁷ <http://data.worldbank.org/>

women at the work place exist but are not well enforced, whereas 31.2 per cent think that they are “well-developed and enforced”. It is to be added that for almost 14 per cent of interviewees, such laws are “underdeveloped” in the country.



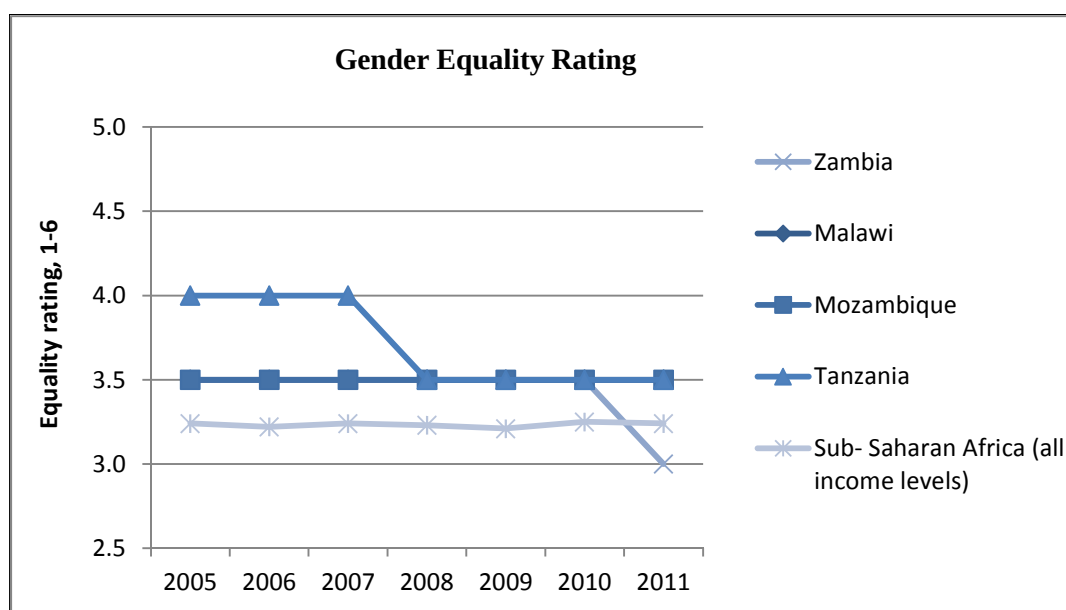
Source: Zambia EESE survey.

The UNDP Human Development Report 2013 indicates that Zambia ranks 163 out of 187 countries.²¹⁸ The “GINI Coefficient” measures the extent to which the distribution of income among individuals or households within an economy is equal. Absolute equality corresponds to a value of 0, whereas absolute inequality is represented by 100. Available data in Zambia is very scanty. However, it can be observed that Zambia has worsened towards a less equal distribution of income, moving from 53.44 in 1998 to 54.63 in 2006. A different source indicates that the GINI Coefficient reached a value of 57 in 2004.²¹⁹ This trend has led to a rather worrying situation where Zambia is a middle-income country with about 60 per cent of its population living below the poverty line. A major factor accounting for the present situation is the natural resources-based and

²¹⁸ United Nations Development Programme. 2013. [Human Development Report](#). UNDP. Accessed 26 March 2013.

²¹⁹ Central Statistics Office. 2010. Living Conditions Monitoring Survey. Government of Zambia; Department for International Development (DFID).

capital-intensive growth experienced by the country in recent years.²²⁰ This has provoked the Government to prioritize job-rich growth, poverty alleviation and a more equal distribution of income.²²¹ Of the three countries chosen for comparison, Tanzania presents the lowest GINI Coefficient values, indicating a more equal distribution of income, while Zambia presents the highest. In Zambia, the Minister of Labour alone decides on the minimum wage. Its decision does not however affect a potentially lower minimum wage set through collective bargaining.²²² Recently, the existing minimum wage was deemed too low and in July 2012 a 67 per cent increase was introduced. As companies were not given a notice period to prepare for the change, this decision led to tension and made compliance quite challenging.²²³ Based on a suggestion from the private sector to implement sectoral minimum wages, in 2012 the Government sent a group of experts to Kenya and South Africa to investigate what methods are used in those countries to set sectoral minimum wages.²²⁴



Source: World Bank Group, CPIA database¹²⁷ (World Development Indicators Online).

The “Gender-related Development Index” measures average achievements in long and healthy life, knowledge and a decent standard of living, adjusted to account for inequalities between men and women. Higher values indicate a better situation. Zambia has slightly improved over time, reaching 0.47 in 2009. Its three neighbouring countries used for comparison perform in a similar way, with Malawi and Tanzania reflecting a slightly better situation and Mozambique a slightly worse one. The “Gender Empowerment Measure” is an index measuring gender inequality in economic

²²⁰ Bigsten, A.; Tengstam, S. 2010. [Renewed Growth and Poverty Reduction in Zambia](#). Zambia Social Science Journal, 1 (1). Accessed on 11 January 2013.

²²¹ Ministry of Finance and National Planning. 2011.

²²² Van Klaveren et al. 2009.

²²³ EIU. 2013.

²²⁴ Tripartite technical workshop, 10-11 April 2013.

participation and decision-making, political participation, and decision-making and power over economic resources. The lower the value, the more heavily a society is penalized for having inequalities. Data for Zambia is available only for 2009 when the country reached a value of 0.43. Tanzania is the only neighbouring country used for comparison for which information is available, and it outperformed Zambia reaching 0.54 in the same year. The “Gender Equality Rating” measures the extent to which a country has implemented institutions and programmes to enforce laws and policies aimed at promoting equal access for men and women to education, health, the economy, and legal protection. The rating is on a scale from 1 to 6 with higher values indicating better performance. Zambia maintained a level of 3.5 from 2005 to 2010, and dropped to 3 in 2011. In this latter year, it performed below the Sub-Saharan African average of 3.2. Its three neighbouring countries used for comparison all outperformed Zambia in 2011, reaching a value of 3.5. The “Gender Inequality Index” measures the loss due to inequality in achievements in health, empowerment and the labour market. Values range from 0, reflecting perfect equality, to 1, reflecting total inequality. Zambia has somewhat improved, reaching a value of 0.62 in 2012, though all three of its neighbouring countries perform slightly better. The “Female Economic Activity Index” measures the share of women over the age of 15 who work in industry, agriculture or services as a percentage of men. Zambia performs worse than its three neighbouring countries and has slightly worsened in this area over the period 2003-05, recording a rate of only 73 per cent in the latter year.

The negative picture which emerges from the social indicators presented above in terms of gender equality confirms findings presented in previous sections (2.4, 3.4, 4.1, and 4.2). Women’s lower level of education compared to men and the unfavourable socio-cultural and often discriminatory environment they are confronted with, relegate Zambia’s female labour force to low-skilled and low-paid jobs in agriculture (particularly subsistence agriculture) and informal activities.²²⁵ Women need the consent of parents or guardians to get married irrespective of age, and they require the consent of husbands to engage in income-generating activities. In addition, husbands have considerable control over their wife’s earnings. Of the more than 73 ethnic groups in Zambia, all support patriarchy. These are all factors hindering women’s engagement in business enterprises.²²⁶ The Industrial and Labour Relations Act prohibits discrimination in employment on the grounds of sex.²²⁷ Nonetheless, when women work in waged employment, they often suffer from discriminatory working conditions, including pay inequity.²²⁸

The Zambia EESE survey indicates that for more than 70 per cent of respondents, men and women have equal access to formal schooling. However, a non-negligible share (22.8 per cent) believes that men are favoured. This latter view is particularly strong among interviewees from the mining, drilling and quarrying sector. When it comes to equal access to technical and vocational training between men and women, almost 54 per cent of respondents think it is equal, but 42.3 per cent believe men are favoured. This latter view prevails among respondents from the agriculture, construction, and mining, drilling and quarrying sectors. When asked about equal access to employment opportunities, nearly 58 per cent of respondents think that access is equal, but over 31 per

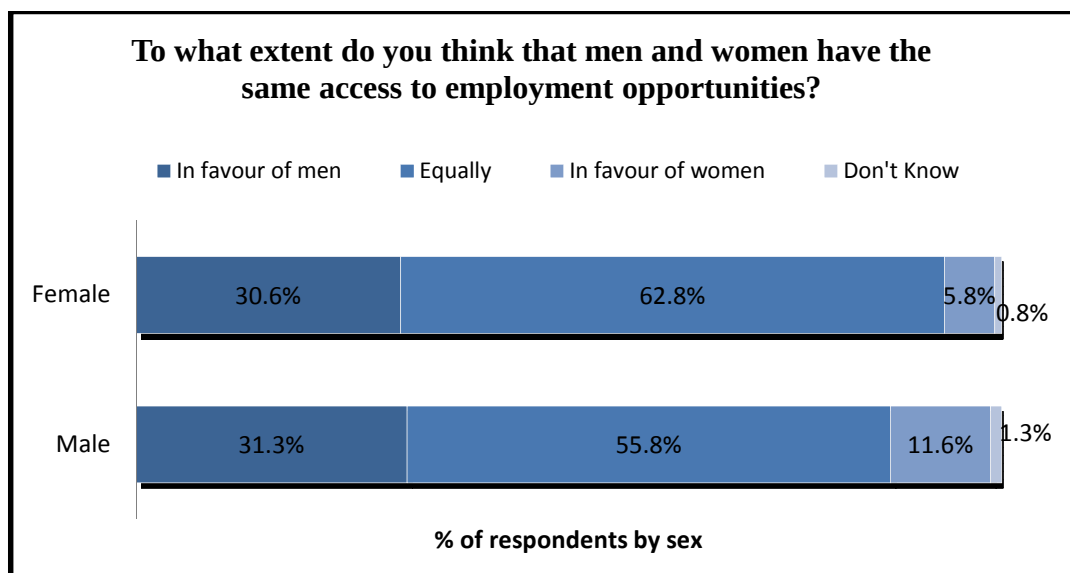
²²⁵ Van Klaveren et al. 2009.

²²⁶ JUDAI & Associates. 2002b.

²²⁷ United Nations Committee on the Elimination of Discrimination against Women. 2011.

²²⁸ United States State Department Bureau of Democracy, Human Rights, and Labor. 2011.

cent find that men are favoured. Again, this opinion is strongest among interviewees from the mining, drilling and quarrying sector. The difference between male and female interviewee responses is also interesting, where 11.6 per cent of men believe that women are favoured, compared with 5.8 per cent of female respondents who hold this view. Women however, were more confident that access to employment opportunities is equal, with 62.8 per cent sharing this opinion compared to 55.8 per cent of men.



Source: Zambia EESE survey.

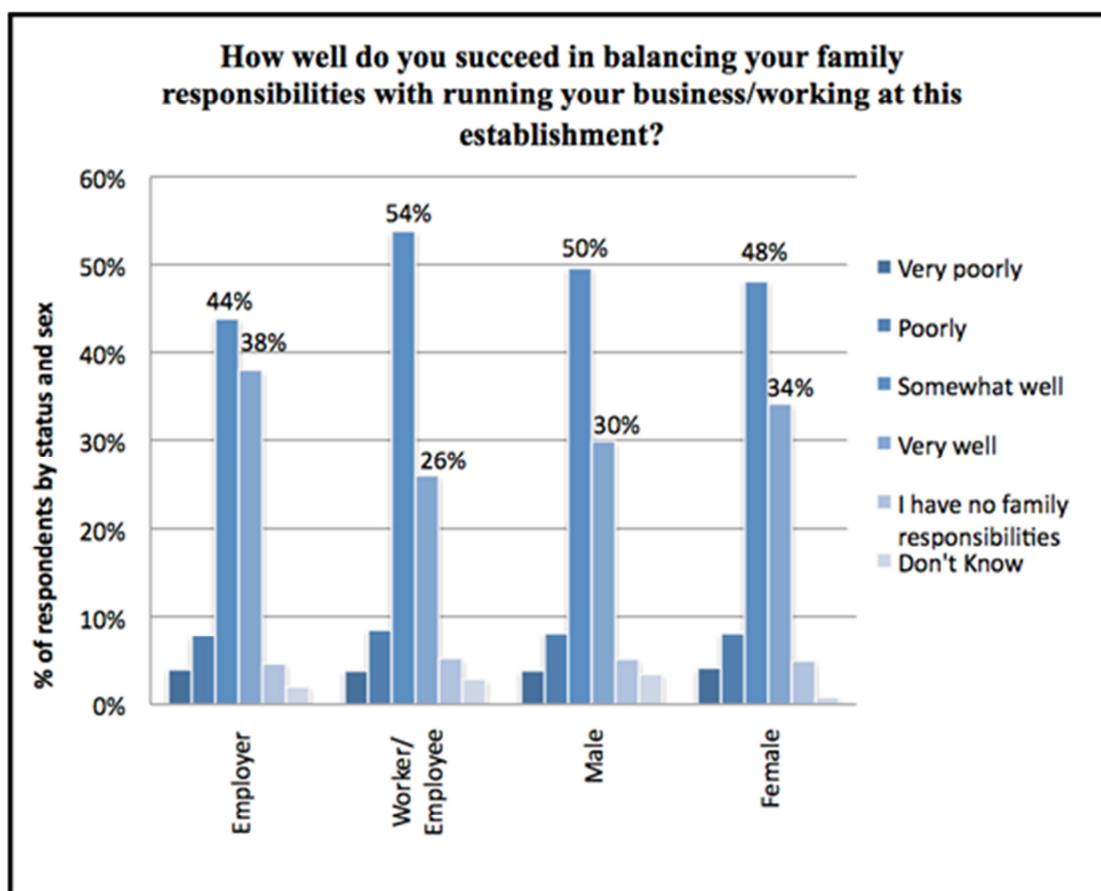
There are some initiatives in Zambia which try to remedy the existing situation. For example, the Zambia Chamber of Small and Medium Business Associations (ZCSMBA) mainstreams gender in its activities. A USAID project that the organization benefited from imposed a 40 per cent quota for women in all programmes, and this quota system was maintained even after the end of the project. Moreover, ZCSMBA is trying to establish a women's desk.²²⁹ Other organizations adopt quota systems for women. For example, the beneficiaries of ZDA must be 30 per cent female, with young women being favoured.²³⁰

The Zambia EESE survey reveals that almost 50 per cent of respondents can balance their family responsibilities with work or business management "somewhat well", and about 31 per cent can do it "very well". About 12 per cent of interviewees claim that they can balance family responsibilities and work or management tasks "poorly" to "very poorly". Considering responses by sector, only in the construction sector, which is male dominated, the largest share of interviewees state that they can balance family responsibilities and work or management tasks "very well", as opposed to the largest proportions of respondents from all other sectors which choose "somewhat well". Employers are more confident in this regard, with 38 per cent describing their ability to balance responsibilities as "very well" and about 44 per cent describing it as "somewhat well", compared to 26 and 54 per cent of employees respectively. Respondents from large firms were also more confident than other interviewees, describing it as "somewhat well" and "very well" at almost equal rates (45.4 and 41.2 per cent respectively). Comparatively, much larger proportions of interviewees from small

²²⁹ Focus group discussion with ZCSMBA, 28 September 2012.

²³⁰ Focus group discussion with ZDA, 28 September 2012.

and medium-size businesses (50 and 62 per cent respectively) reported balancing their family responsibilities only “somewhat well”. Interestingly, this difference decreases dramatically when respondents are compared across sex, where male and female respondents describe their ability to balance work and home responsibilities at near identical levels.



Source: Zambia EESE survey.

Key Indicators

GINI coefficient		2003	2004	2006	2007	2008
Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.	Zambia	42.08	50.74	54.63	-	-
	Malawi	-	39.02	-	-	-
	Mozambique	47.11	-	-	-	45.66
	Tanzania	-	-	-	37.58	-
	0=perfect equality, 100=perfect inequality.					

Source: World Bank, Development Research Group. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments.²³¹

²³¹ <http://data.worldbank.org/>

Labour force participation rate		2006	2007	2008	2009	2010
The labour force participation rate is the proportion of the population ages 15-64 that is economically active: all people who supply labour for the production of goods and services during a specified period. The labour force participation rate is calculated by expressing the number of persons in the labour force as a percentage of the working-age population. The labour force is the sum of the number of persons employed and the number of unemployed. The working-age population is the population above a certain age, prescribed for the measurement of economic characteristics. Source: ILO KILM.²³²	Zambia	80.1	80.0	80.0	79.9	79.8
	Malawi	83.1	82.1	82.8	82.7	82.6
	Mozambique	85.5	85.3	85.2	85.0	84.9
	Tanzania	90.8	90.8	90.7	90.7	90.6
	The lower the value, the more heavily a society is penalized for having inequalities.					
Gender-related Development Index (GDI)			2005	2006	2007	2009
A composite index measuring average achievement in the three basic dimensions captured in the human development index—a long and healthy life, knowledge, and a decent standard of —adjusted to account for inequalities between men and women. Source: UNDP Human Development Report.²³³	Zambia	0.38	0.40	0.43	0.47	
	Malawi	0.32	0.39	0.43	0.49	
	Mozambique	0.37	0.39	0.37	0.40	
	Tanzania	0.41	0.43	0.46	0.53	
	The lower the value, the more heavily a society is penalized for having inequalities.					
Gender empowerment measure			2005	2006	2007	2009
A composite index measuring gender inequality in three basic dimensions of empowerment—economic participation and decision-making, political participation, and decision-making and power over economic resources. Source: UNDP, Human Development Report.²³⁴ Note: Data for Malawi and Mozambique is not available.	Zambia	-	-	-	0.43	
	Tanzania	0.54	0.60	0.60	0.54	
	The lower the value, the more heavily a society is penalized for having inequalities.					
Gender Inequality Index (GII)			2009	2010	2012	
The Gender Inequality Index is a composite index measuring loss in achievements in three dimensions of human development—reproductive health, empowerment and labour market—due to inequality between genders. Source: UNDP, Human Development Report.²³⁵	Zambia	0.752	0.617	0.623		
	Malawi	0.758	0.583	0.573		
	Mozambique	0.718	0.593	0.582		
	Tanzania	-	0.556	0.556		
	Values range from 0 (perfect equality) to 1 (total inequality).					

²³² <http://kilm.ilo.org/>

²³³ <http://hdr.undp.org/en/reports/>

²³⁴ Ibid.

²³⁵ Ibid.

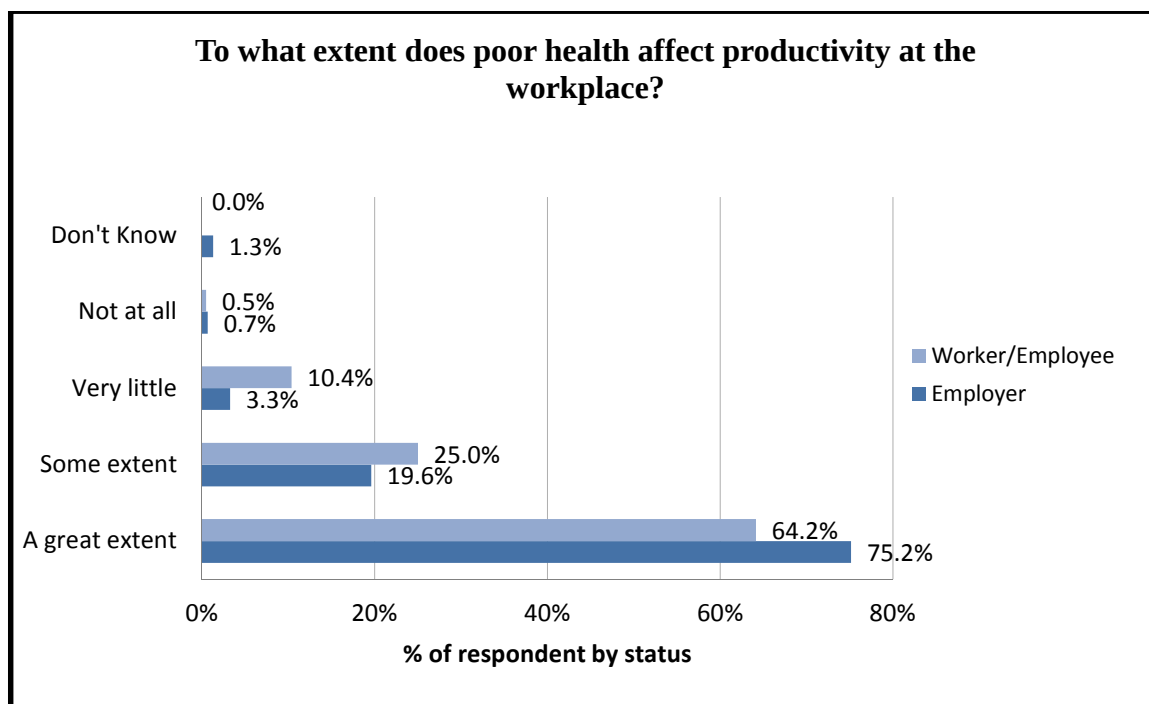
Female economic activity		2003 (Report 2005)	2004 (Report 2006)	2005 (Report 2007/2008)
Female economic activity is a measure of women over the age of fifteen who are working in industry, agriculture, or services as a percent of males. <i>Source:</i> UNDP, Human Development Report. ²³⁶	Zambia	74	73	73
	Malawi	90	95	95
	Mozambique	92	102	102
	Tanzania	93	95	95
	% aged 15 and older.			

4.4. Adequate social protection

Providing citizens with access to key services, such as quality health care, unemployment benefits, maternity protection, and a basic pension, is key to improving productivity. Protecting workers' health and safety at the workplace is also vital for sustainable enterprise development and productivity gains. For about 69 per cent of respondents of the Zambia EESE survey, poor health affects productivity at the work place to "a great extent", and for 22.7 per cent to "some extent". Interestingly, employers held the former view more often than workers, where 75.2 per cent of employers believe that poor health affects productivity to "a great extent", compared to 64.2 per cent of workers who feel this way. Views on how statutory social security contributions affect business are quite diverse. For 29.6 per cent of interviewees, contributions "positively" impact business, 25.5 per cent believe they "negatively" impact it, and for 28 per cent they have no effect. Comparing responses across firm age, interviewees from firms 1 year of age or younger were more negative in this regard than others. Specifically, 39.3 per cent described the impact as "negative", compared to 24.7 per cent, 27.3 per cent and 23 per cent of interviewees from firms aged 2-5, 6-9 and 10 or more years old respectively who felt this way. Support from social security contributions in case of emergencies is assessed as "poorly" functioning by 37 per cent of interviewees, and "not very well" functioning by 35.3 per cent of them. It is however argued that in Zambia there are no social protection measures in place for emergencies.²³⁷ The Zambia EESE survey also reveals that occupational safety and health (OSH) practices are sensitized and implemented by enterprises "to some extent" according to 47.7 per cent of respondents, and "very little" for 37.8 per cent.

²³⁶ <http://hdr.undp.org/en/reports/>

²³⁷ Tripartite technical workshop, 10-11 April 2013.

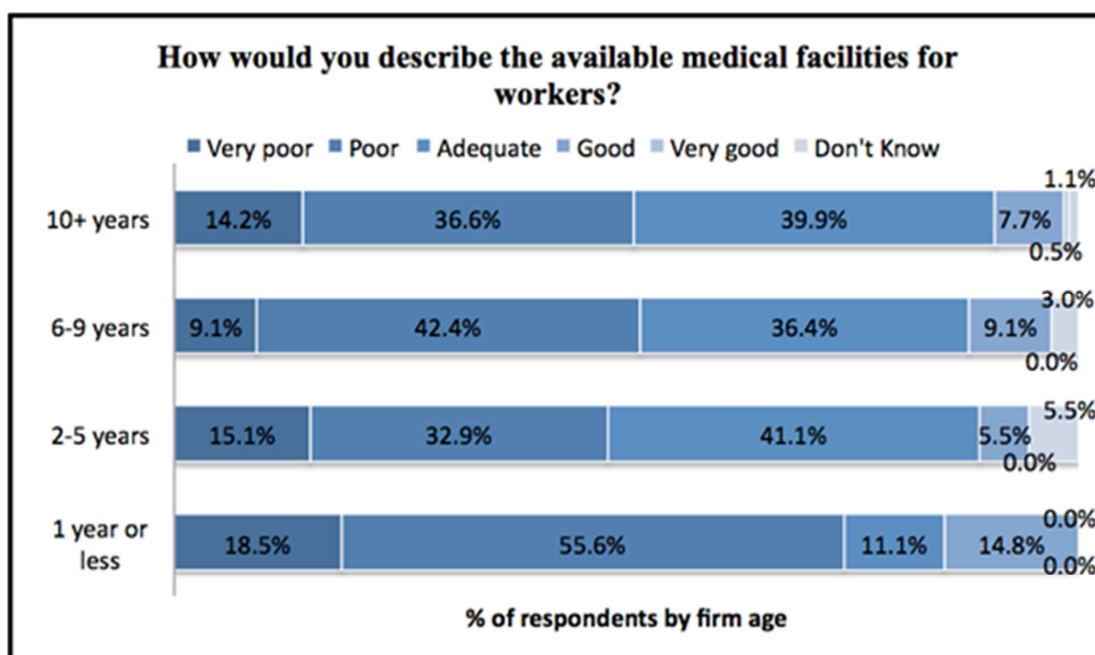


Source: Zambia EESE survey.

HIV/AIDS continues to be a serious problem among the Zambian population. The 2007 Zambia Demographic and Health Survey reveals that 14 per cent of Zambians aged 15-49 were HIV/AIDS positive at that time. HIV prevalence was higher among women (16 per cent) than among men (12 per cent) and in rural areas more than in urban ones. About 15 per cent of children under the age of 18 were orphaned.²³⁸ Interestingly, the 2009 FinMark Trust Zambia Business Survey reveals that for 9 per cent of large business managers, HIV/AIDS was a reason for high absenteeism among workers. Malaria seemed to represent much more of a problem however, where 25 per cent of large enterprise managers and 14 per cent of small entrepreneurs found it was disruptive to the business. More generally, health was not perceived to have a big impact on business performance, with only 19 per cent of large company managers thinking that illness has a significant influence.²³⁹ These findings contrast with those emerging from the Zambia EESE survey presented above. The EESE survey reveals that for 37.7 per cent of interviewees, medical facilities available for workers in Zambia are “poor”, and for 35 per cent they are “adequate”. Interestingly, respondents from firms 1 year old or younger described medical facilities more negatively, with 74.1 per cent describing them as “poor” or “very poor”, compared to 47.9, 51.5 and 50.8 per cent of those from firms aged 2-5 years, 6-9 years and 10 or more years respectively who shared this opinion. For slightly over 50 per cent of interviewees, medical costs are “somewhat affordable” for workers and for 34.2 per cent they are “not affordable at all”.

²³⁸ Central Statistics Office; Zambia Ministry of Health; Tropical Diseases Research Centre; University of Zambia. 2009. [Demographic and Health Survey 2007](#). March. Accessed on 9 November 2012.

²³⁹ Clarke et al. 2010a.



Source: Zambia EESE survey.

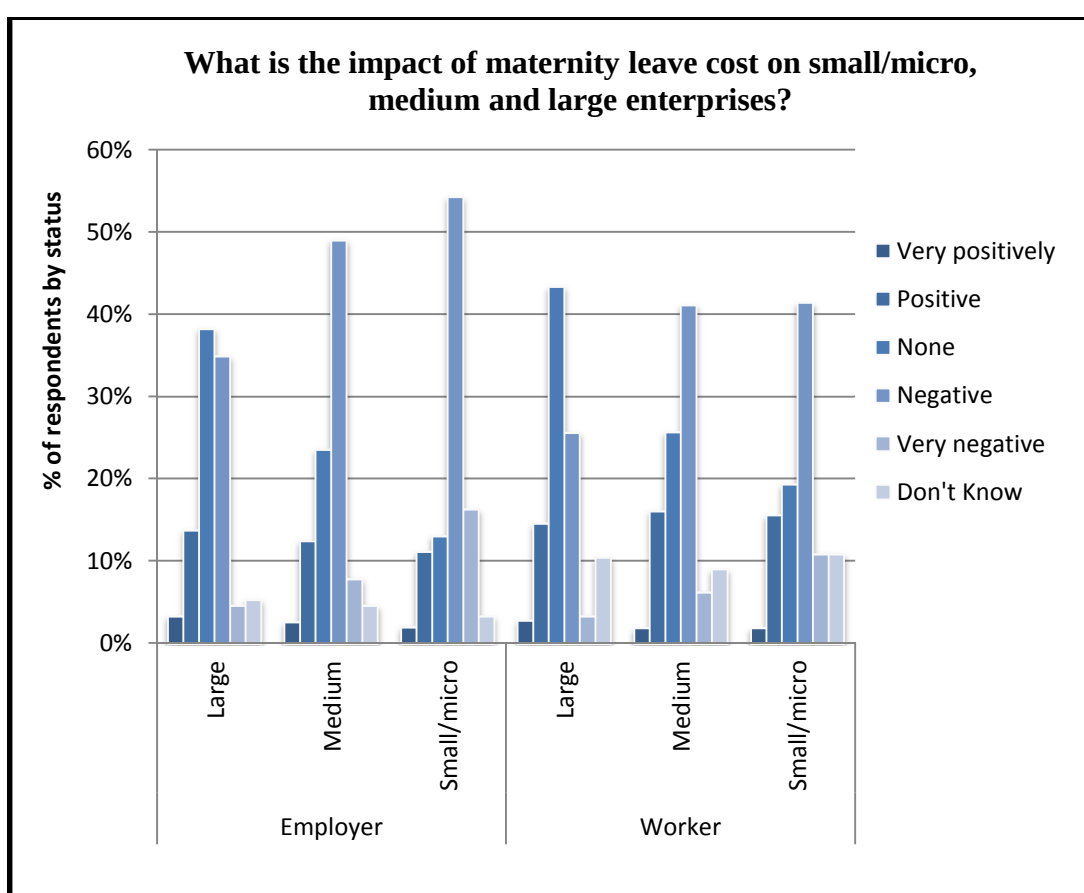
Secondary information on social protection in Zambia is rather scanty and partly missing. Data on old age expenditure as a percentage of GDP is available only for 1992 in Zambia, when the rate was 2.34 per cent. No figure is available for any year for any of the three countries used for comparison. Data on “Public Expenditure on Health” as a percentage of GDP reveals that Zambia’s spending has been decreasing over the period 2002-10. In the latter year, Zambia reached a level of 3.6 per cent of GDP, compared to the Sub-Saharan Africa average of 2.9 per cent for the same year. In 2010, all three neighbouring countries used for comparison spent higher shares of their GDP than Zambia on health. It is however to be noted that the Government has announced an almost 41 per cent increase of financial allocations in 2013 over 2012 for health.²⁴⁰ “Coverage by Health Care” as a percentage of total health care measures the percentage of total (public and private) health care expenditure not financed by private household’s out of pocket payments. Data on this indicator is available only for Tanzania and Zambia. It is clear from the data that the Government of Tanzania has contributed more over time and Tanzania has reached a substantially higher percentage of total health care not financed by private households than Zambia. In 2010, the rate was 73.5 per cent for Zambia and 86.4 per cent for Tanzania.

The large size of the informal economy in Zambia leaves the majority of workers without basic forms of social protection. There is a Cash Transfer Scheme which presently covers about 30,000 individuals and which will be scaled-up. In addition, to remedy the situation, the SNDP envisages the development of a national social protection policy, a universal old-age pension scheme, and national social health insurance. It is also to be noted that Zambia has a Workers’ Compensation Act, which was adopted in 1999, and an Occupational Health and Safety Act passed in 2010.²⁴¹ In Zambia, no statutory old-age pension system exists. The 1996 Pension Scheme Regulation Act

²⁴⁰ Ministry of Finance and National Planning. 2012.

²⁴¹ ILO. 2013.

regulates the establishment of pension schemes and was amended in 2005. There are voluntary pension schemes for both public and private sector employees, and special schemes for civil servants, military and police personnel, local government, and utility staff. Employees usually pay up to 1/3 of the total contribution, in a range from 5 to 10 per cent of their salaries. Employers normally pay double the rate of employees' contributions, in a range from 10 to 20 per cent of salaries. Employers may, on a voluntary basis and either individually or as a group, establish complementary occupational pension schemes for their employees. The self-employed and some categories of informal workers may also obtain voluntary coverage if they were previously covered by the pension scheme. There are also disability and survivor pension schemes.²⁴² The Government of Zambia is presently reviewing all occupational diseases laws in order to improve the current situation of the country. In addition, Zambia is committed to adopting Convention 155 on occupational safety and health and convention 187 on a promotional framework for occupational safety and health.²⁴³



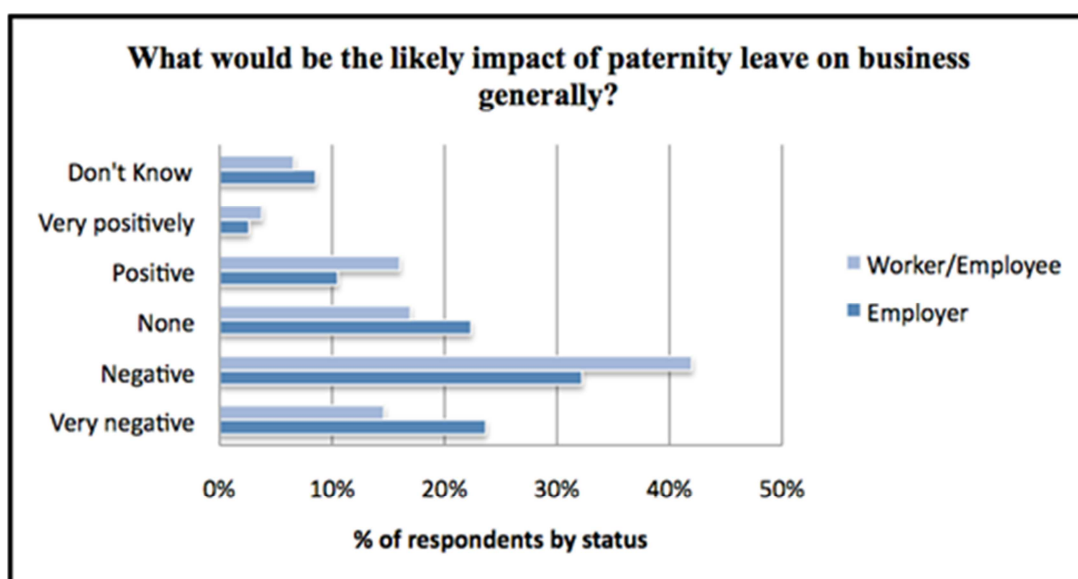
Source: Zambia EESE survey.

Over 51 per cent of respondents of the Zambia EESE survey consider maternity protection in the country as “satisfactory”. For 23.6 per cent of them, it is “well-

²⁴² International Social Security Association. 2012. [ISSA Social Security Country Profiles – Zambia](#). Accessed on 12 November 2012.

²⁴³ Statement by the Government of Zambia at the ILO March 2013 Governing Body meeting on 14 March 2013.

functioning” and for 21.4 per cent it is “underdeveloped”. The impact of maternity leave costs on enterprises is assessed differently depending on the size of the business. The impact is deemed to be “negative” by 46.7 per cent of interviewees concerning small and micro enterprises (1-50 employees), and by 44.4 per cent regarding medium-scale firms (51-99 employees). The respective shares considering such impact as neutral are 16.7 per cent on small firms and 24.7 per cent on medium-size ones. The trend reverses when it comes to assessing the impact of maternity leave costs on large enterprises (100 employees or more), where for 41.4 per cent of interviewees there is no impact and for 29.3 per cent it is “negative”. Interestingly, employers are more negative than workers regarding the impact of maternity leave costs across all enterprises, irrespective of size. Moreover, interviewees from small firms are the most negative regarding their assessment of maternity protection, with just over 25 per cent describing it as “underdeveloped”, compared to 15.7 per cent of those from medium-size enterprises and 14.9 per cent from large firms. Presently, in Zambia only employers fund maternity leave. The government is now dealing with the Maternity Convention C183 and the extension of the number of weeks of maternity leave from 12 to 14. In addition, at the moment only civil servants benefit from 5 days of paternity leave. The extension of paternity leave to private sector employees is under consideration.²⁴⁴ Respondents of the Zambia EESE survey were asked to express their views on the likely impact of paternity leave on business in general. The prevailing trend is that such impact would be “negative” (37.8 per cent) to “very negative” (18.4 per cent). There is no impact for 19.2 per cent of interviewees. Workers responded slightly more positively than employers, with 19.8 per cent of employees compared to 13.1 per cent of employers describing the impact as “positive” or “very positive,” and only 14.6 per cent of employees compared to 23.7 per cent of employers describing the impact as “very negative”.



Source: Zambia EESE survey.

²⁴⁴ Focus group discussion with the Ministry of Labour and Social Security, 27 September 2012.

Key Indicators

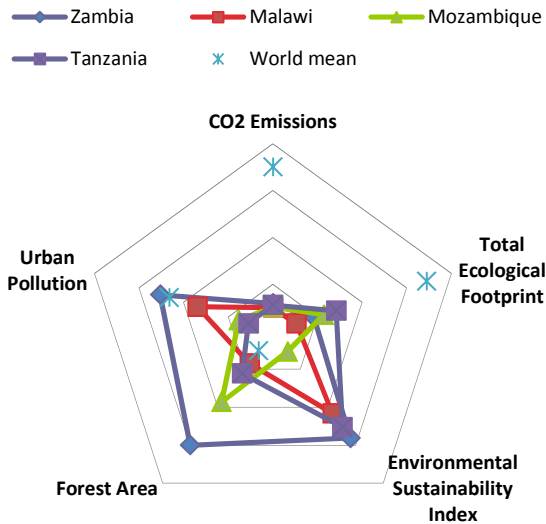
Public expenditure on health (% of GDP)		2002	2004	2006	2008	2009	2010
Public expenditure on health as a percentage of GDP – Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and non-governmental organizations), and social (or compulsory) health insurance funds. Source: World Health Organization (WHO) WHOSIS133 and World Development Indicators CD-ROM and UNDP Human Development Report. ²⁴⁵	Zambia	4.2	3.8	3.8	3.7	3.6	3.6
	Malawi	2.9	5.7	6.2	4.1	4.4	4.0
	Mozambique	4.5	3.5	4.0	2.9	3.9	3.7
	Tanzania	1.6	1.7	3.8	3.4	3.7	4.0
	Sub Saharan Africa	2.3	2.6	2.6	2.8	3.1	2.9
% of GDP.							
Coverage by health care (% of total health care)		2006	2007	2008	2009	2010	
Percentage of total (public and private) health care expenditure not financed by private household's out of pocket payments (as a proxy indicator). Source: World Health Organization WHOSIS. ²⁴⁶ Note: Data for Malawi and Mozambique is not available.	Zambia	73.6	71.4	72.8	72.1	73.5	
	Tanzania	77.7	74.4	84.0	85.9	86.4	
% of total health care.							

²⁴⁵ <http://www.ilo.org/dyn/sesame/ifpses.WriteSSDBSectResExp>

²⁴⁶ Ibid.

5. Environmental elements

Indicators* assessing environmental elements of the enabling environment for sustainable enterprises for 2005



* the values for the individual indicators have been harmonized for better presentation. The original indicator values are included in the chapters.

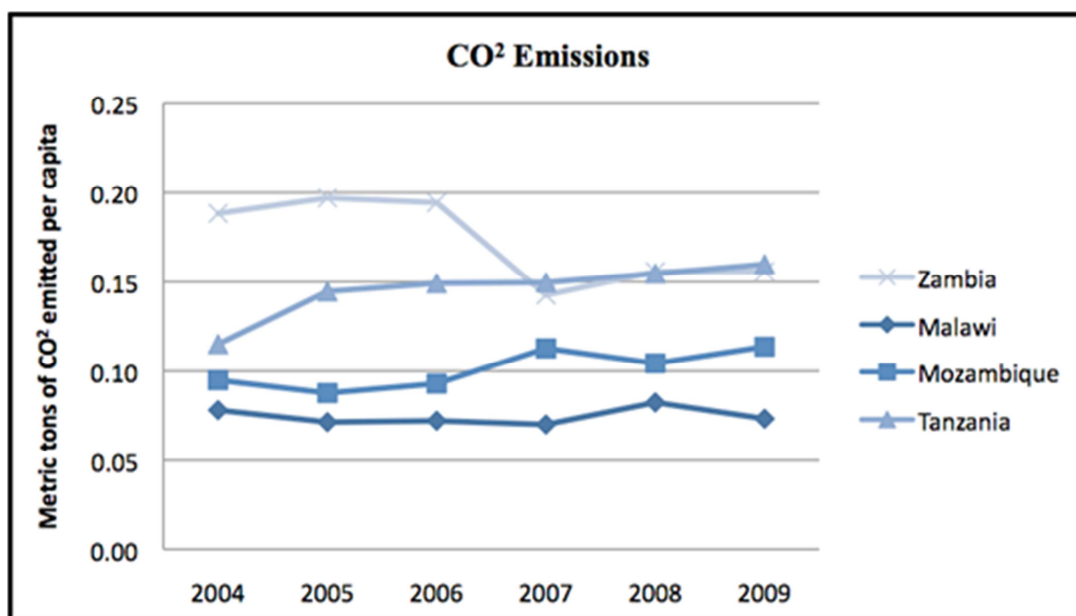
Key findings:

- A clear environmental protection policy framework exists in Zambia, but its implementation is weak. A main reason for this is the lack of human and financial resources.
- Financial and fiscal incentives to attract foreign investors have traditionally spared companies enormous financial charges for environmental protection, especially in the extractive industry.
- Mining, a key economic activity in the country, is an extremely polluting activity, negatively affecting the air, water and land.
- In 2009, Zambia recorded CO² levels of 0.16 metric tons per capita. The world mean for that year was 4.7 metric tons per capita.

5.1. Responsible stewardship of the environment

In the absence of appropriate regulations and incentives, markets can lead to undesirable environmental outcomes. The development of sustainable enterprises and the protection of the environment require sustainable production and consumption patterns.

The “Environmental Sustainability Index” benchmarks the ability of nations to protect the environment over the next several decades. Higher values indicate better performance. From 2001 to 2005, Zambia improved its ratings, reaching 51.1 in the latter year, outperforming Malawi, Mozambique and Tanzania. Considering “Total Ecological Footprint”, where lower values indicate better performance, Zambia has worsened its performance over the period 2005-08. However, it improved from 2007 to 2008. Its neighbouring countries used for comparison do not perform any better, and Tanzania registers the highest value of the four countries, at 1.2 in 2008. However, the world mean for that year is notably worse than the values recorded by the four countries. The “Environmental Performance Index” ranks 149 countries based on 25 indicators. The higher the score, the better the environmental performance of the country. Zambia improved over the period 2007-10, reaching a level of 55.6 in the latter year. Mozambique and Tanzania perform less well in this regard, and no data is available for Malawi. Additional information on responsible stewardship of the environment can be obtained by considering other indicators. For example, carbon dioxide (CO²) emissions in metric tonnes per capita indicate that Zambia registers a fluctuating, but generally declining pattern, which may be the result of a real effort by the country to reduce global pollution. It should also be noted that, while Zambia reflects generally high rates compared to its neighbouring countries used for comparison, they are still substantially lower than the world mean, which is typical of developing countries. In 2009, the most recent year for which data is available, Zambia recorded a rate of 0.16 compared to the world mean of 4.7.



Source: Carbon Dioxide Information Analysis Center, Environmental Sciences Division, Oak Ridge National Laboratory, Tennessee, United States (World Development Indicators Online).

The large majority of the Zambian population lives on agriculture, and Zambia’s economic growth depends on its natural resources, in particular copper. Moreover, Zambia’s territory has a rich natural heritage, including the Victoria Falls on the border with Zimbabwe. This is why safeguarding the environment is of utmost importance for the country. Recently, the development of the potentially largest conservation area in the

world has been launched in the region, spanning 5 Southern African countries, including Zambia. The objective of this initiative is to sustainably manage the Kavango Zambezi ecosystem and its cultural resources based on best conservation and tourism models.²⁴⁷

The supreme environmental law in Zambia is the 1990 Environmental Protection and Pollution Control Act.²⁴⁸ It established the Environmental Council of Zambia, which the Environment Management Act No. 12 of 2011 renamed the Zambia Environmental Management Agency (ZEMA), to protect the environment and control pollution. Among other functions, it identifies projects, plans and policies for which an environmental impact assessment is required. It also supervises the implementation of environmental management plans.²⁴⁹ In addition, Zambia relies on the 2007 National Policy on the Environment to guide effective natural resource utilization and ensure environmental conservation according to a sustainable development framework. Zambia has set environmental standards for water quality, ambient air quality and air emissions. The revised 2008 National Energy Policy introduced renewable energy in the country.²⁵⁰

Unfortunately, environmental protection has not been, and is not being implemented concretely in Zambia. First, particularly during the periods of economic downturn, the lack of human and financial resources prevented ZEMA from functioning properly. Moreover, in industrialized countries legal provisions impose compensation for pollution, whereas in Zambia financial and fiscal incentives to attract foreign investors have traditionally spared companies enormous financial charges, especially in the extractive industry. Mining is an extremely polluting activity, negatively affecting the air, water and land. Sulphur dioxide (SO₂) emissions pollute the atmosphere, mercury and other heavy metals deteriorate the quality of water, and hazardous toxic wastes make land sterile and unproductive.²⁵¹

²⁴⁷ Southern African Development Community. 2012. [Launch of Kavango-Zambezi Trans frontier Conservation Area \(KAZA TFCA\)](#). 15 March. Accessed on 20 November 2012.

²⁴⁸ Development Bank of Southern Africa; Southern African Institute for Environmental Assessment. 2007. [Handbook on Environmental Assessment Legislation in the SADC Region](#). Development Bank of Southern Africa; SAIEA; Midrand, November. Accessed on 6 December 2012.

²⁴⁹ Parliament of Zambia. 1990. Environmental Protection and Pollution Control Act. No. 12 of 1990. Government of Zambia.; Parliament of Zambia. 2011. Environmental Management Act. No. 12 of 2011. Government of Zambia.

²⁵⁰ Zambia Ministry of Tourism, Environment and Natural Resources. 2011. [National Programme on Sustainable Consumption and Production for Zambia](#). Republic of Zambia; United Nations Environment Programme; Environmental Council of Zambia. Accessed 16 April 2013.

²⁵¹ Osei-Hwedie, B.Z. 1996. [Environmental Protection and Economic Development in Zambia](#). Journal of Social Development in Africa 11, 2. Accessed on 15 November 2012.

Key Indicators

Environmental Sustainability Index (ESI)		2001	2002	2005
The Environmental Sustainability Index (ESI) benchmarks the ability of nations to protect the environment over the next several decades. It does so by integrating 76 data sets—tracking natural resource endowments, past and present pollution levels, environmental management efforts, and the capacity of a society to improve its environmental performance—into 21 indicators of environmental sustainability. Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.²⁵²	Zambia	39.8	49.5	51.1
	Malawi	41.3	47.3	49.3
	Mozambique	44.2	51.1	44.8
	Tanzania	40.3	48.1	50.3
	The higher a country's ESI score, the better positioned it is to maintain favourable environmental conditions into the future.			
Total ecological footprint (EFP) (global hectares per capita)		2005	2007	2008
The Ecological Footprint (global hectares per capita) measures the amount of biologically productive land and sea area an individual, a region, all of humanity, or a human activity requires to produce the resources it consumes and absorb the waste it generates, and compares this measurement to how much land and sea area is available. Source: Global Footprint Network, based on international data (UNSD, FAO, IEA, IPCC).²⁵³	Zambia	0.77	0.91	0.80
	Malawi	0.47	0.73	0.80
	Mozambique	0.93	0.77	0.80
	Tanzania	1.14	1.18	1.20
	World	2.69	2.70	2.70
		Lower value=better performance. For 2005, humanity's total ecological footprint was estimated at 1.3 planet Earths. In other words, humanity uses ecological services 1.3 times as fast as Earth can renew them.		

Other Useful Indicators

Environmental Performance Index (EPI)		2007	2008	2009	2010
The 2008 Environmental Performance Index (EPI) ranks 149 countries on 25 indicators tracked across six established policy categories: Environmental Health, Air Pollution, Water Resources, Biodiversity and Habitat, Productive Natural Resources, and Climate Change. The EPI identifies broadly-accepted targets for environmental performance and measures how close each country comes to meeting these goals. Source: Yale University's Center for Environmental Law and Policy in collaboration with Columbia University's Center for International Earth Science Information Network (CIESIN), and the World Economic Forum.²⁵⁴ Note: Data for Malawi is not available.	Zambia	55.3	55.2	55.4	55.6
	Mozambique	47.5	47.7	47.7	47.8
	Tanzania	53.4	53.7	53.9	54.3
		The higher the score the better the environmental performance of the country (range of 0-100).			

²⁵² <http://www.yale.edu/esi/> and <http://sedac.ciesin.columbia.edu/es/esi/archive.html>

²⁵³ http://www footprintnetwork.org/en/index.php/GFN/page/ecological_footprint_atlas_2008

²⁵⁴ <http://epi.yale.edu/> and <http://epi.yale.edu/ResultsAndAnalysis>

6. Assessment results and ways forward

The final results of the overall assessment on an enabling environment for sustainable enterprises in Zambia based on primary and secondary data, focus group discussions and in-depth interviews, workshop discussions, and a thorough literature review indicate that there is space for improving the situation in all of the 17 conditions.

In order to focus attention and concentrate efforts toward a deep analysis of emerging issues, some of the 17 conditions were prioritized by tripartite constituents at the consultative workshop held in September 2012 in Lusaka. These areas were perceived as those where interventions for improvement are most needed. The selected conditions are as follows, in the priority order established by tripartite participants:

- Physical infrastructure;
- Education, training and lifelong learning;
- Access to financial services;
- Sound and stable macroeconomic policy and good management of the economy;
- Enabling legal and regulatory environment;
- Adequate social protection;
- Social justice and social inclusion; and
- Entrepreneurial culture.

This preliminary selection became the focus of group discussions and interviews that were organized with certain relevant national stakeholders in September 2012 to better understand the constraints and possible ways forward in these specific areas. The collection of primary data also concentrated on these 8 conditions only. The information obtained contributed to enriching the quality of the evidence considered for the final EESE assessment.

The preliminary findings of the overall evaluation were presented, discussed and validated at a tripartite workshop held in Lusaka in April 2013. There it was agreed that efforts should be concentrated on only a few areas in order to maximise the impact of the proposed measures toward improvement. Emphasis for future action was hence placed on only four of the priority conditions listed above, with one additional area, “access to financial services”, being considered as cross-cutting:

- Physical infrastructure;
- Education, training and lifelong learning;
- Enabling legal and regulatory environment; and
- Adequate social protection.

“Physical infrastructure” was selected as a top priority area out of the 17 EESE conditions where improvements are needed to obtain a more conducive business environment in Zambia. Transport infrastructure, including roads, railways and airports, requires immediate action in order to enable enterprises to operate efficiently and effectively in the country. It was also agreed that the physical infrastructure supporting ICT is in urgent need of improvement in order to facilitate firms’ access to telecommunications. Access to clean water and energy are two other key areas where improvements are necessary for effective and efficient business operations to occur. The proposed interventions require that adequate financial mechanisms be made available. In addition, in order to ensure decent work, inspectors should regularly visit sites where physical infrastructure is being built.

In the area of “Education, training and lifelong learning”, it was suggested that employment opportunities be increased by reviewing TEVETA, as well as the overall education and training curricula, in order to ensure that training meets existing market

demand, and by establishing linkages between training institutions and financial service providers. In addition, the number of secondary schools and teachers should be increased, particularly in rural areas.

Several reforms are presently being considered by the Government in the area of “enabling legal and regulatory environment”. It was however argued that some outstanding issues are yet to be addressed. These include the standardization according to national legislation of ways to acquire land through the harmonization of existing customary practices, and the finalization of the labour law review. Furthermore, the number of required licenses for businesses should be reduced and the tax base broadened.

Concerning “adequate social protection”, the need to finalise a social protection policy, review existing legislation, and extend social protection to the informal economy emerged as key issues.

An action plan with specific outputs stemming from outcomes linked to priority areas and key players for action has been drafted by tripartite participants at the April 2013 workshop. The action plan will be finalized and adopted at a dissemination workshop to be held in May 2013 in the presence of high-level policy makers. The implementation of the action plan will address some of the main issues emerging from this assessment and will contribute to the improvement of the enabling environment for sustainable enterprises in Zambia. Some elements of the action plan that were discussed at the tripartite workshop held in April 2013 are presented in the table below. The action plan covers the period 2013-16.

Condition for action	Outcome	Output	Main actors
Physical infrastructure	Infrastructure network improved in quality and size.	Lobby government on increasing budget allocations. Promote PPP arrangements. Rehabilitation of rural roads. Railway network strengthened and expanded. Lobby for review of legislation on water and energy. Advocate for improved access to clean water. Power generation capacity expanded. Improve ICT infrastructure.	ZCTU, Business Advisory Council, Government of Zambia, Ministry of Transport, Ministry of Finance and National Planning, donors
Education and training	Education and training opportunities increased.	TEVETA curricula reviewed to meet skills demand. Stakeholders' monitoring of curricula implementation. Expand secondary education infrastructure. Improve teacher/pupil ratio. Improve E-learning system. Design user-friendly entrepreneurship guide. Link entrepreneurship training institutions and financial service providers.	TEVETA, ZCTU, ZFE, Business Advisory Council
Enabling legal and regulatory environment	Cost of doing business reduced.	Reduce number of licenses. Broaden tax base. Standardise land acquisition. Finalise labour law review.	ZCTU, ZFE, ZCSMBA, NAMSC, Ministry of Labour, private sector bodies
Social protection	Social protection improved.	Social protection legislation reviewed. Social protection policy finalised and adopted. Include informal economy in the social protection system.	ZCTU, ILO, Business Advisory Council, Government of Zambia, private sector bodies

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International Labour Office
Employment Sector
4, route des Morillons
CH-1211 Geneva 22

Email: edempdoc@ilo.org